

APPLERA CORP  
Form S-4  
July 09, 2001

[QuickLinks](#) -- Click here to rapidly navigate through this document

As filed with the Securities and Exchange Commission on July 9, 2001.

Registration No. 333-

---

---

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

### FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

---

### 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)

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

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

(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)

---

**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

---

**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 such merger.

---

**Edgar Filing: APPLERA CORP - Form S-4**

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**

<b>Title of each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price Per Share</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee(2)</b>
<b>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)(3)</b>	<b>6,910,674 shares</b>	<b>Not applicable</b>	<b>\$249,000,207</b>	<b>\$62,250.05</b>

- (1) Represents the maximum number of shares of Applera Corporation Celera Genomics Group Common Stock, par value \$0.01 per share ("Celera Genomics common 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 Celera Genomics common stock to be exchanged for (a) each share of common stock, par value \$.001 per share, of Axys Pharmaceuticals, Inc., that would be outstanding if all Axys Pharmaceuticals, Inc. stock options and warrants outstanding on June 12, 2001 were exercised, and all Axys Pharmaceuticals, Inc. 8% Senior Secured Convertible Notes due 2004 outstanding on June 12, 2001 were converted and (b) each share of Axys Pharmaceuticals, Inc. common stock that could be issued upon the exercise of stock options granted by Axys Pharmaceuticals, Inc. to employees hired after June 12, 2001, but before the effective time of the merger.
- (2) Pursuant to Rules 457(f) and 457(c) under the Securities Act, the fee was calculated on the basis of \$36.0313 per share, the average of the high and low sales prices for shares of Celera Genomics common stock on the New York Stock Exchange (NYSE: CRA) on July 6, 2001.
- (3) Includes associated rights to purchase 1/1000th of a share of Applera Corporation's Series B participating junior preferred stock. Until the occurrence of certain prescribed events, the rights are not exercisable, are evidenced by the certificates representing Celera Genomics common stock and will be transferred only with such shares of Celera Genomics common 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.**

[Axys Pharmaceuticals, Inc. Letterhead]

Axys Pharmaceuticals, Inc.  
180 Kimball Way  
South San Francisco, California 94080

[            ], 2001

## Edgar Filing: APPLERA CORP - Form S-4

Dear Stockholder:

You are cordially invited to attend our special meeting of stockholders on [ ], 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). Applera conducts its business through two groups: the Celera Genomics group and the Applied Biosystems group. The Celera Genomics common stock that you will receive in the merger is a class of stock of Applera that is intended to reflect the relative performance of the Celera Genomics group. The exact number of shares of Celera Genomics common stock that you will receive will be determined by an exchange ratio that is described in more detail in the enclosed proxy statement/prospectus. The exchange ratio is calculated based on the average closing price of Celera Genomics common stock over the 10 trading days immediately preceding (but excluding) the second trading day prior to the closing of the merger. If the merger had closed at the time the merger agreement was signed, for each of your shares of Axys common stock you would have received a fractional share of Celera Genomics common stock having an average closing price during the calculation period equivalent to \$4.65 per share of Axys common stock. We urge you to obtain current market quotations for Celera Genomics common stock and Axys common stock prior to making any decision with respect to the merger. We expect that the merger will be tax-free to you for United States federal income tax purposes, except for cash received in place of fractional shares.

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 [ ], 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 22 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 is 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,

Douglas H. Altschuler  
Vice President and General  
Counsel

---

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 Celera Genomics common 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.

---

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

---

**AXYS PHARMACEUTICALS, INC.**

### **NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON [ ], 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 [ ], 2001 at 10:00 a.m. Pacific Time, to consider and vote on the following matters described in the accompanying proxy statement/prospectus:

Edgar Filing: APPLERA CORP - Form S-4

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;
2. Any proposal to adjourn or postpone the special meeting; and
3. 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 [ ], 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  
[ ], 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 [ ], 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 141.

---

## TABLE OF CONTENTS

	<b>Page</b>
QUESTIONS AND ANSWERS ABOUT THE MERGER	1
SUMMARY OF THE PROXY STATEMENT/PROSPECTUS	6
SELECTED HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL INFORMATION AND SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION	12
Applera Selected Historical Consolidated Financial Information	12
Celera Genomics Group Selected Historical Combined Financial Information	14
Selected Unaudited Pro Forma Consolidated Financial Information of Applera and Axys	15
Selected Unaudited Pro Forma Combined Financial Information of the Celera Genomics Group and Axys	16
SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF AXYS	17
COMPARATIVE PER SHARE INFORMATION (UNAUDITED)	18
COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION	20
RISK FACTORS	22
Risks Related to the Merger	22
Risks Related to the Celera Genomics Group	23
Risks Related to a Capital Structure with Two Separate Classes of Common Stock	31
Risks Related to Axys	37
THE SPECIAL MEETING	46
Date, Time and Place	46
Purpose of the Special Meeting	46
Record Date; Stock Entitled to Vote	46
Quorum	46
Vote Required	46
Share Ownership of Management and Others	47
Voting of Proxies	47
Revoking Proxies	47
Proxy Solicitation	47
THE MERGER	49
Background of the Merger	49
Reasons of Axys for the Merger	52
Recommendation of the Axys Board of Directors	53
Reasons of Applera for the Merger	54
Opinion of the Financial Advisor to the Axys Board of Directors	54
Structure of the Merger	60
Closing Matters	60
Consideration to Be Received in the Merger	60
Treatment of Axys Stock Options	61
Exchange of Certificates in the Merger	62
Fractional Shares	62
Effect on Axys Convertible Notes and Warrants	62
Representations and Warranties	63
Covenants	64

Conditions to the Merger	68
Stock Exchange Listings	69
Regulatory Approvals Required	69
Termination of the Merger Agreement	69
Amendment and Waiver of the Merger Agreement	71
Expenses	71
Effect on Employee Benefits and Related Agreements	72
Material United States Federal Income Tax Consequences	72
Accounting Treatment	74
Interests of Certain Persons in the Merger	74
Resale of Celera Genomics Common Stock	78
Dissenters' Rights	79
INFORMATION ABOUT AXYS	80
MANAGEMENT OF AXYS	103
INFORMATION ABOUT APPLERA AND ANGEL ACQUISITION	113
Applera	113
Management Following the Acquisition	113
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS	114
DESCRIPTION OF APPLERA CAPITAL STOCK	124
General	124
Celera Genomics Common Stock	124
Celera Genomics Designated Shares	132
Applied Biosystems Common Stock	132
Rights Agreement	133
COMPARISON OF STOCKHOLDER RIGHTS	136
EXPERTS	140
LEGAL OPINIONS	140
SUBMISSION OF STOCKHOLDER PROPOSALS	140
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	140
WHERE YOU CAN FIND MORE INFORMATION	141
INDEX TO FINANCIAL STATEMENTS OF AXYS PHARMACEUTICALS, INC.	F-1
REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS	F-2
ANNEXES	

Annex A Agreement and Plan of Merger

Annex B Opinion of JPMorgan H&Q

**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:** Why is Axys proposing to merge?

**A:** Since its inception, Axys has been focused on developing a state-of-the-art drug discovery platform that integrates "best-of-breed" technologies in both high throughput screening as well as in structure-based drug design. Axys believes that the effectiveness of this platform in bringing optimized leads to clinical development has been demonstrated in its partnerships with Merck, Bayer and Aventis. To more fully take advantage of the potential of these technologies as well as the expertise of Axys' scientific teams, Axys has determined that it needs a source of new therapeutic targets. 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 in its future plans for proteomics. Axys believes that the integrated genomic, proteomic, bioinformatic and computing platforms of the Celera Genomics group can be expected to yield targets that can be evaluated and selected in an effort to develop breakthrough drugs that work by interacting with the targets in novel ways. 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 small molecule therapeutics. 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 Celera Genomics common stock. For a more detailed discussion of why Axys is proposing to merge, see "The Merger Background of the Merger" and "The Merger Reasons of Axys for the Merger" in this proxy statement/prospectus.

**Q:** Why is the Axys board of directors recommending that I vote for adoption of the merger agreement?

**A:** In reaching its decision to approve the merger agreement and the merger and to recommend approval and adoption of the merger agreement and approval of the merger by the Axys stockholders, the Axys board of directors consulted with Axys management, as well as Axys' financial and legal advisors, and considered the terms of the merger agreement and the transactions contemplated by the merger agreement. In addition, the Axys board of directors unanimously approved the merger agreement and the merger, and believes that the terms of the merger agreement and the merger are fair to, and in the best interests of, Axys and its stockholders.

**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 Celera Genomics common stock) in exchange for your shares of Axys common stock. Celera Genomics common stock is a "tracking stock" issued by Applera that is designed to reflect the performance of the business conducted by the Celera Genomics group.

1

---

The exact number of shares of Celera Genomics common stock that you will receive will be determined by an exchange ratio that will fluctuate with the market price of Celera Genomics common 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 certain market price ranges. The exchange ratio is calculated based on the average closing price of Celera Genomics common stock over the 10 trading days immediately preceding (but excluding) the second trading trading day prior to the closing of the merger. The actual number of shares of Celera Genomics common stock that you will receive in exchange for your shares of Axys common stock will be calculated at the time of the closing of the merger. If the closing had occurred at the time the merger agreement was signed, for each of your shares of Axys common stock you would have received a fractional share of Celera Genomics common stock having an average closing price during the calculation period equivalent to \$4.65 per share of Axys common stock.

The exchange ratio will be determined at the time of the merger as follows:

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger 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 of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the signing of the merger agreement;

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is greater than \$48.23 and less than or equal to \$60.29, the fraction will be \$4.90 divided by this 10-day average closing price;

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is greater than \$60.29, the fraction will be fixed at 0.0813 shares;

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is less than \$45.77 and greater than or equal to \$34.33, the fraction will be \$4.65 divided by this 10-day average closing price; and

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is less than \$34.33, the fraction will be fixed at 0.1355 shares.

If the closing of the merger were to have occurred on [            ], 2001, each issued and outstanding share of Axys common stock would have been exchanged for [     ] shares of Celera Genomics common stock. Therefore, if the closing of the merger were to have occurred on [            ], 2001, for each of your shares of Axys common stock you would have received Celera Genomics common stock having an average closing price during the calculation period equivalent to \$[     ] per share of Axys common stock, and the total consideration paid to all holders of Axys common stock would have been Celera Genomics common stock with a total price of \$[     ] million, based on its average closing price during the calculation period.

2

---

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

**A:** Celera Genomics common 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."

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 Applied Biosystems common 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 Celera Genomics common 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:** Will I be able to sell the shares of Celera Genomics common stock I receive in the merger?

**A:** Yes. All stockholders of Axys, other than those deemed to be affiliated or controlling stockholders, will generally be free to sell their shares of Celera Genomics common stock received in the merger. Affiliates of Axys will be able to sell their shares of Celera Genomics common stock within the limits permitted by Rule 145 under the Securities Act.

**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 Celera Genomics common stock. The option will be exercisable for a number of shares of Celera Genomics common 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



## Edgar Filing: APPLERA CORP - Form S-4

employees and consultants be higher than the closing price of a share of Celera Genomics common 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 certain reasons described under "The Merger Termination of the Merger Agreement Termination Fee" in this proxy statement/prospectus.

3

---

**Q:** What are the tax consequences of the merger to stockholders?

**A:** Holders of Axys common stock who exchange their shares of Axys common stock solely for shares of Celera Genomics common stock pursuant to the merger will not recognize any gain or loss on the exchange for United States federal income tax purposes, except with respect to cash, if any, received instead of fractional share interests of Celera Genomics common stock. The merger will not have any tax consequences for Applera stockholders. To review the tax consequences to stockholders in greater detail, see "Material United States Federal Income Tax Consequences" in this proxy statement/prospectus.

**Q:** What tax basis will holders of Axys common stock have in the Celera Genomics common stock they receive in the merger?

**A:** Your tax basis in your shares of Celera Genomics common 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:** Will Applera stockholders receive any shares as a result of the merger?

**A:** No. Applera stockholders will continue to hold the Applera shares they currently own.

**Q:** Does Applera currently own any shares of Axys common stock?

**A:** No. Applera is not an Axys stockholder.

**Q:** Where can I get information regarding Applera, Axys and the merger?

**A:** We urge you to read and consider the information contained in this proxy statement/prospectus, including its annexes. You should also review the additional documents related to Applera referenced under "Where You Can Find More Information" in this proxy statement/prospectus.

**Q:** Who may vote at the special meeting?

**A:** All Axys stockholders of record as of the close of business on [ ], 2001 may vote. You are entitled to one vote per share of Axys common stock that you own on the record date.

**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 [ ], 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.

4

**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. 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 [ ] 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

5

---

## 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 141. 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 113)**

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, Celera Genomics common stock and Applied Biosystems common 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 the generation, sale, and support of genomic information and enabling data management and analysis software. The Celera Genomics group's customers use this information for commercial applications in the pharmaceutical and life sciences industries in the specific areas of target identification, drug discovery, and drug development. The Celera Genomics group also provides gene discovery, genotyping, and related genomics services. The Celera Genomics group has recently expanded its business into the emerging

fields of functional genomics, in particular, proteomics and personalized health/medicine. The Celera Genomics group intends to leverage its industrialized approach to biology to develop platforms for enabling diagnostic and therapeutic discoveries both for its own internal product development and for its customers, including its collaboration partners.

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.

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 small molecule 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 proprietary product portfolio in oncology. Axys also has investments in affiliated businesses that leverage the Axys technologies. Currently, these companies include Discovery Partners International, Inc. (Nasdaq:DPPI), 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 113)**

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 46)**

The special meeting of stockholders of Axys will be held at 10:00 a.m. Pacific Time, on [ ], 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; Stock Entitled to Vote (see page 46)**

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 [ ], 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 [ ] 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.

**Quorum (see page 46)**

For a quorum to exist and for the special meeting to proceed, a majority of the shares issued and outstanding and entitled to vote must be present in person or represented by proxy.

**Vote Required (see page 46)**

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.

**The Merger (see page 49)**

The merger agreement contemplates that Angel Acquisition, a wholly owned subsidiary of Applera formed for the purpose of the merger, will merge with and into Axys. As a result, Axys will become a wholly owned subsidiary of Applera.

We have attached the merger agreement, which is the legal document that governs the merger, as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement.

**Reasons of Axys for the Merger (see page 52)**

Since its inception, Axys has been focused on developing a state-of-the-art drug discovery platform that integrates "best-of-breed" technologies in both high throughput screening as well as in structure-based drug design. Axys believes that the effectiveness of this platform in bringing optimized leads to clinical development has been demonstrated in its partnerships with Merck, Bayer and Aventis. To more fully take advantage of the potential of these technologies as well as the expertise of Axys' scientific teams, Axys has determined that it needs a source of new therapeutic targets. 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 in its future plans for proteomics. Axys believes that the integrated genomic, proteomic, bioinformatic and computing platforms of the Celera Genomics group can be expected to yield targets that can be evaluated and selected in an effort to develop breakthrough drugs that work by interacting with the targets in novel ways. 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 small molecule therapeutics. 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 Celera Genomics common stock.

**Recommendation of the Axys Board of Directors (see page 53)**

The Axys board of directors has unanimously approved the merger agreement and the merger and has determined that the merger is 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 54)**

In deciding to approve the merger, the board of directors of Axys considered 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.

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**

*Conversion of Shares and Options (see page 60)*

In the merger, each share of Axys common stock will be exchanged for a fraction of a share of Celera Genomics common stock as determined in accordance with the merger agreement and as described in this proxy statement/prospectus. Holders will receive only whole shares of Celera Genomics common stock, and will receive cash instead of fractional shares, as described in this proxy statement/prospectus under "The Merger Fractional Shares."

## Edgar Filing: APPLERA CORP - Form S-4

### *Conditions to the Completion of the Merger (see page 68)*

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 receipt of regulatory approvals under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other required regulatory approvals and authorizations;

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

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.

### *Non-Solicitation Covenant (see page 66)*

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.

### *Termination (see page 69)*

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:

## Edgar Filing: APPLERA CORP - Form S-4

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 certain 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.

The merger agreement will become void and have no effect upon its termination without any liability or obligation on the part of Applera, Angel Acquisition or Axys, except for any termination fee that may become payable by Axys and provisions relating to matters such as confidentiality and non-solicitation of employees that will survive as expressly provided in the merger agreement. However, no party will be relieved from liability for any breach of the merger agreement prior to its termination.

### *Termination Fee (see page 70)*

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 69)*

Under the Hart-Scott-Rodino Act, Axys and Applera cannot complete the merger until they have provided certain information and materials to the United States Federal Trade Commission and the United States Department of Justice, and a required waiting period has expired or been terminated. 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 will terminate on July 30, 2001, unless prior to that time the United States Department of Justice or the United States Federal Trade Commission makes a request for additional information or the waiting period is otherwise extended.

### *Accounting Treatment (see page 74)*

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

10

---

### *NYSE Listing (see page 69)*

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

### **Material United States Federal Income Tax Consequences (see page 72)**

We intend that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, for United States federal income tax purposes and have conditioned the merger upon the receipt of legal opinions that the merger will so qualify. Assuming the merger qualifies as a reorganization, neither Applera nor Axys, nor their respective stockholders, will recognize any gain or loss for United States federal income tax purposes as a result of the merger, except for tax that may be payable by holders of Axys common stock because of cash received for fractional shares.

**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 74)**

When considering the recommendation of the Axys board of directors, you should be aware that certain 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 79)**

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

**Comparative Market Price and Dividend Information (See Page 20)**

Shares of Celera Genomics common 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, Celera Genomics common stock closed at \$41.75 per share. On [ ], 2001, the last full trading day prior to the date of this proxy statement/prospectus, Celera Genomics common stock closed at \$[ ] 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 [ ], 2001, the last full trading day prior to the date of this proxy statement/prospectus, Axys' common stock closed at \$[ ] per share.

**Exchange of Stock Certificates (See Page 62)**

After the merger occurs, the exchange agent appointed by Applera in connection with the merger will send a letter of transmittal to Axys stockholders that will provide instructions on the procedure for exchanging Axys common stock certificates for Celera Genomics common stock certificates.

---

**SELECTED HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL INFORMATION  
AND SELECTED UNAUDITED PRO FORMA CONSOLIDATED AND  
COMBINED FINANCIAL INFORMATION**

**Applera Selected Historical Consolidated Financial Information**

The following selected consolidated financial information has been derived from the consolidated financial statements of Applera for each of the five fiscal years in the period ended June 30, 2000, and the nine month periods ended March 31, 2000 and 2001. The information set forth below should be read in conjunction with the Applera (formerly PE Corporation) consolidated financial statements and notes thereto contained in the Applera Annual Report to Stockholders for the year ended June 30, 2000, and in the Applera Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, each incorporated herein by reference. The data for the nine month periods ended March 31, 2000 and 2001 has been derived from unaudited financial statements that, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results for the periods covered. The operating results for the nine months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year.

On May 6, 1999, Applera recapitalized and issued two new classes of common stock, the Celera Genomics common stock and the Applied Biosystems common 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 Celera Genomics common stock nor the Applied Biosystems common 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 Applied Biosystems common stock and Celera Genomics common stock.

