FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-09-28** | Period of Report: **1999-06-30**
SEC Accession No. 0001086144-99-000067

(HTML Version on secdatabase.com)

FILER

PE CORP

CIK:**77551**| IRS No.: **061534213** | State of Incorp.:**NY** | Fiscal Year End: **0630**
Type: **10-K** | Act: **34** | File No.: **001-04389** | Film No.: **99718860**
SIC: **3826** Laboratory analytical instruments

Mailing Address
761 MAIN AVENUE
NORWALK CT 06859-0001

Business Address
761 MAIN AVE
NORWALK CT 06859-0001
2037621000

==========

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant To Section 13 Or 15(d)
Of The Securities Exchange Act Of 1934
For the Fiscal Year Ended June 30, 1999

OR

[ ] Transition Report Pursuant To Section 13 Or 15(d)
Of The Securities Exchange Act Of 1934
For the transition period from _____ to _____

Commission File Number 1-4389

PE Corporation
(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C>

DELAWARE (State or other jurisdiction of incorporation or organization)	06-1534213 (I.R.S. Employer Identification No.)
761 Main Avenue, Norwalk, Connecticut (Address of principal executive offices)	06859-0001 (Zip Code)
Registrant's telephone number, including area code:	203-762-1000

</TABLE>

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

<TABLE>

Title of class	Name of each exchange on which registered
PE Corporation - PE Biosystems Group Common Stock (par value $0.01 per share)	New York Stock Exchange Pacific Stock Exchange
PE Corporation - Celera Genomics Group Common Stock (par value $0.01 per share)	New York Stock Exchange Pacific Stock Exchange

</TABLE>

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

Title of class

Class G Warrants

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X Yes No
---- ------

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

As of September 20, 1999, 102,965,548 shares of PE Corporation - PE Biosystems Group Common Stock were outstanding, and the aggregate market value of such shares (based upon the average of the high and low price) held by non-affiliates was approximately $7,777,122,000. As of September 20, 1999, 25,804,698 shares of PE Corporation - Celera Genomics Group Common Stock were outstanding, and the aggregate market value of such shares (based upon the average of the high and low price) held by non-affiliates was approximately $1,213,628,000.

DOCUMENTS INCORPORATED BY REFERENCE

Annual Report to Stockholders for Fiscal Year ended June 30, 1999 - Parts I, II, and IV.

Proxy Statement for Annual Meeting of Stockholders dated September 10, 1999 - Part III.

==========

PART I

Item 1. BUSINESS

(a) General Development of Business.

PE Corporation (hereinafter referred to as "Registrant") was incorporated in 1998 under the laws of the State of Delaware, and is successor to The Perkin-Elmer Corporation, which was incorporated in 1939 under the laws of the State of New York. On January 21, 1999, Registrant's board of directors approved the agreement and plan of merger implementing the recapitalization of The Perkin-Elmer Corporation, its merger with a subsidiary of Registrant, and the establishment of two classes of common stock that track each business group of Registrant. These measures were approved by the shareholders of The Perkin-Elmer Corporation on April 27, 1999, and the merger was completed in May, 1999. Registrant conducts its business through two groups: PE Biosystems Group and Celera Genomics Group. Registrant maintains a corporate staff to provide accounting, tax, legal, and other internal services.

PE Biosystems Group is engaged in: (1) research, development, manufacture, sale, and support of instrument systems, reagents, and software and (2) related consulting and contract research and development services. PE Biosystems Group's products are used primarily in the pharmaceutical, biotechnology, environmental testing, food, human identification, agriculture, and chemical manufacturing industries. Universities, government agencies, and other non-profit organizations engaged in research activities also use the PE Biosystems Group's products.

Celera Genomics Group is engaged principally in the generation, compilation, sale, and support of genomic information and related information management and analysis software; discovery, validation, and licensing of proprietary gene products, genetic markers, and information concerning genetic variability; and related consulting and contract research and development services.

On May 28, 1999, Registrant sold its Analytical Instruments business to EG&G, Inc. for $425 million, $275 million of which was in cash and $150 million of which is in one year notes, subject to post-closing adjustments pursuant to the terms of the agreement with EG&G, Inc.

On June 2, 1999, Registrant sold its equity interest in Tecan AG in a public offering in Switzerland and private placement outside of Switzerland.

On June 17, 1999, the Board of Directors of Registrant announced that PE Biosystems Group Common Stock would split, and each holder of record on July 12, 1999, of such Common Stock would receive an additional share of such Common Stock, for each share held, by way of a stock dividend.

(b) Financial Information About Industry Segments.

A summary of net revenues from external customers and long-lived assets attributable to each of the Registrant's industry segments for the fiscal years ended June 30, 1999, 1998, and 1997 is incorporated herein by reference to Note 6 on Page 62, Note 5 on Pages 88-89, and Note 6 on Pages 122-123 of the Annual Report to Stockholders for the fiscal year ended June 30, 1999.

(c) Narrative Description of Business

PE BIOSYSTEMS GROUP

PE 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.

PE Biosystems Group currently consists of four business units and a shared service organization consisting of human resources, finance, sales, marketing communications, manufacturing, legal, quality control, and advanced research. It also receives from Registrant general and administrative services, such as executive management, human resources, legal, accounting and auditing, tax, treasury, strategic planning, and environmental services. The business units that make up PE Biosystems Group are: Applied Biosystems, PerSeptive Biosystems, PE Informatics, and Tropix. Each unit is responsible for the development and marketing of products within its particular area of business. The business units serve substantially the same customer base but have little overlap in their product offerings. As a result, PE Biosystems Group is able to enhance the operating efficiency of these units through cross-selling and

reduced administrative costs.

Background

All living organisms contain four basic biomolecules: nucleic acids, which include DNA and RNA; proteins; carbohydrates; and lipids. Biomolecules are typically much larger and more complex than common molecules. These structural differences make the analysis of biomolecules significantly more complex than the analysis of smaller compounds. Although all of these biomolecules are critical for a cell to function normally, historically, key advances in therapeutics have come from an understanding of proteins or DNA. DNA molecules provide instructions that ultimately control the synthesis of proteins within a cell. DNA molecules consist of long chains of chemical subunits, called nucleotides. There are four nucleotides -- adenine, cytosine, guanine, and thymine -- often abbreviated with their first letters A, C, G, and T. DNA molecules consist of two long chains of nucleotides bound together to form a double helix. Genes are individual segments of these DNA molecules that carry the specific information necessary to construct particular proteins. Genes may contain from several dozen to tens of thousands of nucleotides. The entire collection of DNA in an organism, called the genome, may contain between 4 million nucleotides for simple bacteria and 3.5 billion base pairs of nucleotides or more for human beings.

Increasingly, and principally driven by the "biotechnology revolution," researchers are developing an understanding of and focusing on DNA's role in human disease. An increased appreciation of how DNA ultimately determines the functions of living organisms has generated a worldwide effort to identify and sequence genes of many organisms, including the estimated 50,000 to 150,000 genes that make up the human genome.

Individual research efforts generally fall into two broad categories, sequencing and sizing. In sequencing procedures, the goal is to determine the exact order of the individual

nucleotides in a DNA strand so that this information can be related to the genetic activity influenced by that piece of DNA. In DNA sizing, a particular fragment of a DNA molecule, isolated from a specific sample, is tested to determine whether it contains a particular category of size or nucleotide order. This testing does not seek to determine the complete structure of the segment, but rather merely tries to determine if the particular piece is a certain length or contains a specific short sequence.

Genetic research is expected to increase in the near future in part because of a need by the pharmaceutical and biotechnology industries to accelerate their drug discovery and development efforts. This need has also created a demand for increased automation and efficiency in pharmaceutical and biotechnology laboratories. PE Biosystems Group's products address this need by combining the detection capabilities of bioanalytical instruments with advances in automation.

Applied Biosystems. Applied Biosystems ("AB"), the genetic analysis and genomics technology unit of PE Biosystems Group, develops, markets, and services instrument systems for nucleic acid synthesis, Polymerase Chain Reaction ("PCR,") DNA sequencing, genetic analysis, and cellular detection. These products and services are used in both research and commercial applications for purifying, analyzing, synthesizing, sequencing, and amplifying genetic material.

AB's products can be broadly classified into the following categories:

- PCR Products. PCR is a process in which a short strand of DNA is duplicated, or "amplified," so that it can be more readily

detected and analyzed. AB's PCR amplification instruments, otherwise known as thermal cyclers, include 24, 48, and 96 sample amplification systems, several combination thermal cyclers and PCR detection systems, various reagents, and software. AB recently released a dual 384 sample thermal cycler which is expected to complement its Model 3700 DNA Analyzer and fill a significant market need for laboratories involved in high volume genomic research.

The Sequence Detection Systems product line, introduced in 1996, uses a unique PCR reagent discovered by the Roche Group and developed by AB, TaqMan(R), to quantitatively detect PCR products during the thermal cycling process. This product line, which includes the Model 7700, has been widely accepted in the pharmaceutical discovery research market.

- Genetic Analysis. Genetic analysis primarily uses electrophoresis techniques for separating molecules based on their differential mobility in an electric field. AB's genetic analysis products generally perform both DNA sequencing and fragment analysis.

  DNA sequencing is used to determine the exact order of nucleotides that make up a strand of DNA. Typically, fluorescent tags are used to generate labeled products, each with a different colored tag. The tagged fragments are run through an electrophoresis gel and are detected at the bottom of the gel. DNA fragment analyzers are then used to determine the size, quantity, or pattern of DNA fragments. Fragment analysis applications include gene mapping and forensic typing, using microsatellite markers, single-strand conformation polymorphism analysis to screen for unknown mutations within genes, and oligonucleotide (synthetic nucleotide) ligation assay analysis to detect known mutations within certain genes.

AB's DNA sequencing products include a sequencer expandable to 96 capillaries (Model 377), a one capillary sequencer (Model 310), sequencing reagents, and analysis software. These products have been used by researchers to analyze DNA fragments in genetic linkage studies and for comparative sequencing in human diagnostic and food contamination applications. PE Biosystems Group's Model 377 DNA Sequencer accounted for 5.93%, 12.49%, and 15.45% of Registrant's consolidated revenues in fiscal years 1999, 1998, and 1997, respectively.

A newly developed product is the Model 3700 DNA Analyzer. This product is designed to enable applications requiring tens of thousands of samples produced weekly by combining proven capillary electrophoresis hardware and separation polymer chemistry with new detection technology and automation. The Model 3700 DNA Analyzer is the principal instrument used by the Celera Genomics Group for its sequencing projects.

- DNA Synthesis. DNA synthesizers produce synthetic DNA for genetic analysis. The synthetic DNA is used for PCR and DNA sequencing primers and is also used in drug discovery applications. AB currently markets several models of synthesizers and supporting reagents. It also provides custom synthesis, in which oligonucleotides are made-to-order and shipped to customers.

- PNA. AB has an exclusive license to manufacture and sell peptide nucleic acid ("PNA") for molecular biology research and various

other applications. PNA is a synthetic copy of a DNA molecule with a modified uncharged peptide-like "backbone." The unique chemical structure of PNA enhances its affinity and specificity as a DNA or RNA probe.

- Applied Markets. AB has formed product development and marketing groups to develop products and services specially designed for individual markets. The focus of these groups is in the food and environmental testing and human identification (mainly forensic) markets.

  The Molecular Microbiology group within AB is principally responsible for the development and marketing of technologies for bacterial and fungal detection, characterization, and identification. This group has developed the MicroSeq 16S rDNA Bacterial Sequencing Kit to sequence information to accurately identify microorganisms. Additional TaqMan(R) Pathogen Detection Kits relying on Sequence Detection Systems instrument platforms are also under development by this group to establish rapidly the presence of bacterial contamination.

  The Human Identification group within AB develops systems that are used by crime laboratories and other agencies to identify individuals based on their DNA. These systems are most often used in cases of violent crime where DNA found at the crime scene is matched with DNA from suspects, and there is growing potential for DNA databases of known criminals. The systems are also used in the identification of human remains at disaster sites.

- Human Diagnostics. AB has a license from the Roche Group to use PCR techniques in the development and marketing of products for human diagnostics based on fluorescent sequencing. Products developed for human diagnostics fall into the following general categories: immunology; genetic disease carrier identification; infectious disease; and cancer. PE Biosystems Group expects to develop tests based on this technology to support HLA typing in bone marrow transplants and for HIV

  resistance diagnosis. Tests have also been developed for carrier identification for cystic fibrosis, fragile X syndrome, and loss of heterozygosity associated with specific forms of colorectal cancer.

- Cellular Detection Systems. Through its strategic alliance with BD, Inc. (formerly named Biometric Imaging, Inc.), AB is co-developing a fluorometric microvolume assay technology system. This instrument system uses proprietary scanning technology to detect and measure fluorescence associated with objects as small as a single cell. This system is expected to satisfy market needs in pharmaceutical development for a cell-based, high throughput screening system.

PerSeptive Biosystems. PerSeptive Biosystems ("PB" or "PerSeptive") develops, manufactures, and markets proprietary consumable products and instrument systems for the purification, analysis, and synthesis of proteins and related molecules. The study of the role of proteins, which are the mediators of most chemical reactions within a cell, in the evolution of a disease, or in evaluating a drug's ability to modulate the disease by binding to those specific proteins, is a crucial step in understanding the ways diseases develop in the body. PerSeptive's products are used in the life science markets to reduce the time and cost required for the discovery, development, and manufacture of

pharmaceutical products.

PB's products can be broadly classified into the following categories:

- Mass Spectrometry. PerSeptive's mass spectrometry products are used for the analysis of both large molecules such as proteins and small molecules including those that might be used as drugs. These systems may be sold and used on a stand alone basis or coupled with a liquid chromatograph ("LC/MS"). LC/MS systems are able to separate and analyze the components of complex mixtures. All mass spectrometry systems include an ionization source which creates charged molecules and a mass separation/detection component which separates these charged molecules on the basis of their mass, and detects their presence.

  Until recently, mass spectrometry was not very useful for the analysis of large molecules of biological importance such as proteins because the classical methods for creating ions caused these complex molecules to disintegrate into many small pieces. This resulted in the destruction of the information about the original large molecule. The mass separation component was also problematic because it was not possible to distinguish between large molecules of nearly the same mass. The PE Biosystems Group believes that its delayed extraction technology used in its Matrix-Assisted, Laser Desorption Ionization Time-of-flight ("MALDI-TOF") mass spectrometer overcomes those deficiencies for the analysis of proteins and many other large molecules of biological importance.

  Since MALDI-TOF instruments are not directly coupled to separation devices such as high pressure liquid chromatographs ("HPLC"), mixtures are often separated, purified, and collected before analysis. This is often accomplished with PerSeptive's purification products such as the Integral 100Q, an integrated separation device which gives rapid separation of proteins or other large molecules. MALDI-TOF instruments are expected to be critical in the expanding field of proteomics, or large scale studies of many proteins simultaneously.

  Mass spectrometry systems are also used to identify and quantify smaller molecules and are especially important for the measurement of drugs and their metabolites, which are compounds resulting from the body's acting upon the drug, in bodily fluids

such as blood or urine. This information is required for FDA and other regulatory agencies for the approval of drugs. This application is very demanding because the amounts of the drugs and their metabolites are very low and the mixtures are very complex. In order to analyze this mixture, scientists use LC/MS/MS systems, which consist of an HPLC which separates the components of the mixture, usually an extract of blood or urine, and is coupled directly to two mass separation components in tandem. The use of a general mass separation device followed by a second, more specific, device allows the detection to be more specific, so there are fewer potential interferences. For these instruments, it is important to get as much of the sample as possible to become charged so that sensitivity will be maximized. This is done with components which have been developed and refined by PE Sciex, a joint venture between Registrant and MDS Health Group Limited. PE Sciex has also developed the MS/MS portion of the instrument which creates the sensitivity and specificity required for this

demanding application.

- Purification. As the human genome is sequenced and becomes known, the information obtained will be used to study the expression profiles of genes (proteins). Consequently, tens of thousands of proteins will need to be purified and characterized because these proteins may be used as drug targets or as therapeutics. PerSeptive's purification products can be incorporated readily into any stage of the development process of a pharmaceutical product and offer productivity advantages over conventional counterparts.

  PerSeptive's patented Perfusion Chromatography technology uses proprietary flow-through particles and BioCad(R) Chromatography workstation to reduce the time necessary for the purification and analysis of biomolecules. This technology separates biomolecules 10 to 1000 times faster than conventional liquid chromatography or HPLC without compromising resolution or capacity. PerSeptive's Vision(TM) Workstation is the first robotic-equipped HPLC platform introduced to the life science markets that allows for the separation of proteins followed by analysis of the fractions collected in an unattended operation. Together, the automated platform and flow-through particles are designed to increase throughput and efficiency for the purification of biomolecules.

- Protein Sequencing and Synthesis. Protein sequencers provide information about the amino acids that make up a given protein by chemically disassembling the protein and analyzing its components. PerSeptive's Procise Protein Sequencing system uses Edman protein sequencing chemistry to disassemble a protein one amino acid at a time to render the sequence of that protein.

  Synthetically produced peptides are used in understanding antibody reactions and as potential drugs or drug analogs. PerSeptive's Solaris(TM) 530 is an automated chemical synthesis system that assembles organic compounds for screening or analysis. PerSeptive's Pioneer(TM) Peptide Synthesis system is designed to assemble amino acids for the synthesis of peptides, peptide analogs, and small proteins. PerSeptive also manufactures and sells proprietary reagents and fine chemicals for use with these and other products.

PE Informatics. PE Informatics, the information management unit of PE Biosystems Group, develops, markets, and distributes bioinformatics software for the pharmaceutical, biotechnology, and agrochemical industries. PE Informatics provides a comprehensive software system researchers can use to manage and analyze genomic data. Its products include software for science professionals who analyze gene sequences in an effort to discover and develop drugs and

perform clinical trials. These products are necessary to meet the need for software and services to manage, integrate, and analyze the vast amounts of information related to bioscience discovery processes.

Bioinformatics is a new science that enables researchers to transform massive amounts of data into an organized knowledge database. PE Informatics' customers are typically attempting breakthroughs in gene mapping, drug discovery, drug development, and molecular diagnostics, and its products provide the vehicles for transforming raw data into the organized body of knowledge that enables those breakthrough discoveries. The business is dedicated to the development of infrastructure software for genome data collection and management, gene mapping, drug discovery, and clinical and diagnostic genetic research.

PE Informatics currently provides genomic data management products for both discovery and development.

Discovery oriented products include: BioMerge(TM), a product that allows research groups to store, retrieve, and analyze genetic information; BioLIMS(TM), a product that manages automated DNA sequencing for AB's products; and SQL*GT(TM), a product for sample tracking and sample management for high throughput laboratories.

Development-oriented products include: SQL*Lims(R), a product designed to optimize information processing and provide information management tools for the analytical laboratory; and TurboChrom(TM) Client/Server Chromatography Data System which delivers distributed computing resources across an entire organization, while managing key data processes centrally.

Tropix. Tropix develops, manufactures, and markets chemiluminescent substrates and related products for the life science markets. Chemiluminescent technology is used in life science research and commercial applications including drug discovery and development, clinical diagnostics, gene function study, molecular biology, and immunology research. Tropix also licenses its technology to companies selling bioanalytical and clinical diagnostic tests.

Chemiluminescence is the conversion of chemical energy stored within a molecule into light. Chemiluminescent enzyme substrates are used that emit light in the presence of a target substance that is "labeled" or connected to an enzyme.

Tropix's products include reagents and chemiluminescent plate readers which measure light emitted by a sample. Tropix also operates a facility devoted to drug discovery services for the pharmaceutical, biotech, and agricultural markets. The services offered by this facility include custom assay development using proprietary technologies and high throughput drug screening with an initial capacity of 100,000 tests per day.

PE Sciex Joint Venture. The PE Biosystems Group is engaged in the manufacture and sale of mass spectrometry instrument systems through its PE Sciex joint venture with MDS Health Group Limited of Canada. Under this agreement PE Biosystems Group has the exclusive worldwide distribution rights to the LC/MS products manufactured for the venture by MDS Health Group Limited.

Marketing and Distribution

The markets for PE Biosystems Group's products and services span the spectrum of the life sciences industry, including basic human disease research, genetic analysis, pharmaceutical drug discovery, development and manufacturing, human identification, agriculture, and food and environmental testing. Each of these markets has unique requirements and expectations that PE

Biosystems Group seeks to address in its product offerings. PE Biosystems Group's customers are continually searching for processes and systems that can perform tests faster, more efficiently, and at lower costs. PE Biosystems Group believes that its focus on automated and high throughput systems enables it to respond to this need.

The size and growth of PE Biosystems Group's markets are influenced by a number of factors, including:

- technological innovation in bioanalytical practice;
- government funding for basic and disease-related research, such as in

heart disease, AIDS, and cancer;

- application of biotechnology in basic agriculture processes;

- increased awareness of biological contamination in food and the environment; and

- research and development spending by biotechnology and pharmaceutical companies.

In the United States, PE Biosystems Group markets the largest portion of its products directly through its own sales and distribution organizations, although certain products are marketed through independent distributors and sales representatives. Sales to major markets outside of the United States are generally made by the PE Biosystems Group's foreign based sales and service staff, although some sales are made directly from the United States to foreign customers. In some foreign countries, sales are made through various representative and distributorship arrangements. The PE Biosystems Group owns or leases sales and service offices in strategic regional locations in the United States and in foreign countries through its foreign sales subsidiaries and distribution operations. None of the PE Biosystems Group's products are distributed through retail outlets.

Raw Materials

There are no specialized raw materials that are particularly essential to the operation of the PE Biosystems Group's business. The PE Biosystems Group's manufacturing operations require a wide variety of raw materials, electronic and mechanical components, chemical and biochemical materials, and other supplies, some of which are occasionally found to be in short supply. The PE Biosystems Group has multiple commercial sources for most components and supplies, but it is dependent on single sources for a limited number of such items, in which case the PE Biosystems Group normally secures long-term supply contracts. In some cases, if a supplier discontinues a product, it could temporarily interrupt the business of the PE Biosystems Group.

Patents, Licenses, and Franchises

The PE Biosystems Group has pursued a policy of seeking patent protection in the United States and other countries for developments, improvements, and inventions originating within its organization that are incorporated in the PE Biosystems Group's products or that fall within its fields of interest. Some licenses under patents have been granted to, and received from, other entities. The PE Biosystems Group has certain rights from the Roche Group under patents relating to PCR, one of which expires in 2004. The PE Biosystems Group also has rights under a patent issued to the California Institute of Technology relating to DNA sequencing which expires

in 2009. In the Registrant's opinion, no other single patent or license, or group of patents or licenses, or any franchise, is material to PE Biosystems Group's business as a whole.

From time to time, the PE Biosystems Group has asserted that various competitors and others are infringing its patents; and similarly, from time to time, others have asserted that the PE Biosystems Group was infringing patents owned by them. In most cases, these claims are settled by mutual agreement on a satisfactory basis and result in the granting of licenses by or to the PE Biosystems Group.

The PE Biosystems Group has also established a licensing program that provides industry access to certain of its intellectual property.

Backlog

The PE Biosystems Group's total recorded backlog on June 30, 1999, was $186.3 million, which included $23.3 million of orders from the Celera Genomics Group. On June 30, 1998, the PE Biosystems Group's total recorded backlog was $119.3 million. It is the PE Biosystems Group's general policy to include in backlog only purchase orders or production releases that have firm delivery dates within one year. Recorded backlog may not result in sales because of cancellation or other factors. It is anticipated that all orders included in the current backlog will be delivered before the close of fiscal year 2000.

Competition

The industry segments in which the PE Biosystems Group operates are highly competitive and are characterized by the application of advanced technology. A number of the PE Biosystems Group's competitors are well-known manufacturers with a high degree of technical proficiency. In addition, competition is intensified by the ever-changing nature of the technologies in the industries in which the PE Biosystems Group is engaged.