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

## Edgar Filing: APPLERA CORP - Form S-4

Restructuring, other merger costs, and acquisition-related costs of \$17.5 million for fiscal 1996, \$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 \$11.7 million for fiscal 1996, \$64.9 million for fiscal 1997, \$1.6 million for fiscal 1998, \$6.1 million for fiscal 1999, \$48.6 million for fiscal 2000, \$25.8 million for the nine months ended March 31, 2000, and \$15.0 million for the nine months ended March 31, 2001;

Acquired research and development charges of \$33.9 million for fiscal 1996, \$26.8 million for fiscal 1997, and \$28.9 million for fiscal 1998;

Charges for the impairment of assets of \$9.9 million for fiscal 1996, \$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 \$9.2 million for fiscal 1999 relating to the recapitalization of Applera;

12

Charges relating to the acceleration of certain long-term compensation programs as a result of the attainment of performance targets of \$10.1 million for fiscal 1999, \$45.0 million for fiscal 2000, and \$21.6 million for the nine months ended March 31, 2000; and

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

	Fiscal Years Ended June 30,					Nine Months Ended March 31,	
	1996	1997	1998	1999	2000	2000	2001
	(Dollar amounts in thousands except per share amounts)						
<b>Financial Operations</b>							
Net revenues	\$ 642,218	\$ 768,368	\$ 944,306	\$ 1,216,897	\$ 1,371,035	\$ 979,337	\$ 1,227,765
Income from continuing operations	1,310	102,492	15,694	96,797	95,496	62,105	80,256
Per share of common stock:							
Basic	.03	2.16	.32				
Diluted	.03	2.07	.31				
Income (loss) from discontinued operations (net of	(37,833)	27,906	40,694	79,058			



Edgar Filing: APPLERA CORP - Form S-4

	Fiscal Years Ended June 30,				Nine Months Ended March 31,			
income taxes)								
Net income (loss)	(36,523)	130,398	56,388	175,855	95,496	62,105	80,256	
Per share of common stock:								
Basic	(.80)	2.74	1.16					
Diluted	(.77)	2.63	1.12					
Dividends per share	.68	.68	.68	.51				
<b>Applied Biosystems Group</b>								
Income from continuing operations	\$ 3,899	\$ 132,739	\$ 24,009	\$ 148,365	\$ 186,247	\$ 129,608	\$ 164,767	
Per share of common stock:								
Basic				.74	.90	.63	.78	
Diluted				.72	.86	.60	.74	
Income (loss) from discontinued operations (net of income taxes)	(37,833)	27,906	40,694	79,058				
Net income (loss)	(33,934)	160,645	64,703	227,423	186,247	129,608	164,767	
Per share of common stock:								
Basic				1.13	.90	.63	.78	
Diluted				1.10	.86	.60	.74	
Dividends per share				.0425	.17	.17	.17	
<b>Celera Genomics Group</b>								
Net loss	\$ (2,589)	\$ (30,247)	\$ (8,315)	\$ (44,894)	\$ (92,737)	\$ (67,783)	\$ (84,480)	
Per share of common stock:								
Basic and diluted				(.89)	(1.73)	(1.29)	(1.40)	
<b>Other Information</b>								
Cash and cash equivalents and short-term investments	\$ 121,145	\$ 217,222	\$ 84,091	\$ 308,021	\$ 1,505,642	\$ 1,286,184	\$ 1,374,851	
Working capital	229,639	354,742	287,991	471,350	1,479,027	1,445,501	1,457,818	
Capital expenditures	28,198	58,057	71,820	176,035	125,815	94,379	140,808	
Total assets	809,856	1,006,793	1,135,276	1,519,307	3,083,315	2,754,401	3,025,864	
Long-term debt	33,694	59,152	33,726	31,452	82,115	82,039	30,715	
Total debt	89,801	89,068	45,825	35,363	97,808	117,454	51,130	
Stockholders' equity	373,727	504,270	564,248	821,525	2,220,492	1,956,116	2,217,229	

13

**Celera Genomics Group Selected Historical Combined Financial Information**

The following selected combined financial information has been derived from the combined financial statements of the Celera Genomics group for each of the five fiscal years in the period ended June 30, 2000, and the nine month periods ended March 31, 2000 and 2001. The information set forth below should be read in conjunction with the Celera Genomics group combined financial statements and notes thereto contained in the Applera (formerly PE Corporation) Annual Report to Stockholders for the year ended June 30, 2000, and in the Applera Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, each incorporated herein by reference. The data for the nine month periods ended March 31, 2000 and 2001 has been derived from unaudited financial statements that, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of results for the periods covered. The operating results for the nine months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year.

On May 6, 1999, Applera recapitalized and issued two new classes of common stock, the Celera Genomics common stock and the Applied Biosystems common 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 Celera Genomics common stock nor the Applied Biosystems common stock was issued or outstanding at any time prior to May 6, 1999.

All share and per share amounts have been restated to reflect the prior stock split of Celera Genomics common stock.

## Edgar Filing: APPLERA CORP - Form S-4

Items impacting the comparability of information included acquired research and development charges of \$2.1 million for fiscal 1996 and \$26.8 million for fiscal 1997, and \$5.6 million of charges for fiscal 1999 relating to the recapitalization and transformation of Applera.

	Fiscal Years Ended June 30,					Nine Months Ended March 31,	
	1996	1997	1998	1999	2000	2000	2001
(Dollar amounts in thousands)							
<b>Financial Operations</b>							
Net revenues	\$ 159	\$ 903	\$ 4,211	\$ 12,541	\$ 42,747	\$ 27,666	\$ 61,947
Net loss	(2,589)	(30,247)	(8,315)	(44,894)	(92,737)	(67,783)	(84,480)
<b>Other Information</b>							
Cash and cash equivalents and short-term investments	\$	\$	\$	\$ 71,491	\$ 1,111,034	\$ 991,107	\$ 1,035,056
Note receivable from the Applied Biosystems Group				150,000		150,000	
Working capital (deficit)	(340)	(421)	(1,160)	192,803	1,081,039	1,118,023	985,433
Capital expenditures	1,073	411	3,648	94,541	30,673	24,442	21,419
Total assets	977	2,983	6,339	344,720	1,413,257	1,283,393	1,323,650
Total allocated debt					46,000	46,000	
Group equity (deficit)	611	(3,464)	(1,259)	293,867	1,290,816	1,186,389	1,214,829

14

### Selected Unaudited Pro Forma Consolidated Financial Information of Applera and Axys

The following selected unaudited pro forma consolidated financial information is derived from unaudited pro forma consolidated 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 Condensed Consolidated and Combined Financial Statements" in this proxy statement/prospectus.

The unaudited pro forma consolidated balance sheet assumes that the merger took place on March 31, 2001 and combines Applera's March 31, 2001 unaudited consolidated balance sheet with Axys' March 31, 2001 unaudited balance sheet. The unaudited pro forma consolidated statements of operations for the nine months ended March 31, 2001 and the year ended June 30, 2000 give effect to the merger as if it occurred on July 1, 1999. 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 consolidated 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 these periods.

### Applera Corporation Selected Unaudited Pro Forma Consolidated Financial Information

	Year Ended June 30, 2000	Nine Months Ended March 31, 2001
(Dollar amounts in thousands except per share amounts)		
<b>Financial Operations</b>		
Net revenues	\$ 1,384,636	\$ 1,234,903
Income from continuing operations	49,474	36,124
<b>Applied Biosystems Group</b>		
Net income	\$ 186,247	\$ 164,767
Per share of common stock		

Edgar Filing: APPLERA CORP - Form S-4

	Year Ended June 30, 2000	Nine Months Ended March 31, 2001
Basic	0.90	0.78
Diluted	0.86	0.74
Dividends per share	0.17	0.17
<b>Celera Genomics Group</b>		
Loss from continuing operations	\$ (138,759)	\$ (128,612)
Per share of common stock		
Basic and diluted	(2.37)	(1.97)

**March 31, 2001**

<b>Other Information</b>		
Cash and cash equivalents and short-term investments	\$	1,404,281
Working capital		1,471,624
Total assets		3,284,905
Long-term debt		56,715
Total debt		77,130
Stockholders' equity		2,426,517

15

**Selected Unaudited Pro Forma Combined Financial Information of the Celera Genomics Group and Axys**

The following selected unaudited pro forma combined financial information is derived from unaudited pro forma combined 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 Condensed Consolidated and Combined Financial Statements."

The unaudited pro forma combined balance sheet assumes that the merger took place on March 31, 2001 and combines the Celera Genomics group's March 31, 2001 unaudited combined balance sheet with Axys' March 31, 2001 unaudited balance sheet. The unaudited pro forma combined statements of operations for the nine months ended March 31, 2001 and the year ended June 30, 2000 give effect to the merger as if it occurred on July 1, 1999. Because the Celera Genomics group and Axys have two different fiscal years, and the combined company will adopt the fiscal year end of the Celera Genomics group, pro forma operating results are presented on a June 30 fiscal year basis.

The unaudited pro forma combined financial information is presented for illustrative purposes only and is not necessarily indicative of the combined 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 these periods.

**Celera Genomics Group  
Selected Unaudited Pro Forma Combined Financial Information**

	Year Ended June 30, 2000	Nine Months Ended March 31, 2001
(Dollar amounts in thousands)		
<b>Financial Operations</b>		
Net revenues	\$ 56,348	\$ 69,085
Loss from continuing operations	(138,759)	(128,612)

Edgar Filing: APPLERA CORP - Form S-4

	Year Ended June 30, 2000	Nine Months Ended March 31, 2001
		March 31, 2001
<b>Other Information</b>		
Cash and cash equivalents and short-term investments		\$ 1,064,486
Working capital		999,239
Total assets		1,582,691
Long-term debt		26,000
Total debt		26,000
Group equity		1,424,117

16

**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 three month period ended March 31, 2001. The operating results for the three months ended March 31, 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 94 of this proxy statement/prospectus.

	Year Ended December 31					Quarter Ended March 31,	
	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	\$ 1,414	\$ 3,070
<b>Operating costs and expenses:</b>							
Research and development	24,319	27,062	57,502	55,174	36,575	7,858	8,929
General and administrative	5,409	7,153	13,411	10,872	9,999	2,814	3,242
Non-cash compensation expense							(1,051)
Restructuring charge				5,175	(592)	(545)	
Acquired in-process research and development	230		124,888				
<b>Total operating costs and expenses</b>	<b>29,958</b>	<b>34,215</b>	<b>195,801</b>	<b>71,221</b>	<b>45,982</b>	<b>10,127</b>	<b>11,120</b>
Operating loss	(8,398)	(13,716)	(160,041)	(47,137)	(38,992)	(8,713)	(8,050)
Interest income (expense), net	2,470	2,422	2,317	341	(4,105)	(35)	(943)
Equity in losses of joint venture			(2,393)	(836)	(3,208)		(9,059)
Other income/expense, net				(852)	889		(978)
Net loss from continuing operations	(5,928)	(11,294)	(160,117)	(48,484)	(45,416)	(8,748)	(19,030)
Discontinued operations		327	3,993	(279)	(5,941)	256	
Cumulative effect of change in accounting principle							972
Gain on disposal of segments					61,213		

Edgar Filing: APPLERA CORP - Form S-4

	Year Ended December 31					Quarter Ended March 31,	
	1996	1997	1998	1999	2000	2000	2001
Net income (loss)	\$ (5,928)	\$ (10,967)	\$ (156,124)	\$ (48,763)	\$ 9,856	\$ (8,492)	\$ (18,058)
Net loss per share, basic and diluted from continuing operations	\$ (0.45)	\$ (0.75)	\$ (5.38)	\$ (1.59)	\$ (1.29)	\$ (0.27)	\$ (0.51)
Net income (loss) per share, basic and diluted	\$ (0.45)	\$ (0.73)	\$ (5.25)	\$ (1.60)	\$ 0.28	\$ (0.26)	\$ (0.48)
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	32,067	37,345

	December 31					March 31,	
	1996	1997	1998	1999	2000	2000	2001
(unaudited)							
<b>Consolidated Balance Sheet Data:</b>							
Cash, cash equivalents and marketable investments	\$ 66,720	\$ 53,408	\$ 72,717	\$ 26,657	\$ 41,776	\$ 48,484	\$ 29,430
Total assets	80,832	73,584	107,262	55,734	118,696	78,839	110,710
Long-term obligations	10,676	15,331	16,816	57	27,889	42	28,300
Accumulated deficit	(62,804)	(73,771)	(229,895)	(277,211)	(267,355)	(285,703)	(285,413)
Total stockholders' equity	52,900	43,890	60,512	14,047	79,565	39,827	71,657

- (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.

17

**COMPARATIVE PER SHARE INFORMATION (UNAUDITED)**

The following table summarizes per share information for Applera and Axys on a historical and unaudited pro forma consolidated 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 consolidated financial statements of Applera and Axys, the selected historical consolidated financial information of Applera and Axys, the selected unaudited pro forma consolidated and combined financial information and the unaudited pro forma condensed consolidated and combined 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, 2000	Nine Months Ended March 31, 2001
<b>Applera Corporation:</b>		
<b>Applied Biosystems Group</b>		
Net income:		
Historical:		

Edgar Filing: APPLERA CORP - Form S-4

	Year Ended June 30, 2000	Nine Months Ended March 31, 2001
Basic	\$ 0.90	\$ 0.78
Diluted	0.86	0.74
Pro forma:		
Basic	\$ 0.90	\$ 0.78
Diluted	0.86	0.74
Dividends:		
Historical	\$ 0.17	\$ 0.17
Pro forma	0.17	0.17
Book Value:		
Historical	\$ 4.48	\$ 4.78
Pro forma	4.48	4.78
<b>Celera Genomics Group</b>		
Loss from continuing operations:		
Historical:		
Basic and diluted	\$ (1.73)	\$ (1.40)
Pro forma		
Basic and diluted(1)	\$ (2.37)	\$ (1.97)
Dividends:		
Historical	\$	\$
Pro forma		
Book Value:		
Historical	\$ 21.75	\$ 19.83
Pro forma(1)	23.24	21.52

18

**Axys Pharmaceuticals, Inc.:**

Loss from continuing operations:		
Historical:		
Basic and diluted	\$ (1.33)	\$ (1.27)
Equivalent pro forma:		
Basic and diluted(1)	\$ (0.29)	\$ (0.24)
Dividends:		
Historical	\$	\$
Equivalent pro forma		
Book Value:		
Historical	\$ 1.74	\$ 1.91
Equivalent pro forma(1)	\$ 2.84	\$ 2.63

(1)

The Axys per share equivalent pro forma information is calculated by multiplying the per share amounts for the Celera Genomics group by 0.1220, which is the exchange ratio that would have been applied to the Axys common stock under the merger agreement had the merger occurred on July 9, 2001. If the merger had occurred on July 9, 2001, the average closing price of Celera Genomics common stock during the calculation period that would have been used in the determination of the exchange ratio was \$38.108. Provided below is a sensitivity analysis of the pro forma per share information based on a 20% increase in the average closing price of Celera Genomics common stock during the calculation period, which would result in an exchange ratio of 0.1017, and a 20% decrease in the average closing price of Celera Genomics common stock during the calculation period, which would result in an exchange ratio of 0.1355.

Edgar Filing: APPLERA CORP - Form S-4

	Year Ended June 30, 2000	Nine Months Ended March 31, 2001
<b>20% increase in price of Celera Genomics common stock</b>		
<b>Applera Corporation:</b>		
<b>Celera Genomics Group</b>		
Loss from continuing operations:		
Pro forma basic and diluted	\$ (2.40)	\$ (1.99)
Book Value:		
Pro forma	\$ 23.54	\$ 21.79
<b>Axys Pharmaceuticals, Inc.</b>		
Loss from continuing operations:		
Equivalent pro forma basic and diluted	\$ (0.24)	\$ (0.20)
Book Value:		
Equivalent pro forma	\$ 2.39	\$ 2.22
<b>20% decrease in price of Celera Genomics common stock</b>		
<b>Applera Corporation:</b>		
<b>Celera Genomics Group</b>		
Loss from continuing operations:		
Pro forma basic and diluted	\$ (2.26)	\$ (1.89)
Book Value:		
Pro forma	\$ 22.67	\$ 20.98
<b>Axys Pharmaceuticals, Inc.</b>		
Loss from continuing operations:		
Equivalent pro forma basic and diluted	\$ (0.31)	\$ (0.26)
Book Value:		
Equivalent pro forma	\$ 3.07	\$ 2.84

Given the possible volatility of the price of Celera Genomics common stock prior to closure and its effects on the exchange ratio amounts, the pro forma values could vary between these ranges.

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

Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common stock and the Applied Biosystems common 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 Celera Genomics common stock nor the Applied Biosystems common 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 Celera Genomics common 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 Celera Genomics common stock and does not anticipate paying any cash dividends on Celera Genomics common stock in the foreseeable future.

	High	Low
FISCAL YEAR ENDED JUNE 30, 1999		
Fourth Quarter (from May 6, 1999)	\$ 11.2500	\$ 7.0938
FISCAL YEAR ENDED JUNE 30, 2000		

Edgar Filing: APPLERA CORP - Form S-4

	<u>High</u>	<u>Low</u>
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 (through July 6, 2001)	\$ 39.9500	\$ 34.9400

20

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.

	<u>High</u>	<u>Low</u>
<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
<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 (through July 3, 2001)	\$ 4.25	\$ 4.03

The following table sets forth the closing price per share of Celera Genomics common 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 [ ] 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 Celera Genomics common stock prices using an exchange ratio calculated under the merger agreement as if the closing of the merger had occurred on those dates.

	<u>Celera Genomics Common Stock</u>	<u>Axys Common Stock</u>	<u>Estimated Equivalent Axys Per Share Price</u>
June 12, 2001	\$ 41.75	\$ 3.45	\$ 4.65
[ ] 2001	\$ [ ]	\$ [ ]	\$ [ ]



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 Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common stock.** Following the merger, Celera Genomics common stock will continue to be traded on the New York Stock Exchange, and there will be no further market for Axys common stock.

21

---

## RISK FACTORS

By voting in favor of approving and adopting the merger agreement and approving the merger, you will be choosing to invest in Celera Genomics common stock. You should carefully consider the following factors, in addition to those factors discussed in the documents that Applera has filed with the Securities and Exchange Commission that we have incorporated by reference into this document, and the other information included in this proxy statement/prospectus, 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 Celera Genomics common 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 Celera Genomics common stock equal to the exchange ratio. The exchange ratio, or the number of shares of Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common stock share price information. Variations in the Celera Genomics common 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 Celera Genomics Common 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 or the exact market price of the Celera Genomics common 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 will vary accordingly based on the trading price of Celera Genomics common stock after the special stockholders meeting. Stockholders of Axys are urged to obtain current market quotations for Celera Genomics common stock prior to the date of the special stockholders meeting.

**The requirement for regulatory approvals may delay consummation of the merger.**

Consummation of the merger is conditioned upon the receipt of all material governmental authorizations, consents, orders and approvals, including the expiration or termination of the applicable waiting periods, and any extension of the waiting periods, under antitrust laws. Applera and Axys intend to vigorously pursue all required regulatory approvals. No assurance can be given, however, that these approvals will be obtained, or, if they are obtained, as to the terms, conditions and timing of these approvals. The requirement for these approvals could delay the consummation of the merger after holders of Axys common stock have approved the proposals relating to the merger at the special meeting. See "The Merger Conditions to the Merger" in this proxy statement/prospectus for a

discussion of the conditions to the consummation of the merger and "The Merger Regulatory Approvals Required" in this proxy statement/prospectus for a description of the regulatory approvals necessary in connection with the merger.

**The interests of management may be different from those of Axys stockholders.**

Some members of Axys' management and board of directors have various interests in the merger that may be different from, or in addition to, the interests of holders of Axys common stock. These interests include agreements with Axys that may entitle members of Axys management and 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" in this proxy statement/prospectus for more information concerning matters relating to the employment and compensation of the directors and executive officers of Axys.

**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. In addition, some of Axys' collaboration and other agreements contain provisions that might permit the other party to the contract to terminate certain aspects of the contractual relationship relating to research and development if the merger takes place. There is no assurance that the parties to these contracts with Axys will not seek to exercise these termination rights, or that the Celera Genomics group will be able to maintain all of Axys' existing commercial relationships after the merger.

**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 \$263.3 million as of March 31, 2001, and expects that it will continue to incur additional net losses for the foreseeable future. These losses may increase as the Celera Genomics group expands its investments in new technology and product development, including the development of its functional genomics and personalized health/medicine and drug discovery and development efforts. 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 is unique and expanding.**

No organization has ever attempted to combine in one business organization all of the Celera Genomics group's businesses. In addition, as the Celera Genomics group moves beyond the genome database business, it is expanding its business plan to provide new scientific capabilities and services to

customers in areas such as functional genomics, personalized health/medicine, proteomics, and drug discovery and development. The offering of genomics databases, functional genomics, proteomics, personalized health/medicine capabilities and drug discovery and development targeted at a wide variety of customers, from pharmaceutical companies to university researchers, has a number of risks, including pricing and volume issues, technology and access concerns, computer security, pursuit of key scientific goals and protection of intellectual property. The addition of the functional genomics, personalized health/medicine, proteomics, and drug discovery and development efforts will add further complexity and require additional management attention and resources as these new markets are addressed.

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

The Celera Genomics group will continue to update its assembly of the human and mouse genome as it continues to annotate these genomes. 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. Also, this information is essential to the functional genomics, personalized health/medicine and drug 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 Celera Genomics group reported approximately 40 customers at the close of the March 31, 2001 quarter, the revenues from which will offset only a small 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. Such 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 genomic information 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, diagnostic or agricultural 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 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 sequencing, gene discovery, gene expression analysis, positional cloning, the study of genetic variation, functional genomics and other genomic service businesses. Some of these competitors are developing databases containing gene sequence, gene-expression, genetic variation or other 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. 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.

Competitors may also discover, characterize or develop important genes, drug targets or leads, drug discovery 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.

Future competition will come from existing competitors as well as other companies seeking to develop new technologies for drug discovery, drug development, and diagnostics based on gene sequencing, target gene identification, bioinformatics and related technologies. In addition, certain pharmaceutical and biotechnology companies have significant needs for genomic information and may choose to develop or acquire competing technologies to meet those needs. The Celera Genomics group also faces competition from providers of software. 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 larger biotechnology companies, including Amgen Inc., Novartis Pharma AG, Pharmacia & Upjohn, Pfizer Inc., Takeda Chemical Industries, Ltd., American Home Products Corporation, Immunex Corporation and Yamanouchi Pharmaceutical Co., Ltd.. The Celera Genomics group expects that pharmaceutical companies and larger biotechnology 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 will reduce the number of the group's 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 Celera Genomics group's timely completion of that work and successful extension of its business into the functional genomics, personalized health/medicine and proteomics arenas will depend on the Applied Biosystems group's ability to continue to provide leading edge, proprietary technology and products, including technologies relating to genetic analysis, protein analysis and high throughput screening. 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, value-added 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.

26

---

**Scientific and management staff have 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 bioinformatics staff are important to the development of information, tools and services required for 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, 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 discovery and information system, the Celera Genomics group expects that obtaining patent protection may become increasingly important to its business as it moves beyond the genome 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 polymorphisms, is uncertain, and 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. Patents may not issue from patent applications that the Celera Genomics group may own or license. 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.

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.

27

---

**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. Such disclosures might limit the scope of the Celera Genomics group's claims or make subsequent discoveries related to full-length genes 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, 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 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 functional genomics and drug 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 certain of 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 United States Patent and Trademark Office has issued several patents to third parties relating to single nucleotide polymorphisms (SNPs). If other important SNPs receive patents, the Celera Genomics group will need to obtain rights to those important SNPs in order to develop, use and sell related assays. Such licenses may not be available to the Celera Genomics group 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 and 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 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 prohibit 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.

**The use of the Celera Genomics group's products and services may be subject to government regulation.**

The use of the Celera Genomics group's products by the Celera Genomics group and by pharmaceutical and biotechnology customers may be subject to certain United States Food and Drug Administration or other regulatory approvals. For example, any new drug developed as a result of the use of the Celera Genomics group's databases must undergo an extensive regulatory review process. This process can take many years and require substantial expense. Within the field of personalized health/medicine, 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 polymorphism data.

29

---

To the extent that use of the Celera Genomics group's databases is limited or additional costs are imposed on the Celera Genomics group or its customers due to regulation, the Celera Genomics group's business may be adversely affected.

Furthermore, the Celera Genomics group may be directly subject to regulations as a provider of diagnostic information. To the extent that these regulations restrict the sale of the Celera Genomics group's products or impose other costs, the Celera Genomics group's business may be materially adversely affected.

**Future acquisitions may absorb significant resources and may be unsuccessful.**

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, dilutive issuances of equity securities, and expenses that could have a material effect on the Celera Genomics group's financial condition and results of operations. For example, to the extent that it elects to pay the purchase price for acquisitions in shares of Celera Genomics common stock, the issuance of additional shares of Celera Genomics common stock may be dilutive to holders of Celera Genomics common stock. 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; 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.

**Celera Genomics common stock price is highly volatile.**

The market price of Celera Genomics common 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, including:

conditions and publicity regarding the genomics 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 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 Celera Genomics common stock that may be expensive and time consuming.**

Applera and certain of its officers have been served in five lawsuits purportedly on behalf of purchasers of Celera Genomics common stock in Applera's follow-on public offering of Celera Genomics common stock completed on March 6, 2000. In the offering, Applera sold an aggregate of approximately 4.4 million shares of Celera Genomics common stock at a public offering price of \$225 per share. The complaints in these lawsuits generally allege that the prospectus used in connection with the offering contained inaccurate and misleading statements in violation of federal securities laws. The complaints seek unspecified damages, rescission, costs and expenses, and other relief as the court deems proper. All of these lawsuits have been consolidated into a single case. 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 molecular diagnostic products is unproven.**

The development and commercialization of new drugs based on genomic and proteomic information 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 a major initiative in the field of molecular diagnostics and has decided that it will be optimally positioned as a joint venture between the Applied Biosystems group and the Celera Genomics group. The joint venture 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 the joint venture's unproven ability to develop proprietary molecular diagnostic products, it is possible that the Celera Genomics group's and the joint venture's discovery processes will not result in any commercial products or services. Even if the group or the joint venture 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 group or the joint venture 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 include but are not limited to rapidly changing technology and dependence on new products, dependence of sales on customers' capital spending policies and government-sponsored research, claims for patent infringement, significant overseas operations, integration of acquired technologies as part of future growth strategy, electricity shortages and earthquakes. 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 Celera Genomics common stock. In addition, net losses of the Applied Biosystems group and dividends or distributions on, or repurchases of, Applied Biosystems common stock or repurchases of certain preferred stock will reduce the funds Applera can pay as dividends on Celera Genomics common stock under Delaware law. For these reasons, you should read Applera's consolidated financial information with the financial information it provides for each group.

**Holders of Celera Genomics common stock will have limited rights related to the Celera Genomics group.**

Holders of Celera Genomics common stock have only the rights customarily held by common stockholders. They will have only the following rights related to the Celera Genomics group:

certain rights with regard to dividends and liquidation;

requirements, subject to a number of exceptions, for a mandatory dividend, redemption or conversion upon the disposition of all or substantially all of the assets of the Celera Genomics group; and

a right to vote on matters as a separate voting class in the limited circumstances provided under Delaware law, by stock exchange rules or as determined by Applera's board of directors.

Applera will not hold separate meetings for holders of Celera Genomics common stock and Applied Biosystems common stock.

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

**Celera Genomics common stock may not have any influence on the outcome of stockholder voting.** Applied Biosystems common stock currently has a substantial majority of the voting power of the common stock of Applera. Except in limited circumstances where there is 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 Celera Genomics common stock and Applied Biosystems common 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 requires a separate vote on a matter by the holders of either Celera Genomics common stock or Applied Biosystems common 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.

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

**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 Celera Genomics common stock or Applied Biosystems common stock compared to the other class of common stock.

Recent 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 capital common stock or two groups of holders of the same class of capital 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 Celera Genomics common stock and holders of Applied Biosystems common 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 Celera Genomics common stock and shares of Applied Biosystems common 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 Celera Genomics common stock and Applied Biosystems common 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.

**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, 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 Applera's 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 Celera Genomics common

## Edgar Filing: APPLERA CORP - Form S-4

stock and Applied Biosystems common stock in any amount and could, in its sole discretion, declare and pay dividends exclusively on Celera Genomics common stock, exclusively on Applied Biosystems common 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 was a stand-alone corporation. 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. Such 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 Applied Biosystems common stock into shares of Celera Genomics common 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 Celera Genomics common stock in exchange for Applied Biosystems common stock, the conversion would dilute the interests in Applera of the holders of Celera Genomics common stock. If the board of directors were to choose to issue Applied Biosystems common stock in exchange for Celera Genomics common stock, the conversion could give holders of shares of Celera Genomics common stock 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 Celera Genomics group.

**Cash proceeds of newly issued Celera Genomics common stock in the future could be allocated to the Applied Biosystems group.** If and to the extent the Applied Biosystems group has an equity interest in the Celera Genomics group in the form of "Celera Genomics Designated Shares" at the time of any future sale of Celera Genomics common stock, Applera's board of directors could allocate some or all of the proceeds of that sale to the Applied Biosystems group. Any decision could favor one group over the other group. For example, the decision to allocate the proceeds to the Applied Biosystems group could adversely affect the Celera Genomics group's ability to obtain funds to finance its growth strategies. There are no Celera Genomics Designated Shares outstanding as of the date of this proxy statement/prospectus.

**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 Celera Genomics common stock and holders of Applied Biosystems common 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 itself.**

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 the Applied Biosystems group's equity interest, if any, in the Celera Genomics group; 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 transfer of cash or other property as a reallocation of pooled debt or preferred stock, a loan or repayment, an increase or decrease in equity interest 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 will not be reimbursed for the Applied Biosystems group's use of its future tax benefits and could incur a higher future tax liability than if it were a stand-alone taxpayer.**

Consolidated federal income tax provisions and related tax payments or refunds are allocated between the groups based principally on the taxable income and tax credits directly attributable to each group. Tax benefits that cannot be used by the group generating those benefits but can be used on a consolidated basis are transferred to the group that can utilize the benefits. Tax benefits generated by the Celera Genomics group commencing July 1, 1998, which could be utilized on a consolidated basis, are reimbursed by the Applied Biosystems group to the Celera Genomics group up to a limit of \$75 million. The Celera Genomics group has generated cumulative tax benefits in excess of \$75 million that have been utilized by the Applied Biosystems group. Amounts utilized by the Applied Biosystems group in excess of the \$75 million limit are not reimbursed and are recorded to group equity by the Celera Genomics group. Accordingly, any tax benefits that cannot be used by the Celera Genomics group but can be used by the Applied Biosystems group will not be carried forward to reduce the Celera Genomics group's future tax liability. Use of the tax benefits of the Celera Genomics group by the Applied Biosystems group would result in the Celera Genomics group being charged a greater portion of the total corporate tax liability in the future than would have been the case if the Celera Genomics group were a stand-alone taxpayer.

**Holders of Celera Genomics common 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 Celera Genomics common stock an amount equal to the net proceeds of the disposition; or

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

If the Celera Genomics group were a separate, independent company and its shares were acquired by another person, certain 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 separate, independent company might receive a greater amount than the net proceeds that would be received by holders of Celera Genomics common stock if the assets of the Celera Genomics group were sold. In addition, Applera cannot assure you that the net proceeds per share of Celera Genomics common stock will be equal to or more than the market value per share of Celera Genomics common 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 Celera Genomics common 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. Such a 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. Currently, Applied Biosystems common 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 Applied Biosystems common stock.

**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 Celera Genomics common stock and Applied Biosystems common 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.

**Investors may not value Celera Genomics common stock based on the Celera Genomics group's financial information and policies.**

Applera cannot assure you that investors will value Celera Genomics common stock based on the reported financial results and prospects of the Celera Genomics group or the dividend policies established by Applera's board of directors with respect to the Celera Genomics group.

**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 could, in certain circumstances, pose obstacles, financial and otherwise, to an acquiring person. In addition, certain 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 us or for holders of Celera Genomics common stock and Applied Biosystems common stock.**

The Clinton Administration Budget Proposals in 1999 and 2000 proposed legislation that would have adversely affected holders of tracking stock such as Celera Genomics common stock and Applied Biosystems common stock. 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 Celera Genomics common stock or Applied Biosystems common 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 Celera Genomics common stock or Applied Biosystems common stock or that the stock will not be treated as stock of Applera.

**Risks Related to Axys**

By not voting in favor of approving and adopting the merger agreement and approving the merger, you will be choosing to continue your ownership of Axys common stock. If the merger is completed, the business operations of Axys will be integrated into the research and development and business operations of the Celera Genomics group. You should carefully consider the following factors before voting on the proposal to approve and adopt the merger agreement and approve the merger.

**If Axys does not consummate the merger under the merger agreement, the market value of Axys common stock may decrease and Axys may not be able to locate or consummate a strategic combination with another company on equal or more favorable terms.**

As a result of the proposed merger under the merger agreement, the trading price of Axys common stock includes a premium per share and fluctuates in relation to the trading price of Celera Genomics common stock. However, if Axys does not consummate the merger, the trading price of Axys common stock will no longer be affected by the trading price of Celera Genomics common stock, and the trading price of Axys common stock may decrease if no other third party is offering to purchase Axys common stock at a premium. In addition, Axys may not be able to identify another strategic partner that would be willing to provide Axys' stockholders with a premium over market price equivalent to that offered by Applera. Further, if Axys does not consummate the proposed merger, a third party may determine on that basis that Axys is not an attractive strategic partner.

---

**If Axys fails to discover or develop or is delayed in the development of pharmaceuticals, its business and results of operations will be adversely affected.**

All of Axys' potential pharmaceutical products are in various stages of research and development and will require significant additional research and development efforts before Axys can sell them. These efforts include extensive preclinical and clinical testing and lengthy regulatory review and approval by the United States Food and Drug Administration. The development of Axys' new pharmaceutical products is highly uncertain and subject to a number of significant risks. To date, Axys has not developed a commercial drug and Axys does not expect any of its pharmaceuticals to be commercially available for a number of years. Pharmaceuticals that appear to be promising at early stages of development may not reach the market for a number of reasons, including the following:

Axys or its collaborators may not successfully complete any research and development efforts;

any pharmaceuticals Axys develops may be found to be ineffective or to cause harmful side effects during preclinical testing or clinical trials;

Axys may fail to obtain required regulatory approvals for any products it develops;

Axys may be unable to manufacture enough of any potential products at an acceptable cost and with appropriate quality;

Axys' products may not be competitive with other existing or future products; and

proprietary rights of third parties may prevent Axys from commercializing its products.

**Axys may not be successful in developing a commercial drug.**

Axys is primarily engaged in the earliest stage of drug discovery; namely, the design and systematic evaluation of therapeutic small molecule compounds. Axys' drug discovery programs are unproven. Although Axys has expended, and continues to expend, time and money on internal research and development programs, Axys may be unsuccessful in creating drug candidates that would enable it to form additional collaborations and receive milestone and/or royalty payments. Even if Axys is able to negotiate additional collaborations, Axys may never discover potential drug candidates that ultimately lead to a commercially available drug. Axys has not yet created, or contributed to the creation of, a commercial drug and there can be no assurance that Axys ever will discover, create or contribute to the creation of a commercial drug. Axys does not currently have the internal capability to move potential products through clinical testing, manufacturing and the approval process of the United States Food and Drug Administration.

**If the merger is not completed and Axys fails to obtain additional financing to fund its operations, it will be unable to complete its product development efforts.**

The development of Axys' potential drugs will require substantially more money than Axys currently has. That means that if the merger fails to occur, Axys will have to obtain commitments for substantial funds in order to conduct the costly and time-consuming research and preclinical and clinical testing activities necessary to develop its drugs. Axys cannot be certain that any financing will be available when needed. If Axys fails to secure additional financing, as needed, it will have to delay or terminate its drug development programs.

In April 2000, Axys successfully sold its share of Axys Advanced Technologies (which we refer to in this proxy statement/prospectus as "Advanced Technologies"), now ChemRx Advanced Technologies Inc., to Discovery Partners for 7,425,000 shares of Discovery Partners common stock. As of June 7, 2001, Axys held 7,246,500 shares of Discovery Partners common stock. In December 2000, Axys successfully sold its shares of PPGx, Inc. to DNA Sciences for approximately \$15 million in preferred stock of DNA Sciences. Axys' DNA Sciences shares and Discovery Partners shares are subject to contractual restrictions that limit its ability to liquidate its position in a timely manner. DNA

## Edgar Filing: APPLERA CORP - Form S-4

Sciences is a privately held company and there are limited opportunities to dispose of Axys' interest. There can be no assurance that the businesses in which Axys holds these equity positions will be successful or that Axys will have the ability to sell all or a portion of its equity ownership in these businesses. In addition, there can be no assurance that the amount Axys may receive upon selling its equity ownership interest will provide significant funding so as to postpone for a meaningful time period the need to engage in other capital raising activities.

If the merger is not completed, even if Axys is successful in obtaining financing from the sale of its interests in Discovery Partners and DNA Sciences, Axys believes it will still need to pursue other financing opportunities to fund its research and development. Axys' future financing needs will depend on many factors, including the following:

scientific progress in the research and development of drug development programs;

the size and complexity of these programs;

the timing, range and results of preclinical studies and clinical trials;

Axys' ability to establish new and maintain existing collaborations;

Axys' ability to achieve any milestones under the collaborations; and

the time and costs involved in getting regulatory approvals or in filing, enforcing or prosecuting patents.

If the merger is not completed, Axys expects that it will need to continue to raise money for a number of years until it achieves, if it ever achieves, substantial product or royalty revenues. Axys expects that it will seek additional funding through new collaborations, the extension of existing collaborations, through sale of its interests in Discovery Partners and DNA Sciences, or through public or private equity or debt financings. Axys cannot be certain that additional funding will be available or that the terms will be acceptable. Existing stockholders will experience dilution of their investment if Axys raises additional funds by issuing equity. If adequate funds are not available, Axys may delay, reduce or eliminate any of its research or development programs. Furthermore, Axys may obtain funds through arrangements with collaborative partners or others that require it to give up rights to technologies or products that it would otherwise seek to develop or commercialize itself.

**If the merger is not completed, Axys' increased leverage could affect its ability to service its debt obligations or incur additional debt, which could negatively affect its stock price.**

Axys is and will continue to be leveraged. At March 31, 2001, Axys had total indebtedness of approximately \$28.3 million (of which \$26 million consisted of its convertible notes and the balance consists of outstanding balances under its capital lease obligations) and stockholders' equity of approximately \$71.7 million. Axys' ability to make scheduled payments of principal of, or to pay the interest on, or to refinance, its indebtedness, including the notes, or to fund planned capital expenditures and research and development expenses, will depend on its future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. Axys may need to refinance all or a portion of the principal of the notes on or prior to maturity. If the merger is not completed, there can be no assurance that Axys' business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable it to service its indebtedness, including the notes, or to fund its other liquidity needs. In addition, there can be no assurance that Axys will be able to effect any refinancing on commercially reasonable terms or at all.

Axys' indebtedness could have significant additional negative consequences, including:

increasing its vulnerability to general adverse economic and industry conditions;

limiting its ability to obtain additional financing;

## Edgar Filing: APPLERA CORP - Form S-4

requiring the dedication of a substantial portion of Axys' expected cash flow from operations to service its indebtedness, thereby reducing the amount of its expected cash flow available for other purposes, including capital expenditures;

limiting Axys' flexibility in planning for, or reacting to, changes in its business and the industry in which it competes; and

placing Axys at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources.