PE Biosystems Group's principal competition comes from specialized manufacturers that have strengths in narrow segments of the life science markets. PE Biosystems Group competes principally in terms of the breadth and quality of its product offerings, and its service and distribution capabilities. While the absence of reliable statistics makes it difficult to determine the PE Biosystems Group's relative market position in its industry segment, the PE Biosystems Group is confident it is one of the principal manufacturers in its fields, marketing a broad line of instruments and life science systems.

Research, Development, and Engineering

The PE Biosystems Group is actively engaged in basic and applied research, development, and engineering programs designed to develop new products and to improve existing products. Research, development, and engineering expenditures for the PE Biosystems Group totaled $143.6 million in fiscal 1999, $109.9 million in fiscal 1998, and $78.1 million in fiscal 1997. The Registrant spent $189.3 million in fiscal 1999, $120.2 million in fiscal 1998, and $82.1 million in fiscal 1997 on company-sponsored research, development, and engineering activities.

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

Research and development projects at PE Biosystems Group include the development of improved electrophoresis techniques for DNA analysis, real-time PCR for nucleic acid quantification, innovative approaches to cellular analysis, sample preparation, information technologies, and mass spectroscopy.

Environmental Matters

The PE Biosystems Group is subject to federal, state, and local laws and regulations regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, in those jurisdictions where the PE Biosystems Group operates or maintains facilities. The PE Biosystems Group believes any liability and compliance with all environmental regulations will have no material effect on its business, and no material capital expenditures are expected for environmental control.

Employees

As of June 30, 1999, the PE Biosystems Group employed approximately 3,364 persons worldwide (not including 140 corporate staff employees). None of the PE Biosystems Group's United States employees are subject to collective bargaining agreements.

CELERA GENOMICS GROUP

The Celera Genomics Group is engaged principally in the generation, sale, and support of genomic information, and related information management and analysis software; discovery, validation, and licensing of proprietary gene products, genetic markers, and information concerning genetic variability; and related consulting and contract research and development services.

Registrant and Dr. J. Craig Venter, a leading genomic scientist and founder of The Institute for Genomic Research ("TIGR"), announced the intent to form the Celera Genomics business in May, 1998. The business commenced operations in August, 1998. Celera Genomics Group was formed for the purpose of generating and commercializing genomic information to accelerate the understanding of biological processes and to assist pharmaceutical, biotechnology, and life science research entities in areas of research including:

- new drugs and improved drug development processes;
- novel genes and factors that regulate and control gene expression; and
- interrelationships between genetic variability, disease, and drug response.

A key to the Celera Genomics Group's strategy is the sequencing of the human genome, which it expects to be completed in calendar year 2001. The underlying human genetic sequence will be the basis for the Celera Genomics Group's development of a value-added, integrated information and discovery system. The system will include increasing layers of functional information, such as gene expression data, comparative data from other model organisms (such as Drosophila (fruit fly) and mouse), genetic variation, and ultimately gene function. Users of the information and discovery system will have the ability to view, browse, and analyze the data in an integrated way that should assist scientists and commercial enterprises in accelerating their understanding of the human genetic code. The Group anticipates using its genomic data as a platform upon which to develop tools and services. The Celera Genomics Group anticipates that

this genomic data, together with such tools and services, will become a comprehensive scientific and medical resource for a wide range of customers, including pharmaceutical, biotechnology, and other private entities and academic and other life science research institutions.

Other genomics companies have focused on strategies that emphasize finding and sequencing particular genes within the human genome to find specific drug or disease targets. In contrast, the Celera Genomics Group plans to sequence the entire human genome using whole genome "shotgun sequencing," a unique sequencing strategy designed to produce genomic data rapidly and efficiently. The Celera Genomics Group's goal is to create a comprehensive knowledge base of the human genome that will allow multiple scientific and commercial applications. The Celera Genomics Group believes that its shotgun

sequencing strategy will not only accelerate the discovery of new genes, but will help generate genomic information that has not yet been the focus of research. This information includes rarely expressed genes and the proteins they code for and other factors, such as regulatory regions, that control gene expression.

Dr. Venter and his team at TIGR were the first to apply the whole genome shotgun sequencing strategy to the sequencing of several genomes, including the first three in history. To date, ten of the 26 microbial genomes that have been completely sequenced and are (or are expected to be) in the public domain have been sequenced by TIGR using this strategy.

The Celera Genomics Group includes the GenScope product line, which Registrant acquired in February 1997. GenScope is a provider of genomics-related products and services, gene discovery, target discovery and validation, efficacy and safety assessment, and pharmacogenomics study services. GenScope's core technology, GeneTag(TM), is a proprietary process for analysis of gene expression. This technology provides a method by which to compare many samples in order to quickly identify which genes are affected by a disease or treatment.

The Celera Genomics Group also includes the AgGen product line which was formed by Registrant in July, 1997, for the purpose of developing an application group specializing in providing services to the agriculture market. AgGen provides genotyping and genomic services for plant and animal breeding programs.

The Celera Genomics Group anticipates adding significant value to its information products by providing software tools and analysis capabilities to facilitate access to the data and by annotating them with interpretive information, including information resulting from collaborations with key life science researchers.

The Celera Genomics Group anticipates generating genomic information as a platform for developing the following products and services:

- Genomic information databases consisting of comprehensive and integrated human sequence information and information from other model organisms;

- Software systems and tools to facilitate customer access, viewing, browsing, analysis, and discovery;

- Polymorphism data and assay services for the pharmaceutical and health care industry, including through, among other things, collaborative service agreements using the polymorphism data resulting from the Celera Genomics Group's sequencing;

- Gene discovery services in collaboration with customers to pursue novel discoveries;

- Other business extensions, involving the Celera Genomics Group's own gene discoveries, population genetics analysis, sequencing of additional genomes, and contract sequencing; and

- Advanced genomics technologies, including technologies offered by GenScope, such as gene expression profiling, high throughput DNA sequencing, complementary DNA (cDNA) cloning, and bioinformatics, to accelerate drug discovery and development efforts.

The Celera Genomics Group expects to derive its revenues primarily from access fees from database customers, fees for collaborative polymorphic

services, fees from collaborative gene discovery arrangements, genotyping, and genomic services, and, in certain cases, from licensing intellectual property.

The Celera Genomics Group expects to offer its information products on a subscription basis for multiple year subscriptions. The information products will include a variety of databases, including the Human Gene Index, the Drosophila Genome Database, the Human Genome Database, a Gene Expression Database, a Comparative Genomics Database that would include data from model organisms, and additional databases over time.

The structure of customer subscriptions, including the databases to be offered, the access fees to be charged, the intellectual property terms, and the nature of any services provided to customers, will vary according to customer requirements and are expected to change over time. The Celera Genomics Group expects to continue to generate revenues through gene expression analysis and genotyping services.

The Celera Genomics Group expects to sell access to its genomics information to customers for their internal use. For certain information products, the Celera Genomics Group does not expect to seek intellectual property rights from customers on such use. For these products, this policy should promote use of its information by a wide variety of users and will distinguish the Celera Genomics Group from other genomics companies that seek intellectual property rights in their customers' discoveries based solely upon access to those companies' database information. The Celera Genomics Group expects to collaborate with customers to identify targets that can be used in the discovery and development of new diagnostics and drugs and in the development of polymorphism information. For such collaborations, the Celera Genomics Group intends to share with its customers intellectual property rights on discoveries resulting from those collaborations.

The Celera Genomics Group has adopted a policy to make available, to the research community for free, the basic reference human sequence information generated by its sequencing and assembly efforts. The Celera Genomics Group intends to make available this information on a quarterly basis in the form of unordered consensus human sequence data in excess of specified lengths.

The data that the Celera Genomics Group releases publicly will be available, in a searchable format, via its web site. The ultimate form of data release will be affected by, among other things, the evolution of intellectual property law and the Celera Genomics Group's assessment of the likelihood that other organizations may seek to obtain the Celera Genomics Group's data and resell it to their own customers. The Celera Genomics Group believes that current efforts by some companies to obtain data made publicly available for the purpose of private resale may continue, and that the need to protect the value of its information while honoring its intention to share this data with the research community will affect its data disclosure strategy.

After completion of sequencing, the Celera Genomics Group expects to release a detailed ordered consensus human genome assembly.

The Celera Genomics Group believes that disclosing consensus sequence data will not affect the value of its information products and services to customers and will encourage researchers to use its data and ultimately become the Celera Genomics Group's customers. The Celera Genomics Group will make available to its customers, on a subscription basis, the assets that are most responsible for the value of its products and services extensive integrated genomic information systems, including proprietary annotations, certain polymorphism information, comparative genomics information, search tools and algorithms, and assay and other services.

Commercial Applications of Genomics

The Celera Genomics Group expects that the use of genomic information will transform life sciences by increasing the understanding of biological processes and allowing scientists to target specific processes once a given genome has been mapped. The commercial markets that the Celera Genomics Group believes will benefit from genomic information include (i) pharmaceutical drug discovery and development including molecular toxicology and pharmacogenomics (which focuses on identifying genetic variances among patients that may affect the efficacy of drug treatment), (ii) medical diagnostics (risk assessment and personalized medicine), (iii) agriculture, and (iv) other applied markets.

Raw Materials

There are no specialized raw materials that are particularly essential to the operation of the Celera Genomic Group's business. The Celera Genomics Group's operations require a variety of raw materials, such as chemical and biochemical materials, and other supplies, some of which are occasionally found to be in short supply. The Celera Genomics Group depends on the PE Biosystems Group for several critical materials, including reagents and capillary arrays, required for sequencing. For certain of these materials, the PE Biosystems Group is the sole supplier, and for other materials the Celera Genomics Group believes that the PE Biosystems Group provides the highest quality materials available. Any interruption in the availability of these materials could adversely affect and, in some cases, shut down sequencing operations.

Patents, Licenses and Franchises

The Celera Genomics Group's business and competitive position is dependent, in part, upon its ability to protect its database information, proprietary gene sequence methods, software technology, and the novel genes it identifies. The Celera Genomics Group's commercial success will be affected by, but is not directly dependent on, the ability to obtain patent protection on genes and polymorphisms discovered by it and/or by the Celera Genomics Group's customers on their own behalf and by collaborators. The Celera Genomics Group plans to seek intellectual property protection, including copyright protection, for the information and discovery system, including its content, and the software and methods it creates to manage, store, analyze, and search novel information.

The Celera Genomics Group's current plan is to apply for patent protection upon the identification of candidate novel genes, novel gene fragments, and their biological function or utility. The Celera Genomics Group also plans to apply for patent protection for certain novel polymorphisms. This plan includes applying for claims to the gene sequences as well as equivalent sequences and their variant forms. Although obtaining patent protection based on partial gene sequences might enhance the Celera Genomics Group's business, the Celera Genomics Group does not believe that its commercial success will be materially dependent on its ability to do so. When gene discovery or analysis has been performed on behalf of customers or collaborators, the Celera Genomics Group anticipates that these patent rights will be jointly owned by the Celera Genomics Group and the customer or collaborator. If a gene product was developed, the Celera Genomics Group anticipates it would receive various forms of consideration including license fees, milestone payments, and royalty payments on sales of the gene product and related products.

The granting of patents on genomic discoveries is uncertain worldwide and is currently under review and revision in many countries. Moreover, publication of information concerning partial gene sequences prior to the time that the Celera Genomics Group applies for patent protection based on the full-length gene sequences or different partial gene sequences in the same gene may affect the Celera Genomics Group's ability to obtain patent protection. Certain court decisions suggest that disclosure of a partial sequence may not be

sufficient to support the patentability of a full-length sequence and that patent claims to a partial sequence may not cover a full-length sequence inclusive of that partial sequence.

In January, 1997, TIGR, in collaboration with the National Center for Biological Information, disclosed full-length DNA sequences assembled from expressed sequence tags (ESTs) available in publicly accessible databases or sequenced at TIGR. The National Human Genome Research Institute also plans to release sequence information to the public. 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 assurances that such publication has not affected and will not affect the ability to obtain patent protection.

The Celera Genomics Group can not ensure that these or other uncertainties will not result in changes in, or interpretations of, the patent laws that will adversely affect its patent position. The Celera Genomics Group anticipates that there could be significant litigation in the industry regarding genomic patent and other intellectual property rights. If the Celera Genomics Group becomes involved in such litigation, it could consume a substantial portion of the Celera Genomics Group's resources.

The Celera Genomics Group also intends to rely on trade secret protection for its confidential and proprietary information. The Celera Genomics Group believes it has developed proprietary procedures for sequencing and analyzing genes and for assembling the genes in their naturally occurring order. In addition, the Celera Genomics Group believes it has developed novel methods for searching and identifying particularly important regions of genetic information or whole genes of interest. The Celera Genomics Group currently intends to protect these methods and procedures by trade secret and patent protection where appropriate.

The Celera Genomics Group has taken security measures to protect its databases concerning genes identified by it, including entering confidentiality agreements with employees and academic collaborators who are provided or have access to confidential or proprietary

information. The Celera Genomics Group continues to explore ways to further enhance the security for its data, including copyright protection for its databases.

Intellectual property derived from gene-profiling services provided to current customers is owned by the customers. The Celera Genomics Group has retained rights to markers for clinical research, human and animal diagnostics, or pharmacogenomics. Service agreements negotiated to date have also provided for clinical milestones and royalty payments on products derived from the deliverables in gene discovery contracts.

Backlog

The Celera Genomics Group's total recorded backlog on June 30, 1999, was $13.9 million. It is the Group's general policy to include in backlog only purchase orders or production releases that have firm delivery dates within one year. Recorded backlog may not result in sales because of cancellation or other factors. It is anticipated that all orders included in the current backlog will be delivered before the close of fiscal year 2000.

Competition

The Celera Genomics Group believes that it has competitive advantages

that differentiate it from other genomic companies. These advantages should enable it to sequence and assemble the large and complex human genome and to build and market its information products and services. The advantages include (i) expertise of key scientific personnel; (ii) the whole genome shotgun sequencing strategy, including faster access to genomic sequence information that has not been previously produced by other public or private initiatives, comprehensive genomic information, and more comprehensive polymorphism data; (iii) advanced genomics and computing technology, including a unique sequencing facility, early access to PE Biosystems Group's technologies and products, incorporation of gene expression technology, and a strategic alliance with Compaq Computer Corporation to provide Celera Genomics Group with information technology integrated hardware, software, networking, and services solutions; and (iv) Registrant's resources and market experience.

The Celera Genomics Group's principal competitors will be those public and private entities that are currently or intend to become involved in providing genomic information and related genomic analysis capabilities in such areas as genetic variability and gene discovery. The Celera Genomics Group's market and financial success will be dependent, in large part, upon its ability to maintain a competitive position in each of these areas. There are also a number of companies with which the Celera Genomics Group will indirectly compete in particular lines of business, such as in gene discovery and the development of drug targets. In addition, some of the Celera Genomics Group's potential customers, such as pharmaceutical companies, may choose to develop technologies and information similar to those offered by the Celera Genomics Group. There have been published reports of a proposed consortium of pharmaceutical companies to create and make public polymorphism information. Finally, new technologies that improve the gene analysis and discovery process may emerge over time and could compete with those being developed by the Celera Genomics Group, or otherwise affect its business strategy.

Some competitors may add data made available to the public by the Celera Genomics Group to their own databases for resale to their customers. To control this, the Celera Genomics Group intends to seek contractual and intellectual property protection.

The Celera Genomics Group does not believe it is competing with the U.S. government's efforts to sequence the human genome, and has sought to coordinate its efforts with those funded

by the U.S. government. The acceleration of the Human Genome Project may assist the Celera Genomics Group in its own sequencing and assembly effort by releasing sequence data into the public domain. The Celera Genomics Group has signed a Memorandum of Understanding with the publicly funded Berkeley Drosophila Genome Project Group to sequence and assemble the Drosophila genome. The Celera Genomics Group expects to continue to seek ways to supplement and benefit from coordinating its activities with those of the National Institute of Health and the Department of Energy.

Research and Development

The Celera Genomics Group is actively engaged in basic and applied research and development programs designed to develop new products. Research and development expenditures for the Celera Genomics Group totaled $48.4 million in fiscal 1999, $10.3 million in fiscal 1998, and $4.0 million in fiscal 1997. The Registrant spent $189.3 million in fiscal 1999, $120.2 million in fiscal 1998, and $82.1 million in fiscal 1997 on company-sponsored research, development, and engineering activities.

The Celera Genomics Group's new products will originate from three sources: internal research and development programs, external collaborative efforts or alliances, and business and technology acquisitions.

Environmental Matters

Celera Genomics Group is subject to federal, state, and local laws and regulations regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, in those jurisdictions where the Celera Genomics Group operates or maintains facilities. The Celera Genomics Group believes any liability and compliance with all environmental regulations will have no material effect on its business, and no material capital expenditures are expected for environmental control.

Employees

The Celera Genomics Group had approximately 359 employees as of June 30, 1999 (not including 140 corporate staff employees). The Celera Genomics Group's employees are not subject to any collective bargaining agreements.

(d) Financial Information About Foreign and Domestic Operations.

A summary of net revenues from external customers and long-lived assets attributed to each of Registrant's geographic areas for the fiscal years 1999, 1998, and 1997 is incorporated herein by reference to Note 6 on Page 62, Note 5 on Pages 88-89, and Note 6 on Pages 122-123 of the Annual Report to Stockholders for the fiscal year ended June 30, 1999.

Registrant's consolidated net revenues from external customers in countries other than the United States for fiscal years 1999, 1998, and 1997 were $607.9 million, $487.2 million, and $418.4 million, or 50.0%, 51.6%, and 54.5% respectively, of Registrant's consolidated net revenues.

All of the Registrant's manufacturing facilities outside the continental United States are located in the United Kingdom, Japan, and Singapore.

There are currently no material foreign exchange controls or similar limitations restricting the repatriation to the United States of capital earnings from operations outside the United States.

Item 2. PROPERTIES

Properties

PE Biosystems Group

The PE Biosystems Group owns or leases various facilities for manufacturing, research and development, and administrative purposes. All of these facilities are maintained in good working order and, except for those held for sale or lease, are used in the ordinary course of business.

The following is a list of facilities owned or leased by the PE Biosystems Group.

<TABLE>
<CAPTION>

Location (Approximate Floor Area in Sq. Ft.)	Owned or Leased (Expiration Date(s) of Leases)

<S>	<C>
Foster City, CA (543,000)*	Leased (1999-2007)
San Jose, CA (81,000)	Owned
Bedford, MA (28,000)	Leased (2000)
Framingham, MA (196,000)	Leased (2009)
Santa Fe, NM (14,000)	Leased (1999-2005)
Houston, TX (21,000)	Leased (1999)
Warrington, England (22,000)	Owned
Singapore (30,000)	Leased (1999)
Narita, Japan (24,000)	Owned

</TABLE>

*Consists of three principal facilities totaling 330,000 square feet, and additional facilities totaling 213,000 square feet. 30,000 square feet of such space is leased to Celera Genomics Group.

The PE Biosystems Group also leases space in several industrial centers for use as regional sales and service offices, technical demonstration centers, and warehouses. The PE Biosystems Group also owns undeveloped land in Vacaville, California.

Celera Genomics Group

The Celera Genomics Group's headquarters are in Rockville, Maryland, where its administrative facilities, sequencing facility, laboratories, and bioinformatics facilities are located. The headquarters are located in two adjacent buildings in Rockville, Maryland with approximately 220,000 square feet owned by the Celera Genomics Group. The Celera Genomics Group also subleases from PE Biosystems Group approximately 30,000 square feet in Foster City, California, which sublease expires in January, 2008, and leases space in Davis, California, from third parties as follows: approximately 13,000 square feet, which lease expires in June, 2001, and 15,000 square feet, which lease expires in July 2000.

Other Facilities

<TABLE>
<CAPTION>

Location (Approximate Floor Area in Sq. Ft.)	Owned or Leased (Expiration Date(s) of Leases)
<S>	<C>
Norwalk, CT (402,000)**	Owned
Wilton, CT (263,000)**	Owned

</TABLE>

** Registrant utilizes approximately 154,000 square feet of space in its facilities in Norwalk and Wilton, Connecticut for corporate staff and related support functions. The remaining facilities in Norwalk and Wilton, approximately 511,000 square feet, are leased to EG&G, Inc. (approximately 340,000), Lamorte Burns, Inc. (approximately 42,000), or are currently vacant. All such facilities in Connecticut are being held for sale.

Item 3. LEGAL PROCEEDINGS

Registrant has been named as a defendant in various legal actions arising from the conduct of Registrant's normal business activities. Although the amount of any liability that might arise with respect to any of these matters cannot be accurately predicted, the resulting liability, if any, will not, in the opinion of management of Registrant, have a material adverse effect on the financial statements of Registrant.

On March 13, 1998, Registrant filed a patent infringement action against Amersham Pharmacia Biotech, Inc. ("Amersham") and Molecular Dynamics, Inc. ("Molecular Dynamics") in the United States District Court for the Northern District of California. Registrant asserts that two of its patents (U.S. 5,207,886 and U.S. 4,811,218) are infringed by reason of Molecular Dynamics' and Amersham's sale of certain DNA analysis systems (e.g., the MegaBACE 1000 System). In response, the defendants have asserted various affirmative defenses and several counterclaims, including that Registrant's PE Biosystems Group is infringing two patents (U.S. 5,091,562 and U.S. 5,459,325) owned by or licensed to Molecular Dynamics by selling the ABI PRISM(TM) 377 DNA Sequencing Systems.

On April 2, 1998, Amersham filed a patent infringement action against Registrant in the United States District Court for the Northern District of California. The complaint alleges that Registrant is directly, contributorily, or by inducement infringing U.S. Patent No. 5,688,648 ("the '648 patent"), entitled "Probes Labeled with Energy Transfer Coupled Dyes." The complaint seeks declaratory judgment that the use of the PE BigDye(TM) Primer and BigDye(TM) Terminator kits would infringe the '648 patent, as well as injunctive and monetary relief. Registrant answered the complaint, alleging that the '648 patent is invalid and that Registrant has not infringed the '648 patent.

On October 19, 1998, Amersham filed a patent infringement action against the Celera Genomics Group in the United States District Court for the District of Delaware. The complaint alleges that the Celera Genomics Group is directly, contributorily, or by inducement, infringing the '648 patent. The complaint seeks a declaratory judgment that the use of the Perkin-Elmer BigDye(TM) Primer and BigDye(TM) Terminator kits would infringe this patent, as well as injunctive and monetary relief. The Celera Genomics Group answered the complaint, alleging that this patent is invalid and that the Celera Genomics Group has not infringed this patent.

While the BigDye(TM) detection technology is a preferred technology with which to carry out the Celera Genomics Group's planned DNA sequencing activities, a number of viable alternatives exist. For example, the PE Biosystems Group currently markets DNA sequencing reagents that do not incorporate BigDye(TM) fluorescent labels, but rather utilize alternative labels. Therefore, even in the event of an unfavorable outcome to this litigation, the Celera Genomics Group would be able to carry out its planned large-scale DNA sequencing program and would not experience a material adverse effect on its business.

On May 21, 1998, Amersham filed a patent infringement action against Registrant in the United States District Court for the Southern District of New York. The complaint alleges that Registrant is infringing, contributing to the infringement, and inducing the infringement of U.S. Patent No. 4,707,235 ("the '235 patent") entitled "Electrophoresis Method and Apparatus having Continuous Detection Means." The complaint seeks injunctive and monetary relief. Registrant answered the Complaint, alleging that the '235 patent is invalid and that Registrant has not infringed the '235 patent.

Registrant is a party to the action United States v. Davis, pending in the United States District Court for the District of Rhode Island. Registrant

was found liable to the cross-complainant, United Technologies Corporation ("UTC"), by the District Court in December 1998. Registrant believes the amount of such liability to be less than $200,000, which will be determined when all appeals have been concluded. UTC is expected to appeal the District Court's decision.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

A special meeting of shareholders of The Perkin-Elmer Corporation was held on April 27, 1999. The matters voted on and the votes were as follows:

Proposal 1 - Recapitalization Proposal
Proposal 2 - Adoption of PE Corporation/PE Biosystems Group 1999 Stock Incentive Plan
Proposal 3 - Adoption of PE Corporation/Celera Genomics Group 1999 Stock Incentive Plan

<TABLE>
<CAPTION>

VOTES	FOR	AGAINST	ABSTENTIONS
<S>	<C>	<C>	<C>
Proposal 1	37,721,060	5,911,186	165,924
Proposal 2	41,422,806	2,198,828	176,536
Proposal 3	33,959,491	9,660,124	178,555

</TABLE>

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information.

The principal United States market where Registrant's PE Biosystems Group Common Stock and Celera Genomics Group Common Stock are traded is the New York Stock Exchange, although such stock is also traded on the Pacific Stock Exchange.

The following information, which appears in Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 1999, is hereby incorporated by reference in this Form 10-K: the high and low sales prices of PE Biosystems Group Common Stock and Celera Genomics Group Common Stock for the period from May 6, 1999 through June 30, 1999, and for the Common Stock of The Perkin-Elmer Corporation for each quarterly period during fiscal year 1999 through May 5, 1999, and fiscal year 1998 (Note 13, Pages 69-70, Note 10, Page 94, and Note 13, Pages 131-132 of the Annual Report to Stockholders for the fiscal year ended June 30, 1999).

(b) Holders.

On September 20, 1999, the approximate number of holders of PE Biosystems Group Common Stock was 6,433, and the approximate number of holders

of Celera Genomics Group Common Stock was 6,064. The approximate number of holders is based upon the actual number of holders registered in the books of Registrant at such date and does not include holders of shares in "street name" or persons, partnerships, associations, corporations, or other entities identified in security position listings maintained by depository trust companies. The calculation of the numbers of shares held by non-affiliates shown on the cover of this Form 10-K was made on the assumption that there were no affiliates other than executive officers and directors.

(c) Dividends.

The amount of quarterly dividends during fiscal years 1999 and 1998 (Note 13, Pages 69-70, and Note 13, Pages 131-132 of Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 1999) is hereby incorporated by reference in this Form 10-K.

(d) Sale of Unregistered Securities

Registrant has sold no securities during the fiscal year ended June 30, 1999, that were not registered under the Securities Act of 1933.

(e) Investment Considerations Relating to Registrant's Capital Structure

Stockholders of Registrant are stockholders of one company and, therefore, financial effects on one group could adversely affect the other.

Holders of PE Biosystems Group Common Stock and Celera Genomics Group Common Stock are stockholders of a single company. The PE Biosystems Group and the Celera Genomics Group are not separate legal entities. As a result, stockholders are subject to all of the risks of an investment in Registrant and all of its businesses, assets, and liabilities. The creation of the PE Biosystems Group Common Stock and Celera Genomics Group Common Stock and the allocation of assets and liabilities and stockholders' equity between the PE Biosystems Group and Celera Genomics Group did not result in the distribution or spin-off to stockholders of any of the assets or liabilities and did not affect ownership of the assets or responsibility for the liabilities or those of the subsidiaries. The assets attributed to one group could be subject to the liabilities of the other group, whether such liabilities arise from lawsuits, contracts, or indebtedness that Registrant attributes to the other group. If Registrant is unable to satisfy one group's liabilities out of the assets attributed to it, Registrant may be required to satisfy those liabilities with assets Registrant has attributed to the other group.

Financial effects from one group that affect the consolidated results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the common stock relating to the other group. In addition, net losses of either group and dividends or distributions on, or repurchases of, either class of common stock or repurchases of certain preferred stock will reduce the funds Registrant can pay as dividends on each class of common stock under Delaware law. Stockholders should read the consolidated financial information with the financial information provided for each group.

Holders of group common stock have limited rights related to their group.

Holders of PE Biosystems Group Common Stock and Celera Genomics Group Common Stock have only the rights customarily held by common stockholders. They have only the following rights related to their corresponding group:

- certain rights with regard to dividends and liquidation;

- requirements for a mandatory dividend, redemption, or conversion upon the disposition of all or substantially all of the assets of their corresponding 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 Registrant's board of directors.

Separate meetings will not be held for holders of PE Biosystems Group Common Stock and Celera Genomics Group Common Stock.

Celera Genomics Group Common influence on the outcome of stockholder voting.

PE Biosystems Group Common Stock has a substantial majority of the voting power of both classes of common stock. Except in limited circumstances requiring 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 such vote--even if the matter involves a divergence or conflict of the interests of the holders of the PE Biosystems Group Common Stock and Celera Genomics Group Common Stock. These matters may include mergers and other extraordinary transactions.

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 board of directors requires a separate vote on a matter by the holders of either the PE Biosystems Group Common Stock or the Celera Genomics Group 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 only one class of common stock cannot ensure that their voting power will be sufficient to protect their interests.

Since relative voting power per share of PE Biosystems Group Common Stock and Celera Genomics Group Common Stock will fluctuate based on the market values of the two classes of common stock, the relative voting power of a class of common stock could decrease. As a result, holders of only one of the two classes of 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 the Registrant's board of directors or officers has a disadvantageous effect on the PE Biosystems Group Common Stock or Celera Genomics Group 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 business judgment rule unless self-interest is shown. The business judgment rule provides that, 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 with respect to any matter having different effects on holders of Celera Genomics Group Common Stock and holders of PE Biosystems Group Common Stock would be a defense to any challenge to such determination made by or on behalf of the holders of either class of stock. Because of the business judgment rule, holders of a class of stock who are disadvantaged by an action of Registrant's directors or officers

may not be able to successfully make claims alleging breach of fiduciary duty.

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

As a policy, the board of directors will periodically monitor

the ownership of shares of PE Biosystems Group Common Stock and Celera Genomics Group Common Stock by the directors and senior officers, and option grants to them, so that their interests are generally aligned with the two classes of common stock and with their duty to act in the best interests of Registrant and its stockholders as a whole. However, because the actual value of their interests in the PE Biosystems Group Common Stock and Celera Genomics Group Common Stock is anticipated to vary significantly, it is possible that they could favor one group over the other due to their stock and option holdings.

The board of directors may pay more or less dividends on group common stock than if that group was a separate company.

Subject to the limitations referred to below, the board of directors has the authority to declare and pay dividends on the PE Biosystems Group Common Stock and Celera Genomics Group Common Stock in any amount and could, in its sole discretion, declare and pay dividends exclusively on the PE Biosystems Group Common Stock, exclusively on the Celera Genomics Group Common Stock, or on both, in equal or unequal amounts. The board of directors will not be 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 the 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 Registrant's certificate of incorporation impose limitations on the amount of dividends which may be paid on each class of common stock.

Proceeds of mergers or consolidations may be allocated unfavorably.

The terms of Registrant's common stock do not contain any provisions governing how consideration to be received by holders of PE Biosystems Group Common Stock and Celera Genomics Group Common Stock in connection with a merger or consolidation involving Registrant is to be allocated among holders of each class of common stock. The board of directors will determine the percentage of consideration to be allocated to holders of each class of common stock in any such transaction. Such percentage may be materially more or less than that which might have been allocated to such holders had the 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.

The board of directors could, in its sole discretion and without stockholder approval, determine to convert shares of Celera Genomics Group Common Stock into shares of PE Biosystems Group 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. Any such conversion would dilute the interests in Registrant of the holders of the class of common stock being issued in the conversion. It could also give holders of shares of the class of common stock converted a greater or lesser premium than any premium that was paid or might be paid by a third-party buyer of all or substantially all of the assets of the group whose stock is converted.

Proceeds of newly issued Celera Genomics Group Common Stock could be allocated

to the PE Biosystems Group even if the Celera Genomics Group requires financing.

If and to the extent the PE Biosystems Group has an equity interest in the Celera Genomics Group at the time of any sale of Celera Genomics Group Common Stock, the board of directors could allocate some or all of the proceeds of that sale to the PE Biosystems Group. Any such decision could favor one group over the other group. For example, the decision to allocate the proceeds to the PE Biosystems Group may adversely affect the Celera Genomics Group's ability to obtain funds to finance it growth strategies.

Allocation of corporate opportunities could favor one group over the other.

Registrant's board of directors may be required to allocate corporate opportunities between the groups. In some cases, the directors could determine that a corporate opportunity, such as a business that Registrant is acquiring, should be shared by the groups. Any such decisions could favor one group at the expense of the other.

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 groups from competing with each other. Any competition between the two groups could be detrimental to the 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. However, Registrant's Chief Executive Officer or the board of directors will permit indirect competition between the groups based on his or its good faith business judgment that such competition is in the best interests of Registrant and all of the stockholders as a whole. In addition, the groups may compete in a business that is not a principal business of the other group.

The board may change Registrant's management and allocation policies without stockholder approval to the detriment of either group.

The board of directors may modify or rescind Registrant'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 PE Biosystems Group Common Stock and holders of Celera Genomics Group Common Stock or could result in a benefit or detriment to one class of stockholders compared to the other class. Registrant's board of directors will make any such decision in accordance with its good faith business judgment that the decision is in the best interests of Registrant and all of the stockholders as a whole.

Either group may finance the other group on terms unfavorable to one of the groups.

Registrant anticipates that there will be a transfer of cash and other property between groups to finance their business activities. The group providing the financing will be subject to the risks relating to the group receiving the financing. Registrant 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 PE Biosystems Group's equity interest in the Celera Genomics Group; or

- as a sale of assets between groups.

The board of directors has not adopted specific criteria for determining when Registrant will reallocate pooled debt or preferred stock, transfer cash or other property as a loan or repayment, increase or decrease an equity interest, or sell assets. These determinations, including the terms of any transactions accounted for as debt, could be unfavorable to either group transferring or receiving the cash or other property. The 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.

Registrant cannot assure stockholders that any terms that are fixed for debt will approximate those that could have been obtained by the borrowing group if it were a stand-alone corporation.

Celera Genomics Group may not be fully reimbursed for PE Biosystems Group's use of its tax benefits and could be charged with higher future taxes than if it were a stand-alone tax payer.

Registrant's management and allocation policies provide that tax benefits generated but not used by the Celera Genomics Group may be used by the PE Biosystems Group. The aggregate amount reimbursed to the Celera Genomics Group for such use may not exceed $75 million. All subsequent tax benefits in excess of this amount will not be credited to the Celera Genomics Group and the Celera Genomics Group will not be reimbursed for those tax benefits, unless the Celera Genomics Group could have used those tax benefits had it been a stand-alone company. Accordingly, any tax benefits that can not be used by the Celera Genomics Group will not be carried forward to reduce its future taxes. This could 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 had retained its tax benefits.

Holders of group common stock may receive less consideration upon a sale of assets than if the group were a separate company.

If a disposition of all or substantially all of the assets of either group occurs, Registrant must, subject to certain exceptions:

- distribute to holders of the class of common stock relating to such group an amount equal to the net proceeds of such disposition, or

- convert at a 10% premium such common stock into shares of the class of common stock relating to the other group.

If the group subject to the disposition 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 separate, independent company might receive a greater amount than the net proceeds that would be received by holders of the class of common stock relating to that group if the assets of such group were sold. In addition, Registrant can not assure stockholders that the net proceeds per share of

the common stock relating to that group will be equal to or more than the market value per share of such common stock prior to or after announcement of a disposition.

Registrant's capital structure and variable vote per share may discourage acquisitions of a group or a class of common stock.

A potential acquirer could acquire control of Registrant 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 such voting power, only shares of that class. The PE Biosystems Group Common Stock has a substantial majority of the voting power. As a result, it is possible for an acquirer to obtain control by purchasing only shares of the PE Biosystems Group Common Stock.

Decisions by 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 the PE Biosystems Group Common Stock and the Celera Genomics Group Common Stock. The market value of either or both classes of common stock could be adversely affected by market reaction to decisions by the board of directors or the management that investors perceive as affecting differently one class of common stock compared to the other. These decisions could involve changes to the management and allocation policies, transfers of assets between groups, allocations of corporate opportunities, and financing resources between groups and changes between dividend policies.

Investors may not value common stock based on group financial information and policies

Registrant can not assure stockholders that investors will value the PE Biosystems Group Common Stock and the Celera Genomics Group Common Stock based on the reported financial results and prospects of the separate groups or the dividend policies established by the board of directors with respect to such groups.

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

The Stockholder Rights Plan, adopted by Registrant, could prevent stockholders from profiting from an increase in the market value of their shares as a result of a change in control of Registrant by delaying or preventing such 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 the Delaware law, Registrant's certificate of incorporation, and its by-laws may also deter hostile takeover attempts.

Changes in federal tax law could result in taxation of issuances of common stock.

Changes in federal tax law, such as those proposed by the Clinton Administration in early 1999, could impose a corporate level tax on the issuance of stock similar to the Celera Genomics Group Common Stock or the PE Biosystems Group Common Stock. If this proposal is enacted, Registrant could be subject to tax on an issuance of Celera Genomics Group Common Stock or PE Biosystems Group Common Stock after the date of enactment.

Under Registrant's certificate of incorporation, Registrant may convert the Celera Genomics Group Common Stock or the PE Biosystems Group Common Stock into shares of the other class without any premium if there are adverse U.S. federal income tax law developments. The proposal of the Clinton Administration would be such an adverse development if it is implemented or receives certain legislative action.

Item 6. SELECTED FINANCIAL DATA

Registrant hereby incorporates by reference in this Form 10-K, Pages 37, 73, and 96 of Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 1999.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Registrant hereby incorporates by reference in this Form 10-K, Pages 38-47, 74-79, and 97-109 of Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 1999.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Registrant hereby incorporates by reference in this Form 10-K, Pages 42-43 and 102-103, Note 12 on Pages 67-69, and Note 12 on Pages 129-131 of Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 1999.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements and the supplementary financial information included in Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 1999 are incorporated by reference in this Form 10-K: the combined Financial Statements and the reports thereon of PricewaterhouseCoopers LLP dated July 30, 1999, the Consolidated Financial Statements and the report thereon of PricewaterhouseCoopers LLP dated July 30, 1999, and Pages 48-72, 80-95, and 110-134 of said Annual Report, including Note 13, Pages 69-70, Note 10, Page 94, and Note 13, Pages 131-132, which contains unaudited quarterly financial information.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Registrant has not changed its public accounting firm within 24 months prior to June 30, 1999, the date of Registrant's most recent financial statements. There have been no unresolved disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification and Background of Directors.

Registrant hereby incorporates by reference in this Form 10-K, Pages 3-4 of Registrant's Proxy Statement dated September 10, 1999, in connection with its Annual Meeting of Stockholders to be held on October 21, 1999.

(b) Identification of Executive Officers.

The following is a list of Registrant's executive officers, their ages, and their positions and offices with the Registrant, as of September 21, 1999.

<TABLE>
<CAPTION>
Name Age Present Positions and Year First Elected

<S>	<C>	<C>
Peter Barrett	46	Vice President, Celera Genomics Group (1998)
Samuel E. Broder	54	Vice President, Celera Genomics Group (1999)
Ugo D. DeBlasi	37	Controller, Celera Genomics Group (1999)
Ronald D. Edelstein	50	Vice President and Chief Information Officer (1998)
Elaine J. Heron	51	Vice President PE Biosystems Group (1998)
Michael W. Hunkapiller .	50	Senior Vice President (1998); President, PE Biosystems Group (1994)
Vikram Jog	43	Corporate Controller (1999)
Joseph E. Malandrakis ..	54	Vice President, PE Biosystems Group (1993)
William B. Sawch	44	Senior Vice President, General Counsel and Secretary (1993)
Gregory T. Schiffman ...	41	Controller, PE Biosystems Group (1999)
Joyce A. Sziebert	50	Vice President, Human Resources (1999)
J. Craig Venter	52	Senior Vice President and President, Celera Genomics Group (1998)
Tony L. White	53	Chairman, President, and Chief Executive Officer (1995)
Dennis L. Winger	51	Senior Vice President and Chief Financial Officer (1997)

</TABLE>

Each of the foregoing named officers was either elected at the last organizational meeting of the Board of Directors, or elected by the Board since that date. The term of each officer will expire on October 21, 1999, the date of the next scheduled organizational meeting of the Board of Directors, unless renewed for another year.

(c) Identification of Certain Significant Employees.

Not applicable.

(d) Family Relationships.

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

(e) Business Experience.

With respect to the business experience of Registrant's directors and persons nominated to become directors, Registrant hereby incorporates by reference in this Report on Form 10-K, Pages 3-4 of Registrant's Proxy Statement dated September 10, 1999, in connection with its Annual Meeting of Stockholders to be held on October 21, 1999. With respect to the executive officers of Registrant, each such officer has been employed by Registrant or a subsidiary in one or more executive or managerial capacities for at least the past five years, with the exception of Dr. Broder, Mr. Edelstein, Dr. Heron, Mr. Jog, Ms. Sziebert, Dr. Venter, Mr. Schiffman, Mr. White, and Mr. Winger.

Dr. Broder was elected Vice President of Registrant on August 19, 1999. Prior to his employment by Registrant in August, 1998, Dr. Broder was Senior Vice President of IVAX Corporation for three years, and from 1989 to 1995 he served as director of the National Cancer Institute.

Mr. Edelstein was elected Vice President of Registrant on June 18, 1998. Prior to his employment by Registrant in June 1998, Mr. Edelstein served as Vice President and Chief Information Officer of Witco Corporation, a manufacturer of specialty chemicals, for seven years.

Dr. Heron was elected Vice President of Registrant on December 21, 1995. She was most recently appointed Vice President and General Manager of Registrant's Applied Biosystems business in July 1998. Previously Dr. Heron served as Vice President, Worldwide Sales, Service, and Marketing since December 1995. She had served as Vice President of Marketing at Affymetrix, Inc., a

supplier of genetic analysis equipment, for the year prior to this appointment and previously was Director of Marketing for Applied Biosystems beginning in 1990.

Mr. Jog was elected Corporate Controller of Registrant on August 19, 1999. Prior to his employment by Registrant in July, 1999, Mr. Jog served as Vice President and Controller of Hercules Incorporated, a manufacturer of chemicals, for seven years.

Mr. Schiffman was elected Controller of Registrant's PE Biosystems Group on August 19, 1999. Prior to his employment by Registrant in June, 1998, Mr. Schiffman was employed by Hewlett Packard Corporation, a diversified electronics manufacturer, for ten years, most recently as controller and manufacturing manager of the company's NetMetrix Division.

Ms. Sziebert was elected Vice President of Registrant on January 21, 1999. Prior to her employment by Registrant in January, 1999, Ms. Sziebert served as Vice President, World Wide Human Resources of Cypress Semiconductor, Inc., a semiconductor manufacturer, for five years.

Mr. White was elected Chairman, President, and Chief Executive Officer of Registrant in September 1995. Prior to his joining Registrant, he was Executive Vice President and a member of the Office of the Chief Executive of Baxter International Inc. He also served as Group Vice

President of Baxter International Inc. from 1986 to 1992. Mr. White is also a director of C.R. Bard, Inc., Ingersoll-Rand Company, and Tecan AG.

Mr. Winger was elected Senior Vice President and Chief Financial Officer of Registrant on October 16, 1997. Prior to his employment by Registrant in September, 1997, Mr. Winger was employed by Chiron Corporation, which conducts research and development in the fields of biological proteins, gene therapy, and combinatorial chemistry, where he was Senior Vice President, Finance and Administration, and Chief Financial Officer since 1989.

Dr. Venter was elected Senior Vice President of Registrant and President, Celera Genomics Group, on November 19, 1998. Prior to his employment by Registrant in August, 1998, Dr. Venter was employed by the Institute for Genomic Research (TIGR), which conducts research and development in genes, where he was founder, Chairman, and President for six years, and where he remains as Chairman.

(f) Involvement in Certain Legal Proceedings.

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

(g) Compliance with Section 16(a) of the Securities Exchange Act of 1934.

Information concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to Page 10 of Registrant's Proxy Statement dated September 10, 1999, in connection with its Annual Meeting of Stockholders to be held on October 21, 1999.

Item 11. EXECUTIVE COMPENSATION

Registrant hereby incorporates by reference in this Form 10-K, Pages 10-22 of Registrant's Proxy Statement dated September 10, 1999, in connection

with its Annual Meeting of Stockholders to be held on October 21, 1999.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners.

Registrant hereby incorporates by reference in this Form 10-K, Pages 8-10 of Registrant's Proxy Statement dated September 10, 1999, in connection with its Annual Meeting of Stockholders to be held on October 21, 1999.

(b) Security Ownership of Management.

Information concerning the security ownership of management is hereby incorporated by reference to Pages 8-10 of Registrant's Proxy Statement dated September 10, 1999, in connection with its Annual Meeting of Stockholders to be held on October 21, 1999.

(c) Changes in Control.

Registrant knows of no arrangements, including any pledge by any person of securities of Registrant, the operation of which may at a subsequent date result in a change in control of Registrant.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is hereby incorporated by reference to pages 21-22 of Registrant's Proxy Statement dated September 10, 1999, in connection with its Annual Meeting of Stockholders to be held on October 21, 1999.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements.

The following financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated July 30, 1999, appearing in Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 1999, are incorporated by reference in this Form 10-K. With the exception of the aforementioned information and that which is specifically incorporated in Parts I and II, the Annual Report to Stockholders for the fiscal year ended June 30, 1999, is not to be deemed filed as part of this report on Form 10-K.

PE Biosystems Group

<TABLE>
<CAPTION>

	Annual Report Page No.
<S>	<C>
Combined Statements of Operations	
Fiscal years 1999, 1998, and 1997.....	48
Combined Statements of Financial Position	
At June 30, 1999 and 1998.....	49

Celera Genomics Group

PE Corporation

(a) 2. Financial Statement Schedules.

The following additional financial data should be read in conjunction with the consolidated financial statements in said Annual Report to Stockholders for the fiscal year ended June 30, 1999. Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

PE Biosystems Group

PE Corporation

-35-

(a) 3. Exhibits.

Exhibit No.	
2(1)	Purchase Agreement dated as of March 8, 1999 between The Perkin Elmer Corporation and EG&G, Inc. (incorporated by reference to Exhibit 2.1) to Current Report on Form 8-K of Registrant dated May 28, 1999 (Commission file number 1-4389).

2(2) Agreement and Plan of Merger, dated August 23, 1997, among the Registrant, Seven Acquisition Corp. and PerSeptive Biosystems, Inc. (incorporated by reference to Exhibit 2 to Current Report on Form 8-K of the Registrant dated August 23, 1997 (Commission file number 1-4389)).

2(3) Stock Option Agreement, dated as of August 23, 1997, between the Registrant and PerSeptive Biosystems, Inc. (incorporated by reference to Exhibit 10 to the Registrant's Current Report on Form 8-K dated August 23, 1997 (Commission File No. 1-4389)).

2(4) Agreement and Plan of Merger dated March 10, 1999, among The Perkin-Elmer Corporation, a New York corporation, The Perkin-Elmer Corporation, a Delaware corporation, and PE Merger Corp., a New York corporation (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4 (No. 333-67797)).

3(i) Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1999 (Commission file number 1-4389)).

3(ii) By-laws of the Registrant (incorporated by reference to Exhibit 3.2 to Registrant's Quarterly Report on form 10-Q for the fiscal quarter ended March 31, 1999 (Commission file number 1-4389)).

4(1) Three Year Credit Agreement dated June 1, 1994, among Morgan Guaranty Trust Company, certain banks named in such Agreement, and the Registrant, as amended July 20, 1995 (incorporated by reference to Exhibit 4(1) to Annual Report on Form 10-K of the Registrant for fiscal year ended June 30, 1995 (Commission file number 1-4389)).