**If the merger is not completed, if Axys continues to incur operating losses for longer than expected, it may be unable to continue operations and its stock price may decline.**

While Axys generated net income of \$9.9 million for the year ended December 31, 2000, it generated a net loss of \$18 million for the quarter ended March 31, 2001 and Axys may never sustain profitability and does not expect to remain profitable in fiscal year 2001. Axys was profitable for fiscal year 2000 due to the sale, for stock, of two of its non-core subsidiary companies: Advanced Technologies, which was sold to Discovery Partners, and PPGx, which was sold to DNA Sciences. Axys has experienced significant continuing operating losses since it commenced operations. Axys has not generated any pharmaceutical product sales revenue. For the year ended December 31, 2000, Axys generated a net loss from continuing operations of approximately \$45.4 million, and as of December 31, 2000, it had an accumulated deficit of approximately \$267.4 million. Axys expects that it will continue to incur significant operating losses over at least the next several years as its research and development efforts and preclinical and clinical testing activities continue. Axys' future profitability depends on its ability to complete product development and obtain regulatory approval for its drug candidates. If the merger is not completed, and Axys fails to become profitable or is unable to sustain profitability on a quarterly or annual basis, it may be unable to continue operations and its stock price may decline.

**If Axys fails to maintain its existing collaborative relationships and enter into new collaborative relationships, development of its products could be delayed or Axys may need to obtain other sources of revenue if the merger is not completed.**

Axys' strategy for the development, clinical testing, manufacturing and commercialization of most of its pharmaceuticals has included entering into collaborations with corporate partners. Axys relies to a large extent on the activities of its collaborators with respect to the development and commercialization of its pharmaceuticals. All of Axys' collaboration agreements may be canceled under certain circumstances. Some of these agreements contain provisions that might permit the other party to the contract to terminate certain aspects of the contractual relationship relating to research and development if the merger takes place, and there is no assurance these parties will not seek to exercise these termination rights after the merger. In addition, the amount and timing of resources to be devoted to research, development, eventual clinical trials and commercialization activities by Axys' collaborators are not within Axys' control. Axys cannot guarantee that its partners will perform their obligations as expected. If any of Axys' collaborators terminate or elect to cancel their agreements or otherwise fail to conduct their collaborative activities in a timely manner, the development or commercialization of pharmaceuticals may be delayed. If in some cases Axys assumes responsibilities for continuing unpartnered programs after cancellation of a collaboration, Axys may be required to devote additional resources to product development and commercialization or Axys may cancel certain development programs.

A large portion of Axys' revenues to date have resulted from these collaborations. In the event the merger is not completed, the research funding phase of most of Axys' collaborations will come to an end in the next year unless continued or extended by agreement with Axys' collaborators. In this case, if Axys' collaborations are not extended or Axys does not enter into additional collaborative

relationships, Axys will have to seek other sources of revenue, including additional financing and/or selling interests in its affiliated businesses. Axys cannot be certain that it will receive any additional revenue from these arrangements beyond the minimum contractual commitments of its partners.

**If Axys fails to satisfy United States Food and Drug Administration safety and efficacy requirements in its clinical trials for any pharmaceutical, Axys will be unable to complete the development and commercialization of that pharmaceutical product.**

Either Axys or its collaborators must show through preclinical studies and clinical trials that each of Axys' pharmaceuticals is safe and effective in humans for each indication before obtaining regulatory clearance from the United States Food and Drug Administration for the commercial sale of that pharmaceutical. If Axys fails to adequately show the safety and effectiveness of a pharmaceutical, regulatory approval could be delayed or denied. The results from preclinical studies and early clinical trials are often different than the results that are obtained in large-scale testing. Axys cannot be certain that it will show sufficient safety and effectiveness in its clinical trials to allow it to obtain the needed regulatory approval. A number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant



setbacks in advanced clinical trials, even after promising results in earlier trials.

Any drug is likely to produce some level of toxicity or undesirable side effects in animals and in humans when administered at sufficiently high doses and/or for a long period of time. Unacceptable toxicities or side effects may occur in the course of toxicity studies or clinical trials. If Axys observes unacceptable toxicities or side effects, Axys, its collaborators or regulatory authorities may interrupt, limit, delay or halt the development of the drug. In addition, these unacceptable toxicities or side effects could prevent approval by the United States Food and Drug Administration or foreign regulatory authorities for any or all indications.

In the fourth quarter of 2000, Axys completed a Phase II clinical trial on its compound, APC 2059, in ulcerative colitis. Before moving forward to more advanced trials, Axys has recently determined that extensive safety pharmacology and dose-ranging pre-clinical research is necessary. Axys determined that it would not undertake this research and intends to seek a partner who is willing to conduct this research, as well as undertake additional clinical and commercial activities. As these clinical trials are intended to establish safety in humans, Axys cannot be certain that it will be able to initiate or complete necessary future clinical trials successfully. Axys' collaboration partner, Bayer, is moving forward with advanced pre-clinical studies of a compound developed in Axys' collaboration with them for the treatment of asthma that would be taken as a pill. Axys cannot be certain that the clinical trials of this compound will be initiated or completed successfully. Finally, Axys cannot be certain that any other drug candidates which may enter clinical trials will successfully complete those trials or that Axys or its collaborators will be able to show the safety and effectiveness of these drug candidates.

**If Axys fails to obtain regulatory approvals to commercially manufacture or sell any of its drugs, or if approval is delayed, Axys will be unable to generate revenue from the sale of its products.**

Axys must obtain regulatory approval before marketing or selling its future drug products. In the United States, Axys must obtain United States Food and Drug Administration approval for each drug that it intends to commercialize. The United States Food and Drug Administration approval process is lengthy and expensive, and approval is never certain. Products distributed abroad are also subject to foreign government regulation. The process of obtaining United States Food and Drug Administration and other required regulatory approvals can vary a great deal based upon the type, complexity and novelty of the products involved. Delays or rejections may be encountered based upon additional government regulation from future legislation or administrative action or changes in United States Food and Drug Administration policy during the period of clinical trials and United States Food and Drug Administration regulatory review. Similar delays also may be encountered in foreign countries.

41

---

None of Axys' drug candidates has received regulatory approval. If Axys fails to obtain this approval, Axys will be unable to commercially manufacture and sell its drug products. Axys has several drugs in various stages of preclinical development and one drug which recently completed the initial phase of Phase II clinical development. These products are not expected to be available for several more years, if at all. Because of the risks and uncertainties involved in development of drug products, Axys' drug candidates could take significantly longer to gain approval than Axys expects or may never gain approval. If regulatory approval is delayed, the market value of Axys and its operating results could be adversely affected. Even if regulatory approval of a product is granted, Axys cannot be certain that it will be able to obtain the labeling claims necessary or desirable for the successful promotion of those products.

Even if Axys obtains regulatory approval, it may be required to continue clinical studies even after it has started selling a drug. In addition, identification of certain side effects after a drug is on the market or the occurrence of manufacturing problems could cause subsequent withdrawal of approval, reformulation of a drug, additional preclinical testing or clinical trials and changes in labeling of the product. This could delay or prevent Axys from generating revenues from the sale of that drug or cause Axys' revenues to decline.

**If regulatory approval to commercially manufacture or sell any of its drugs is obtained, Axys will also be subject to ongoing existing and future United States Food and Drug Administration regulations and guidelines and continued regulatory review.**

In particular, Axys or any third party that Axys uses to manufacture the drug or Axys' collaborators will be required to adhere to regulations setting forth current good manufacturing practices. The regulations require that Axys manufacture its products and maintain its records in a particular way with respect to manufacturing, testing and quality control activities. Furthermore, Axys or its third party manufacturers or its collaborators must pass a pre-approval inspection of its manufacturing facilities by the United States Food and Drug Administration before obtaining marketing approval.

Failure to comply with the United States Food and Drug Administration or other relevant regulatory requirements may subject Axys to administrative or legally imposed restrictions. These include: warning letters, civil penalties, injunctions, product seizure or detention, product recalls, total or partial suspension of production and United States Food and Drug Administration refusal to approve pending New Drug Applications (which we refer to in this proxy statement/prospectus as NDAs), or supplements to approved NDAs.

**If Axys is unable to effectively protect its intellectual property, it may not be able to compete effectively.**

Axys' success depends in a large part on its ability to obtain patents, maintain trade secrets and operate without infringing the intellectual property rights of others, both in the United States and in other countries.

Patents may not be issued from any of Axys' pending or future applications. Patent applications in the United States are maintained in secrecy until the patent is issued. As a result, Axys cannot be certain that others have not filed patent applications for technology covered by its pending patent applications or that Axys was the first to invent the technology. In addition, an issued patent may be challenged, invalidated or maneuvered around or it may otherwise not be sufficient to protect Axys' technology. The patent positions of biotechnology and pharmaceutical companies can be highly uncertain and involve complex legal and factual questions. As a result, it is difficult to predict the breadth of claims allowed in biotechnology and pharmaceutical patents or their enforceability.

Axys' commercial success also depends, in part, on not infringing patents issued to others and not breaching the technology licenses upon which any of its potential products are based. Competitors may

42

---

have filed applications for, or may have received patents and may obtain additional patents and rights relating to, genes, products or processes that block or compete with Axys' patents and rights. A number of third parties have filed patent applications or received patents in the areas of Axys' programs. Some of these applications or patents may limit or hinder Axys' patent applications, or conflict in certain ways with claims made under Axys' issued patents. Furthermore, in the past Axys has been, and may from time to time in the future be, notified of claims that it is infringing patents or other intellectual property rights owned by third parties.

Axys may have to participate in interference proceedings declared by the United States Patent and Trademark Office. These proceedings determine the priority of invention and the right to a patent for the technology in the United States. In addition, lawsuits may be necessary to enforce any patents issued to Axys or to determine the scope and validity of the rights of third parties. Lawsuits and interference proceedings, even if they are successful, are expensive to pursue, and Axys could use a substantial amount of its limited financial resources in either case. An adverse outcome could subject Axys to significant liabilities to third parties and require Axys to license disputed rights from third parties or to cease using the technology.

It is also unclear whether Axys' trade secrets will provide useful protection. Axys protects its own technology and processes, in part, by confidentiality agreements with its employees, consultants and certain contractors. However, these agreements may be disregarded or breached, and Axys may not have adequate remedies for any breach. In addition, it is possible that Axys' trade secrets will otherwise become known or be independently discovered by competitors.

Disputes may arise in the future with regard to the ownership of rights to any technology developed with collaborators. These and other possible disagreements with collaborators could lead to delays in the achievement of milestones or receipt of royalty payments or in research, development and commercialization of Axys' pharmaceuticals. In addition, these disputes could require or result in lawsuits or arbitration. Lawsuits and arbitration are time-consuming and expensive. Even if Axys wins, the cost of these proceedings could adversely affect its business, financial condition and results of operations. Furthermore, these proceedings could adversely affect Axys' stock price or its business reputation and may make the process of entering into additional collaborative relationships more difficult.

**Because Axys does not have manufacturing facilities for its proposed drug products or commercial manufacturing experience, Axys could experience manufacturing delays or problems that hurt its product sales.**

Axys has no manufacturing facilities for its proposed drug products, and its potential products have never been commercially manufactured. Axys must currently rely on its collaborators, Merck, Aventis, and Bayer, to manufacture its products. Axys must find contract manufacturers or commit capital to establish United States Food and Drug Administration approved facilities for non-partnered drug candidates. If Axys or its collaborators or third party manufacturers are unable to manufacture or contract with others for a sufficient supply of Axys' compounds on acceptable terms, Axys may have to delay any of the following:

Axys' preclinical and clinical testing schedule;

Axys' submission of products for regulatory approval; or

the market introduction and subsequent sales of products.

Any of these delays could adversely affect Axys' financial condition and results of operations.

Not only Axys, but Axys' collaborators and contract manufacturers must adhere to current Good Manufacturing Practices regulations enforced by the United States Food and Drug Administration

43

---

through its facilities inspection program. If these facilities cannot pass a pre-approval plant inspection, United States Food and Drug Administration approval of Axys' products will not be granted or will be delayed.

**If Axys fails to recruit and retain professional staff, Axys' product development programs will be delayed.**

Axys is highly dependent on the senior members of its scientific and management staff. Retaining and attracting qualified personnel, consultants and advisors is critical to Axys' success. If Axys fails to recruit and retain qualified personnel, its product development efforts will be delayed. Axys faces intense competition for qualified individuals from numerous pharmaceutical and biotechnology companies, universities and other research institutions. Axys has experienced high attrition rates in the last several years due in part to restructuring following Axys' 1998 acquisition of Sequana Therapeutics, Inc. Axys is currently seeking to hire additional qualified scientific personnel to perform research and development. In addition, Axys expects that it will need to add management personnel and develop additional expertise by existing management personnel in order to expand product development and clinical testing. Axys cannot be certain that it will be able to attract and retain these individuals on acceptable terms or at all.

In addition, Axys' collaborators and consultants are not its employees. As a result, Axys has limited control over their activities and can expect that only limited amounts of their time will be dedicated to Axys' activities. Academic collaborators may also have relationships with other commercial entities, some of whom may be Axys' competitors.

**Axys' future stock price may be volatile and your investment could suffer a decline in market value.**

Stock prices and trading volumes for biotechnology companies often fluctuate widely for reasons that may be unrelated to their businesses. Axys' stock price could decline as a result of many factors, including:

announcements of technological innovations or new products by Axys or other companies;

developments or disputes concerning patents or other rights;

publicity regarding actual or potential medical results from products under development by Axys or other companies;

regulatory developments in both the United States and foreign countries;

public concern regarding the safety of biopharmaceutical products;

any shortfall in Axys' revenues, net income or cash reserves from that expected by securities analysts;

changes in analyst's estimates of Axys' financial performance, the financial performance of Axys' competitors or the financial performance of biotechnology companies in general;

sales of large blocks of Axys' common stock; or

conditions in the financial markets or economy in general or the biotechnology industry in particular.

In the past, following large price declines in the public market price of a company's securities, securities litigation has often been initiated against that company. Litigation of this type could result in substantial costs and diversion of management's attention and resources. Any adverse determination in litigation could subject Axys to substantial liabilities.

44

---

**If product liability claims are brought against Axys, Axys may incur substantial liabilities.**

Axys may be exposed to liability claims resulting from the use of its products in clinical trials, or the manufacturing, marketing and sale of any approved products. These claims may be made directly by consumers, pharmaceutical companies or others. Axys maintains product liability insurance coverage for claims arising from the use of its products that are still in the developmental phase. However, this insurance coverage is becoming increasingly expensive. Axys and its collaborative partners may not be able to obtain and maintain product liability insurance on commercially reasonable terms. Furthermore, even if Axys maintains insurance, the amount may not be enough to protect Axys against losses due to a lawsuit. A successful product liability claim against Axys or series of claims in excess of its insurance could adversely affect its results of operations and result in a need for additional financing.

**Anti-takeover provisions under Delaware law and in Axys' charter documents and its stockholders rights plan could make a subsequent acquisition of Axys more difficult.**

In 1998, Axys adopted a stockholder rights plan, which may have the effect of delaying or preventing an unsolicited takeover of Axys. Axys' certificate of incorporation and bylaws state that any action taken by stockholders must be conducted at an annual or special meeting of stockholders and may not be conducted by written consent. Only the board of directors, the Chairman of the Board or the President may call special meetings of the stockholders. In addition, the Axys board of directors has the authority to issue additional shares of preferred stock and to determine the rights of those shares without any further action by the stockholders. Those rights could be senior to those of the common stockholders. The issuance of preferred stock may make it more difficult for a third party to acquire Axys. These and other charter provisions may discourage certain types of transactions involving an actual or potential change in control of Axys. In fact, these provisions may discourage transactions in which the stockholders might otherwise receive a premium for their shares over then current prices, and may limit the stockholders' ability to approve transactions that they think are in their best interests.

Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other things, the board approves the transaction. Also, under Delaware law, the Axys board of directors may adopt additional anti-takeover measures in the future.

**Axys' senior secured notes are convertible into shares of common stock; there are risks associated with redeeming these notes and their conversion may be dilutive.**

In September 2000, Axys issued \$26 million in senior secured convertible notes, which bear interest at 8% per annum and have a conversion price of \$7.06 per share. These notes are due in November 2004; however, the holders of the notes may choose to convert the notes at any time into shares of Axys common stock. Upon maturity of these notes, the holders may choose to have the notes repaid in cash or shares of its common stock. If the merger is not completed, in the event that some or all of the note holders request that the notes be repaid in cash upon maturity in November 2004, Axys may not have sufficient cash to satisfy all of its obligations under the notes. The underlying collateral pledged against those notes (approximately 6.7 million shares of Discovery Partners stock owned by Axys) may not be sufficient to satisfy the debt obligation. In addition, conversion of these notes into common stock will be dilutive to the stockholders.

45

---

**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**

## Edgar Filing: APPLERA CORP - Form S-4

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 [ ], 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 [ ], 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, [ ] shares of Axys common stock were issued and outstanding and were held by [ ] 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.

46

---

### **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 [ ] shares of Axys common stock, representing approximately [ ]% 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 affirmatively voted in favor of approval and adoption of the merger agreement and approval of the merger 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

### 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. Such directors, officers and employees will

47

---

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 Celera Genomics common stock to former holders of Axys common stock shortly after the merger is completed.**

48

---

## THE MERGER

The following is a description of certain aspects 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.

### 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. In addition, Axys was concerned about its continuing ability to access additional capital in the shorter-term. This concern was heightened by Axys' challenges in realizing near-term value from any of its affiliated businesses. 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, 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 has not proceeded with 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 reduce its operations.

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 despite 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. 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, exploring other strategic and financial transactions

for Axys and reviewing publicly available information regarding possible merger partners. JPMorgan H&Q was formally engaged by Axys on May 7, 2001. The discussions with the initial interested party ended 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.

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 very 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. 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. 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 strategic combination of the parties and Applera continued to conduct its due

diligence review of Axys' business throughout the week. 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. The board of directors of Axys discussed the proposed terms of the merger, including 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 another potential strategic party. In addition, Axys and its financial and legal advisors were negotiating the terms for a potential merger with this second party. 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. In this regard, Axys was only to be given limited freedom by the second party to offer financial incentives to Axys' employees to ensure that they would remain with Axys through the closing of the transaction. Axys believed that Axys would have an increased ability to retain its employees through the closing of the merger with the Applera affiliate due to the willingness of Applera to permit Axys to provide certain incentives to Axys' employees, as well as the current business practices of the Celera Genomics group, both of which were more compatible with the approach of Axys. In addition, the second party wanted to strictly limit 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. Applera was willing to provide Axys with more flexibility in this regard as continued partnering has been and is expected to be generally consistent with the business practices of the Celera Genomics group. 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 reduce Axys' sources of revenue and liquidity. The board of directors 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. Concerns about the certainty of closing the merger, 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 offered Axys greater flexibility in these areas of concern, 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 these and other concerns. As of the evening of June 12, 2001, Axys had not received a new proposal from the second party that addressed the board of directors' concerns.

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 certain members of senior management to finalize and enter into a definitive merger agreement.

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. The merger agreement was executed later that night, 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, in consultation with its financial and legal advisors, 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.

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 Celera Genomics group's strong capabilities in the areas of genomics, proteomics, bioinformatics and high throughput computation combined with 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 therapeutics;

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 Celera Genomics common stock;

the opportunity for holders of Axys common stock to receive a significant premium over the existing market price for shares of Axys' common stock prior to the announcement of the merger;

the greater liquidity of Celera Genomics common stock and broader analyst coverage;

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;

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 Celera Genomics common 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 certain incentives to Axys' employees, as well as the current business practices of the Celera Genomics group, both of which were more compatible with the approach of Axys than were proposed alternatives;

52

---

the likely impact of the merger on Axys' employees;

the belief that Axys and the Celera Genomics group have complementary cultures and that Axys would be able to retain its scientific employees through the closing of the transaction;

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

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

the expected effect of the merger on Axys' existing relationships with third-party 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 Celera Genomics common stock during the 10-day period ending two business days prior to closing will decline below \$34.33, the level below which there will be no further adjustment to the exchange ratio, so that the market price of the Celera Genomics common 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 Celera Genomics common 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 certain 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 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.