4(2) Amendment dated March 31, 1996 to the Three Year Credit Agreement dated as of June 1, 1994, among Morgan Guaranty Trust Company, certain banks named in such Agreement, and the Registrant, as amended July 20, 1995 (incorporated by reference to Exhibit 4(2) to Annual Report on Form 10-K of the Registrant for fiscal year ended June 30, 1997 (Commission file number 1-4389)).

4(3) Rights Agreement between Registrant and BankBoston, N.A. (incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form S-4 (No. 333-67797)).

10(1) The Perkin-Elmer Corporation 1988 Stock Incentive Plan for Key Employees (incorporated by reference to Exhibit 10(4) to Annual Report on Form 10-K of the Registrant for the fiscal year ended July 31, 1988 (Commission file number 1-4389)).*

10(2) The Perkin-Elmer Corporation 1993 Stock Incentive Plan for Key Employees (incorporated by reference to Exhibit 99 to the Registrant's Registration Statement on Form S-8 (No. 33-50847)).*

10(3) The Perkin-Elmer Corporation 1996 Stock Incentive Plan (incorporated by reference to Exhibit 99 to the Registrant's Registration Statement on Form S-8 (No. 333-15189)).*

10(4) The Perkin-Elmer Corporation 1996 Employee Stock Purchase Plan (incorporated by reference to Exhibit 99 to the Registrant's Registration Statement on Form S-8 (No. 333-15259)).*

10(5) The Perkin-Elmer Corporation 1997 Stock Incentive Plan (incorporated by reference to Exhibit 99 to the Registrant's Registration Statement on Form S-8 (No. 333-38713)).*

10(6) PerSeptive Biosystems, Inc. 1989 Stock Plan, as amended August 1, 1991

(incorporated by reference to Exhibit 3(I) of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1998 (Commission file number 1-4389)).*

10(7) PerSeptive Biosystems, Inc. 1992 Stock Plan, as amended January 20, 1997 (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q of PerSeptive Biosystems, Inc. for the fiscal quarter ended March 29, 1997 (Commission file No. 0-20032)).*

10(8) Molecular Informatics, Inc. 1997 Equity Ownership Plan (incorporated by reference to Exhibit 99 to the Registrant's Registration Statement on Form S-8 (Commission file No. 333-42683)).*

10(9) PE Corporation/PE Biosystems Group 1999 Stock Incentive Plan (incorporated by reference to Annex III to the Proxy Statement and Prospectus included in Registrant's Registration Statement on Form S-4 (No. 333-67797)).*

10(10) PE Corporation/Celera Genomics Group 1999 Stock Incentive Plan (incorporated by reference to Annex IV to the Proxy Statement and Prospectus included in Registrant's Registration Statement on Form S-4 (No. 333-67797)).*

10(11) Agreement dated September 12, 1995, between Registrant and Tony L. White (incorporated by reference to Exhibit 10(21) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1995 (Commission file number 1-4389)).*

10(12) Deferred Compensation Contract dated September 15, 1994, between Registrant and Michael W. Hunkapiller (incorporated by reference to Exhibit 10(7) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1995 (Commission file number 1-4389)).*

10(13) Change of Control Agreement dated September 12, 1995 between Registrant and Tony L. White (incorporated by reference to Exhibit 10(16) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1995 (Commission file number 1-4389)).*

10(14) Employment Agreement dated November 16, 1995, between Registrant and Michael W. Hunkapiller (incorporated by reference to Exhibit 10(11) to Annual Report on Form 10-K of the Registrant for fiscal year ended June 30, 1996 (Commission file number 1-4389)).*

10(15) Employment Agreement dated November 16, 1995, between Registrant and William B. Sawch (incorporated by reference to Exhibit 10(16) to Annual Report on Form 10-K of the Registrant for fiscal year ended June 30, 1998 (Commission file number 1-4389)).*

10(16) Employment Agreement dated September 25, 1997, between Registrant and Dennis L. Winger (incorporated by reference to Exhibit 10(17) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1998 (Commission file number 1-4389)).*

10(17) Letter Agreement dated June 24, 1997, between Registrant and Dennis L. Winger.(incorporated by reference to Exhibit 10(18) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1998 (Commission file number 1-4389)).*

10(18) Deferred Compensation Contract dated July 15, 1993 between Registrant and William B. Sawch (incorporated by reference to Exhibit 10(19) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1998 (Commission file number 1-4389)).*

10(20) Agreement dated April 28, 1999 between Registrant and J. Craig Venter.*

10(21) Pledge Agreement and Promissory Note between Registrant and Michael W. Hunkapiller (incorporated by reference to Exhibit 10 to Quarterly Report on Form 10-Q of the Registrant for the quarter ended March 31, 1996 (Commission file number 1-4389)).*

10(22) Contingent Compensation Plan for Key Employees of The Perkin-Elmer Corporation, as amended through August 1, 1990 (incorporated by reference to Exhibit 10(5) to Annual Report on Form 10-K of the Registrant for the fiscal year ended July 31, 1992 (Commission file number 1-4389)).*

10(23) The Perkin-Elmer Corporation Supplemental Retirement Plan as amended through August 1, 1991 (incorporated by reference to Exhibit 10(6) to Annual Report on Form 10-K of the Registrant for the fiscal year ended July 31, 1991 (Commission file number 1-4389)).*

10(24) The Excess Benefit Plan of The Perkin-Elmer Corporation dated August 1, 1984, as amended through June 30, 1993 (incorporated by reference to Exhibit 10(17) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1993 (Commission file number 1-4389)).*

10(25) 1993 Director Stock Purchase and Deferred Compensation Plan as amended through January 21, 1999 (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q of the Registrant for the quarter ended March 31, 1999 (Commission file number 1-4389)).*

10(26) The Performance Unit Bonus Plan of The Perkin-Elmer Corporation (incorporated by reference to Exhibit 10(21) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1997 (Commission file number 1-4389)).*

10(27) The Estate Enhancement Plan of The Perkin-Elmer Corporation (incorporated by reference to Exhibit 10(22) to Annual Report on Form 10-K of the Registrant for the fiscal year ended June 30, 1997 (Commission file number 1-4389)).

10(28) Deferred Compensation Plan, as amended and restated effective as of January 1, 1998 (incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-8 (No. 333-45187).*

11 Computation of Net Income (Loss) per Share for the three years ended June 30, 1999 (incorporated by reference to Note 1 to Consolidated Financial Statements of Annual Report to Stockholders for the fiscal year ended June 30, 1999).

13 Annual Report to Stockholders for the fiscal year ended June 30, 1999 (to the extent incorporated herein by reference).

21 List of Subsidiaries.

23 Consent of PricewaterhouseCoopers LLP.

27.1 Financial Data Schedule for the twelve months ended June 30, 1999.

27.2 Restated Financial Data Schedule for the three months ended September 30, 1998.

27.3 Restated Financial Data Schedule for the twelve months ended June 30, 1998.

27.4 Restated Financial Date Schedule for the nine months ended March 31, 1998.

27.5 Restated Financial Data Schedule for the six months ended December 31, 1997.

27.6 Restated Financial Data Schedule for the three months ended September 30, 1997.

27.7 Restated Financial Data Schedule for the twelve months ended June 30, 1997.

* Management plan or compensatory plan or arrangement

Note: None of the Exhibits listed in Item 14(a) 3 above, except Exhibit 23, is included with this Form 10-K Annual Report. Registrant will furnish a copy of any such Exhibit upon written request to the Secretary at the address on the cover of this Form 10-K Annual Report accompanied by payment of $3.00 U.S. for each Exhibit requested.

(b) Reports on Form 8-K.

During the quarter ended June 30, 1999 Registrant filed a Current Report on Form 8-K dated May 20, 1999, and filed June 14, 1999, to report under Item 2 thereof the sale of Registrant's Analytical Instruments business, and to report under Item 7 thereof certain pro forma financial information.

SIGNATURES

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

PE CORPORATION

By /s/ WB Sawch

William B. Sawch
Senior Vice President, General Counsel and Secretary

Date: September 20, 1999

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

<TABLE>
<S> <C>

/s/ Tony L. White — September 22, 1999

Tony L. White
Chairman of the Board of Directors, President
and Chief Executive Officer
(Principal Executive Officer)

/s/ DL Winger — September 17, 1999

Dennis L. Winger
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Vikram Jog — September 17, 1999

Vikram Jog
Corporate Controller
(Principal Accounting Officer)

/s/ Joseph F. Abely, Jr — September 20, 1999

Joseph F. Abely, Jr.
Director

/s/ Richard H. Ayers — September 16, 1999

Richard H. Ayers
Director

/s/ Jean-Luc Belingard — September 20, 1999

Jean-Luc Belingard
Director

/s/ Robert H. Hayes — September 20, 1999

Robert H. Hayes
Director

/s/ Arnold J. Levine — September 20, 1999

Arnold J. Levine
Director

/s/ Theodore E. Martin — September 17, 1999

Theodore E. Martin
Director

/s/ Georges C. St. Laurent, Jr. — September 17, 1999

Georges C. St. Laurent, Jr.
Director

/s/ Carolyn W. Slayman — September 20, 1999

Carolyn W. Slayman
Director

/s/ Orin R. Smith — September 20, 1999

Orin R. Smith
Director

/s/ James R. Tobin — September 20, 1999

James R. Tobin
Director
</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of PE Corporation

Our audits of the combined financial statements of the PE Biosystems Group referred to in our report dated July 30, 1999 appearing in the 1999 Annual Report to Stockholders of PE Corporation (which report and combined financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)2 of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related combined financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Stamford, Connecticut
July 30, 1999

PE BIOSYSTEMS GROUP
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE FISCAL YEARS ENDED JUNE 30, 1999, 1998, AND 1997

(Amounts in thousands)

<TABLE>
<CAPTION>

	ALLOWANCE FOR DOUBTFUL ACCOUNTS
<S>	<C>
Balance at June 30, 1996	$4,515
Charged to income in fiscal year 1997	655
Deductions from reserve in fiscal year 1997	(1,330)
Balance at June 30, 1997	3,840
Charged to income in fiscal year 1998	1,518
Deductions from reserve in fiscal year 1998	(1,070)
Acquired Business (2)	495
Balance at June 30, 1998 (1)	4,783
Charged to income in fiscal year 1999	2,101
Divested Business (2)	(449)
Deductions from reserve in fiscal year 1999	(1,917)
Balance at June 30, 1999 (1)	$4,518

</TABLE>

(1) Deducted in the Combined Statements of Financial Position from accounts receivable.
(2) See Note 2 to the Combined Financial Statements.

SCHEDULE II

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of PE Corporation

Our audits of the consolidated financial statements of PE Corporation referred to in our report dated July 30, 1999 appearing in the 1999 Annual Report to Stockholders of PE Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)2 of this Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Stamford, Connecticut
July 30, 1999

PE CORPORATION
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE FISCAL YEARS ENDED JUNE 30, 1999, 1998, AND 1997

(Amounts in thousands)

<TABLE>
<CAPTION>

<S>	ALLOWANCE FOR DOUBTFUL ACCOUNTS <C>
Balance at June 30, 1996	$4,515
Charged to income in fiscal year 1997	655
Deductions from reserve in fiscal year 1997	(1,330)
Balance at June 30, 1997	3,840
Charged to income in fiscal year 1998	1,518
Deductions from reserve in fiscal year 1998	(1,070)
Acquired Business (2)	495
Balance at June 30, 1998 (1)	4,783
Charged to income in fiscal year 1999	2,101
Divested Business (2)	(449)
Deductions from reserve in fiscal year 1999	(1,917)
Balance at June 30, 1999 (1)	$4,518

</TABLE>

(1) Deducted in the Consolidated Statements of Financial Position from accounts receivable.
(2) See Note 2 to the Consolidated Financial Statements.

SCHEDULE II

EXHIBIT INDEX

Exhibit Number	Description
------	-----------

10(20)	Agreement dated April 28, 1999 between Registrant and J. Craig Venter.*
13	Annual Report to Stockholders for the fiscal year ended June 30, 1999 (to the extent incorporated herein by reference).
21	List of Subsidiaries.
23	Consent of PricewaterhouseCoopers LLP.
27.1	Financial Data Schedule for the twelve months ended June 30, 1999.
27.2	Restated Financial Data Schedule for the three months ended September 30, 1998.
27.3	Restated Financial Data Schedule for the twelve months ended June 30, 1998.
27.4	Restated Financial Date Schedule for the nine months ended March 31, 1998.
27.5	Restated Financial Data Schedule for the six months ended December 31, 1997.
27.6	Restated Financial Data Schedule for the three months ended September 30, 1997.
27.7	Restated Financial Data Schedule for the twelve months ended June 30, 1997.

Dr. J. Craig Venter
President
Celera Genomics
45 West Gude Drive
Rockville, MD 02850

Dear Dr. Venter:

On behalf of PE Corporation through its Celera Genomics Unit (the "Company"), I am pleased to confirm the terms and conditions of our agreement regarding your bonus arrangements.

Your bonus program commenced as of July 1, 1998 and consists of four (4) periods, each of which is twelve (12) months long ending on June 30 in each of the years 1999 through 2002 (the "Bonus Periods").

Your bonus entitlement for each Bonus Period is $1,525,000 and will be paid to, or on your behalf, as follows:

(a) You must be an employee of the Company on the first and last days of each Bonus Period, except in the event of your death or disability (as defined for purposes of determining eligibility for Social Security disability benefits) in any Bonus Period.

    (i) In the event of your death or disability, your entitlement (if any) will be prorated for the period of time during the Bonus Period during which you were actively employed by the Company.

(b) The closing price of PE Corporation - Celera Genomics Group Common Stock (the "Celera Stock") on the New York Stock Exchange must exceed $17.12 per share on at least 1 day in each Bonus Period; provided, however, in the event of your death or disability, the stock price must be attained within 90 days after either of said events, even if said 90 days extends into the next Bonus Period, unless the stock price was attained earlier in the Bonus Period in which your death or disability occurs.

(c) If the stock price requirement of paragraph (b) above is not satisfied in any Bonus Period, your bonus entitlement ($1,525,000) for such Bonus Period will be carried over into one or more succeeding Bonus Periods and will be paid with, and in addition to, any entitlements attributable to the first Bonus Period in which the Celera Stock price exceeds $17.12 per share.

    (i) Notwithstanding paragraph (a) above, the carried over amount will be paid to you, or on your behalf, even if you are not employed on the last day of the subsequent Bonus Period and are otherwise ineligible for any entitlement for such subsequent Bonus Period.

(d) Payment of any amounts owing to you under this Agreement shall be made as soon as practicable after the end of the Bonus Period to which the payment relates; provided, however, any carried over amounts to which you may become entitled shall be paid as soon as practicable after the closing price of the Celera Stock exceeds $17.12 as provided in paragraph (b) above.

(i) In the event of your death, any such amounts shall be paid to your designated beneficiary, or if none, to your estate.

(e) In lieu of current payments described in paragraph (d) above, you may elect to defer part or all of each Bonus Year's entitlement pursuant to the provisions of The Perkin-Elmer Corporation Deferred Compensation Plan by making an irrevocable election prior to the beginning of each Bonus Period; provided, however, for the Bonus Period ending June 30, 1999, any deferral election must be made within 10 days of your agreement and acceptance of the terms and conditions stated herein.

This letter constitutes the complete agreement between us in respect to your bonus arrangements. If you are in agreement, please so indicate by signing and returning the original of this letter. A signed copy is provided for your records.

Very truly yours,

PE CORPORATION

By: /s/ Tony L. White

Chairman, President and
Chief Executive Officer

The foregoing agreement is
hereby accepted and agreed to.

By: /s/ J. Craig Venter

Signature

4/28/99

Date

PE Biosystems Group
Selected Financial Data

<TABLE>
<CAPTION>
(Dollar amounts in thousands except per share amounts)

For the years ended June 30,	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Financial Operations					
Net revenues	$1,221,691	$ 940,095	$ 767,465	$642,059	$543,945
Income from continuing operations	148,365	24,009	132,739	3,899	38,569
Per share of common stock					
Basic	1.48				
Diluted	1.44				
Income (loss) from discontinued operations (net of income taxes)	79,058	40,694	27,906	(37,833)	7,738
Net income (loss)	227,423	64,703	160,645	(33,934)	46,307
Per share of common stock					
Basic	2.27				
Diluted	2.21				
Dividends per share	.085				
Other Information					
Cash and short-term investments	$ 236,530	$ 84,091	$ 217,222	$121,145	$103,826
Working capital	274,638	289,151	355,163	226,414	256,607
Capital expenditures	92,077	68,172	57,646	27,125	33,891
Total assets	1,347,550	1,128,937	1,003,810	809,856	797,970
Note payable to the Celera Genomics group	150,000				
Long-term debt	31,452	33,726	59,152	33,694	64,524
Total allocated debt	35,363	45,825	89,068	89,801	123,224
Group equity	534,332	565,507	507,734	373,116	369,807

</TABLE>

The selected financial data should be read with the combined financial statements and the consolidated financial statements.

On May 6, 1999, The Perkin-Elmer Corporation was merged into a subsidiary of PE Corporation, a new Delaware corporation. The recapitalization of the Company resulted in the issuance of two new classes of common stock called PE Corporation-PE Biosystems Group Common Stock and PE Corporation-Celera Genomics Group Common Stock.

On June 17, 1999, the Board of Directors announced a two-for-one split of PE Biosystems group common stock. The two-for-one stock split was effected in the form of a 100% stock dividend paid to stockholders of record as of the close of business on July 12, 1999. All PE Biosystems group share and per share data reflect this split.

A number of items impact the comparability of the data from continuing operations. Before-tax amounts include:

- Charges of $13.7 million for fiscal 1999 relating to the recapitalization and transformation of the Company;
- Restructuring and other merger costs of $6.1 million for fiscal 1999, $48.1 million for fiscal 1998, $17.5 million for fiscal 1996, and $15.5 million for fiscal 1995;
- Restructuring reserve adjustment of $9.2 million for fiscal 1999 relating to excess fiscal 1998 restructuring liabilities;
- Gains on investments of $6.1 million for fiscal 1999, $1.6 million for fiscal 1998, $64.9 million for fiscal 1997, $11.7 million for fiscal 1996, and $20.8 million for fiscal 1995;
- Acquired research and development charges of $28.9 million for fiscal 1998 and $31.8 million for fiscal 1996;
- Charges for the impairment of assets of $14.5 million for fiscal 1999, $.7 million for fiscal 1997, and $9.9 million for fiscal 1996;
- Foreign currency hedge contract related gain of $2.3 million for fiscal 1999;
- Tax benefit and valuation allowance reductions of $22.2 million for fiscal 1999; and
- A charge of $3.5 million for a donation to the Company's charitable foundation for fiscal 1999.

PE Biosystems Group
Management's Discussion and Analysis

Management's Discussion of

Continuing Operations

The PE Corporation ("PE" or "the Company") is comprised of two separate business segments in continuing operations: the PE Biosystems group and the Celera Genomics group. The performance of these businesses is reflected separately by two classes of common stock: PE Biosystems stock and Celera Genomics stock. The PE Biosystems group manufactures and markets biochemical instrument systems and associated consumable products for life science research and related applications. The Celera Genomics group is engaged principally in the generation, sale and support of genomic information databases and related information management and analysis software; discovery, validation and licensing of proprietary gene products, genetic markers and information regarding genetic variability; and related consulting and contract research and development services.

You should read this discussion with our combined financial statements and consolidated financial statements. Historical results and percentage relationships are not necessarily indicative of operating results for any future periods.

Throughout the following discussion of operations we refer to the impact on our reported results of the movement in foreign currency exchange rates from one reporting period to another as "foreign currency translation."

Discontinued Operations

Effective May 28, 1999, PE completed the sale of its Analytical Instruments business to EG&G, Inc. Analytical Instruments, formerly a unit of the PE Biosystems group, develops, manufactures, markets, sells, and services analytical instruments used in a variety of markets. As part of the sale, the rights to the "Perkin-Elmer" name were transferred to EG&G.

The aggregate consideration received by our company was $425 million, consisting of $275 million in cash and one-year secured promissory notes in the aggregate principal amount of $150 million which bear interest at a rate of 5% per annum. Our company recognized a net gain on disposal of discontinued operations of $100.2 million, net of $87.8 million of income taxes. The transaction is subject to post-closing adjustments pursuant to the terms of the agreement with EG&G.

Amounts previously reported for Analytical Instruments have been reclassified and stated as discontinued operations. See Note 15 to the PE Biosystems group combined financial statements.

Events Impacting Comparability

Acquisitions, Investments, and Dispositions

On January 22, 1998, we acquired PerSeptive. The acquisition was accounted for as a pooling of interests and, accordingly, the PE Biosystems group's financial results were restated to include the combined operations.

We acquired Molecular Informatics and a 14.5% interest, and approximately 52% of the voting rights, in Tecan during the second quarter of fiscal 1998. The results of operations for these acquisitions, each of which was accounted for as a purchase, have been included in the combined financial statements since the date of each respective acquisition. During the fourth quarter of fiscal 1999, our company divested its interest in Tecan. A before-tax gain of $1.6 million was recognized on the sale.

A discussion of significant acquisitions, investments, and dispositions is provided in Note 2 to the PE Biosystems group combined financial statements.

Restructuring and Other Special Charges

In fiscal 1999, the PE Biosystems group was allocated non-recurring before-tax special charges of $4.6 million. These costs were incurred in connection with the recapitalization of our company. The PE Biosystems group and the Celera Genomics group were each allocated 50% of the $9.2 million total recapitalization costs incurred by our company. See Note 1 to the PE Biosystems group combined financial statements for a discussion of the recapitalization.

During fiscal 1998, $48.1 million of before-tax charges were recorded for restructuring and other merger costs to integrate PerSeptive into the PE Biosystems group following the acquisition. The objectives of the integration plan were to lower PerSeptive's cost structure by reducing excess manufacturing capacity, achieve broader worldwide distribution of PerSeptive's products, and combine sales, marketing, and administrative functions. The charge included: $33.9 million for restructuring the combined operations; $8.6 million for transaction costs; and $4.1 million of inventory-related write-offs, recorded in cost of sales, associated with the rationalization of certain product lines.

Additional merger-related period costs of $6.1 million for fiscal 1999 and $1.5 million for fiscal 1998 were incurred for training, relocation, and communication in connection with the integration.

During the fourth quarter of fiscal 1999, the PE Biosystems group completed the restructuring actions. The cost to implement the program were $9.2 million below the $48.1 million charge recorded for fiscal 1998. As a result, during the fourth quarter of fiscal 1999, the PE Biosystems group recorded a $9.2 million reduction of charges required to implement the fiscal 1998 plan. A discussion of the PE Biosystems group's restructuring program is provided in Note 10 to the PE Biosystems group combined financial statements.

Acquired Research and Development

In the second quarter of fiscal 1998, we expensed $28.9 million of the Molecular Informatics acquisition cost as in-process research and development, representing 53.6% of the purchase price. This amount was attributed and supported by a discounted probable cash flow analysis on a project-by-project basis. At the acquisition date, the technological feasibility of the acquired technology had not been established and the acquired technology had no future alternative uses.

We attributed approximately 10% of the in-process research and development value to BioLIMS, a software system that manages data, initiates analysis programs, and captures the results in a centralized, relational database for sequencing instruments; 6% to GA SFDB, a client-side add-on product to several existing gene sequencing instruments; 38% to BioMERGE, a client-server management and integration system that organizes proprietary, public and third-party results in a single relational database for the drug discovery and genomic research markets; 9% to BioCLINIC, a client-server management and integration system that organizes proprietary, public and third-party results generated from DNA and protein sequence analysis in a single database for the clinical trials phase of drug development; and 37% to SDK, an open architecture software platform from which all of Molecular Informatics' future software applications were expected to be derived.