### **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

53

---

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 evaluating the proposed merger, the Applera board of directors reviewed presentations from its management and advisors, including the advice of its financial advisor, Morgan Stanley and Co. Incorporated. 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. 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 will be compatible with those of the Celera Genomics group and that the two organizations have complementary cultures.

The board of directors' belief that the complementary technology, research programs and products of the Celera Genomics group and Axys could be combined in a manner that would expand and accelerate the ability of Axys and the Celera Genomics group to identify innovative new therapies. Specifically, the board believes that Axys' capabilities to identify candidates for small molecule therapeutics can be used to address the pipeline of new targets being created by the Celera Genomics group in its research programs.

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 Axys Board of Directors**

The board of directors of Axys 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 Axys 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 Axys as of the date of the JPMorgan H&Q opinion, and does not constitute a recommendation to any stockholder of Axys as to how the stockholder should vote at the special meeting.

At the meeting of the board of directors of Axys on June 12, 2001, JPMorgan H&Q rendered its oral opinion to the board of directors of Axys 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 Axys. 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 Axys, 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 Axys. No limitations were imposed by the board of directors of Axys 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; (2) reviewed certain publicly available business and financial information concerning Axys 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 certain transactions involving companies JPMorgan H&Q deemed relevant and the consideration received for such companies; (4) compared the financial and operating performance of Axys and the Celera Genomics group with publicly available information concerning certain other companies it deemed relevant and reviewed the current and historical market prices of the common stock of Axys and Celera Genomics common stock and certain publicly traded securities of such other companies; (5) reviewed certain internal financial analyses and forecasts prepared by the management of Axys relating to its business; and (6) performed such other financial studies and analyses and considered such 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 Axys and Applera or otherwise reviewed by it, and JPMorgan H&Q has not assumed any responsibility or liability therefor. JPMorgan H&Q has not conducted any valuation or appraisal of any assets or liabilities, nor have any such 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 Axys and the Celera Genomics group to which such 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 Axys, the Celera Genomics group or the Applera or on the contemplated benefits of the merger.

JPMorgan H&Q also held discussions with certain members of the management of Axys with respect to certain aspects of the merger, and the past and current business operations of Axys and the Celera Genomics group, the financial condition and future prospects and operations of Axys and the Celera Genomics group, the effects of the merger on the financial condition and future prospects of Axys and the Celera Genomics group, and certain 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. 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, based upon the trading price of Celera Genomics common stock as of June 11, 2001, 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.

## Edgar Filing: APPLERA CORP - Form S-4

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 such 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 such 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.

**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.

<b>Period of Sales Price Comparison</b>	<b>Implied Premium at \$4.65</b>
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 certain comparable transactions. The transactions used for this analysis were:

Johnson & Johnson / Inverness

Vertex / Aurora

Antigenics Inc. / Aronex Pharmaceuticals

56

Johnson & Johnson / Alza Corp.

Johnson & Johnson / Heartport

Lion Bioscience AG / Trega Biosciences Inc.

Shire Pharmaceuticals / BioChem Pharma

Corixa Corp. / Coulter Pharmaceuticals

Genzyme General / GelTex Pharmaceuticals

Elan Corp. / Dura Pharmaceuticals

Antigenics Inc. / Aquila Biopharmaceuticals

## Edgar Filing: APPLERA CORP - Form S-4

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.

**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

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

**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 such 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.

**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 such 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 such 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 such 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 such 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

58

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 such calculations:

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

JPMorgan H&Q then calculated the average of such 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, which compared to the offer price in the proposed merger, as of June 11, 2001, of \$4.65.

**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.

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 such 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 such 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. 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 certain 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 such securities.

#### **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.

**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.

#### **Consideration to Be Received in the Merger**

The merger agreement provides that, at the effective time of the merger, each share of Axys common stock will be exchanged for a fraction of a share of Celera Genomics common stock and associated rights. This number is referred to as the "exchange ratio." The exchange ratio will be determined as follows:



if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger 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 of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the signing of the merger agreement;

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is greater than \$48.23 and less than or equal to \$60.29, the fraction will be \$4.90 divided by this 10-day average closing price;

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is greater than \$60.29, the fraction will be fixed at 0.0813 shares;

60

---

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is less than \$45.77 and greater than or equal to \$34.33, the fraction will be \$4.65 divided by this 10-day average closing price; and

if the 10-day average closing price of a share of Celera Genomics common stock immediately preceding (but excluding) the second trading day prior to the closing date of the merger is less than \$34.33, the fraction will be fixed at 0.1355 shares.

The merger agreement also provides that, at the effective time of the merger, each share of Axys common stock held in the treasury of Axys or owned by Applera or Angel Acquisition will be canceled and retired without any cash or other consideration delivered with respect to such share.

At the time of the special meeting, Axys stockholders will not necessarily know the exact number or the exact market price of the Celera Genomics common stock that will be issued in connection with the merger. The number of shares of Celera Genomics common 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 Celera Genomics common stock after the special meeting. Stockholders of Axys are urged to obtain current market quotations for Celera Genomics common stock prior to the date of the special meeting. No assurance can be given as to the market price of Celera Genomics common stock at any time prior to or on the effective date 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 Celera Genomics common 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 Celera Genomics common stock that each converted option will be exercisable for will be equal to the number of shares of Axys common stock subject to such options prior to the merger multiplied by the exchange ratio, rounded down to the nearest whole share, and 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 be higher than the closing price of a share of Celera Genomics common stock on the date immediately prior to the closing of the merger. 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 option has been converted pursuant to the merger and setting forth the number of shares of Celera Genomics common stock for which such converted options shall be exercisable, as well as the applicable exercise price for such 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 Celera Genomics common stock, will handle the exchange of Axys stock certificates for stock certificates of Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common stock into which their shares of Axys common stock were converted 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 Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common 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.

### **Fractional Shares**

No fractional shares of Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common 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 Celera Genomics common stock under the same terms and conditions as applied to the Axys warrant. Each warrant shall be exercisable for the number of shares of Celera Genomics common 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 Celera Genomics common stock that are purchasable under the warrant immediately after the merger.

### **Representations and Warranties**

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:

## Edgar Filing: APPLERA CORP - Form S-4

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;

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 certain 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**

Axys and Applera have each undertaken certain covenants 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:

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;

## Edgar Filing: APPLERA CORP - Form S-4

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;

64

---

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, certain types of material contracts or transactions and entering into or amending, in any respect, certain 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;

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;

## Edgar Filing: APPLERA CORP - Form S-4

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 Celera Genomics common stock prior to the effective time of the merger or issue or authorize the issuance of any equity interest in substitution for shares of Celera Genomics common stock.

65

---

**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.

**Recommendation of Axys Board of Directors.** The Axys board of directors has agreed to recommend that its stockholders approve and adopt the merger agreement and approve the merger. 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:

## Edgar Filing: APPLERA CORP - Form S-4

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

66

---

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:

## Edgar Filing: APPLERA CORP - Form S-4

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;

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.

67

---

**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.

### 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:

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

the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act will have expired or terminated;



## Edgar Filing: APPLERA CORP - Form S-4

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 Celera Genomics common 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 such 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,

68

---

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;

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.

### **Stock Exchange Listings**

Applera has agreed to use all reasonable efforts to cause the Celera Genomics common 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. Accordingly, the waiting period under the Hart-Scott-Rodino Act will expire on July 30, 2001 unless, on or prior to that date, either the Antitrust Division or the Federal Trade Commission requests additional information or documentary material from Applera or Axys. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if a challenge is made, that it would not be successful. A challenge could be brought by governmental or private parties, and could seek to enjoin consummation of the merger or to compel the divestiture of businesses conducted by Axys or Applera.

### 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.

69

---

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;

## Edgar Filing: APPLERA CORP - Form S-4

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, under certain circumstances, 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

certain 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 such 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

70

---

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.

### Amendment and Waiver of the Merger Agreement

## Edgar Filing: APPLERA CORP - Form S-4

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, including the parties' respective brokers fees, will be paid by the party incurring the expenses, 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 pay 25% of the cost. In addition, Axys may be required to pay Applera a termination fee and reimburse Applera for certain 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.

71

---

### 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 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 of 1986, as amended, 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.

## Edgar Filing: APPLERA CORP - Form S-4

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

72

---

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.

## Edgar Filing: APPLERA CORP - Form S-4

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 Celera Genomics common stock that has certain voting and liquidation rights in an issuing corporation but whose dividend rights are determined by 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 Celera Genomics common stock.

It is a condition to the closing of the merger that each of Applera and Axys receive an opinion from its tax counsel that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. The opinions will be based on customary assumptions and factual representations 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. The following discussion of United States federal income tax consequences of the merger assumes that, if completed, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended for United States federal income tax purposes. Based upon the above assumptions and qualifications, the merger will generally result in the following United States federal income tax consequences:

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 Celera Genomics common stock;

you will recognize capital gain or loss on any cash received in lieu of a fractional share of Celera Genomics common stock equal to the difference between the amount of cash received and the basis allocated to such 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;

73

---

the aggregate tax basis of Celera Genomics common 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 Celera Genomics common 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 certain facts relating to the merger.

**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 Celera Genomics common 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 some of Axys' directors and executive officers have interests in the merger that may be 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; and director John H. Walker. These agreements may, under the circumstances set forth below, entitle the officer to severance or termination pay or accelerate stock option vesting in connection with the transactions contemplated by the merger agreement.

**Executive Employment Agreement of Mr. Hastings dated as of January 23, 2001.** Mr. Hastings became President and Chief Executive Officer of Axys in January 2001. Mr. Hastings' employment agreement provides for an annualized base salary equal to \$400,000 (subject to review each year) and

eligibility for an annual bonus up to fifty percent of his then current base salary upon achievement of reasonable goals set by the Axys board of directors. Under the terms of the agreement, Axys loaned Mr. Hastings \$300,000 and Mr. Hastings issued a full-recourse promissory note, secured by any shares of Axys common stock received by him in connection with any stock option exercise, to Axys on January 2, 2001. The note bears interest at a rate of 5.61% per annum and is payable in full on the earlier of thirty days following Mr. Hastings' termination of employment (other than as set forth below) or January 2, 2004. So long as Mr. Hastings continues to render services to Axys, one thirty-sixth of the principal amount of the note and any interest accrued thereon will be forgiven on the first day of each calendar month. The agreement also provides that Mr. Hastings will receive medical and dental coverage and other standard benefits from time to time provided by Axys to its executives or other employees in general.

If Mr. Hastings is terminated for any reason other than death, disability, change of control, voluntarily without good reason, or for cause, he will receive one year's base salary (currently \$400,000) and his yearly target bonus (currently \$200,000) paid in twelve monthly installments, together with forgiveness of all remaining principal and interest due to Axys under the note. Mr. Hastings' options to purchase Axys' common stock that would have vested had he remained in employment an additional twelve months will immediately vest. Axys will also continue to pay the costs associated with his health care benefits for up to twelve months or until he acquires comparable benefits. In the event that Mr. Hastings is terminated, including a voluntary termination by Mr. Hastings for good reason, upon a change of control, he will within seven days receive a lump sum payment equal to eighteen months of his base salary plus a pro rata share of his bonus for the calendar year in which the termination occurs, plus an additional eighteen months of his target bonus. Mr. Hastings will also receive eighteen months of continued health benefits (unless comparable benefits become available to him during that time). All of Mr. Hastings' outstanding options to purchase Axys' common stock shall become fully vested and exercisable immediately upon his termination. In order to obtain these lump sum payments, accelerated vesting and health care benefits in the case of any provided for termination scenario, Mr. Hastings must sign a release of all claims against Axys. Although Mr. Hastings may be able to voluntarily terminate his employment with good reason following the merger, Mr. Hastings has agreed not to do so for a period of six months. In addition, the Celera Genomics group has agreed to recommend to the Management Resources Committee of the Applera board of directors that Mr. Hastings receive an incentive package in consideration of his efforts in integrating Axys and the Celera Genomics group following the merger.

**Executive Employment Agreement of Dr. Hoth dated as of March 30, 2001.** Dr. Hoth's employment agreement provides for an annualized base salary equal to \$305,000 (subject to review) and eligibility for an annual bonus up to thirty percent of his then current base salary upon achievement of reasonable goals set by the Axys board of directors. The agreement also provides that Dr. Hoth will receive the standard benefits from time to time provided by Axys to its executive employees generally.

If Dr. Hoth is terminated involuntarily without cause at any time or voluntarily for good reason after a change of control, he will receive his annual salary and bonus accrued but unpaid as of that date plus health benefits for one year. Specifically, within thirty days following the effectiveness of a release of all claims against Axys, Dr. Hoth will receive a lump sum payment equal to one year's base salary (currently \$305,000) plus one year's target bonus (currently \$91,500). If Dr. Hoth's termination is within eighteen months following a change of control, 100% of his options to purchase shares of Axys' common stock will immediately vest and become exercisable. In order to obtain the lump sum payment and accelerated vesting benefits, Dr. Hoth must sign a release of all claims against Axys.

75

---

**Amended and Restated Executive Employment Agreement of Mr. Newell dated as of March 27, 2001.** Mr. Newell's employment agreement provides for an annualized base salary equal to \$275,000 (subject to review) and eligibility for an annual bonus up to thirty percent of his then current base salary upon achievement of reasonable goals set by the Axys board of directors. The agreement also provides that Mr. Newell will receive the standard benefits from time to time provided by Axys to its executive employees generally.

This agreement provides that if Mr. Newell is terminated involuntarily without cause at any time or voluntarily for good reason after a change of control, he will receive his annual salary and bonus accrued but unpaid as of that date plus health benefits for one year. Specifically, within thirty days following the effectiveness of a release of all claims against Axys, Mr. Newell will receive a lump sum payment equal to one year's base salary (currently \$275,000) plus one year's target bonus (currently \$82,500). If Mr. Newell's termination is within eighteen months following a change of control, 100% of his options to purchase shares of Axys' common stock will immediately vest and become exercisable. In order to obtain the lump sum payment and accelerated vesting benefits, Mr. Newell must sign a release of all claims against Axys.

**Amended and Restated Executive Employment Agreement of Mr. Riggs dated as of March 27, 2001.** This agreement provides that if Mr. Riggs is terminated involuntarily without cause at any time or voluntarily for good reason after a change of control, he will receive his annual salary and bonus accrued but unpaid as of that date plus health benefits for one year. Specifically, within thirty days following the effectiveness of a release of all claims against Axys, Mr. Riggs will receive a lump sum payment equal to one year's base salary (currently \$235,000) plus one year's target bonus (currently \$70,500). If Mr. Riggs' termination is within eighteen months following a change of control, 100% of his options to purchase shares of Axys' common stock will immediately vest and become exercisable. In order to obtain the lump sum payment and accelerated vesting benefits, Mr. Riggs must sign a release of all claims against Axys.

**Amended and Restated Executive Employment Agreement of Dr. Venuti dated as of March 28, 2001.** Dr. Venuti's employment agreement provides for an annualized base salary equal to \$290,000 (subject to review) and eligibility for an annual bonus up to thirty percent of his then current base salary upon achievement of reasonable goals set by the Axys board of directors. Dr. Venuti was obligated to pay Axys principal and accrued interest under a \$300,000 promissory note issued to Axys as of August 14, 2000; the agreement provides that (other than as set forth below), so long as he continues to render services to Axys through such dates, Axys will forgive \$60,000 of the indebtedness on August 14, 2001 and each August 14 through 2005. The agreement also provides that Dr. Venuti will receive the standard benefits from time to time provided by Axys to its executive employees generally.

This agreement provides that if Dr. Venuti is terminated involuntarily without cause at any time or voluntarily for "good reason" after a change of control, he will receive his annual salary and bonus accrued but unpaid as of that date plus health benefits for one year. Specifically, within thirty days following the effectiveness of a release of all claims against Axys, Dr. Venuti will receive a lump sum payment equal to one year's base salary (currently \$290,000) plus one year's target bonus (currently \$87,000). If the termination is within eighteen months following a change of control, 100% of Dr. Venuti's options to purchase shares of Axys' common stock will immediately vest and become exercisable and principal and accrued interest amounts outstanding under the Note shall be forgiven as of the date of his termination. In order to obtain the lump sum payment, accelerated vesting and debt forgiveness benefits, Dr. Venuti must sign a release of all claims against Axys.

Dr. Venuti has signed an additional amendment to his employment agreement waiving certain rights that may arise upon consummation of the transactions contemplated by the merger agreement, and in particular specifying that the completion of the merger and the fact that Dr. Venuti will be

76

---

working for a subsidiary of Applera and may report to an officer of Applera or one of its subsidiaries will not constitute "good reason" for Dr. Venuti to voluntarily terminate his employment.



**Executive Employment Agreement of Mr. Altschuler dated as of December 14, 2000.** This agreement provides that if Mr. Altschuler is terminated involuntarily without cause at any time or voluntarily for good reason after a change of control, he will receive his annual salary and bonus accrued but unpaid as of that date plus health benefits for one year. Specifically, within thirty days following the effectiveness of a release of all claims against Axys, Mr. Altschuler will receive a lump sum payment equal to one year's base salary (currently \$230,000) plus one year's target bonus (currently \$57,500). If Mr. Altschuler's termination is within eighteen months following a change of control, 100% of his options to purchase shares of Axys' common stock will immediately vest and become exercisable. In order to obtain the lump sum payment and accelerated vesting benefits, Mr. Altschuler must sign a release of all claims against Axys.

**Amended and Restated Employment Agreement of Mr. Walker dated as of December 14, 2000.** Mr. Walker's agreement provides for an annualized base salary equal to \$212,500 each year commencing on January 1, 2001 and terminating on December 31, 2003. On the date of the agreement, Mr. Walker was obligated to pay Axys principal in the amount of \$400,000 and accrued interest in the amount of \$94,611.04 in connection with a promissory note issued by Mr. Walker to Axys. Effective as of such date and under the terms of the agreement, Axys forgave all outstanding principal and interest due under the note and agreed to pay Mr. Walker a tax gross-up payment of \$160,000. The agreement provides that Axys will, at its sole expense, provide Mr. Walker and his eligible dependents with medical and dental plan benefits, which benefits will be provided without regard to whether Mr. Walker continues to render services to Axys. Additionally, so long as Mr. Walker continues to render services to Axys, Axys will maintain a split-dollar life insurance policy in Mr. Walker's name to which Axys made premium payments while Mr. Walker was the Chief Executive Officer of Axys and which includes a collateral assignment in favor of Axys. Mr. Walker is also entitled to all other rights and benefits that Axys from time to time provides to its executive employees generally.

If Mr. Walker is terminated other than for cause or good reason, he will receive in a lump sum an amount equal to his base salary (\$212,500) for each of the calendar years 2001, 2002 and 2003 (less any amount he has already been paid). In addition, any options to purchase common stock of Axys that are unvested immediately prior to the termination of his employment will immediately vest and become exercisable as of that date. In order to obtain the lump sum payment and accelerated vesting benefits, Mr. Walker must sign a release of all claims against Axys.

Certain other Axys employees are also party to employment agreements with Axys containing similar provisions relating to the effects of a change of control. Some of these employees have entered into agreements with Applera specifying that the completion of the merger and the fact that the employees will be working for a subsidiary of Applera will not constitute "good reason" for the employees to voluntarily terminate their employment under the terms of their employment agreements. For other Axys employees, including those described above other than Mr. Hastings and Dr. Venuti, these post-merger changes may constitute good reason for voluntary termination of employment.