As of the acquisition date, all of the major functionality for BioLIMS 2.0 had been completed and the product was subsequently released in September 1998. As of the acquisition date, BioLIMS 3.0 was in the design and scoping phase. As of the acquisition date, GA SFDB was in early alpha phase and had been completed concurrent with the development of BioLIMS 2.0 and was released in September 1998. As of the acquisition date, BioMerge's 3.0 functional scope was defined and the requirements assessment had been completed and was subsequently released in November 1998. As of the acquisition date, the BioCLINIC product requirements had been specified and discussions had begun with two potential customers to begin the specific software modifications. Development efforts were terminated in April 1998 due to unsuccessful marketing efforts. As of the acquisition date, the SDK requirements assessment had been completed and the functional scope had been defined.

We attributed $11.8 million of the purchase price to core technology and existing products, primarily related to the BioMERGE product. We applied a risk-adjusted discount to the project's cash flows of 20% for existing technology and 23% for in-process technology. The risk premium of 3% for in-process technologies was determined by management based on the associated risks of releasing these in-process technologies versus the existing technologies for the emerging bioinformatics software industry. The significant risks associated with these products include the limited operating history of Molecular Informatics, uncertainties surrounding the market acceptance of such in-process products, competitive threats from other bioinformatics companies and other risks. Management is primarily responsible for estimating the fair value of such existing and in-process technology.

Asset Impairment

During the fourth quarter of fiscal 1999, the PE Biosystems group incurred a $14.5 million charge to cost of sales for the impairment of intangible assets associated with the Molecular Informatics business. This impairment resulted primarily from a decline in management's assessment of future cash flows from this business which included the discontinuance of certain product lines in the fourth quarter.

During fiscal 1997, a $.7 million charge was recorded to cost of sales for the write-down of certain impaired assets.

See Note 1 to the PE Biosystems group combined financial statements.

Gain on Investments

Fiscal 1999, 1998, and 1997 included before-tax gains of $4.5 million, $1.6 million, and $64.9 million, respectively, related to the sale and release of contingencies on minority equity investments. As previously described, fiscal 1999 also included a before tax gain of $1.6 million related to the sale of our interest in Tecan. See Note 2 to the PE Biosystems group combined financial statements.

Other Events Impacting Comparability

During the fourth quarter of fiscal 1999, the PE Biosystems group was allocated a $9.1 million charge, recorded to selling, general and administrative expenses, for costs related to the acceleration of certain long-term compensation programs as a result of the recapitalization of our company and the attainment of performance targets.

During the fourth quarter of fiscal 1999, PE made a $3.5 million donation to our company's charitable foundation, which supports educational and other charitable programs. The charge was recorded to the PE Biosystems group's selling, general and administrative expenses.

A gain of $2.3 million related to foreign currency hedge contracts was recognized in other income, net during the fourth quarter of fiscal 1999.

The effective income tax rate for fiscal 1999 included certain tax benefit and valuation reductions of $22.2 million. See Note 4 to the PE Biosystems group combined financial statements.

Results of Continuing Operations--1999 Compared With 1998

The PE Biosystems group reported income from continuing operations of $148.4 million for fiscal 1999 compared with $24.0 million for fiscal 1998. On a comparable basis, excluding the special items previously described, income from continuing operations increased 44.8% to $137.5 million for fiscal 1999 compared with $95.2 million for fiscal 1998.

Net revenues were $1,221.7 million for fiscal 1999 compared with $940.1 million for fiscal 1998, an increase of 30.0%. Excluding the results of Tecan, revenues increased 25.9% compared with the prior year. The effects of foreign currency translation increased net revenues by less than 1% compared with the prior year. Net revenues from shipments to the Celera Genomics group were $17.3 million for fiscal 1999 and represented less than 2% of the group's net revenues. There were no revenues to the Celera Genomics group for fiscal 1998.

Geographically, excluding the net revenues of Tecan, the PE Biosystems group reported revenue growth in all regions for fiscal 1999 compared with the prior year. Revenues increased 32.5% in the United States, 19.5% in Europe, 20.9% in the Far East and 12.6% in Latin America and other markets, compared with the prior year. Demand for the PE Biosystems group's new ABI PRISM(R) 3700 DNA Analyzer, which began shipping in the second quarter of fiscal 1999, was strong. Shipments for sequence detection systems and liquid chromatography/mass spectrometry ("LC/MS") products also contributed to the growth.

Gross margin as a percentage of net revenues was 53.9% for fiscal 1999 compared with 54.1% for fiscal 1998. Fiscal 1999 gross margin included $14.5 million for the impairment of intangible assets associated with the Molecular Informatics business. Fiscal 1998 gross margin included $4.1 million of inventory-related write-offs associated with the rationalization of certain product lines in connection with the acquisition of PerSeptive. On a comparable basis, excluding the special items for both years, gross margin as a percentage of net revenues was 55.1% for fiscal 1999 and 54.5% for fiscal 1998. The improved gross margin was primarily the result of a change in product mix. Increased unit sales of reagents to support genetic analysis systems, increased royalty revenues, and continued demand in instrument sales of higher margin genetic analysis product offerings contributed to the growth.

SG&A expenses were $335.9 million for fiscal 1999 compared with $276.7 million for fiscal 1998, an increase of 21.4%. Excluding Tecan, SG&A expenses increased 15.6% for fiscal 1999 compared with the prior year. Fiscal 1999 expenses included a charge of $9.1 million for costs related to the acceleration of certain long-term compensation programs as a result of the recapitalization of

our company and the attainment of performance targets. Fiscal 1999 expenses also included $3.5 million for a contribution to our company's charitable foundation which supports educational and other charitable programs. On a comparable basis, excluding the special items, SG&A expenses increased 10.8%. This increase was due to higher planned expenses, reflecting the growth in sales and orders. As a percentage of net revenues, excluding Tecan and the special items, SG&A expenses were 25.9% for fiscal 1999 compared with 29.4% for the prior year.

R&D expenses increased 26.6% to $133.5 million for fiscal 1999. Excluding Tecan, expenses increased 19.5% compared with the prior year in support of the introduction of new products and the acceleration of product development. As a percentage of net revenues, excluding Tecan, R&D expenses were 10.7% for fiscal 1999 compared with 11.2% for the prior year.

During fiscal 1998, $48.1 million of before-tax charges were recorded for restructuring and other merger costs to integrate PerSeptive into the PE Biosystems group following the acquisition. The objectives of the integration plan were to lower PerSeptive's cost structure by reducing excess manufacturing capacity, achieve broader worldwide distribution of PerSeptive's products, and combine sales, marketing, and administrative functions. The charge included: $33.9 million for restructuring the combined operations; $8.6 million for transaction costs; and $4.1 million of inventory-related write-offs, recorded in cost of sales, associated with the rationalization of certain product lines. Additional merger-related period costs of $6.1 million for fiscal 1999 and $1.5 million for fiscal 1998 were incurred for training, relocation, and communication costs.

The $33.9 million restructuring charge included $13.8 million for severance-related costs and workforce reductions of approximately 170 employees, consisting of 114 employees in production labor and 56 employees in sales and administrative support. The remaining $20.1 million represented facility consolidation and asset-related write-offs that included: $11.7 million for contract and lease terminations and facility-related expenses in connection with the reduction of excess manufacturing capacity; $3.2 million for dealer termination payments, sales office consolidations, and consolidation of sales and administrative support functions; and $5.2 million for the write-off of certain tangible and intangible assets and the termination of certain contractual obligations. Transaction costs of $8.6 million included acquisition-related investment banking and professional fees.

During the fourth quarter of fiscal 1999, the PE Biosystems group completed the restructuring actions. The costs to implement the program were $9.2 million below the $48.1 million charge recorded for fiscal 1998. As a result, during the fourth quarter of fiscal 1999, the PE Biosystems group recorded a $9.2 million reduction of charges required to implement the fiscal 1998 plan. See Note 10 to the PE Biosystems group combined financial statements.

During fiscal 1999, the PE Biosystems group was allocated a before-tax special charge of $4.6 million for costs incurred in connection with the recapitalization of our company. The PE Biosystems group and the Celera Genomics group were each allocated 50% of the $9.2 million total recapitalization costs incurred by our company. These costs included investment banking and professional fees.

Fiscal 1998 included $28.9 million of purchased in-process research and development associated with our company's acquisition of Molecular Informatics for the PE Biosystems group.

<TABLE>
<CAPTION>
Operating Income

(Dollar amounts in millions)	1999	1998
<S>	<C>	<C>
Operating income before special items	$216.5	$130.4
Asset impairment	(14.5)	
Long-term compensation programs	(9.1)	
Charitable foundation contribution	(3.5)	
Restructuring and other merger costs, net	3.1	(48.1)
Recapitalization costs	(4.6)	
Acquired research and development		(28.9)
Operating income	$187.9	$ 53.4

</TABLE>

Operating income increased to $187.9 million for fiscal 1999 compared with $53.4 million for the prior year. On a comparable basis, excluding the results of Tecan and the special items previously described, operating income increased 60.7% for fiscal 1999 compared with the prior year. The PE Biosystems group benefited from increased revenues, higher gross margins, and lower operating expenses as a percentage of net revenues. Higher operating income from sequencing, mapping systems, and LC/MS products were the primary contributors. The effects of currency translation for the PE Biosystems group increased operating income by less than 1% for fiscal 1999 compared with the prior year. Operating income as a percentage of net revenues, excluding the results of Tecan and the special items, increased to 17.6% for fiscal 1999 compared with 13.8% for the prior year.

For fiscal 1999 and 1998, the PE Biosystems group recorded gains of $4.5 million and $1.6 million, respectively, on the sale and release of contingencies on minority equity investments. Fiscal 1999 also included a gain of $1.6 million related to the sale of our interest in Tecan.

Interest expense was $4.5 million for fiscal 1999 compared with $4.9 million for the prior year. This decrease was primarily due to the refinancing of PerSeptive's 8-1/4% Convertible Subordinated Notes ("the Perseptive Notes") and lower average interest rates. Fiscal 1999 included $.7 million of interest expense with the Celera Genomics group. Interest income was $2.3 million for fiscal 1999 compared with $5.9 million for the prior year, primarily because of lower average cash balances during the year.

Other income, net for fiscal 1999 was $.5 million compared with $3.1 million for the prior year. Fiscal 1999 other income, net primarily related to the revaluation of foreign exchange contracts and a legal settlement that were partially offset by the loss on the disposal of certain assets and other non-operating costs. The other income, net for fiscal 1998 resulted from a gain on the sale of certain operating and non-operating assets.

The effective income tax rate was 16% for fiscal 1999 and 50% for fiscal 1998. Excluding Tecan, and the special items, the effective income tax rate was 29% for fiscal 1999 and 25% for fiscal 1998. The effective income tax rate for fiscal 1999 included the release of valuation allowances of $17.4 million. The valuation allowance was reduced because management believes, now that the sale of the Analytical Instruments business has been completed, that it is more likely than not that the deferred tax assets to which the valuation allowance related will be realized. An analysis of the differences between the federal statutory income tax rate and the effective tax rate is provided in Note 4 to the PE Biosystems group combined financial statements.

The PE Biosystems group incurred minority interest expense of $13.4 million for fiscal 1999 and $5.6 million for fiscal 1998 relating to our company's 14.5% financial interest in Tecan. As previously indicated, our company divested its interest in Tecan during the fourth quarter of fiscal 1999.

Results of Continuing Operations--1998 Compared With 1997

The PE Biosystems group reported income from continuing operations of $24.0 million for fiscal 1998 compared with $132.7 million for fiscal 1997. On a comparable basis, excluding the special items previously described, income from continuing operations increased 23.2% to $95.2 million for fiscal 1998 compared with $77.1 million for fiscal 1997.

Net revenues were $940.1 million for fiscal 1998 compared with $767.5 million for fiscal 1997, an increase of 22.5%. Excluding Tecan, net revenues increased 15.9% compared with the prior year. The effects of currency translation decreased net revenues by approximately $33 million, or 4%, compared with the prior year, as the U.S. dollar strengthened against most European and Far Eastern currencies. On a worldwide basis, excluding Tecan and the effects of currency translation, revenues would have increased approximately 20% compared with the prior year. Increased demand for genetic analysis, LC/MS, and polymerase chain reaction product lines was the primary contributor.

All geographic markets reported increased revenues over the prior year. Excluding Tecan, net revenues in the United States, Europe, and the Far East increased 24.0%, 10.7%, and 4.6%, respectively. Before the effects of currency translation, and excluding Tecan, revenues in Europe and the Far East would have increased approximately 18% and 14%, respectively, compared with the prior year. The PE Biosystems group believes slower Japanese government funding in the second half of fiscal 1998 and the lack of a supplemental budget, which added to fiscal 1997 revenues, contributed to a lower growth rate of only 3% in the Japanese market.

Gross margin as a percentage of net revenues was 54.1% for fiscal 1998 compared with 52.9% for fiscal 1997. Fiscal 1998 gross margin included $4.1 million of inventory-related write-offs associated with the rationalization of certain product lines in connection with the acquisition of PerSeptive. Fiscal 1997

included a charge of $.7 million for the write-down of certain other assets. Excluding the special items, gross margin as a percentage of net revenues increased to 54.5% for fiscal 1998. Benefits realized from the sale

of higher-margin genetic analysis products and increased royalty revenues in the United States more than offset the negative effects of currency translation.

SG&A expenses were $276.7 million for fiscal 1998 compared with $227.7 million for the prior year. The 21.5% increase in expenses, or 14.7% excluding Tecan, was due to higher planned worldwide selling and marketing expenses commensurate with the substantially higher revenue and order growth. Before the effects of currency translation and excluding Tecan, SG&A expenses increased approximately 18% compared with the prior year. As a percentage of net revenues, SG&A expenses for the PE Biosystems group were essentially unchanged at 29.4% for fiscal 1998 compared with 29.7% for the prior year.

R&D expenses of $105.5 million for fiscal 1998 increased 35.0% over the prior year, or 27.7% excluding Tecan. R&D spending increased 40.6%, or 33.3% excluding Tecan, over the prior year as the PE Biosystems group continued its product development efforts and preparation for new product launches. As a percentage of net revenues, R&D expenses increased to 11.2% compared with 10.2% for the prior year.

Fiscal 1998 included $28.9 million of purchased in-process research and development associated with the acquisition of Molecular Informatics.

<TABLE>
<CAPTION>
Operating Income

(Dollar amounts in millions)	1998	1997
<S>	<C>	<C>
Operating income before special items	$130.4	$101.0
Asset impairment		(.7)
Restructuring and other merger costs	(48.1)	
Acquired research and development	(28.9)	
Operating income	$ 53.4	$100.3

</TABLE>

Operating income decreased to $53.4 million for fiscal 1998 compared with $100.3 million for fiscal 1997. Excluding the special charges for restructuring and other merger costs, acquired research and development, and the impairment of assets, operating income increased $29.4 million, or 29.1%, primarily as a result of increased volume and improved margins. A 23.5% increase in operating income from higher-margin sequencing and mapping systems was the primary contributor. Excluding Tecan, operating income before special items increased 21.6% compared with the prior year. Before the effects of currency translation and excluding Tecan, fiscal 1998 operating income increased 38.5% compared with the prior year. Geographically, excluding Tecan, fiscal 1998 operating income before special items increased 48.0% in the United States, 20.1% in the Far East, and 8.0% in Europe compared with fiscal 1997. As a percentage of net revenues, operating income before special items increased to 13.8% for fiscal 1998 compared with 13.2% for the prior year.

For fiscal 1998 and 1997, the PE Biosystems group recorded gains of $1.6 million and $64.9 million, respectively, on the sale and release of contingencies on minority equity investments. See Note 2 to the PE Biosystems group combined financial statements.

Interest expense was $4.9 million for fiscal 1998 compared with $5.9 million for the prior year. The decrease was primarily due to the refinancing of the PerSeptive Notes together with slightly lower outstanding debt balances and lower average interest rates. Interest income was $5.9 million for fiscal 1998 compared with $8.8 million for the prior year, primarily because of lower cash balances resulting from the use of cash to fund the PE Biosystems group's continued investments and acquisitions, as well as from lower interest rates.

Other income, net for fiscal 1998 of $3.1 million, primarily related to the sale of certain operating and non-operating assets, compared with other income, net of $1.9 million for the prior year.

Our effective income tax rate was 50% for fiscal 1998 and 22% for fiscal 1997. Excluding Tecan in fiscal 1998, and special items in fiscal 1998 and fiscal

1997, the effective income tax rate was 25% for fiscal 1998 compared with 27% for fiscal 1997. Increased earnings in low tax jurisdictions reduced our tax rate for fiscal 1998. An analysis of the differences between the federal statutory income tax rate and the effective rate is provided in Note 4 to the PE Biosystems group combined financial statements.

Minority interest expense of $5.6 million was recognized in fiscal 1998 relating to our company's 14.5% financial interest in Tecan. See Note 2 to the PE Biosystems group combined financial statements.

Market Risk

The PE Biosystems group operates internationally, with manufacturing and distribution facilities in various countries throughout the world. For fiscal 1999 and fiscal 1998, the PE Biosystems group derived approximately 50% and 52%, respectively, of its revenues from countries outside of the United States. Results continue to be affected by market risk, including fluctuations in foreign currency exchange rates and changes in economic conditions in foreign markets.

The risk management strategy for the PE Biosystems group utilizes derivative financial instruments, including forwards, swaps, purchased options, and synthetic forward contracts to hedge certain foreign currency and interest rate exposures, with the intent of offsetting losses and gains that occur on the underlying exposures with gains and losses on the derivatives. The PE Biosystems group does not use derivative financial instruments for trading or other speculative purposes, nor is the PE Biosystems group a party to leveraged derivatives. At June 30, 1999 and June 30, 1998, outstanding hedge contracts covered approximately 80% of the estimated foreign currency exposures related to cross-currency cash flows to be realized over the next twelve months. The outstanding hedges were a combination of forward, option, and synthetic forward contracts maturing over the next twelve months.

We performed sensitivity analyses as of June 30, 1999 and June 30, 1998. Assuming a hypothetical adverse change of 10% in foreign exchange rates, i.e., a weakening of the U.S. Dollar, at June 30, 1999 and June 30, 1998, we calculated hypothetical losses in future cash flows of $6.1 million and $4.1 million, respectively.

We calculated the hypothetical losses by comparing the difference between the change in market value of both the foreign currency contracts outstanding and the underlying exposures being hedged at June 30, 1999 and June 30, 1998, assuming the 10% adverse change in exchange rates. Actual gains and losses in the future could, however, differ materially from these analyses, based on changes in the timing and amount of foreign currency exchange rate movements and actual exposures and hedges.

Interest rate swaps are used to hedge underlying debt obligations. In fiscal 1997, PE executed an interest rate swap, allocated to the PE Biosystems group, in conjunction with PE entering into a five-year Japanese Yen debt obligation. Under the terms of the swap agreement, PE pays a fixed rate of interest at 2.1% and receives a floating LIBOR interest rate. At June 30, 1999, the notional amount of indebtedness covered by the interest rate swap was Yen 3.8 billion or $31.5 million. The maturity date of the swap coincides with the maturity of the Yen loan in March 2002. A change in interest rates would have no impact on our reported interest expense and related cash payments because the floating rate debt and fixed rate swap contract have the same maturity and are based on the same rate index.

Management's Discussion of Financial Resources and Liquidity

The following discussion of financial resources and liquidity focuses on the Combined Statements of Financial Position and the Combined Statements of Cash Flows.

All historical cash and debt balances prior to the recapitalization of our company were allocated to the PE Biosystems group, as the results of the Celera Genomics group were not significant for any of the historical periods presented prior to the recapitalization.

Cash and cash equivalents of continuing operations were $236.5 million at June 30, 1999 and $82.9 million at June 30, 1998, with total debt of $185.4 million at June 30, 1999 and $45.8 million at June 30, 1998. Fiscal 1999 debt included a $150.0 million note payable to the Celera Genomics group.

Working capital was $274.6 million at June 30, 1999. Excluding the $150.0 million note payable to the Celera Genomics group, working capital was $424.6 million. Working capital was $289.2 million at June 30, 1998. Excluding the current net assets of discontinued operations, working capital was $149.2 million. Debt to total capitalization increased to 26% at June 30, 1999 from 7% at June 30, 1998. Excluding the note payable at June 30, 1999, debt to total capitalization decreased to 6% as a result of a decrease in loans payable.

At September 30, 1998, our company allocated to the Celera Genomics group a $330 million short-term note payable of the PE Biosystems group. The $330 million note represented an allocation of our company's capital to the Celera Genomics group and did not result in the PE Biosystems group holding an equity interest in the Celera Genomics group. Accordingly, no interest was ascribed to the note. The allocation of capital represented management's decision to allocate a portion of our company's capital to the Celera Genomics group and the remaining capital to the PE Biosystems group prior to the effective date of the recapitalization. The note payable was liquidated on May 28, 1999, in exchange for a portion of the proceeds received from the sale of the Analytical Instruments business and a new note payable to the Celera Genomics group for $150 million was established. The new note payable is for a term of one-year, bears an interest rate of 5% per annum, and is payable on demand without penalty. At June 30, 1999, the outstanding balance of the note payable was $150 million.

In addition, our board of directors has adopted a financing policy, included in Note 1 to the PE Biosystems group combined financial statements, which will permit the PE Biosystems group to make loans to the Celera Genomics group and to make equity contributions to the Celera Genomics group in exchange for an equity interest in the Celera Genomics group.

Significant Changes in the Combined Statements of Financial Position

Effective May 28, 1999, our company completed the sale of our Analytical Instruments business to EG&G. The aggregate consideration received by our company was $425 million, consisting of $275 million in cash and one-year secured promissory notes in the aggregate principal amount of $150 million, which bear interest at a rate of 5% per annum.

Accounts receivable increased by $78.0 million and the inventory balance increased by $12.7 million from June 30, 1998 to June 30, 1999. On a comparable basis, excluding Tecan from the June 30, 1998 balance, accounts receivable and inventory levels increased by $99.5 million and $22.4 million, respectively, from June 30, 1998 to June 30, 1999, reflecting the growth in net revenues and backlog.

Prepaid expenses and other current assets increased to $75.8 million at June 30, 1999 from $61.8 million at June 30, 1998, or $57.2 million excluding Tecan. The increase of $18.6 million, excluding Tecan, related primarily to the growth in non-trade receivables, royalties and prepaid dealer commissions.

Other long-term assets decreased to $247.1 million at June 30, 1999 from $262.8 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, other long-term assets increased $31.7 million. The change was primarily a result of a $9.4 million increase in prepaid pension assets, a net $17.0 million increase in our equity investments, a $15.6 million increase in non-current deferred tax asset, offset by the write-off of $14.5 million of impaired intangible assets associated with the Molecular Informatics business.

We reduced our total deferred tax asset and related valuation allowance from $115.5 million and $62.8 million at June 30, 1998 to $112.1 million and $37.5 million at June 30, 1999. This resulted in an overall increase to the total deferred tax asset after valuation allowance of $21.9 million. The valuation allowance relates primarily to foreign and domestic tax loss carryforwards, domestic tax credit carryforwards and other domestic deferred tax assets. A portion of

the valuation allowance is attributable to tax loss and credit carryforwards and other deferred tax assets which we acquired as part of the purchase of PerSeptive in fiscal 1998. In evaluating our need for a valuation allowance, we considered all available positive and negative evidence, including historical information supplemented by information about future years. We evaluate the need for the valuation allowance periodically for each tax-paying component in each tax jurisdiction. The following factors significantly influenced our conclusion regarding the need for a valuation allowance: (1) the limitation under the

Internal Revenue Code on the amount of annual utilization of domestic loss carryforwards and credits of PerSeptive, and (2) the various expiration dates of the foreign loss carryforwards.