### Stock Options

Axys' equity-based compensation plans, other than Axys' Non-Employee Directors' Stock Option Plan established in 1994, do not provide for the acceleration of outstanding options upon a change in control in which options are assumed. As of the record date, Axys' directors and executive officers held vested and unvested options to acquire an aggregate of 88,229 shares of Axys common stock with a weighted average exercise price of \$6.55 per share. Under the merger agreement, upon the consummation of the merger, each of these options, whether vested or unvested, will be converted into an option to acquire a number of shares of Celera Genomics common stock equal to the number of

77

---

shares subject to the Axys option multiplied by the exchange ratio, rounded down, at an exercise price equal to the exercise price of the Axys option divided by the exchange ratio, rounded up. In no event, however, will the exercise price for options held by employees of or consultants to Axys exceed the closing price of a share of Celera Genomics common stock on the date immediately prior to the closing of the merger.

In addition, in the event that Applera or any of its subsidiaries terminates the employment of an employee of Axys without cause within 90 days of the consummation of the merger, the exercise period for any vested options then held by the terminated employee will be extended to a total of 12 months following the 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 terminated employee. Mr. Hastings has indicated that he will not consent to any extension of his options in the event his employment is terminated.

Under the Axys Non-Employee Directors' Stock Option Plan established in 1994, non-employee directors of Axys receive annual automatic stock option grants. Options granted under the plan generally vest at a rate of 25% per year for four years. In the event of a change-in-control of Axys, such as the proposed merger, the vesting of these options will accelerate and the options expire if not exercised prior to the change-in-control. As a result, the non-employee directors will be able to exercise options to purchase 88,750 shares of Axys common stock at an average exercise price of \$6.50. If the non-employee directors do not exercise these options prior to the completion of the merger, all options to purchase these shares of Axys common stock will expire. For more information about this stock option plan, see "Management of Axys Compensation of Non-Employee Directors of Axys" in this proxy statement/prospectus.

## Indemnification Agreements

**Pre-Existing Indemnification and Insurance.** Axys has entered into separate indemnification agreements with each of its directors and officers which require Axys, among other things, to indemnify them against liabilities arising from their status as directors or officers to the fullest extent permitted by Axys' amended and restated bylaws and Delaware law. In addition, Axys' amended and restated bylaws provide that Axys will indemnify its directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. Axys also maintains directors' and officer's liability insurance.

**Additional Indemnification and Insurance.** The merger agreement provides that Applera and the surviving corporation of the merger will, to the fullest extent permitted by law, indemnify and hold harmless each of Axys' present and former directors and officers against any costs or expenses arising out of or pertaining to the transactions contemplated by the merger agreement, or for any actions or omissions at or prior to the effective time of the merger, in each case to the same extent provided in Axys' amended and restated certificate of incorporation, Axys' amended and restated bylaws or any pre-existing indemnification contract with the present or former director or officer. The surviving corporation of the merger must maintain policies of directors' and officers' liability insurance containing terms and conditions which are not less advantageous than policies maintained by Axys prior to the effective time of the merger for a period of six years following the closing of the merger (provided that the surviving corporation of the merger is not required to pay an annual premium for any policy in excess of 200% of the annual premiums currently paid by Axys).

## Resale of Celera Genomics Common Stock

The shares of Celera Genomics common stock to be issued to stockholders of Axys pursuant to the merger have been registered under the Securities Act, so these shares may generally be freely traded without restriction by people who will not be "affiliates" of Applera after the merger and who

78

---

were not "affiliates" of Axys on the date of the Axys special meeting for purposes of Rule 145 under the Securities Act. All directors and certain officers of Axys may be deemed to have been "affiliates" of Axys within the meaning of such rule. Those people may resell Celera Genomics common stock received by them in the merger only if the shares are registered for resale under the Securities Act or an exemption from such registration under the Securities Act is available. Those people may be permitted to effect resales under the safe harbor provisions of Rule 145 under the Securities Act (or Rule 144 in the case of such persons who become "affiliates" of Applera) or as otherwise permitted under the Securities Act. People who may be deemed to be affiliates of Axys or Applera generally include individuals or entities that control, are controlled by, or are under common control with, Axys or Applera, as applicable, and may include certain officers and directors of such party as well as principal stockholders of Axys or Applera, as applicable. It is recommended that any such person obtain advice of securities counsel prior to effecting any resales.

This proxy statement/prospectus does not cover resales of Celera Genomics common stock received by any person, including any person who may be deemed to be an affiliate of Applera or Axys.

## Dissenters' Rights

Under Delaware law, stockholders of Axys will not be entitled to exercise dissenters' appraisal rights or to demand payment for their shares in connection with the merger.

79

---

## INFORMATION ABOUT AXYS

### Business

### Overview

Axys is a biopharmaceutical company focused on the discovery, design and development of therapeutic small molecules that address significant markets with major unmet medical needs. Axys collaborates with large pharmaceutical companies in discovering therapeutics for chronic diseases for which there are large markets. Axys also selectively focuses its own resources on discovering and developing therapeutics

for the treatment of various types of cancer and other specialty therapeutic opportunities. Axys has on-going programs in the treatment of autoimmune diseases, inflammatory diseases, and cancer. Axys' drug design platform integrates advanced biology, chemistry, biophysics and information technologies to optimize the potency, selectivity and physical properties of new drugs, making the drug discovery process more efficient and productive.

Currently, Axys has significant collaborations with Aventis Pharmaceuticals Products, Inc. (a subsidiary of Aventis S.A.), Merck & Co. and Bayer A.G. These collaborations provide Axys with financial support and collaborative resources for these research programs. Axys' partners are also responsible for developing Axys' clinical drug candidates and commercializing Axys' products in broad medical markets in the event Axys' products are approved by the United States Food & Drug Administration. Axys believes that several of its partnered programs are positioned to advance into human clinical testing over the next few years, which Axys expects will generate increased milestone payments and eventual royalty streams. Axys has additional research programs underway, both proprietary and in collaboration with other life science companies, and Axys believes that novel drug candidates will enter clinical studies within the next 12 to 18 months. At the present time, Axys aims to establish additional partnerships with major pharmaceutical companies in order to obtain the funding and collaborative research support needed to expand its discovery efforts in cancer and other areas.

Axys believes that advances in genomic research represent a major opportunity for drug discovery directed at novel biological targets. Axys seeks to exploit this opportunity by combining medicinal chemistry and molecular biology, through collaborations and internally, to identify possible drug candidates for a drug target or group of drug targets. Over the next few years, Axys expects to continue its research and development efforts and to bring drug candidates into clinical development. Axys also seeks to license and acquire technologies, resources and products that have the potential to strengthen its drug discovery platform and product pipeline.

During the year 2000, Axys reported gains of \$61.2 million on the sale of two of Axys' three non-core affiliated companies. In April 2000, Axys sold Advanced Technologies to Discovery Partners. Discovery Partners completed an initial public offering of common stock in July 2000. In consideration of the sale of Advanced Technologies, Axys received 7,425,000 shares of Discovery Partners common stock with a carrying value of \$40.4 million on December 31, 2000. In December 2000, Axys also sold its interest in PPGx, Axys' pharmacogenomics subsidiary, to DNA Sciences for 1,478,550 shares of Series D Preferred Stock and 108 shares of common stock in DNA Sciences, valued in the aggregate at \$15 million as of December 31, 2001. In addition, at December 31, 2000, Axys owned 23% of Akkadix. In March 2001, Axys' ownership interest increased to 44% in connection with the exercise of contractual put options held by third party investors in Akkadix (see note 3 in the financial statements of Axys that appear commencing on page F-1 of this proxy statement/prospectus).

#### **What Gives Axys an Edge in Drug Discovery and Development?**

The entire drug discovery process runs from target identification and validation to lead identification to preclinical development to clinical development. The following sections describe each part of this process and the technologies that Axys employs in drug discovery.

80

---

In recent years, the advent of new drug discovery technologies, including genomics, bioinformatics, computational sciences, structure-based drug design, combinatorial chemistry and high throughput screening, has offered great potential for streamlining the lengthy and expensive process of drug discovery. Axys has assembled a premier platform for drug discovery by combining and integrating these new technologies with the traditional pharmaceutical sciences, including medicinal chemistry and pharmacology. Axys' capabilities in this area, which include assay development, compound screening, lead optimization, pharmacology and preclinical development, are instrumental in increasing the speed and efficiency of Axys' drug candidate identification efforts. In addition, Axys has functional genomics capabilities, which it is using to select and validate targets for Axys' cancer research.

As a biopharmaceutical company, Axys' core strengths lie in the portion of the drug discovery continuum spanning from selection of leads from hits in primary screens, through lead optimization using structure-based drug design and combinatorial chemistry, to preclinical development and pharmacology. In this regard, Axys believes it is among the few biotechnology companies having an in-house medicinal chemistry group of Axys' size and scope.

#### **Target Identification and Validation**

Target identification and validation is the process of identifying and validating those genetic-based targets that are the most promising for therapeutic intervention by small molecules. There are numerous potential targets, which may apply to all manner of diseases. As described below, Axys is currently focusing its target identification and validation efforts on discovering new biochemical pathways in cancer.

The human genome is the collection of all the genetic information of a human being. Scientifically defined, the human genome consists of 23 pairs of chromosomes that contain the 40,000 or so genes that define every human's make-up. Genes are made up of DNA (deoxyribonucleic

acid). In humans, a DNA molecule resembles a twisted ladder and consists of two strands a double helix whose carbohydrate-like sides are connected by pairs of nitrogen-containing chemicals called bases, which form the rungs of the ladder. The particular order of the bases is called the DNA sequence. In total, there are approximately 3 billion base pairs of DNA comprising all of the chromosomes in the human genome. Much effort has been devoted by various governments, research institutions and companies to mapping out the exact location of each gene on each chromosome in order to determine the complete DNA sequence of the 3 billion DNA bases. Detailed knowledge of the human genome is now available, either through public databases or through commercially available databases. Through 1999, Axys had applied the technology generally known as positional cloning to disease gene identification. This technology depended on securing DNA samples from donor populations with a known disease incidence, followed by high throughput genotyping and DNA sequencing to establish a linkage between the disease and a particular chromosome or specific gene.

However, knowing the sequence of a gene is really only the beginning of the drug discovery process. The next step is the determination of the biological processes in which the gene plays a role. The term "functional genomics" refers to a variety of scientific disciplines that examine gene function and identify disease pathways resulting from a gene or genes that are not functioning properly. The job of determining the functions of a gene and its protein products requires testing in systems that approximate human systems, such as the *C. elegans* (nematode worm) system.

Although Axys was a pioneer in genomics research using positional cloning techniques in many different disease areas, Axys concluded in 1999 that many of its genomics programs were at too early a stage and too far removed from product development to justify the sizeable investment that Axys was making. So, during the last half of 1999, Axys wound down its genomics research programs which were based on positional cloning technology. Axys continues to utilize its genomics capabilities as part of its cancer research programs. Axys has integrated these capabilities with its functional genomics

capabilities to create a directed set of target identification and validation tools, which include bioinformatics, a sophisticated antisense knock-out technology, expression array technology and *C. elegans* nematode biology, all of which Axys uses to discover new biochemical pathways in cancer.

Axys makes use of both proprietary and licensed bioinformatics software to enable the discovery of new genes and the identification of known genes and species homologs (sister genes) in its efforts in target identification and validation. When new gene sequences are identified, Axys is able to rapidly access both public and proprietary databases through these software tools. When the function of a gene needs to be determined, especially in the case when it might play a pivotal role in a biochemical process, Axys can use antisense knock-out technology, either in well-characterized functional systems, such as the nematode worm, or in mammalian systems. For most applications of antisense, as applied to specific new targets, Axys has licensed the technology from Atugen. Axys also employs sophisticated gene expression array technology, licensed from Molecular Dynamics-Amersham. Using this technology, very small arrays are custom built on glass slides to study the expression levels of thousands of genes at the same time. With the information generated from these arrays, Axys can compare differences in gene expression between normal and diseased or genetically manipulated cells. Finally, another technology Axys uses is *C. elegans*, a microscopic multicellular round worm that is the most thoroughly understood multicellular animal in terms of cellular development, anatomy and genetic content. *C. elegans* is useful as a research tool because as many as 70% of the currently known human disease genes possess a highly significant homolog in the nematode.

By combining gene expression data and Axys' antisense results with information about genetic relationships gained from model systems and Axys' bioinformatics capabilities, Axys is better able to identify points in biological pathways that may be the best point of intervention for a potential therapeutic. For a description of some of Axys' more significant target validation and identification activities in cancer in 2000 and the first half of 2001, see the section below entitled "What Does Axys' Non-Partnered Research and Development Franchise Look Like?"

### **Lead Identification**

Once a biological point of intervention or target is identified and validated, Axys has the capability to rapidly identify chemical compounds that regulate the protein product of the relevant gene. Axys has generated such lead compounds for new biological targets at a rapid pace by making use of a broad range of technologies in dual discovery tracks: (1) structure-based drug design driven by X-ray crystallography and computational modeling, and (2) high throughput screening combined with chemical compound diversity.

Axys uses a broad range of scientific capabilities to study the basic structure of molecules (X-ray crystallography) and advanced chemistry that uses the knowledge gained from crystallography and structural biology. These technologies can speed research by enabling an understanding of the precise three-dimensional structure of a target associated with a disease. Then, Axys brings additional computational science capabilities into play. Axys has a rapid, flexible molecular docking model that can be used to find a natural or synthetic "inhibitor" that can bind to the molecule and change the way it will perform in the body. By using structure-based design, Axys has the ability to rapidly create lead compounds that are less likely to cause side effects or be toxic.

Axys' medicinal chemists also play an important role in Axys' lead identification efforts. The chemists obtain iterative structural information from X-ray crystallography and molecular modeling, complemented by powerful computational resources and coupled with production-level protein expression and purification, all of which enables them to develop and refine target compound families. Axys' particular strength is in the determination of serine and cysteine protease protein structures, and the design of small molecules with potency and specificity among these closely related protein family members. Proteases are enzymes, which play a critical role in virtually every biological process. Axys

believes the ability to develop inhibitors of proteases may give Axys important advantages in its drug discovery activities.

Axys' combinatorial chemistry expertise compliments its structure-based design activities. Combinatorial chemistry capabilities are particularly useful where there is little known structural information. Axys has created compound diversity libraries, originally through Axys' former subsidiary Advanced Technologies, which has synthesized and delivered to Axys approximately 530,000 individual compounds to date. Axys may develop additional compound diversity libraries or purchase additional compounds from Discovery Partners. Axys projects to have received an aggregate of approximately 600,000 such compounds, encompassing over 140 distinct sub-libraries, by year-end 2001. Axys' medicinal and combinatorial chemists are able to generate a wide variety of diversity or lead optimization libraries, depending on Axys' needs. Assays for high throughput screening are adapted for automation and validated for screening against diverse chemical structures to provide data with a low false positive hit rate. Screening hits are rapidly confirmed or eliminated based on follow-up assays, and are qualified for further library expansion and medicinal chemistry based on novelty, potency and selectivity criteria.

To screen these libraries, Axys uses automated robotics systems. These robots test the binding activity of thousands of compounds against a disease target, usually a protein. This binding activity is a measure of the compound's ability to inhibit or potentiate the activity of the protein. The primary role of the technology is to detect active compounds and supply directions for their optimization using other techniques. Given the variety and size of chemical libraries available today, and the need to compare the results from multiple screens, data collection and management of information are critical elements of high throughput screening. Axys maintains databases of structures, assays performed, screening results and other similar information in relational databases, which can be queried from any number of research parameters.

#### **Optimization, Preclinical Development and Clinical Development**

Once a lead candidate has been identified, the most resource-intensive stage of Axys' drug discovery process begins. This is the process of identification of a preclinical candidate with the desired pharmaceutical product profile. It requires directed medicinal chemistry efforts coupled closely with pharmacokinetics, drug metabolism and efficacy studies in pharmacology. Axys' experience in such programs partnered with major pharmaceutical companies during the last several years has resulted in an integration of effort by Axys' medicinal chemists and Axys' pharmacology group.

Axys believes that it is one of the few biotechnology companies having an in-house medicinal chemistry group of its size and scope. Axys has approximately 55 medicinal chemists. Axys uses its medicinal chemistry capabilities to improve the potency, selectivity (won't bind to wrong target), oral bioavailability (compound can be absorbed by the body when taken orally as a pill), metabolic stability (how rapidly the body breaks down the compound), and biological half-life (how long the effects of the drug will last) of a drug candidate.

Axys is building a new 43,500 square foot building dedicated to medicinal chemistry on the Axys research campus in South San Francisco, California. The facility will house medicinal chemistry, X-ray crystallography and computational chemistry. This facility will be able to accommodate approximately 80 chemists upon completion in the latter half of 2001, allowing for future growth.

Before qualifying for evaluation in human trials, chemical compounds must pass extensive safety and effectiveness tests. In such tests, Axys uses cell-based and animal-based models of human disease to provide important information on the duration of action of a potential drug, as well as how it is absorbed by the body or metabolized. On-site studies take advantage of advanced technologies, such as mass spectrometry (a sensitive analytical method to identify a compound and the products into which it is broken down), to evaluate hundreds of samples, indicating not only drug concentrations but also the

pharmacodynamic (what the drug does to the body) and the pharmacokinetic (what the body does to the drug) characteristics of compounds nearing human clinical trials.

Finally, while some of Axys' collaborative partners currently provide clinical development expertise, Axys also has an in-house clinical development group with the capability to manage clinical trials, satisfy regulatory requirements, and ensure manufacturing quality control and

quality assurance. This group is responsible for taking Axys' products forward into human testing.

### **What Drug Discovery Partnerships with Pharmaceutical Companies Does Axys Have?**

#### **Partnered Pipeline Preclinical**

Merck Osteoporosis (Cathepsin K)

Aventis Inflammation (Cathepsin S)

Bayer Asthma (Tryptase)

#### **Merck (Cathepsin K Inhibitors/Osteoporosis/Preclinical)**

In November 1996, Axys entered into a research and development collaboration with Merck to develop small molecule inhibitors of cathepsin K for the treatment of osteoporosis. Osteoporosis is a disease of the bones that results in weakened bones which leads to pain, difficulty in moving, deformity and fractures. This condition mainly affects post-menopausal women.

Cathepsin K belongs to a class of enzymes called cysteine proteases. It is known to be secreted in excessive amounts by osteoclasts. In the healthy human body, osteoblast cells are responsible for bone-building while osteoclasts are responsible for bone degradation. By maintaining a careful balance in each type of cell's activity, normal bone remodeling and skeletal integrity is achieved. However, when the rate at which bone is destroyed by the osteoclasts exceeds the rate at which new bone is produced by osteoblasts, the result is excessive bone degradation (bone resorption) a condition that results in brittle bones and is characteristic of osteoporosis.

In February 1997, Axys announced the first-ever solution of the three-dimensional crystal structure of cathepsin K that has enabled Axys to design potent and selective inhibitors of cathepsin K. In December 1999, Axys announced the successful testing of a specific, selective cathepsin K inhibitor compound in an animal efficacy model, which triggered a milestone payment to Axys. In addition, although the research and development relationship was originally scheduled to end after two years and had already been extended for one additional year, Axys agreed with Merck in December 1999 to extend this collaboration for another additional year until early November 2000. In November 2000, Axys and Merck extended their osteoporosis collaboration for a fifth year to develop additional analog compounds to those previously provided. In February 2001, Axys received \$1.5 million payment from Merck for an important milestone attained in the cathepsin K inhibition program. Axys expects IND-enabling studies to be completed in 2001, with phase I clinical trials initiated during the first quarter of 2002.

#### **Aventis (Cathepsin S inhibitors/Inflammatory Diseases/Preclinical)**

In December 1998, Axys entered into a collaborative research and development agreement with Aventis (successor to Rhone-Poulenc Rorer). The objective of the collaboration is the discovery and development of small molecule therapeutics that inhibit cathepsin S, a human cysteine protease associated with certain inflammatory diseases.

Cathepsin S is a cysteine protease found in antigen-presenting cells of the immune system. Unlike many other proteases, it is rarely found in other types of cells. Cathepsin S is believed to function in a pathway that regulates the body's ability to fight off these foreign antigens, leading to an inflammatory

reaction. As a result, it may be possible to use inhibitors of cathepsin S to block the pathway and consequently protect the body from certain inflammatory diseases and perhaps autoimmune disorders. Axys' researchers were the first to solve the three-dimensional X-ray crystal structure of cathepsin S, as reported in June 1998 in Protein Science, which allowed Axys to design potent and selective inhibitor drug candidates.

Cathepsin S is associated with some inflammatory diseases, including arthritis, asthma, atherosclerosis and a variety of autoimmune diseases. Under the terms of the agreement, Aventis has exclusive development and marketing rights to cathepsin S protease inhibitors for respiratory diseases, atherosclerosis and related conditions, rheumatoid arthritis, and multiple sclerosis. Rheumatoid arthritis affects approximately 2.5 million Americans. Coronary heart disease is caused by the atherosclerotic narrowing of the coronary arteries and is the number one cause of death in United States with approximately 500,000 deaths occurring annually. Approximately 350,000 people have been diagnosed with multiple sclerosis.

## Edgar Filing: APPLERA CORP - Form S-4

In November 1999, Axys announced the successful testing of a potent, selective cathepsin S inhibitor compound in an animal efficacy model of asthma and received a milestone payment. In addition, current in vivo proof-of-concept studies are underway and planned for rheumatoid arthritis and atherosclerosis. In October 2000, Axys announced that on the basis of data from an in vivo efficacy model of asthma, Aventis qualified a collaboration compound for pre-clinical advancement. Upon successful completion of this work, Axys expects Aventis to initiate IND-enabling studies of a lead cathepsin S compound in late 2001.

### **Bayer (Tryptase Inhibitors/Asthma/Preclinical)**

In 1994, Axys entered into an agreement with Bayer for the research and development of tryptase inhibitors for the treatment of asthma. Tryptase is a serine protease that has been shown to regulate inflammation. Tryptase is released by mast cells as part of an immune response to allergens such as pollen, mold or grasses and contributes to several biological events that result in inflammation. Axys' tryptase inhibitors are designed to slow or halt the inflammatory process at an early stage, in an attempt to provide safe and effective therapies for the treatment of the underlying cause of disease, rather than the symptoms. The most significant indication for tryptase inhibitors is allergic asthma, as a replacement for inhaled steroid therapies.

Asthma is characterized by generalized airway inflammation and tightness in the lungs (bronchoconstriction) that makes breathing difficult. Five percent of the United States population, or approximately 13 million people, are estimated to suffer from some form of asthma. The exact causes of asthma are not well understood, and current treatments for asthma include controlling inflammation through the use of inhaled steroids, treating airway constriction through the use of bronchodilators and prevention of asthma attacks through the daily use of oral leukotriene inhibitors.

In Axys' collaboration with Bayer, Axys has established human proof-of-concept for tryptase as a drug target. This was achieved in previous Phase II clinical studies of APC 366, an inhaled peptide tryptase inhibitor, which showed that inhibiting tryptase resulted in improved breathing (reduction in late airway response) in asthmatics. Bayer is currently in preclinical studies with a later generation small molecule tryptase inhibitor with high oral bioavailability and circulating half-life, with the goal of developing a once-a-day oral therapeutic for the prevention and chronic treatment of asthma.

### **No Current Partner (Factors VIIa & Xa Inhibitors/Blood Clotting Disorders/Preclinical)**

In September 1995, Axys signed a collaboration agreement with the predecessor to Pharmacia Corporation to develop oral therapeutics for blood clotting disorders, such as deep vein thrombosis, stroke, and myocardial infarction. More specifically, Axys had been performing research on inhibitors of Factors Xa and VIIa and thrombin, all of which are serine proteases involved in the blood clotting

85

process. These proteases have been acknowledged as targets for a host of disorders related to abnormal clotting. Annually, more than 2 million people are hospitalized in the United States for deep vein thrombosis, acute myocardial infarction and unstable angina.

In July 1998 the research support for this collaboration ended and in February 1999 Axys formally agreed to end this collaboration. Axys is currently continuing its research efforts with a focus on Factor VIIa and is actively seeking a new partner for the Factor VIIa program. At the present time, Axys is continuing to work on potent and selective compounds, which could result in the nomination of a clinical candidate.

### **What Does Axys' Non-Partnered Research and Development Franchise Look Like?**

#### **Proprietary Pipeline Oncology & Specialty Therapeutic Areas**

	<b>Screening/ Proof of Concept</b>	<b>Preclinical</b>	<b>IND</b>	<b>Phase I Clinical Trials</b>	<b>Phase II Clinical Trials</b>
Urokinase Angiogenesis/metastasis			X		
SERM-b Selective estrogen receptor modulators (Beta)			X		
Apoptosis inducers	X				
Prostate Specific Antigen Prostate cancer	X				
Cathepsin V	X				
APC 2059 Ulcerative Colitis					X(1)
APC 2059 Asthma			X(1)		

---

(1)

Additional trials require further preclinical testing as described below.

In early 1999, Axys implemented an initiative to focus its unpartnered resources on the development of small molecule therapeutics for the treatment of cancer. Axys believes that there is a significant market opportunity to meet current and future medical needs associated with many different types of cancer. One of the factors contributing to this growth is the aging of the world's population. As people live longer, their chances of developing cancer increase.

Axys' decision to focus its resources on cancer therapeutics was also partly based on the improving regulatory environment for approval of cancer therapeutics. In recent years, the Food & Drug Administration has established a regulatory "fast track" for some cancer therapeutics approved reviews. In addition, surrogate markers such as tumor shrinkage have been increasingly accepted as research endpoints. The use of surrogate markers may substantially shorten the length of the necessary clinical research studies.

Further, Axys believes that protease inhibition may provide a treatment method for many cancers, resulting in orally delivered small molecule therapeutics. These include antiangiogenesis, hypoxia and metastasis inhibition. Angiogenesis is the process by which blood vessels are formed. Blood vessel formation and growth is necessary for tumor growth. Antiangiogenesis drugs are believed to be able to cut off blood vessel growth and thereby reduce the size of tumors and potentially interfere with their growth. Hypoxia is the deprivation of oxygen to tumor cells, which can lead to the inhibition of tumor cell proliferation. Metastasis is the process by which cancer spreads. Drugs that discourage metastasis are believed to be able to stop cancer from spreading throughout the body.

Axys has had research programs underway that range from a preclinical program in antiangiogenesis to screening and proof-of-concept programs in solid tumor metastasis and prostate cancer, to cancer target identification and validation research programs.

86

---

*Urokinase.* One of Axys' most advanced oncology programs involves the development of inhibitors of the protease urokinase to interfere with angiogenesis and metastasis processes. Utilizing a broad range of scientific capabilities including crystallography and structural biology, Axys' scientists have extensively analyzed urokinase to identify sites on the molecule best suited for drug interaction. Using Axys' medicinal chemistry and structure-based drug design capabilities, a series of drug-like compounds have been screened to identify potential drugs and select a candidate for preclinical development.

Axys' lead series of urokinase inhibition drug candidates have been shown in preclinical testing to be potent and specific which may reduce the chance of unwanted side effects. The results to date of Axys' tests in animal models show that urokinase may be required for tumor metastasis, and preclinical studies have shown activity of a urokinase inhibitor in animal models. Axys plans to select an IND candidate from the urokinase inhibition program later in 2001, if the results obtained in animal studies in pancreatic cancer, in collaboration with the Arizona Cancer Center, are successful.

*SERM-b.* Axys' first in-licensed program in oncology comes from Celgene (formerly Signal Pharmaceuticals). In October 1999, Celgene granted Axys exclusive rights to their selective estrogen receptor-beta modulators (SERM-b) for the treatment of cancer. SERM-b compounds are small molecules that selectively modulate the activity of the newly discovered beta estrogen receptor found in tumors and certain hormonally sensitive tissues. Preclinical studies in animal models of prostate cancer are expected to continue throughout 2001.

*Apoptosis Inducers.* In early 2000, Axys entered into a collaborative agreement with Cytovia, Inc. (later acquired by Maxim Pharmaceuticals, Inc.) to discover and develop inducers of apoptosis (programmed cell death) as anticancer drugs. During 2000, the research involved the screening of Axys diversity libraries (approximately 400,000 compounds) through Maxim's proprietary assay systems designed to identify potential drug candidates. Lead compounds are expected to advance into animal studies in cancer models during 2001.

*Screening/Proof-of-Concept.* Particular areas of emphasis in Axys' early-stage research include hypoxia and angiogenesis. Biological targets identified in these pathways can be validated as small-molecule drug targets through additional molecular biology and eventual screening. In 2000, six oncology targets histone deacetylase, methionine aminopeptidase-2, MT1-MMP, HIF1-(Greek alpha), rho kinase and CAAX protease were entered into high throughput screening by this process. Some of these targets are no longer being pursued and other replacement targets will be entered into high throughput screening. Two additional protease targets, prostate-specific antigen (PSA) and cathepsin V, are being validated in vivo using antisense and chemical inhibitor approaches.

In addition to these programs, Axys is continuing to actively seek to license potential cancer treatment compounds from other biotechnology or pharmaceutical companies with an emphasis on early stage clinical product opportunities, as well as advanced pre-clinical compounds.



*Tryptase Inhibitors/Inflammatory Ulcerative Colitis/Clinical Phase II*). In July 1997, Axys modified its 1994 research and development agreement with Bayer to re-acquire the rights to develop tryptase inhibitors for the treatment of inflammatory bowel disease and psoriasis, which, like asthma, is another mast cell regulated inflammatory disease. In December 2000, Axys amended its collaborative agreement with Bayer to return exclusive rights to develop a specific tryptase inhibitor, APC 2059, for non-oral applications. Axys is investigating development of the compound as a potential inhaled therapy for asthma and as an injectable treatment for ulcerative colitis. Axys' collaboration with Bayer to develop oral tryptase inhibitors is unaffected by this amendment. The January 2001 amended agreement provided for an up front payment to Bayer and future royalty payments, based on net sales, upon commercialization.

In the fourth quarter of 2000, Axys completed a Phase II clinical trial on Axys' compound, APC 2059, in ulcerative colitis. Before moving forward to more advanced trials, Axys has recently

determined that extensive safety pharmacology and dose-ranging pre-clinical research is necessary. Axys determined that it would not undertake this research and intends to seek a partner who is willing to conduct this research, as well as undertake additional clinical and commercial activities. As these clinical trials are intended to establish safety in humans, Axys cannot be certain that it will be able to initiate or complete necessary future clinical trials successfully. Axys' collaboration partner, Bayer, is moving forward with advanced pre-clinical studies of a compound developed in Axys' collaboration with them for the treatment of asthma that would be taken as a pill. Axys cannot be certain that the clinical trials of this compound will be initiated or completed successfully. Finally, Axys cannot be certain that any other drug candidates which may enter clinical trials will successfully complete those trials or that Axys or its collaborators will be able to show the safety and effectiveness of these drug candidates.

Axys is currently evaluating further development of APC 2059. To enable longer term dosing required for chronic disease therapies, Axys is currently in the process of planning additional dose-ranging safety pharmacology studies. Axys expects further human clinical testing, if any, to be delayed until these safety pharmacology studies are completed and results evaluated.

#### **Why and How Has Axys Leveraged its Technology Platform?**

If the merger is not consummated, Axys will need additional capital in order to continue its research and development efforts. One way Axys has attempted to raise additional capital is by creating new stand-alone companies using Axys' non-core technologies for purposes other than drug discovery, obtaining third party funding for these companies and eventually selling its equity interest. Axys has created three such businesses: Advanced Technologies in combinatorial chemistry, PPGx, in pharmacogenomics, and Akkadix in agricultural biotechnology. At the same time, Axys retains the right to use Axys' intellectual property that these businesses utilize for its' own drug discovery and development purposes.

Axys has sought out third parties to invest additional capital for these businesses, but retained equity ownership positions. In 2000, Axys sold its equity position in two of these businesses: Advanced Technologies, which Axys sold to Discovery Partners, and PPGx, which Axys sold to DNA Sciences.

While Axys believes that it will be successful in realizing meaningful value from these affiliated businesses, Axys' ability to do so will depend on the success these companies have in executing their business strategies. Axys currently owns 7,246,500 shares of Discovery Partners common stock, 1,478,550 of Series D Preferred Stock of DNA Sciences and 108 shares of DNA Sciences common stock. Axys' Discovery Partners shares are subject to certain contractual restrictions that limit Axys' ability to liquidate its position. DNA Sciences is a privately held company and there are limited opportunities to dispose of Axys' interest. There can be no assurance that the businesses in which Axys holds these equity positions will be successful or that Axys will have the ability to sell all or a portion of its equity ownership in these businesses. In addition, there can be no assurance that the amount Axys may receive upon selling its equity ownership interest will provide significant funding so as to postpone for a meaningful time period the need to engage in other capital raising activities.

#### **Competition**

Axys faces intense competition in the different market segments it is pursuing. There are many companies that have or are developing capabilities in drug discovery, particularly in structure-based drug design and high throughput screening, to identify new products. In addition, there are many companies focused on the development of drugs for chronic disease, such as osteoporosis, asthma, rheumatoid arthritis, ulcerative colitis, and for cancer in general. Many biotechnology companies are expanding their capabilities, using a variety of techniques, to determine gene function and to develop products based on gene function. Axys' potential competitors in the field are numerous and include

major pharmaceutical and agricultural companies, diagnostic companies, specialized biotechnology companies, genomics companies and academic institutions and universities.

Many of Axys' potential competitors have significantly more financial, technical and other resources than it does, which may allow them to have a competitive advantage. Axys is aware that there are many companies focused specifically on other proprietary technologies directed at identifying product targets. In addition, pharmaceutical, biotechnology and genomics companies and academic institutions are conducting work in this field. In the future, Axys expects the field to become more competitive with companies and academic institutions seeking to develop competing technologies.

Any products that Axys may develop or discover through application of its technologies will compete in highly competitive markets. Many of Axys' potential competitors in these markets have substantially greater financial, technical and personnel resources than Axys does, and Axys cannot assure you that they will not succeed in developing technologies and products that may render Axys' technologies and products and those of Axys' collaborators obsolete or noncompetitive. In addition, many of Axys' competitors have significantly greater experience than Axys does in their respective fields.

### **Patents and Proprietary Rights**

Axys holds 27 issued United States patents and 28 issued foreign patents relating to compositions of matter, methods of treating disease, combinatorial chemistry and computational technologies. Most of Axys' patents in combinatorial chemistry diversity library processes and compositions of matter have been assigned to Discovery Partners as part of the sale of Advanced Technologies completed in 2000. These patents expire at various dates starting in year 2013 up to the year 2018. In addition, Axys has filed and there are now pending patent applications relating to compositions of matter, methods of treating disease, assay techniques, computational technologies and novel technology for the discovery of novel protease inhibitors. Axys intends to file additional patent applications, when appropriate, relating to Axys' technology and to specific products it develops.

Axys strategically files selected patent applications to protect technology, inventions and improvements that are important to the development of Axys' business. That is Axys' policy, as well as Axys' practice. Axys also relies upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain its competitive position. Axys maintains a policy that it does not and will not knowingly violate valid claims of patents issued by the United States Patent and Trademark Office.

The patent positions of pharmaceutical and biotechnology firms, including Axys, are uncertain and involve complex legal and factual questions. In addition, the scope of the claims in a patent application can be significantly modified before the patent is issued. As a result, Axys does not know whether any of its applications will result in the issuance of patents, or if any of its issued patents will provide significant protection. Axys also does not know whether any of its issued patents will be invalidated. Since patent applications in the United States are maintained in secrecy until patents issue, and since publication of discoveries in the scientific or patent literature often lag behind actual discoveries, Axys cannot even be certain that it was the first creator of inventions covered by its pending patent applications or that it was the first to file patent applications for such inventions.

In addition, Axys may have to participate in interference proceedings declared by the United States Patent and Trademark Office. These proceedings determine the priority of invention and the right to a patent for the technology in the United States. Such proceedings could result in substantial costs to Axys, even if Axys wins.

There can be no assurance that Axys' pending patent applications, if issued, or Axys' existing patents, will not be invalidated. An adverse outcome could subject Axys to significant liabilities to third

parties, require disputed rights to be licensed from third parties or require Axys to stop or modify its use of such technology.

The development of therapeutic products for applications in the product fields Axys is pursuing is intensely competitive. A number of pharmaceutical companies, biotechnology companies, universities and research institutions have filed patent applications or received patents in the areas in which Axys is conducting research. In addition, patent applications filed by others relating to Axys' potential products or technologies may currently be pending. Some of these applications or patents may limit or hinder Axys' freedom to practice and could result in a significant reduction of the coverage of Axys' patents, or potential patents. Axys is aware of pending patent applications that have been filed by other companies that may pertain to certain of Axys' technologies. If patents are issued to these or other companies containing incompatible or conflicting claims, and such claims are ultimately determined to be valid, Axys may be required to obtain licenses to these patents or to develop or obtain alternative technology.

Furthermore, Axys has in the past been, and may again be, notified of claims that it may be infringing patents or other intellectual property rights owned by third parties. Axys has obtained licenses under several patents held by third parties. If necessary or desirable, Axys may seek additional licenses under other patents or intellectual property rights. There can be no assurance, however, that Axys will be able to obtain a license it seeks on reasonable terms or even at all. As an alternative, Axys could decide to resort to litigation to challenge a patent or patents. Such challenges can be extremely expensive and time consuming. Consequently, they could have a material adverse effect on Axys' business, financial condition and results of operations.

Much of the unpatentable know-how important to Axys' technology and many of its processes depends upon the knowledge, experience and skills of key scientific and technical personnel. To protect Axys' rights to this know-how and technology, all employees, consultants, advisors and collaborators are required to enter into confidentiality agreements with Axys that prohibit the disclosure of confidential information to any third party and require disclosure to Axys of ideas, developments, discoveries and inventions made by these individuals. There can be no assurance that these agreements will effectively prevent disclosure of Axys' confidential information or that these agreements will provide meaningful protection for Axys' confidential information if there is unauthorized use or disclosure. Axys' business could be adversely affected by competitors who develop substantially equivalent technology.

In connection with certain research, Axys entered into sponsored research agreements with various researchers and universities. Generally, under these agreements Axys funds the research of investigators in exchange for the right or an option to a license to any patentable inventions that may result in designated areas. Axys is obligated to make certain payments during the terms of certain of the agreements, to pay royalties on net sales of any licensed products and, in some cases, to negotiate in good faith the business terms of any license executed upon exercise of licensing options. There can be no assurance that these agreements will not be breached or that Axys would have adequate remedies for any breach.

### **Government Regulation**

The manufacturing and marketing of Axys' proposed products and Axys' research and development activities are subject to regulation for safety, effectiveness and quality by many governmental authorities in the United States and other countries. In the United States, drugs are subject to stringent regulation by the United States Food and Drug Administration. The Federal Food, Drug and Cosmetic Act and Food and Drug Administration regulations, as well as other federal and state laws and regulations, govern the testing, manufacture, safety, effectiveness, package labeling, storage, record keeping, approval, advertising and promotion of Axys' proposed products. Product development and approval takes a long time and involves the expenditure of a lot of money. If Axys fails to comply with certain

regulatory requirements, Axys could be subject to sanctions, such as warning letters, penalties, criminal prosecution, injunctions, product seizure, product recalls, total or partial suspension of production, and Food and Drug Administration refusal to approve pending NDAs or costly supplements to approved applications.