At June 30, 1999, the PE Biosystems group had a $9.9 million tax benefit payable to the Celera Genomics group. See Note 1 to the PE Biosystems group combined financial statements.

Accounts payable increased to $147.7 million at June 30, 1999 from $119.1 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, accounts payable increased $33.1 million. The increase resulted primarily from higher purchases to support production and operating requirements.

Accrued salaries and wages increased $13.5 million to $43.3 million at June 30, 1999 from $29.8 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, accrued salaries and wages increased $16.8 million reflecting the timing of payments.

Accrued taxes on income increased $52.3 million to $132.2 million at June 30, 1999 compared with $79.9 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, accrued taxes on income increased $56.1 million as a result of the tax on the gain from the sale of the Analytical Instruments business in foreign tax jurisdictions.

Other accrued expenses increased by $35.4 million to $156.6 million at June 30, 1999 from $121.2 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, other accrued expenses increased by $41.8 million as a result of higher warranty and installation accruals, reflecting the increase in volume, an increase in deferred revenues, and higher benefit and certain compensation accruals.

At June 30, 1998, $43.8 million of minority interest was recognized in connection with Tecan. During the fourth quarter of fiscal 1999 our company divested its interest in Tecan.

Combined Statements of Cash Flows

Operating activities from continuing operations generated $102.4 million of cash for fiscal 1999 compared with $74.9 million for fiscal 1998 and $76.5 million for fiscal 1997. For fiscal 1999, higher income-related cash flow and increased operating liabilities were only partially offset by cash used for operating assets.

For fiscal 1999, net cash provided by investing activities from continuing operations was $239.3 million, compared with net cash used of $125.7 million for fiscal 1998. During fiscal 1999, the PE Biosystems group generated $325.8 million in net cash proceeds from the sale of various assets. Net cash proceeds included $275.0 million from the sale of the Analytical Instruments business, $30.0 million from the sale of Tecan, and $20.8 million from the sale of minority equity investments and certain non-operating assets. The proceeds were partially offset by $92.1 million of capital expenditures, which included $12.9 million as part of the strategic program to improve our information technology infrastructure, $17.5 million for the acquisition of an airplane, and $10.6 million of capital equipment leased to the Celera Genomics group. For fiscal 1999, $4.0 million was used for various acquisitions and investments.

For fiscal 1998, net cash used by investing activities from continuing operations was $125.7 million, compared with net cash provided by investing activities of $47.8 million for fiscal 1997. During fiscal 1998, the PE Biosystems group generated $19.5 million in net cash proceeds from the sale of assets and $9.7 million from the collection of a note receivable. The proceeds were more than offset by $68.2 million of capital expenditures, which included $33.7 million as part of the strategic program to improve our information technology infrastructure, and $98.0 million for acquisitions and investments, primarily Tecan and Molecular Informatics.

For fiscal 1997, the PE Biosystems group generated $99.7 million in net cash proceeds from the sale of our company's equity interests in Etec Systems, Inc. and Millennium Pharmaceuticals, Inc. and from the sale of certain other non-operating assets. These proceeds were partially offset by $5.0 million used for acquisitions and $57.6 million for capital expenditures that included $9.5 million for information technology infrastructure improvements and $12.1 million for the acquisition of an airplane.

Net cash used by financing activities was $146.4 million for fiscal 1999 compared with $48.2 million for fiscal 1998. For fiscal 1999, the PE Biosystems group received $94.9 million of proceeds from employee stock option plan exercises compared with $33.6 million for fiscal 1998. Fiscal 1999 included $2.2 million for the purchase of shares of common stock for treasury. No shares were repurchased during fiscal 1998. Dividends paid were $34.2 million for fiscal 1999 and $39.1 million for fiscal 1998. Reduction in allocated loans payable and principal payments on long-term debt was $16.4 million for fiscal 1999, compared

with $32.2 million for fiscal 1998. The fiscal 1998 principal payment on long-term debt included $24.7 million for the redemption of the PerSeptive Notes. Net cash allocated for fiscal 1999 to the Celera Genomics group was $188.5 million compared with $10.5 million for fiscal 1998. The fiscal 1999 amount represented payments against the $330 million note payable established at September 30, 1998 and cash funding for the first quarter of fiscal 1999.

During fiscal 1997, the PE Biosystems group generated $1.8 million from the sale of equity put warrants and $33.6 million in proceeds from employee stock plan exercises. These were offset by stockholder dividends of $29.5 million for fiscal 1997. Fiscal 1997 included $25.1 million for the purchase of shares of common stock for treasury. Purchases of common stock for treasury were made in support of PE's various stock plans.

During fiscal 1999, the PE Biosystems group made cash payments of $8.1 million for obligations related to restructuring plans and other merger costs. Restructuring liabilities remaining at June 30, 1999 were $5.8 million. See Note 10 to the PE Biosystems group combined financial statements. The funding for the remaining restructuring liabilities will be from current cash balances and funds generated from operating activities.

The PE Biosystems group believes its cash and short-term investments, funds generated from operating activities, and available borrowing facilities are sufficient to provide for its anticipated financing needs over the next two years. At June 30, 1999, PE had unused credit facilities totaling $339 million.

Impact of Inflation and Changing Prices

Inflation and changing prices are continually monitored. The PE Biosystems group attempts to minimize the impact of inflation by improving productivity and efficiency through continual review of both manufacturing capacity and operating expense levels. When operating costs and manufacturing costs increase, the PE Biosystems group attempts to recover such costs by increasing, over time, the selling price of its products and services. The PE Biosystems group believes the effects of inflation have been appropriately managed and therefore have not had a material impact on its historic operations and resulting financial position.

Year 2000

In fiscal 1997, PE initiated a worldwide program to assess the expected impact of the Year 2000 date recognition problem on our existing internal computer systems; our non-information technology systems, including embedded and process control systems; our product offerings; and our significant suppliers. The purpose of this program is to ensure the event does not have a material adverse effect on our business operations.

The operations of the PE Biosystems group are included within this program. At this time, PE is not able to determine the relative resources required to implement this program in the PE Biosystems group. However, PE believes that a substantial portion of the resources required were allocated to the PE Biosystems group.

Regarding PE's existing internal computer systems, the program involves a mix of purchasing new systems and modifying existing systems, with the emphasis on replacement of applications developed in-house. Replacement projects are currently underway, and are anticipated to be substantially completed for all business-critical systems worldwide by December 31, 1999. The program includes replacement of applications that, for reasons other than Year 2000 noncompliance, had been previously selected for replacement. The replacement projects, which began in fiscal 1997, are expected to offer improved functionality and commonality over current systems, while at the same time addressing the Year 2000 problem.

With respect to PE's current product offerings, the program involves performing an inventory of current products, assessing their compliance status, and constructing a remediation plan where appropriate. Significant progress has been made in each of these three phases and PE expects the PE Biosystems group's current product offerings to be Year 2000 compliant by December 31, 1999. A substantial portion of the PE Biosystems group's current product offerings is Year 2000 compliant.

The program also addresses the Year 2000 compliance efforts of PE's significant suppliers, vendors, and third-party interface systems. As part of this analysis,

PE has identified and prioritized these suppliers, vendors, and third parties and has sought written assurances from them that they will be Year 2000 compliant. There can be no assurance that the systems of other companies with which PE deals, or on which PE's systems rely will be timely converted, or that any such failure to convert by another company could not have a material adverse effect on PE. PE has not fully determined the extent to which PE's interface systems may be impacted by third parties' systems, which may not be Year 2000 compliant but are addressing this issue in our contingency plans noted below.

As of June 1999, PE was over 90% complete in accomplishing the objectives established in its program. PE's preliminary estimate of the total cost for this multi-year program covering 3-4 years is approximately $150 million. This includes amounts previously budgeted for information technology infrastructure improvements and estimates of remediation costs on components not yet fully assessed. Incremental spending has not been and is not expected to be material because most Year 2000 compliance costs will be met with amounts that are normally budgeted for procurement and maintenance of PE's information systems, production, and facilities equipment. The redirection of spending to implement Year 2000 compliance plans may in some instances delay productivity improvements.

PE has also engaged a consulting firm to provide periodic assessments of PE's Year 2000 project plans and progress. Because of the importance of addressing the Year 2000 problem, PE has created a Year 2000 business continuity planning team which has developed, and will continue to develop, business contingency plans to address any issues that may not be corrected by implementation of PE's Year 2000 compliance plan in a timely manner. Contingency plans include identification of systems and third party risks, an analysis of strategies and available resources to restore operations, and a recovery program that identifies participants, processes, and significant equipment. If PE is not successful in implementing its Year 2000 compliance plan, or there are delays in and/or increased costs associated with implementing such changes, the Year 2000 problem could have a materially adverse effect on PE's consolidated results of operations and financial condition.

At this stage of the process, PE believes that it is difficult to specifically identify the cause of the most reasonable worst case Year 2000 scenario. A reasonable worst case Year 2000 scenario would be the failure of significant suppliers and vendors to have corrected their own Year 2000 issues which could cause disruption of PE's operations and have a materially adverse effect on PE's financial condition. The impact of such disruption cannot be estimated at this time. In the event PE believes that any of its significant suppliers or vendors are unlikely to be able to resolve their own Year 2000 issues, PE's contingency plans include seeking additional sources of supply.

Euro Conversion

A single currency called the euro was introduced in Europe on January 1, 1999. Eleven of the fifteen member countries of the European Union agreed to adopt the euro as their common legal currency on that date. Fixed conversion rates between these participating countries' existing currencies (the "legacy currencies") and the euro were established as of that date. The legacy currencies are scheduled to remain legal tender as denominations of the euro until at least January 1, 2002, but not later than July 1, 2002. During this transition period, parties may settle transactions using either the euro or a participating country's legal currency.

The PE Biosystems group is currently evaluating the impact of the euro conversion on its computer and financial systems, business processes, market risk, and price competition. The PE Biosystems group does not expect this conversion to have a material impact on its results of operations, financial position, or cash flows.

Recently Issued Accounting Standards and Other

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of the statement require the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The PE Biosystems group is required to implement the statement in the first quarter of fiscal 2001. Management is currently analyzing the statement to determine the impact,

if any, on the combined financial statements.

We continue to apply APB No. 25 in accounting for our stock-based compensation plans. Accordingly, no compensation expense has been recognized for these plans, as all options have been issued at fair value. The effect of accounting for such plans at fair value, under SFAS No. 123, "Accounting for Stock Based Compensation," would be to decrease fiscal 1999 income from continuing operations by $20.5 million and diluted earnings per share from continuing operations by $.20. The method used to determine the fair value is the Black-Scholes option pricing model. Accordingly, changes in dividend yield, volatility, interest risks and option life could have a material effect on the fair value. See Note 8 to the PE Biosystems group combined financial statements for a more detailed discussion regarding the accounting for stock-based compensation at fair value.

Outlook

The PE Biosystems group expects to continue to grow and maintain profitability for fiscal 2000 on the strength of robust demand and several new products. Fiscal 2000 will focus on growing product lines across a broad array of base technologies and exploring the needs of evolving markets. Orders for genetic analysis systems and reagents, sequence detection systems, and mass spectroscopy products continue to be strong. At June 30, 1999, backlog increased to approximately $200 million.

We remain concerned about adverse currency effects because approximately 50% of our revenues were derived from regions outside the United States for fiscal 1999.

Forward-Looking Statements

Certain statements contained in this report, including the Outlook section, are forward-looking and are subject to a variety of risks and uncertainties. These statements may be identified by the use of forward-looking words or phrases such as "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential," among others. These forward-looking statements are based on our current expectations. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, and results of our businesses include, but are not limited to:

Rapidly changing technology in life sciences could make PE Biosystems' product line obsolete unless it continues to improve existing products and develop new products. A significant portion of the net revenues for PE Biosystems each year is derived from products that did not exist in the prior year. PE Biosystems' future success will depend on its ability to continually improve its current products and to develop and introduce, on a timely and cost-effective basis, new products that address the evolving needs of its customers. PE Biosystems' products are based on complex technology which is subject to rapid change as new technologies are developed and introduced in the marketplace. Unanticipated difficulties or delays in replacing existing products with new products could adversely affect PE Biosystems' future operating results.

A significant portion of sales depends on customers' capital spending policies and government funding which may be subject to significant and unexpected decreases. A significant portion of PE Biosystems' instrument product sales are capital purchases by its customers. PE Biosystems' customers include pharmaceutical,

environmental, research and chemical companies, and the capital spending policies of these companies can have a significant effect on the demand for PE Biosystems' products. These policies are based on a wide variety of factors, including the resources available to make purchases, the spending priorities among various types of research equipment and policies regarding capital expenditures during recessionary periods. Any decrease in capital spending or change in spending policies of these companies could significantly reduce the demand for PE Biosystems' products.

In addition, a substantial portion of PE Biosystems' sales is to customers at universities or research laboratories whose funding is dependent on both the

level and timing of funding from government sources. As a result, the timing and amount of revenues from these sources may vary significantly due to factors that can be difficult to forecast. Although research funding has increased during the past several years, grants have, in the past, been frozen for extended periods or otherwise become unavailable to various institutions, sometimes without advance notice. Budgetary pressures, particularly in the United States and Japan, may result in reduced allocations to government agencies that fund research and development activities. If government funding necessary to purchase PE Biosystems' products were to become unavailable to researchers for any extended period of time or if overall research funding were to decrease, the business of PE Biosystems could be adversely affected.

Due to rapidly-developing technology and lack of legal precedents, PE Biosystems' products could be subject to claims for patent infringement. PE Biosystems' products are based on complex, rapidly-developing technologies. These products could be developed without knowledge of previously filed but unpublished patent applications that cover some aspect of these technologies. In addition, there are relatively few decided court cases interpreting the scope of patent claims in these technologies. PE Biosystems could be made a party to litigation regarding intellectual property matters in the future. PE Biosystems has from time to time been notified that it may be infringing certain patents and other intellectual property rights of others. It may be necessary or desirable in the future to obtain licenses relating to one or more products or relating to current or future technologies, and we cannot assure you that PE Biosystems will be able to obtain these licenses or other rights on commercially reasonable terms.

Since PE Biosystems' business is dependent on foreign sales, fluctuating currencies will make our revenues and operating results more volatile. Approximately 50% of PE Biosystems' net revenues during fiscal 1999 were derived from sales to customers outside of the United States. The majority of these sales was based on the relevant customer's local currency. As a result, PE Biosystems' reported and anticipated operating results and cash flows are subject to fluctuations due to material changes in foreign currency exchange rates that are beyond PE Biosystems' control.

Integrating acquired technologies may be costly and may not result in technological advances. The future growth of PE Biosystems depends in part on its ability to acquire complementary technologies through acquisitions and investments. Since January 1, 1996, PE Biosystems has acquired a number of companies, including PerSeptive Biosystems, Inc., Molecular Informatics, Inc., and Tropix, Inc., and made investments in others. The consolidation of employees, operations, and marketing and distribution methods could present significant managerial challenges. For example, PE Biosystems may encounter operational difficulties in the integration of manufacturing or other facilities. In addition, technological advances resulting from the integration of technologies may not be achieved as successfully or rapidly as anticipated, if at all.

Failure of PE Biosystems' Year 2000 compliance plan or failure of the compliance plans of PE Biosystems' limited source suppliers could materially disrupt the sales of affected products. In fiscal 1997, PE Biosystems initiated a world-wide program to assess the expected impact of the Year 2000 date recognition problem on our existing computer systems; non-information technology systems, including embedded and process-control systems; product offerings; and significant suppliers. Portions of this program are not expected to be completed until December 31, 1999. If we are not successful in implementing our Year 2000 compliance plan, or if our limited source suppliers are not successful in implementing compliance plans, the Year 2000 problem could materially disrupt PE Biosystems' sales of affected products.

Earthquakes could disrupt operations in California. A significant portion of PE Biosystems' operations is located near major California earthquake faults. The ultimate impact of earthquakes on PE Biosystems, significant suppliers and the general infrastructure is unknown, but operating results could be materially affected in the event of a major earthquake.

PE Biosystems Group
Combined Statements of Operations

<TABLE>
<CAPTION>
(Dollar amounts in thousands except per share amounts)

For the years ended June 30,	1999	1998	1997
<S>	<C>	<C>	<C>
Net Revenues	$ 1,221,691	$ 940,095	$ 767,465
Cost of sales	562,867	431,738	361,315
Gross Margin	658,824	508,357	406,150

Selling, general and administrative	335,873	276,674	227,687
Research, development and engineering	133,525	105,485	78,141
Restructuring and other special charges	1,500	43,980	
Acquired research and development		28,850	
Operating Income	187,926	53,368	100,322
Gain on investments	6,126	1,605	64,850
Interest expense	4,503	4,905	5,859
Interest income	2,344	5,938	8,826
Other income, net	522	3,147	1,881
Income Before Income Taxes	192,415	59,153	170,020
Provision for income taxes	30,688	29,547	37,281
Minority interest	13,362	5,597	
Income From Continuing Operations	148,365	24,009	132,739
Discontinued Operations, Net of Income Taxes			
Income (loss) from discontinued operations	(21,109)	40,694	27,906
Gain on disposal of discontinued operations	100,167		
Net Income	$ 227,423	$ 64,703	$ 160,645
Income per Share From Continuing Operations (see Note 1)			
Basic	$ 1.48		
Diluted	$ 1.44		
Income per Share From Discontinued Operations			
Basic	$ .79		
Diluted	$ .77		
Net Income per Share			
Basic	$ 2.27		
Diluted	$ 2.21		

</TABLE>

See accompanying notes to the PE Biosystems group combined financial statements.

PE Biosystems Group
Combined Statements of Financial Position

<TABLE>
<CAPTION>
(Dollar amounts in thousands)

At June 30,	1999	1998
<S>	<C>	<C>
Assets		
Current assets		
Cash and cash equivalents	$ 236,530	$ 82,865
Short-term investments		1,226
Note receivable	150,000	
Accounts receivable, less allowances for doubtful accounts of $4,518 ($4,783 - 1998)	306,225	228,229
Inventories	149,670	137,015
Prepaid expenses and other current assets	75,801	61,835
Current net assets of discontinued operations		139,959
Total current assets	918,226	651,129
Property, plant and equipment, net	182,183	159,127
Other long-term assets	247,141	262,754
Long-term net assets of discontinued operations		55,927
Total Assets	$1,347,550	$1,128,937
Liabilities and Group Equity		
Current liabilities		
Loans payable	$ 3,911	$ 12,099
Note payable to the Celera Genomics group (see Note 3)	150,000	
Tax benefit payable to the Celera Genomics group (see Note 1)	9,935	
Accounts payable	147,704	119,067
Accrued salaries and wages	43,316	29,800
Accrued taxes on income	132,170	79,860
Other accrued expenses	156,552	121,152
Total current liabilities	643,588	361,978
Long-term debt	31,452	33,726
Other long-term liabilities	138,178	123,969

Total Liabilities	813,218	519,673
Minority interest		43,757
Commitments and contingencies (see Note 11)		
Group Equity	534,332	565,507
Total Liabilities and Group Equity	$1,347,550	$1,128,937

</TABLE>

See accompanying notes to the PE Biosystems group combined financial statements.

PE Biosystems Group
Combined Statements of Cash Flows

<TABLE>
<CAPTION>
(Dollar amounts in thousands)

For the years ended June 30,	1999	1998	1997
<S>	<C>	<C>	<C>
Operating Activities From Continuing Operations			
Income from continuing operations	$148,365	$ 24,009	$132,739
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation and amortization	44,309	35,278	25,405
Long-term compensation programs	14,680	6,853	9,103
Deferred income taxes	(25,533)	10,234	(40,819)
Gains from the sale of assets	(6,126)	(3,052)	(66,636)
Provision for restructured operations and other merger costs	(9,200)	48,080	
Acquired research and development		28,850	
Asset impairment	14,464		
Recapitalization costs	9,232		
Changes in operating assets and liabilities			
Increase in accounts receivable	(105,018)	(23,153)	(43,169)
Increase in inventories	(22,387)	(21,362)	(4,421)
Increase in prepaid expenses and other assets	(43,207)	(30,858)	(6,712)
Increase in accounts payable and other liabilities	82,820	68	71,009
Net Cash Provided by Operating Activities	102,399	74,947	76,499
Investing Activites From Continuing Operations			
Additions to property, plant and equipment (net of disposals of $9,614, $11,339, and $5,738, respectively)	(82,463)	(56,833)	(51,908)
Acquisitions and investments, net	(4,025)	(97,998)	(5,000)
Proceeds from the sale of assets, net	325,766	19,496	99,710
Proceeds from the collection of notes receivable		9,673	4,978
Net Cash Provided (Used) by Investing Activites	239,278	(125,662)	47,780
Net Cash From Continuing Operations Before Financing Activities	341,677	(50,715)	124,279
Discontinued Operations			
Net cash provided (used) by operating activities	(16,297)	10,084	39,781
Net cash used by investing activities	(26,970)	(40,639)	(11,315)
Net Cash From Discontinued Operations Before Financing Activities	(43,267)	(30,555)	28,466
Financing Activities			
Net change in loans payable	(9,572)	(6,797)	(4,914)
Proceeds from long-term debt			31,033
Principal payments on long-term debt	(6,843)	(25,449)	(22,908)
Dividends	(34,156)	(39,072)	(29,459)
Purchases of common stock for treasury	(2,187)		(25,126)
Proceeds from issuance of equity put warrants on PE Corporation common stock			1,846
Proceeds from stock issued for stock plans	94,894	33,629	33,637
Net cash allocated to the Celera Genomics group	(188,535)	(10,520)	(26,172)
Net Cash Used For Financing Activities	(146,399)	(48,209)	(42,063)
Elimination of PerSeptive results from July 1, 1997 to September 30, 1997 (see Note 1)		2,590	
Effect of Exchange Rate Changes on Cash	1,654	(3,274)	1,601
Net Change in Cash and Cash Equivalents	153,665	(130,163)	112,283
Cash and Cash Equivalents Beginning of Year	82,865	213,028	100,745
Cash and Cash Equivalents End of Year	$236,530	$ 82,865	$213,028

</TABLE>

See accompanying notes to the PE Biosystems group combined financial statements.

PE Biosystems Group
Combined Statements of Group Equity
and Comprehensive Income (Loss)

<TABLE>
<CAPTION>

(Dollar amounts in thousands)	Other	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Group Equity
<S>	<C>	<C>	<C>	<C>
Balance at June 30, 1996	$308,125	$ 72,108	$ (7,117)	$373,116
Comprehensive income				
Net income		160,645		160,645
Other comprehensive income, net of tax				
Foreign currency translation adjustments			(4,125)	
Minimum pension liability adjustment			28,660	
Unrealized gain on investments, net			3,156	
Sale of equity investment			(23,245)	
Other comprehensive income			4,446	4,446
Comprehensive income				165,091
Cash dividends declared on PE Corporation common stock		(29,536)		(29,536)
Repurchases of PE Corporation common stock	(25,126)			(25,126)
Issuances under PE Corporation common stock plans	33,741	(1,459)		32,282
Tax benefit related to PE Corporation employee stock options	4,568			4,568
PE Corporation restricted stock plan	11,678			11,678
Sale of equity put warrants on PE Corporation common stock	1,846			1,846
Net cash allocated to the Celera Genomics group	(26,172)			(26,172)
Other	1,427	(1,440)		(13)
Balance at June 30, 1997	310,087	200,318	(2,671)	507,734
Comprehensive income				
Net income		64,703		64,703
Other comprehensive loss, net of tax				
Foreign currency translation adjustments			(2,747)	
Minimum pension liability adjustment			354	
Unrealized loss on investments, net			(4,449)	
Other comprehensive loss			(6,842)	(6,842)
Comprehensive income				57,861
Cash dividends declared on PE Corporation common stock		(31,604)		(31,604)
Issuances under PE Corporation common stock plans	39,143	(3,468)		35,675
Tax benefit related to PE Corporation employee stock options	2,335			2,335
PE Corporation restricted stock plan	1,858	(136)		1,722
Elimination of PerSeptive results from				
July 1,1997 to September 30, 1997 (see Note 1)		2,590		2,590
Net cash allocated to the Celera Genomics group	(10,520)			(10,520)
Other		(286)		(286)
Balance at June 30, 1998	342,903	232,117	(9,513)	565,507
Comprehensive income				
Net income		227,423		227,423
Other comprehensive income, net of tax				
Foreign currency translation adjustments			(5,415)	
Minimum pension liability adjustment			(1,779)	
Unrealized gain on investments, net			11,887	
Other comprehensive income			4,693	4,693
Comprehensive income				232,116
Cash dividends declared on PE Corporation common stock		(25,479)		(25,479)
Cash dividends declared on PE Biosystems common stock		(8,677)		(8,677)
Repurchases of PE Biosystems common stock	(2,187)			(2,187)
Issuances under PE Corporation common stock plans	89,550	(14,862)		74,688
Issuances under PE Biosystems common stock plans	20,157	(1,290)		18,867
Tax benefit related to PE Corporation employee stock options	15,735			15,735
PE Corporation restricted stock plan	1,090	1,207		2,297
Allocated capital to the Celera Genomics group	(338,535)			(338,535)

Balance at June 30, 1999	$128,713	$410,439	$ (4,820)	$534,332

</TABLE>

See accompanying notes to the PE Biosystems group combined financial statements.