The steps required before a drug may be marketed in the United States include (1) preclinical laboratory tests, in vivo (animal model) preclinical studies and formulation studies, (2) the submission to the Food and Drug Administration of an application for human clinical testing, known as an Investigational New Drug Application (which we refer to in this proxy statement/prospectus as INDs), which must be accepted by the Food and Drug Administration before human clinical trials are started, (3) adequate and well-controlled human clinical trials to establish the safety and effectiveness of the drug, (4) the submission of an NDA to the Food and Drug Administration, and (5) Food and Drug Administration approval of the NDA prior to any commercial sale or shipment of the drug. In addition to obtaining Food and Drug Administration approval for each product, each domestic drug manufacturing establishment must be registered with the Food and Drug Administration. Domestic drug manufacturing establishments are subject to inspections twice a year by the Food and Drug Administration and must comply with Good Manufacturing Practices. To supply products for use in the United States, foreign manufacturers must comply with Good Manufacturing Practices and are subject to periodic inspection by the Food and Drug Administration or by corresponding regulatory agencies in their country. Drug product manufacturers located in California also must be licensed by the State of California.

Preclinical tests include laboratory evaluation of what is in the product and how it was made, as well as animal studies to assess the potential safety and effectiveness of the product. Preclinical safety tests must be conducted by laboratories that comply with Food and Drug Administration regulations regarding Good Laboratory Practices. The results of the preclinical tests are submitted to the Food and Drug Administration as part of an IND and reviewed by the Food and Drug Administration prior to the start of human clinical trials. Unless the Food and Drug Administration objects, the IND will become effective 30 days following its receipt by the Food and Drug Administration. There can be no assurance that submission of an IND will result in Food and Drug Administration authorization to start clinical trials. Clinical trials involve giving the investigational new drug to healthy volunteers and to patients, under the supervision of qualified investigators. Clinical trials are conducted in agreement with Good Clinical Practices under instructions that detail the objectives of the study, the limits to be used to monitor safety and the effectiveness criteria to be evaluated. Instructions must be submitted to the Food and Drug Administration as part of the IND. Further, each clinical study must be conducted under the power of an independent institutional review board at the site where the study will

be conducted. The institutional review board will consider, among other things, ethical factors, the safety of human subjects and the possible liability of the site.

Clinical trials are typically conducted in three phases that go in order, but the phases may overlap. In Phase I, in which Axys usually gives the drug to healthy subjects, the drug is tested to determine its metabolism (how the drug is absorbed by the body), pharmacokinetics (what the body does to the drug) and pharmacological actions (biological effects) in humans, the side effects associated with increasing doses and early evidence of how effective the drug is, if possible. Phase II involves studies in a limited patient population to (1) determine the effectiveness of the drug for specific, targeted indications, (2) determine what amount of the drug works best and how much of the drug can be tolerated, and (3) identify possible adverse effects and safety risks. If a compound is found to be effective and to have an acceptable safety profile in Phase II evaluations, Phase III trials further evaluate the effectiveness of the drug and further test for safety in a larger group of people at many different locations.

There can be no assurance that Phase I, Phase II or Phase III testing will be completed successfully within any specific time period, if at all, for any of Axys' proposed products. Furthermore, the Food and Drug Administration or Axys may suspend or cancel clinical trials at any time if it is felt

that the patients are being exposed to an unacceptable health risk or the Food and Drug Administration finds errors or incorrect information in the IND or due to the conduct of the investigation. Further, Food and Drug Administration regulations state that sponsors of clinical investigations must meet numerous regulatory requirements, including, selection of qualified investigators, proper monitoring of the investigations, recordkeeping and record retention, and ensuring that Food and Drug Administration and all investigators are promptly informed of significant new adverse effects or risks with respect to the drug.

The results of the drug development, preclinical studies and clinical studies are submitted to the Food and Drug Administration in the form of an NDA, which, if accepted, would clear the way for marketing and commercial shipment of the drug. There can be no assurance that any approval will be granted by the Food and Drug Administration at all or, if granted, will be granted on a timely basis. The Food and Drug Administration may deny an NDA if certain regulatory criteria are not satisfied, may require additional testing or information, or may require post-marketing testing and surveillance to monitor the safety of Axys' products if the Food and Drug Administration does not view the NDA as containing enough evidence of the safety and effectiveness of the drug. Even if Axys submits additional data, the Food and Drug Administration may still decide that the application does not satisfy its regulatory criteria for approval. In addition, even if regulatory clearance of a drug is granted, such approval may limit the uses for which it may be marketed. Finally, product approvals may be taken away if regulatory standards are not maintained or if problems occur following initial marketing.

Among the typical conditions for NDA approval is the requirement that the proposed manufacturer's quality control and manufacturing procedures conform to Good Manufacturing Practices, which must be followed at all times. To comply with these standards, Axys will have to spend a large amount of time, money and effort in the area of production and quality control to ensure full technical compliance.

In addition to regulations enforced by the Food and Drug Administration, Axys will also be subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other present and potential future federal, state or local regulations. Axys' research and development involves the controlled use of hazardous materials, chemicals and various radioactive compounds, all of which are regulated. Although Axys believes that Axys' safety procedures for handling and disposing of these materials comply with the standards set by state and federal regulations, the risk of accidental contamination or injury from these materials is possible. In the event of an accident, Axys could be sued for any damages that result and any such lawsuit could exceed the insurance and resources of Axys.

For clinical investigation and marketing outside the United States, Axys is also subject to foreign regulatory requirements governing human clinical trials and marketing approval for drugs. These requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely for European countries both within, and outside, the European Union. Axys plans to comply with the European regulatory process by identifying and using clinical investigators in the member states of the European Union and other European countries to conduct clinical studies. Further, Axys intends to design Axys' studies to meet Food and Drug Administration, European Union and other European countries' standards.

Within the European Union, while marketing authorizations must be supported by clinical trial data of a type and to the extent set out by European Union directives and guidelines, the approval process for the commencement of clinical trials is not currently harmonized by European Union law and varies from country to country. As far as possible, Axys intends to design Axys' studies so as to develop a regulatory package sufficient for multi-country approval in Axys' European target markets, without the need to duplicate studies for individual country approvals.

---

Outside the United States, Axys' ability to market a product is based upon receiving a marketing authorization from the appropriate regulatory authority. Currently, foreign marketing authorizations are applied for at a national level, although within the European Union certain registration procedures are available to companies wishing to market the product in more than one European Union member state. If the regulatory authority is satisfied that enough evidence of safety, quality and effectiveness has been presented, a marketing authorization will be granted. The system for obtaining marketing authorizations within the European Union changed on January 1, 1995. The current European Union registration system is a dual one in which certain products, such as biotechnology and high technology products and those containing new active substances, will have access to a central regulatory system that provides registration throughout the entire European Union. Other products will be registered by national authorities in individual European Union member states, operating on a principle of mutual recognition. This foreign regulatory approval process includes all of the same risks involved in the Food and Drug Administration approval process described above.

### **Employees**

As of May 31, 2001, Axys employed 161 individuals, of whom 57 held Ph.D. or M.D. degrees and 39 held other advanced degrees. Approximately 130 of Axys' employees are involved in research and development activities, including a variety of disciplines within the areas of molecular biology and other biological sciences, medicinal chemistry, bioinformatics, computer sciences pharmacology, safety assessment and clinical development. Approximately 31 of Axys' employees are employed in finance, business development and general administrative activities. None of Axys' employees are covered by collective bargaining agreements, and Axys' management considers relations with its employees to be good. Axys also enters into consulting arrangements with experienced, professional scientists and managers to supplement Axys' work force.

### **Recent Developments**

In November 2000, the Financial Accounting Standards Board issued Emerging Issues Task Force Issue No. 00-27, "Application of EITF Issue No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios, to Certain Convertible Instruments". This established new accounting rules that were applicable immediately to Axys' \$26 million convertible debt instrument Axys issued in September 2000. The new accounting rule required Axys to record a \$4 million beneficial conversion feature charge during the fourth quarter of fiscal 2000.

On March 8, 2001, Axys issued a press release that announced Axys' unaudited financial results for the fiscal year ended December 31, 2000. Axys' March 8, 2001 reported results did not recognize the entire \$4 million non-cash charge for the beneficial conversion feature as Axys was amortizing the beneficial conversion feature over the four year term of the debt. The immediate charge resulting from this accounting rule, which applies to transactions entered into prior to November 16, 2000, does not impact Axys' reported operating loss, but results in a one-time, non-cash charge to interest expense in connection with the issuance of the convertible debt. As a result, Axys reported in the press release, for the fiscal year ended December 31, 2000, basic and diluted net loss per share from continuing operations and basic and diluted net (loss) income per share of (\$1.18) and \$0.39, respectively. After recognizing the entire \$4 million beneficial conversion feature, Axys' basic and diluted net loss per share from continuing operations and basic and diluted net (loss) income per share, for the fiscal year ended December 31, 2000, was (\$1.29) and \$0.28, respectively. Axys does not believe that this change will have any material impact on Axys' operations or financial condition.

---

### **Properties**

Axys currently leases approximately 170,000 square feet and occupies approximately 111,000 square feet of laboratory, support and administrative space in South San Francisco, California. Leases expire on these facilities on November 30, 2003 with respect to approximately 52,000 square feet; on July 31, 2005 on approximately 33,000 square feet; on August 4, 2006 on approximately 83,000 square feet and on a month to month arrangement on approximately 2,000 square feet. Most of these leases have additional options for extensions. In 2000, Axys converted a warehouse lease into a ground lease for 25 years with options to extend for two additional 10-year periods. Axys is constructing a medicinal chemistry building on this lot that will include approximately 43,500 square feet of laboratory and office space. Construction is expected to be completed in the second half of 2001. Axys is subleasing approximately 33,000 square feet to an unrelated third party, with the lease and sublease expiring on July 31, 2005. In addition, Axys is subleasing approximately 25,000 square feet to Discovery Partners, with the lease and sublease expiring on November 30, 2003. Axys expects to sublease 52,000 square feet of adjacent space to Discovery Partners when Axys occupies the new medicinal chemistry facility. Discovery Partners also has the right of first refusal to sublease the remainder of that 52,000 square foot facility or approximately 25,000 square feet upon the opening of the new medicinal chemistry facility. Axys' existing and planned facilities are believed to be adequate to meet Axys' present requirements, and Axys currently believes that suitable additional space will be available to Axys, when needed, on commercially reasonable terms.

## Legal Proceedings

From time to time, Axys is subject to legal proceedings or claims arising in the ordinary course of its business. While the outcome of any such proceedings or claims cannot be predicted with certainty, Axys' management does not believe that the outcome of any of these legal matters will have a material adverse effect on Axys' results of operations or financial position.

## Selected Financial Data

Selected financial data of Axys appears on page 17 of this proxy statement/prospectus. The data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" which is included beginning on page 94 of this proxy statement/prospectus.

## Axys Management's Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following discussion of the financial condition and results of operations in conjunction with Axys' financial statements and its notes located elsewhere in this proxy statement/prospectus. The following discussion contains both historical information and forward-looking statements that involve risks and uncertainties. Forward-looking statements include projections and other statements of events that may occur at some point in the future. Axys' actual results could differ significantly from those described in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section as well as under "Information About Axys" and "Risk Factors" in this proxy statement/prospectus.*

## Overview

Axys is a biopharmaceutical company focused on the discovery, design and development of therapeutic small molecules that address significant markets with major unmet medical needs. Axys collaborates with large pharmaceutical companies in discovering therapeutics for chronic diseases for which there are large markets. Axys also selectively focuses its resources on discovering and developing therapeutics for the treatment of various types of cancer and other specialty market therapeutics. Axys has on-going programs in the treatment of autoimmune, inflammatory diseases, and cancer. Axys' drug

94

---

design platform integrates advanced biology, chemistry, biophysics and information technologies to optimize the potency, selectivity and physical properties of new drugs, making the drug discovery process more efficient and productive.

In February 2001, Axys received a research milestone payment from Merck & Co. for meeting a pre-agreed milestone in the development of a compound being studied for use in the treatment of osteoporosis, a disease that affects an estimated 40 percent of women over the age of 50. The compound selected by Merck is a potent and selective inhibitor of Cathepsin K, a cysteine protease that has been demonstrated to play a key role in bone resorption.

In March 2001, Axys recorded revenue from a research milestone from Aventis, for successfully completing a pivotal *in vivo* proof-of-concept study that confirmed the mechanism of action for orally administered inhibitors of Cathepsin S, another human cysteine protease. The collaboration with Aventis is focused on development of Cathepsin S inhibitors for potential applications in treating inflammation and autoimmune disease, including rheumatoid arthritis, asthma, atherosclerosis, COPD and rhinitis.

Also in March 2001, two investors in Akkadix Corporation exercised options, extended to them by Axys, to exchange their 2.7 million shares of Series A Preferred Stock of Akkadix for approximately 2.5 million shares of Axys common stock. The fair market value of Axys' common stock exchanged for Akkadix preferred stock was approximately \$9.0 million. As a result of the exercise of these options, Axys' ownership of Akkadix voting stock increased from 31% to approximately 44%. During the first quarter of 2001, Akkadix sharply reduced its operations because of diminished financial resources. A substantial percentage of its employees were terminated and Akkadix vacated its office/laboratory space. Axys has concluded that the future viability of the Akkadix business is highly uncertain. Accordingly, in conformance with the equity method of accounting, Axys incurred a non-cash charge of \$9.0 million during the quarter recognizing an impairment in the value of our investment in Akkadix. Axys does not anticipate any future benefit from this investment.

To date, Axys has not generated any product revenue from our drug discovery programs and does not expect to generate product revenue for at least several years. As of March 31, 2001, Axys had an accumulated deficit of \$285 million. Axys expects that losses will fluctuate from quarter to quarter, that such fluctuations may be substantial, and that results from prior quarters may not be indicative of future operating results. Included Axys' accumulated deficit at March 31, 2001 was approximately \$147 million of acquired in-process research and development from the acquisitions of Khepri Pharmaceuticals, Inc. in 1995 and Sequana Therapeutics, Inc. in January 1998. Axys expects its sources of revenue, if

any, for the next several years to consist of payments under corporate partnerships. The process of developing its products will require significant additional research and development, preclinical testing and clinical trials, as well as regulatory approval. These activities, together with our general and administrative expenses are expected to result in significant operating losses for the foreseeable future. Axys will not receive product revenues or royalties from its collaborative partners before completing clinical trials and successfully commercializing these products.

Axys is subject to risks common to biopharmaceutical companies, including risks inherent in its research and development efforts and clinical trials, reliance on collaborative partners, enforcement of patent and proprietary rights, the need for future capital, potential competition and uncertainty of regulatory approvals. In order for a product to be commercialized, it will be necessary for Axys, and in some cases, its collaborators, to conduct preclinical tests and clinical trials to demonstrate the efficacy and safety of its product candidates, obtain regulatory clearances and enter into manufacturing, distribution and marketing arrangements as well as obtain market acceptance. There can be no assurance that Axys will generate revenues or achieve and sustain profitability in the future.

## **Results of Operations**

### **Three Months ended March 31, 2001 and March 31, 2000**

#### **Collaboration and Licensing Revenues**

Axys' collaboration and licensing revenues were \$3.1 million for the three months ended March 31, 2001, compared to \$1.4 million for the same period in 2000. The increase was primarily due to milestones earned from corporate collaborations with both Merck and Aventis.

#### **Research and Development**

Axys' research and development expenses were \$8.9 million for the three months ended March 31, 2001, compared to \$7.9 million for the same period in 2000. The overall increase for the first three months of 2001 was primarily due to clinical development expenses incurred in connection with clinical studies for APC 2059.

#### **General and Administrative**

Axys' general and administrative expenses were \$3.2 million for the three months ended March 31, 2001, compared to \$2.8 million for the same period in 2000. The increase was primarily due to upgrading Axys' information systems and network infrastructure.

#### **Non-cash compensation income**

Axys recorded non-cash compensation income of \$1.1 million for the three months ended March 31, 2001, relating to its 1999 Key Personnel Stock Option Plan. Axys recorded a credit as a result of the decline in fair value of the company's liability under the Key Stock Option Employee Plan. Under this plan, certain employees of Axys have been granted contractual options to purchase shares of our investment of Discovery Partners International, Inc.

#### **Interest Income and Interest Expense**

Interest income was \$531,000 for the three months ended March 31, 2001, compared to \$141,000 for the same period in 2000. The increase was primarily due to the increase in average cash investment balances during the first quarter of 2001, compared to the first quarter of 2000. Interest expense was \$1,474,000 for the three months ended March 31, 2001, compared to \$176,000 for the same period in 2000. The increase in the first quarter was primarily due to the interest expense on the subordinated notes payable. Interest expense on these notes consists of the 8% face value interest rate and the amortization of debt issuance costs.

#### **Equity Interest in Loss of Equity-Method Investee**

Axys recorded a \$9.1 million loss in connection with its equity method investees during the three months ended March 31, 2001. This loss reflects Axys' pro rata share loss from its investments in Discovery Partners and the write off of Axys' remaining investment in Akkadix.

#### **Other Expense**

Other expense was \$978,000 for the three months ended March 31, 2001, compared to none for the same period in 2000. The amount represents the change in fair value of the warrants received as part of Axys' investment in Discovery Partners in conformity with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" adopted in January 2001.

---

**Years Ended December 31, 2000 and 1999**

**1999 Events Which Affected Comparability with 2000:**

In December 1999, Axys closed its La Jolla operations, which primarily represented the Sequana business acquired in 1998, and relocated Axys' oncology genomics research activities to its South San Francisco headquarters. As a result of this action, a one-time restructuring charge of \$5.2 million was recorded in 1999. At the time of the Sequana acquisition, the following research programs were in progress: Asthma, partnered with Boehringer Ingelheim GmbH; Osteoporosis, partnered with Corange International Ltd. (currently F. Hoffmann La Roche Ltd.); Non-Insulin Dependent Diabetes Mellitus, partnered with GlaxoWellcome (currently Glaxo SmithKline, Inc.); Schizophrenia/Bipolar, partnered with Parke-Davis (currently Pfizer, Inc.) Pharmaceutical Research division of Warner-Lambert Company; and the unpartnered programs in Obesity, Alzheimer's and Pharmacogenomics. As of December 31, 1999, the Schizophrenia/Bipolar program was transferred to Parke-Davis and the Pharmacogenomics program was spun off into the PPGx subsidiary with PPD. All other programs have ended.

In September 1999, Akkadix completed its acquisition of Global Agro, Inc. The acquisition resulted in Axys' equity ownership interest in Akkadix falling below 50% and thereafter Akkadix is accounted for under the equity method.

In February 1999, Axys formed a majority owned subsidiary, PPGx, which was engaged in the business of providing pharmacogenomic (the science of how genetic variations among individuals affects drug safety and efficacy) products and services to the pharmaceutical industry. In connection with the formation of PPGx, Axys contributed certain assets and technology in exchange for an 82% ownership interest in PPGx. PPD, Inc. acquired an 18% equity interest in PPGx, in exchange for contributing certain assets, technology, cash and loan guarantees and the exclusive, worldwide right to market the pharmacogenomic products and services of PPGx.

**2000 Events Which Affected Axys' Operations:**

During 2000, Axys completed the sale of two of its three non-core subsidiary businesses created several years ago from Axys' technology. Axys obtained equity from the acquiring companies in consideration for the sale of these entities. Axys plans to liquidate these equity shares over time to fund Axys' future research and development. The transactions involved are:

the sale of Advanced Technologies to Discovery Partners, resulting in consideration to Axys of 7,425,000 shares of Discovery Partners common stock; and

the sale of PPGx to DNA Sciences, resulting in consideration to Axys of 1,478,550 shares of Series D preferred stock and 108 shares of common stock.

**Events That Happened Subsequent to 2000, Which Will Affect Axys in the Future:**

Akkadix (formerl