PE Biosystems Group
Notes to Combined Financial Statements

Note 1--Accounting Policies And Practices

Basis of Presentation

The PE Corporation ("PE" or the "Company") is comprised of two separate business segments in continuing operations: the PE Biosystems group and the Celera Genomics group. The PE Biosystems group manufactures and markets biochemical instrument systems and associated consumable products for life science research and related applications. The Celera Genomics group is engaged principally in the generation, sale and support of genomic information databases and related information management and analysis software; discovery, validation and licensing of proprietary gene products, genetic markers and information regarding genetic variability; and related consulting and contract research and development services.

On January 22, 1998, the Company acquired PerSeptive Biosystems, Inc. The acquisition was accounted for as a pooling of interests and, accordingly, the PE Biosystems group's financial results were restated to include the combined operations (see Note 2). The PE Biosystems group's fiscal year ended June 30 and PerSeptive's fiscal year ended September 30. The fiscal 1998 Combined Statements of Operations combined the PE Biosystems group's operating results for the fiscal year ended June 30, 1998 with PerSeptive's operating results for the nine months ended June 30, 1998 and the three months ended September 30, 1997 (PerSeptive's fiscal 1997 fourth quarter). The fiscal 1997 Combined Statements of Operations combined the PE Biosystems group's results of operations for the fiscal year ended June 30, 1997 with PerSeptive's results of operations for the fiscal year ended September 30, 1997. In order to conform PerSeptive to a June 30 fiscal year-end in fiscal 1998, PerSeptive's results of operations for the three months ended September 30, 1997 have been included in the PE Biosystems group's Combined Statements of Operations for the fiscal years ended June 30, 1998 and 1997.

Recapitalization

On May 6, 1999, The Perkin-Elmer Corporation was merged into a subsidiary of PE Corporation, a new Delaware corporation. The recapitalization of the Company resulted in the issuance of two new classes of common stock called PE Corporation-PE Biosystems Group Common Stock ("PE Biosystems stock") and PE Corporation-Celera Genomics Group Common Stock ("Celera Genomics stock"). PE Biosystems stock is intended to reflect separately the performance of the established PE Biosystems' life sciences and the discontinued Analytical instruments businesses ("PE Biosystems group"), and Celera Genomics stock is intended to reflect separately the performance of the Celera Genomics business ("Celera Genomics group"). Each share of common stock of The Perkin-Elmer Corporation was converted into one share of PE Biosystems stock and 0.5 of a share of Celera Genomics stock.

The combined financial statements of the PE Biosystems group and the Celera Genomics group (individually referred to as a "group") comprise all of the accounts included in the corresponding consolidated financial statements of the Company. Intergroup transactions between the PE Biosystems group and the Celera Genomics group have not been eliminated in the PE Biosystems group combined financial statements but have been eliminated in the PE Corporation consolidated financial statements. The PE Biosystems group and the Celera Genomics group combined financial statements have been prepared on a basis that management believes to be reasonable and appropriate and reflect (1) the financial position, results of operations, and cash flows of businesses that comprise each of the groups, with all significant intragroup transactions and balances eliminated, (2) in the case of the Celera Genomics group combined financial statements, corporate assets and liabilities of the Company and related transactions identified with the Celera Genomics group, including allocated portions of the Company's debt and selling, general and administrative costs, and (3) in the case of the PE Biosystems group combined financial statements, all other corporate assets and liabilities and related transactions of the Company, including allocated portions of the Company's debt and selling, general and administrative costs.

Holders of PE Biosystems stock and Celera Genomics stock are stockholders of the

Company. The PE Biosystems group and the Celera Genomics group are not separate legal entities. As a result, stockholders are subject to all of the risks associated with an investment in the Company and all of its businesses, assets, and liabilities. The issuance of PE Biosystems stock and Celera Genomics stock and the allocations of assets and liabilities between the PE Biosystems group and the Celera Genomics group did not result in a distribution or spin-off of any assets or liabilities of the Company or otherwise affect ownership of any assets or responsibility for the liabilities of the Company or any of its subsidiaries. The assets the Company attributes to one group could be subject to the liabilities of the other group, whether such liabilities arise from lawsuits, contracts or indebtedness attributable to the other group. If the Company is unable to satisfy one group's liabilities out of assets attributed to it, the Company may be required to satisfy these liabilities with assets attributed to the other group.

Financial effects arising from one group that affect the Company's results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the class of common stock relating to the other group. Any net losses of the PE Biosystems group or the Celera Genomics group and dividends or distributions on, or repurchases of, PE Biosystems stock or Celera Genomics stock or repurchases of preferred stock of the Company will reduce the assets of the Company legally available for payment of dividends.

The management and allocation policies applicable to the preparation of the financial statements of the PE Biosystems group and the Celera Genomics group may be modified or rescinded, or additional policies may be adopted, at the sole discretion of the Board of Directors at any time without approval of the stockholders. The PE Biosystems group's combined financial statements reflect the application of the management and allocation policies adopted by the Board of Directors to various corporate activities, as described

below. The PE Biosystems group's combined financial statements should be read in conjunction with the Company's consolidated financial statements.

Financing Activities

As a matter of policy, the Company manages most financial activities of the PE Biosystems group and the Celera Genomics group on a centralized basis. These activities include the investment of surplus cash, the issuance and repayment of short-term and long-term debt and the issuance and repayment of any preferred stock. As the financing activities of the Celera Genomics group were not significant for any of the periods prior to the recapitalization, all historical cash and debt balances for those periods presented were allocated to the PE Biosystems group.

The Board has adopted the following financing policy which will affect the combined statements of the PE Biosystems group and the Celera Genomics group.

The Company will allocate the Company's debt between the PE Biosystems group and the Celera Genomics group ("pooled debt") or, if the Company so determines, in its entirety to a particular group. The Company will allocate preferred stock, if issued, in a similar manner.

Cash allocated to one group that is used to repay pooled debt or redeem pooled preferred stock will decrease such group's allocated portion of the pooled debt or preferred stock. Cash or other property allocated to one group that is transferred to the other group will, if so determined by the Board, decrease the transferring group's allocated portion of the pooled debt or preferred stock and, correspondingly, increase the recipient group's allocated portion of the pooled debt or preferred stock.

Pooled debt will bear interest for group financial statement purposes at a rate equal to the weighted average interest rate of the debt calculated on a quarterly basis and applied to the average pooled debt balance during the period. Preferred stock, if issued and if pooled in a manner similar to the pooled debt, will bear dividends for group financial statement purposes at a rate based on the weighted average dividend rate of the preferred stock similarly calculated and applied. Any expense related to increases in pooled debt or preferred stock will be reflected in the weighted average interest or dividend rate of such pooled debt or preferred stock as a whole.

If the Company allocates debt for a particular financing in its entirety to one group, that debt will bear interest for group financial statement purposes at

the rate determined by the Board. If the Company allocates preferred stock in its entirety to one group, the Company will charge the dividend cost to that group in a similar manner. If the interest or dividend cost is higher than the Company's actual cost, the other group will receive a credit for an amount equal to the difference as compensation for the use of the Company's credit capacity. Any expense related to debt or preferred stock of the Company that is allocated in its entirety to a group will be allocated in whole to that group.

Cash or other property that the Company allocates to one group that is transferred to the other group, could, if so determined by the Board, be accounted for either as a short-term loan or as a long-term loan. Short-term loans will bear interest at a rate equal to the weighted average interest rate of the Company's pooled debt. If the Company does not have any pooled debt, the Board will determine the rate of interest for such loan. The Board will establish the terms on which long-term loans between the groups will be made, including interest rate, amortization schedule, maturity and redemption terms.

Although the Company may allocate its debt and preferred stock between groups, the debt and preferred stock will remain obligations of the Company and all stockholders of the Company will be subject to the risks associated with those obligations.

In addition, cash allocated to the PE Biosystems group may be contributed to the Celera Genomics group in exchange for an equity interest in the Celera Genomics group.

Allocation of Corporate Overhead and Administrative Shared Services

A portion of the Company's corporate overhead (such as executive management, human resources, legal, accounting, auditing, tax, treasury, strategic planning and environmental services) has been allocated to the PE Biosystems group based upon the use of services by that group. A portion of the Company's costs of administrative shared services (such as information technology services) has been allocated in a similar manner. Where determination based on use alone is not practical, other methods and criteria were used that management believes are equitable and provide a reasonable estimate of the cost attributable to the PE Biosystems group. The totals for these allocations were $33.7 million, $38.1 million, and $34.4 million for fiscal 1999, 1998, and 1997, respectively. It is not practicable to provide a detailed estimate of the expenses which would be recognized if the PE Biosystems group were a separate legal entity.

Allocation of Federal and State Income Taxes

The federal income taxes of the Company and its subsidiaries which own assets allocated between the groups are determined on a consolidated basis. 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. Such allocations reflect each group's contribution (positive or negative) to the Company's consolidated federal taxable income and the consolidated federal tax liability and tax credit position. Tax benefits that cannot be used by the group generating those benefits but can be used on a consolidated basis are credited to the group that generated such benefits. Intergroup transactions will be taxed as if each group were a stand alone Company. Tax benefits generated by the Celera Genomics group commencing July 1, 1998, which then can be utilized on a consolidated basis, will be credited to the Celera Genomics group

up to a maximum limit of $75 million. For the year ended June 30, 1999, $22.6 million of tax benefits were credited to the Celera Genomics group.

Had the groups filed separate tax returns, the provision (benefit) for income taxes and net income (loss) for each group would not have differed from the amounts reported in the groups' combined statements of operations for the years ended June 30, 1999, 1998, and 1997. However, the amount of current and deferred taxes and taxes payable or refundable allocated to each group in these historical combined financial statements may differ from those that would have been allocated to each group had they filed separate income tax returns.

Depending on the tax laws of the respective jurisdictions, state and local income taxes are calculated on either a consolidated or combined basis between the groups based on their respective contribution to such consolidated or combined state taxable incomes. State and local income tax provisions and related tax payments or refunds which are determined on a separate corporation basis will be allocated between the groups in a manner designed to reflect the

respective contributions of the groups to the Company's separate or local taxable income.

The discussion of the PE Biosystems group's income taxes (see Note 4) should be read in conjunction with the Company's consolidated financial statements and notes thereto.

Transfers of Assets Between Groups

Transfers of assets can be made between groups without stockholder approval. Such transfers will be made at fair value, as determined by the Company's Board of Directors. The consideration for such transfers may be paid by one group to the other in cash or other consideration, as determined by the Company's Board of Directors.

Dividends

For purposes of the historical (periods prior to the recapitalization) combined financial statements of the PE Biosystems group and the Celera Genomics group, all dividends declared and paid by the Company were allocated to the PE Biosystems group.

Principles of Combination

The PE Biosystems group's combined financial statements have been prepared in accordance with generally accepted accounting principles and, taken together with the Celera Genomics group's combined financial statements, comprise all the accounts included in the corresponding consolidated financial statements of the Company. Intergroup transactions between the PE Biosystems group and the Celera Genomics group have not been eliminated in the PE Biosystems group's combined financial statements but have been eliminated in the PE Corporation consolidated financial statements. The combined financial statements of each group reflect the financial condition, results of operations, and cash flows of the businesses included therein. The combined financial statements of the PE Biosystems group include the assets and liabilities of the Company specifically identified with or allocated to the PE Biosystems group. The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain amounts in the combined financial statements and notes have been reclassified for comparative purposes.

Discontinued Operations

The PE Biosystems group's combined financial statements were restated to reflect the net assets and operating results of the Analytical Instruments business as discontinued operations for all periods presented (see Note 15). The net assets have been reclassified in both the current and long-term asset sections of the Combined Statements of Financial Position for all periods presented. The operating results are reflected in the Combined Statements of Operations as income (loss) from discontinued operations for all periods presented. The accompanying notes, except Note 15, relate only to continuing operations.

Recent Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of the statement require the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The PE Biosystems group is required to implement the statement in the first quarter of fiscal 2001. The PE Biosystems Group is currently analyzing the statement to determine the impact, if any, on the combined financial statements.

Earnings per Share

Earnings per share information prior to the recapitalization is omitted from the PE Biosystems group's Combined Statements of Operations because PE Biosystems stock was not part of the capital structure of the Company until fiscal 1999. Basic earnings per share is computed by dividing income from continuing operations for the period by the weighted average number of shares of PE Biosystems stock outstanding. Diluted earnings per share is computed by dividing income from continuing operations for the period by the weighted average number of shares of PE Biosystems stock outstanding including the dilutive effect of PE

Biosystems stock equivalents.

PE Biosystems Group
Notes to Combined Financial Statements continued

The following table presents a reconciliation of basic and diluted earnings per share from continuing operations:

<TABLE>
<CAPTION>
(Amounts in thousands except per share amounts)

For the year ended June 30,	1999
<S>	<C>
Weighted average number of common shares used in the calculation of basic earnings per share from continuing operations	100,406
Common stock equivalents	2,698
Shares used in the calculation of diluted earnings per share from continuing operations	103,104
Income from continuing operations used in the calculation of basic and diluted earnings per share from continuing operations	$148,365
Income per share from continuing operations	
Basic	$ 1.48
Diluted	$ 1.44

</TABLE>

The reconciliation for fiscal 1998 and 1997 is omitted since PE Biosystems group stock was not part of the capital structure of the Company.

Options to purchase 20,000 shares of PE Biosystems stock were outstanding at June 30, 1999, but were not included in the computation of diluted earnings per share because the effect was antidilutive.

On June 17, 1999, the Board of Directors announced a two-for-one split of PE Biosystems stock. The two-for-one stock split was effected in the form of a 100% stock dividend paid to stockholders of record as of the close of business on July 12, 1999. All PE Biosystems share and per share data reflect this split.

Foreign Currency

Assets and liabilities of foreign operations, where the functional currency is the local currency, are translated into U.S. dollars at the fiscal year-end exchange rates. The related translation adjustments are recorded as a separate component of group equity. Foreign currency revenues and expenses are translated using monthly average exchange rates prevailing during the year. Foreign currency transaction gains and losses, as well as translation adjustments of foreign operations where the functional currency is the U.S. dollar, are included in net income. Transaction gains and losses for the periods ended June 30, 1999, 1998, and 1997 were a loss of $5.6 million, a loss of $2.5 million, and a gain of $1.5 million, respectively.

Derivative Financial Instruments

The Company uses derivative financial instruments to offset exposure to market risks arising from changes in foreign currency exchange rates and interest rates. Derivative financial instruments currently utilized by the Company include foreign currency forward contracts, synthetic forward contracts, foreign currency options, and an interest rate swap (see Note 12). All of the Company's financial statement amounts have been allocated to the PE Biosystems group.

Cash, Short-Term Investments, and Marketable Securities

Cash equivalents consist of highly liquid debt instruments, time deposits, and certificates of deposit with original maturities of three months or less. Time deposits and certificates of deposit with original maturities of three months to one year are classified as short-term investments. Short-term investments, which include marketable securities, are recorded at cost, which generally approximates market value.

Accounts Receivable

The Company periodically sells accounts receivable arising from business conducted in Japan. During fiscal 1999, 1998, and 1997, the PE Biosystems group was allocated all cash proceeds received of $40.5 million, $98.8 million, and $65.7 million, respectively, from the sale of such receivables. The PE Biosystems group accounts for such sales in accordance with SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" and believes it has adequately provided for any risk of loss that may occur under these arrangements.

Investments

The equity method of accounting is used for investments in joint ventures that are 20% to 50% owned and the cost method is used for investments that are less than 20% owned. Minority equity investments are generally classified as available-for-sale and carried at market value in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Inventories

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Inventories at June 30, 1999 and 1998, included the following components:

(Dollar amounts in millions)	1999	1998
Raw materials and supplies	$ 42.8	$ 45.2
Work-in-process	10.3	7.3
Finished products	96.6	84.5
Total inventories	$149.7	$137.0

Property, Plant and Equipment, and Depreciation

Property, plant and equipment are recorded at cost and consisted of the following at June 30, 1999 and 1998:

(Dollar amounts in millions)	1999	1998
Land	$ 11.2	$ 11.7
Buildings and leasehold improvements	88.6	92.1
Machinery and equipment	208.6	173.1
Property, plant and equipment, at cost	308.4	276.9
Accumulated depreciation and amortization	126.2	117.8
Property, plant and equipment, net	$182.2	$159.1

Major renewals and improvements that significantly add to productive capacity or extend the life of an asset are capitalized. Repairs, maintenance, and minor renewals and improvements are expensed when incurred.

Provisions for depreciation of owned property, plant and equipment are based upon the expected useful lives of the assets and computed primarily by the straight-line method. Leasehold improvements are amortized over their estimated useful lives or the term of the applicable lease, whichever is less, using the straight-line method. Internal-use software costs are amortized primarily over the expected useful lives, not to exceed seven years.

Machinery and equipment included capitalized internal-use software, primarily related to the Company's worldwide strategic program to improve its information technology infrastructure, of $53.2 million and $43.3 million at June 30, 1999 and 1998, respectively. Net of accumulated amortization the capitalized internal-use software was $43.4 million and $39.3 million at June 30, 1999 and 1998, respectively.

Capitalized Software

Internal software development costs, as used in the Company's products, incurred from the time technological feasibility of the software is established until the software is ready for its intended use are capitalized and included in other long-term assets. The costs are amortized using the straight-line method over a maximum of three years or the expected life of the product, whichever is less. At June 30, 1999 and 1998, capitalized software costs, net of accumulated amortization, were $12.5 million and $ 4.4 million, respectively. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred.

Intangible Assets

The excess of purchase price over the net asset value of companies acquired is amortized on a straight-line method over periods not exceeding 40 years. Patents and trademarks are amortized using the straight-line method over their expected useful lives. At June 30, 1999 and 1998, other long-term assets included goodwill, net of accumulated amortization, of $17.6 million and $69.8 million, respectively. Accumulated amortization of goodwill was $6.6 million and $6.1 million at June 30, 1999 and 1998, respectively.

Asset Impairment

The PE Biosystems group reviews long-lived assets for impairment, in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are written down to fair value when the carrying costs exceed this amount. During fiscal 1999, the PE Biosystems group recorded a $14.5 million charge to cost of sales for the impairment of assets associated with the Molecular Informatics business (see Note 2). During fiscal 1997, the PE Biosystems group recorded a $.7 million charge to cost of sales charge for the write-down of certain impaired assets. The impairment losses were determined based upon estimated future cash flows and fair values.

Revenues

Revenues are recorded at the time of shipment of products or performance of services. Revenues from service contracts are recorded as deferred service contract revenues and reflected in net revenues over the term of the contract, generally one year.

Research, Development and Engineering

Research, development and engineering costs are expensed when incurred.

Supplemental Cash Flow Information

Cash paid for interest and income taxes and significant non-cash investing and financing activities for the following periods were as follows:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Interest	$ 3.4	$ 5.7	$ 6.0
Interest paid to the Celera Genomics group	$ .2		
Income taxes	$ 30.3	$60.5	$31.3
Significant non-cash investing and financing activities			
Unrealized gain (loss) on investments	$ 11.9	$(4.4)	$ 3.1
Note payable to the Celera Genomics group	$150.0		
Dividends declared not			

paid	$ 7.5
Common shares issued in PerSeptive pooling	4.6
Minority interest assumed	$41.3

</TABLE>

PE Biosystems Group
Notes to Combined Financial Statements continued

Note 2--Acquisitions, Investments, and Dispositions

PerSeptive Biosystems, Inc.

The merger (the "Merger") of Seven Acquisition Corp., a wholly-owned subsidiary of the Company, and PerSeptive was consummated on January 22, 1998. PerSeptive develops, manufactures, and markets an integrated line of proprietary consumable products and advanced instrumentation systems for the purification, analysis, and synthesis of biomolecules. As a result of the Merger, PerSeptive, which was the surviving corporation of the Merger, became a wholly-owned subsidiary of the Company on that date. Each outstanding share of PerSeptive common stock was converted into shares of the Company's common stock at an exchange ratio equal to 0.1926. Accordingly, the Company issued 4.6 million shares of its common stock for all outstanding shares of PerSeptive common stock. Each outstanding option and warrant for shares of PerSeptive common stock was converted into options and warrants for the number of shares of the Company's common stock that would have been received if such options and warrants had been exercised immediately prior to the effective time of the Merger. All shares of Series A Redeemable Convertible Preferred Stock of PerSeptive outstanding immediately prior to the effective time of the Merger were converted in accordance with their terms into shares of PerSeptive common stock which were then converted into shares of the Company's common stock. As a result of the Merger, PerSeptive's 8-1/4% Convertible Subordinated Notes Due 2001 (the "PerSeptive Notes") became convertible into shares of the Company's common stock. On March 23, 1998, the Company redeemed the PerSeptive Notes for a total of $26.1 million representing $24.7 million of principal and $1.4 million of accrued interest and premium relating to the PerSeptive Notes. Additionally, $2.5 million of the principal amount of the PerSeptive Notes was converted by the holders thereof into 35,557 shares of the Company's common stock.

The Merger qualified as a tax-free reorganization and has been accounted for as a pooling of interests. Accordingly, the PE Biosystems group's financial results have been restated to include the combined operations.

Combined and separate results of the PE Biosystems group and PerSeptive during the periods preceding the Merger were as follows:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	PE Biosystems Group	PerSeptive	Adjustment	Combined
<S>	<C>	<C>		<C>
Six Months Ended December 31, 1997 (Unaudited)				
Net revenues	$356.8	$52.6		$409.4
Income (loss) from continuing operations	$ 17.2	$(5.4)	$.6	$ 12.4
Fiscal Year Ended June 30, 1997				
Net revenues	$671.0	$96.5		$767.5
Income from continuing operations	$117.5	$15.2		$132.7

</TABLE>

The adjustment for the six months ended December 31, 1997 reflects the inclusion of PerSeptive's operating results within the Company's consolidated tax provision. There were no material intercompany transactions between the PE Biosystems group and PerSeptive during any period presented.

Tecan AG

The Company acquired a 14.5% interest and approximately 52% of the voting rights

in Tecan AG ("Tecan") in December 1997. Tecan is a world leader in the development and manufacturing of automated sample processors, liquid handling systems, and microplate photometry. Used in research, industrial, and clinical markets, these products provide automated solutions for pharmaceutical drug discovery, molecular biology, genomic testing, and clinical diagnostics. The acquisition cost was $53.2 million in cash and was accounted for as a purchase with a minority interest of $41.3 million. The excess purchase price over the fair market value of the underlying assets was $46.2 million and was being amortized over fifteen years.

During the fourth quarter of fiscal 1999, the Company divested its interest in Tecan through a public offering in Switzerland and private sales outside of Switzerland. Cash proceeds, net of transaction costs, from the divestiture were $53.8 million. The PE Biosystems group recognized a before-tax gain of $1.6 million on the sale.

Molecular Informatics, Inc.

During the second quarter of fiscal 1998, the Company acquired Molecular Informatics, Inc. ("Molecular Informatics"), a leader in the development of infrastructure software for the pharmaceutical, biotechnology, and agrochemical industries as well as for applied markets such as forensics and human identification. The acquisition cost was $53.9 million and was accounted for as a purchase. In connection with the acquisition, $28.9 million was expensed as purchased in-process research and development, $9.0 million was allocated to goodwill and $15.7 million was allocated to other intangible assets. The amortization period was ten years for the goodwill and four to seven years for the other intangible assets.

The $28.9 million expensed as in-process research and development represented 53.6% of the purchase price and was attributed and supported by a discounted probable cash flow analysis on a project-by-project basis. At the acquisition date, the technological feasibility of the acquired technology had not been established and the acquired technology had no future alternative uses.

Approximately 10% of the in-process research and development value was attributed to BioLIMS, a software system that manages data, initiates analysis programs, and captures the results in a centralized, relational database for sequencing instruments; 6% was attributed to GA SFDB, a client-side add-on product to several existing gene sequencing instruments; 38% was attributed to BioMERGE, a client-server management and integration system that organizes proprietary, public, and third-party results in a single relational database for the drug discovery and genomic research markets; 9% was attributed to BioCLINIC, a client-server management and integration system that organizes proprietary, public, and

third-party results generated from DNA and protein sequence analysis in a single database for the clinical trials phase of drug development; and 37% was attributed to SDK, an open architecture software platform from which all of Molecular Informatics' future software applications were expected to be derived.

As of the acquisition date, all of the major functionality for BioLIMS 2.0 had been completed and the product was subsequently released in September 1998. As of the acquisition date, BioLIMS 3.0 was in the design and scoping phase. As of the acquisition date, GA SFDB was in early alpha phase and had been completed concurrent with the development of BioLIMS 2.0 and was released in September 1998. As of the acquisition date, BioMerge 3.0 functional scope was defined and the requirements assessment had been completed and was subsequently released in November 1998. As of the acquisition date, the BioCLINIC product requirements had been specified and discussions had begun with two potential customers to begin the specific software modifications. Development efforts were terminated in April 1998 due to unsuccessful marketing efforts. As of the acquisition date, the SDK requirements assessment had been completed and the functional scope had been defined.

At the date of the acquisition, management expected to complete the majority of these projects and commence generating significant revenues in 1999. A total of $11.8 million of the purchase price was attributed to core technology and existing products, primarily related to the BioMERGE product. The risk-adjusted discount rate applied to the project's cash flows was 20% for existing technology and 23% for in-process technology. The risk premium of 3% for in-process technologies was determined by management based upon the associated risks of rolling out these in-process technologies versus the existing technologies for the emerging bioinformatics software industry. The significant

risks associated with these products include the limited operating history of Molecular Informatics, uncertainties surrounding market acceptance of such in-process products, competitive threats from other bioinformatics companies, and other risks. Management is primarily responsible for estimating the fair value of such existing and in-process technology.

During the fourth quarter of fiscal 1999, the PE Biosystems group incurred a $14.5 million charge to cost of sales for the impairment of intangible assets associated with the Molecular Informatics business. This impairment resulted primarily from a decline in management's assessment of future cash flows from this business which included the discontinuance of certain product lines in the fourth quarter. The charge to cost of sales included $5.6 million for the write-down of goodwill and $8.9 million for the write-down of other intangible assets. The remaining goodwill of $1.9 million and other intangible assets of $1.9 million are being amortized over 4 years.

Biometric Imaging, Inc.

The Company acquired a minority equity interest in Biometric Imaging, Inc. for $4.0 million during fiscal 1998. The collaboration was for the development and manufacturing of a high-throughput screening system for use by pharmaceutical research companies to accelerate the drug discovery process. The Company received exclusive worldwide marketing rights for products developed for that market.

During the third quarter of fiscal 1999, the PE Biosystems group recorded a before-tax gain of $2.6 million on the sale of the Company's entire equity interest in Biometric Imaging.

Other Acquisitions

During the fourth quarter of fiscal 1998, the Company made a minority equity investment of $2.5 million in ACLARA BioSciences, Inc. The companies are collaborating on the development of advanced genetic analysis systems.

The Company entered into a strategic partnership with Hyseq, Inc., acquiring a minority equity interest for a cash investment of $5.0 million, during the fourth quarter of fiscal 1997. Hyseq, Inc. applies proprietary DNA array technology to develop gene-based therapeutic product candidates and diagnostic products and tests. In the first quarter of fiscal 1998, the Company increased its investment by $5.0 million.

The net assets and results of operations for the above acquisitions accounted for under the purchase method have been included in the combined financial statements of the PE Biosystems group since the date of each acquisition. The pro forma effect of these acquisitions, individually or in the aggregate, on the PE Biosystems group's combined financial statements was not significant.

Other Dispositions of Minority Equity Investments
Millennium Pharmaceuticals, Inc.

During fiscal 1999 and 1998, the PE Biosystems group recorded before-tax gains of $1.9 million and $1.6 million, respectively, in connection with the release of previously existing contingencies on shares of Millennium Pharmaceuticals, Inc. ("Millennium") common stock. During fiscal 1997, the Company recognized a before-tax gain of $ 27.5 million associated with the sale of approximately 50% of its investment in Millennium and the release of previously existing contingencies. The gain included $25.9 million from the Company's exchange of a 34% equity interest in ChemGenics Pharmaceuticals, Inc. for an approximate 6% equity interest in Millennium.

Etec Systems, Inc.

During fiscal 1997, the PE Biosystems group recognized a before-tax gain of $34.7 million from the sale of the Company's entire equity interest in Etec Systems, Inc. Net cash proceeds from the sale were $45.8 million.

Note 3--Debt and Lines of Credit

Allocated Debt Activity

All historical debt activity of the Company was allocated to the PE Biosystems group. Loans payable and long-term debt at June 30, 1999 and 1998 are summarized below:

(Dollar amounts in millions)	1999	1998
Loans Payable		
Short-term loans	$ 3.9	$12.1
Long-Term Debt		
Yen loan	$31.5	$27.0
Other		6.7
Total long-term debt	$31.5	$33.7

The weighted average interest rates at June 30, 1999 and 1998 for loans payable were 4.5% and 1.8%, respectively.

On March 23, 1998, the Company redeemed PerSeptive's 8-1/4% convertible subordinated notes (see Note 2).

The Company maintains a Yen 3.8 billion variable rate long-term loan which matures in March 2002. Through an interest rate swap agreement (see Note 12), the effective interest rate for the loan is fixed at 2.1%.

The Company maintains a $100 million revolving credit agreement that matures on June 1, 2000. Commitment and facility fees are based on leverage and interest coverage ratios. Interest rates on amounts borrowed vary depending on whether borrowings are undertaken in the domestic or Eurodollar markets. There were no borrowings under the facility at June 30, 1999 or 1998.

At June 30, 1999, in addition to the $100 million revolving credit agreement, the Company had $239 million of unused credit facilities for short-term borrowings from domestic and foreign banks in various currencies. These credit facilities consisted of uncommitted overdraft credit lines that are provided at the discretion of local banks. A PE Corporation guarantee is usually required if the local unit borrows any funds.

Under various debt and credit agreements, the Company is required to maintain certain minimum net worth and interest coverage ratios.

There are no maturities of long-term debt scheduled for fiscal 2000, 2001, 2003, or 2004. The Yen 3.8 billion loan matures in fiscal 2002.

Note Payable to the Celera Genomics Group

At September 30, 1998, the Company allocated to the Celera Genomics group a $330 million short-term note payable of the PE Biosystems group. The $330 million note represented an allocation of the Company's capital to the Celera Genomics group and did not result in the PE Biosystems group holding an equity interest in the Celera Genomics group. Accordingly, no interest was ascribed to the note. The allocation of capital represented management's decision to allocate a portion of the Company's capital to the Celera Genomics group and the remaining capital to the PE Biosystems group prior to the effective date of the recapitalization. The group financial statements do not include any intergroup equity interests. The note payable was liquidated on May 28, 1999 in exchange for a portion of the proceeds received from the sale of the Analytical Instruments business and a new note payable to the Celera Genomics group for $150 million was established. The new note payable is for a term of one-year, bears interest at a rate of 5% per annum, and is payable on demand without penalty. At June 30, 1999, the outstanding balance of the note payable was $150 million.

Note 4--Income Taxes

Income before income taxes from continuing operations for fiscal 1999, 1998, and 1997 is summarized below:

(Dollar amounts in millions)	1999	1998	1997
United States	$ 36.5	$(25.2)	$130.4
Foreign	155.9	84.4	39.6

Total	$192.4	$ 59.2	$170.0

The provision for income taxes from continuing operations included the PE Biosystems group's allocated portion of income taxes currently payable and those deferred because of differences between the financial statement and tax bases of assets and liabilities. The PE Biosystems group's provision for income taxes from continuing operations consisted of the following:

(Dollar amounts in millions)	1999	1998	1997
Currently Payable			
Domestic	$ 6.2	$ 8.3	$ 59.1
Foreign	23.5	17.7	18.7
Total currently payable	29.7	26.0	77.8
Deferred			
Domestic	(2.5)	6.1	(45.8)
Foreign	3.5	(2.6)	5.3
Total deferred	1.0	3.5	(40.5)
Total provision for income taxes from continuing operations	$30.7	$29.5	$ 37.3

Significant components of deferred tax assets and liabilities from continuing operations at June 30, 1999 and 1998 are summarized below:

(Dollar amounts in millions)	1999	1998
Deferred Tax Assets		
Inventories	$ 2.3	$ 4.0
Postretirement and postemployment benefits	32.2	35.0
Other reserves and accruals	8.8	44.3
Tax credit and loss carryforwards	68.8	32.2
Subtotal	112.1	115.5
Valuation allowance	(37.5)	(62.8)
Total deferred tax assets	74.6	52.7
Deferred Tax Liabilities		
Depreciation	3.1	
Other reserves and accruals	12.3	6.9
Total deferred tax liabilities	15.4	6.9
Total deferred tax assets, net	$ 59.2	$ 45.8

A reconciliation of the federal statutory tax to the PE Biosystems group's continuing tax provision for fiscal 1999, 1998, and 1997 is set forth in the following table:

(Dollar amounts in millions)	1999	1998	1997
Federal statutory rate	35%	35%	35%
Tax at federal statutory rate	$ 67.3	$20.7	$ 59.5
State income taxes (net of federal			

benefit)	.4	.1	.1
Effect on income from foreign operations	(21.4)	1.2	41.1
Effect on income from foreign sales corporation	(4.8)	(2.5)	(1.6)
Acquired research and development		10.1	
Restructuring and other merger costs		5.2	
Domestic temporary differences for which benefit is recognized	(17.4)	(4.8)	(56.6)
Utilization of net operating losses			(7.7)
Effect of goodwill write-off	2.1	.4	.6
Recapitalization costs	1.6		
Other	2.9	(.9)	1.9
Total provision for income taxes from continuing operations	$ 30.7	$29.5	$ 37.3

</TABLE>

The category "domestic temporary differences for which benefit is recognized" reported in the table above reflects the current year benefit attributable to a reduction in the valuation allowance. The benefit is primarily due to releases of the valuation allowance in 1999 and 1997 in the amounts of $17.4 million and $50.0 million, respectively. The remainder of the benefit resulted from the utilization of domestic tax credit carryforwards and the recognition of various other deferred tax assets that were previously subject to a valuation allowance. During the fourth quarter of 1999 the Company reduced its domestic deferred tax valuation allowance, resulting in the recognition of a $17.4 million deferred tax benefit. The valuation allowance was reduced because management believes, now that the sale of the Analytical Instrument business has been completed, that it is more likely than not that the deferred tax assets to which the valuation allowance related will be realized.

At June 30, 1999, the Company's worldwide valuation allowance of $37.5 million related to foreign tax loss carryforwards, as well as the domestic tax loss carryforwards, temporary differences and tax credit carryforwards recorded as a result of the stock acquisition of PerSeptive in January 1998.

The Company's subsidiary, PerSeptive, has domestic loss carryforwards of approximately $68 million that will expire between the years 2003 and 2012 which have been allocated to the PE Biosystems group. The amount of these net operating loss carryforwards that can be utilized annually to offset future taxable income or tax liability has been limited under the Internal Revenue Code as a result of the acquisition. The PE Biosystems group also has been allocated a consolidated domestic loss carryforward of $34 million which will expire in 2019 and loss carryforwards of approximately $28 million in various foreign countries with varying expiration dates.

U.S. income taxes have not been provided on approximately $302 million of net unremitted earnings from foreign subsidiaries since the Company intends to permanently reinvest substantially all of such earnings in the operations of the subsidiaries. These earnings include income from manufacturing operations in Singapore, which is tax exempt through the year 2004. In those instances where the Company expects to remit earnings, the effect on the PE Biosystems group's results of operations, after considering available tax credits and amounts previously accrued, was not significant.

The Company and its subsidiaries are subject to tax examinations in various U.S. and foreign jurisdictions. During the current year, the Company filed a petition in the U.S. Tax Court which contested a deficiency asserted by the IRS for 1992. The Company will vigorously contest the proposed adjustments. The Company believes that adequate tax payments have been made and adequate accruals have been recorded for all years.

Note 5--Retirement and Other Benefits

Pension Plans, Retiree Health Care, and Life Insurance Benefits

The Company maintains or sponsors pension plans that cover a substantial portion of all worldwide employees. Pension benefits earned are generally based on years of service and compensation during active employment. However, the level of benefits and terms of vesting may vary among plans. Pension plan assets are administered by trustees and are principally invested in equity and fixed income securities. The funding of pension plans is determined in accordance with statutory funding requirements.

The Company's domestic pension plans cover a substantial portion of the U.S. employees. During fiscal 1999, the plan was amended to terminate the accrual of benefits under the plan as of June 30, 2004 and to improve the benefit for

participants who retire between the ages of 55 and 60. The pension plan is not available to employees hired on or after July 1, 1999.

The postretirement plan provides certain health care and life insurance benefits to domestic employees hired prior to January 1, 1993, who retire and satisfy certain service and age requirements. Generally, medical coverage pays a stated percentage of most medical expenses, reduced for any deductible and for payments made by Medicare or other group coverage. The cost of providing these benefits is shared with retirees. The plan is unfunded.

As the pension and postretirement activity attributable to the Celera Genomics group was not material for the three years ended June 30, 1999, all pension and postretirement amounts recognized in the Company's Consolidated Statements of Financial Position were allocated to the PE Biosystems group.

The components of net pension and postretirement expenses for fiscal 1999, 1998, and 1997 are set forth in the following table:

(Dollar amounts in millions)	1999	1998	1997
Pension			
Service cost	$ 5.2	$ 4.8	$ 3.5
Interest cost	38.7	36.4	32.0
Expected return on plan assets	(38.6)	(35.6)	(30.5)
Amortization of transition asset	(1.9)	(1.9)	(1.2)
Amortization of prior service cost	(.4)		
Amortization of losses	.5	.5	.8
Curtailments and settlements	.1		
Net periodic expense	$ 3.6	$ 4.2	$ 4.6
Postretirement			
Service cost	$ .2	$ .1	$ .1
Interest cost	4.8	4.7	4.8
Amortization of gains	(1.5)	(1.2)	(1.1)
Net periodic expense	$ 3.5	$ 3.6	$ 3.8

The following tables set forth the changes in the benefit obligations and the plan assets and the funded status of the plans of continuing operations and the amounts recognized in the PE Biosystems group's Combined Statements of Financial Position at June 30, 1999 and 1998:

	Pension		Postretirement	
(Dollar amounts in millions)	1999	1998	1999	1998
Change in Benefit Obligation				
Benefit obligation, beginning of year	$560.5	$488.9	$72.4	$71.3
Service cost	5.2	4.8	.2	.1
Interest cost	38.7	36.4	4.8	4.7
Participant contributions	.1	.1		
Benefits paid	(30.8)	(27.6)	(5.3)	(6.7)
Actuarial loss (gain)	17.7	21.6	(3.3)	1.5
Variable annuity unit value change	2.8	26.6		
Amendments	(2.0)	.4		
Currency translation	(.1)	(.1)		
Other	2.0	9.4	(6.3)	1.5
Benefit obligation	$594.1	$560.5	$62.5	$72.4

Change in Plan Assets

Fair value of plan assets, beginning of year	$561.8	$476.1	$ -	$ -
Actual return on plan assets	56.8	96.7		
Participant contributions	.1	.1		
Company contribution	11.4	15.6	5.3	6.7
Benefits paid	(29.5)	(26.6)	(5.3)	(6.7)
Currency translation		(.1)		
Fair value of plan assets	$600.6	$561.8	$ -	$ -

<CAPTION>

	Pension		Postretirement	
(Dollar amounts in millions)	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Funded Status Reconciliation				
Funded status	$ 6.5	$ 1.3	$(62.5)	$ (72.4)
Unrecognized prior service gain	(2.5)	(2.1)		
Unrecognized transition asset	(2.2)	(4.4)		
Unrecognized losses (gains)	37.7	37.2	(23.2)	(21.5)
Net amount recognized	$ 39.5	$ 32.0	$(85.7)	$ (93.9)
Amounts Recognized in the Statement of Financial Position				
Prepaid benefit cost	$ 48.3	$ 38.4	$ -	$ -
Accrued benefit liability	(11.6)	(10.5)	(85.7)	
Intangible asset	.7	3.7		
Minimum pension liability adjustment	2.1	.4		
Net amount recognized	$ 39.5	$ 32.0	$(85.7)	$ (93.9)

</TABLE>

Other changes in benefit obligation represents changes in benefit obligation related to the Analytical Instruments business for periods prior to the sale.

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The projected benefit obligation and accumulated benefit obligation for the pension plans with accumulated benefit obligations in excess of plan assets were $12.1 million and $11.6 million, respectively, at June 30, 1999, and $12.2 million and $9.5 million, respectively, at June 30, 1998.

The following actuarial assumptions were used for the pension and postretirement plans:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Domestic Plans		
Discount rate	7-1/2%	8%
Compensation increase	5%	4%
Expected rate of return	7-1/2 - 9-1/4%	8-1/2 - 9-1/4%
Foreign Plans		
Discount rate	5 - 5-3/4%	5-1/2%
Compensation increase	4%	4-1/4%
Expected rate of return	6-1/2 - 9%	6-1/2%

</TABLE>

For measurement purposes, an 8.2% annual rate of increase in the per capita cost of covered health care benefits was assumed for plan year 2000, gradually reducing to 5.5% in 2003 and thereafter. A one-percentage point change in assumed health care cost trend rates would have the following effects:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	One-Percentage Point Increase	One-Percentage Point Decrease
<S>	<C>	<C>
Effect on the total of service and interest cost components	$ .3	$ (.3)

Effect on postretirement benefit obligation	$5.0	$(5.0)

</TABLE>

Savings Plan

The Company provides a 401(k) savings plan, for most domestic employees, with automatic Company contributions of 2% of eligible compensation and a dollar-for-dollar matching contribution of up to 4% of eligible compensation. Employees who are not eligible for the employee pension plan will receive an extra 2% contribution in addition to the automatic 2% company contribution to their employee savings plan accounts through June 30, 2004, while pension plan participants will continue to receive the automatic 2% contribution. Company contributions to this plan for continuing operations were $8.0 million, $5.7 million, and $4.6 million for fiscal 1999, 1998, and 1997, respectively, and were allocated to the PE Biosystems group.

Postemployment Benefits

The Company provides certain postemployment benefits to eligible employees. These benefits generally include severance, disability, and medical-related costs paid after employment but before retirement.

Note 6--Segment, Geographic, and Customer Information

Business Segments

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The statement established annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products and services, geographic areas, and major customers. The adoption of the statement did not affect the results of operations or financial position of the PE Biosystems group.

The PE Biosystems group operates in one business segment, which is engaged in the development, manufacture, sale and service of instrument systems and associated consumable products for life science research and related applications.

Geographic Areas

Information concerning principal geographical areas follows:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Net Revenues From External Customers			
United States	$ 596.5	$452.9	$349.1
Europe	370.1	291.9	239.9
Japan	154.8	129.5	118.8
Other Far East countries	56.1	42.0	40.9
Latin America and other	26.9	23.8	18.8
Combined	$1,204.4	$940.1	$767.5

</TABLE>

Net revenues are attributable to geographic areas based on the region of destination.

<TABLE>
<CAPTION>

	At June 30,	
(Dollar amounts in millions)	1999	1998
<S>	<C>	<C>
Long-Lived Assets		

United States	$172.6	$148.3
Europe	15.1	18.2
Japan	14.1	12.7
Other Far East countries	.7	.5
Latin America and other	.3	1.2
Combined	$202.8	$180.9

</TABLE>

Long-lived assets exclude goodwill and other intangible assets.

Customer Information

The PE Biosystems group has a large and diverse customer base. No single customer accounted for more than 10% of total net revenues during fiscal 1999, 1998, and 1997.

Note 7--Group Equity

PE Biosystems group stock represents a separate class of the Company's common stock. Additional shares of PE Biosystems stock may be issued from time to time upon exercise of stock options or at the discretion of the Company's Board of Directors.

Treasury Stock

Common stock purchases have been made in support of the PE Biosystem group's various stock plans. During fiscal 1999, 20,000 shares of PE Biosystems group stock were purchased to support various stock plans.

Stock Purchase Warrants

As a result of the Merger with PerSeptive, each outstanding warrant for shares of PerSeptive common stock was converted into warrants for the number of shares of the Company's common stock that would have been received by the holder if such warrants had been exercised immediately prior to the effective time of the Merger.

As a result of the recapitalization, each outstanding warrant for shares of PerSeptive common stock was further converted into warrants to acquire .3852 share of PE Biosystems stock and .0963 share of Celera Genomics stock. The warrants are not separately exercisable into solely PE Biosystems stock or Celera Genomics stock. The exercise price and expiration date of each warrant were not affected by the recapitalization.

At June 30, 1999, there were warrants outstanding to purchase 107,598 shares of PE Biosystems stock and 26,900 shares of Celera Genomics stock at an exercise price of $32.87. The warrants expire in September, 2003.

Stockholders' Protection Rights Plan

In connection with the recapitalization, the Company adopted a new Stockholder Rights Plan (the "Rights Agreement") to protect stockholders against abusive takeover tactics. Under the Rights Agreement, the Company will issue one right for each share of PE Biosystems stock (a "PE Biosystems Right"), which will allow

holders to purchase one-thousandth of a share of a newly designated Series A participating junior preferred stock of the Company at a purchase price of $425, subject to adjustment (the "Series A Purchase Price"), and one right for each share of Celera Genomics stock (a "Celera Genomics Right"), which will allow holders to purchase one-thousandth of a share of a newly designated Series B participating junior preferred stock of the Company at a purchase price of $125, subject to adjustment (the "Series B Purchase Price").

A PE Biosystems Right or Celera Genomics Right will be exercisable only if a person or group ("Acquiring Person"): (a) acquires 15% or more of the shares of PE Biosystems stock then outstanding or 15% or more of the shares of Celera Genomics stock then outstanding or (b) commences a tender offer that would result in such person or group owning such number of shares.

If any person or group becomes an Acquiring Person, each PE Biosystems Right and each Celera Genomics Right will entitle its holder to purchase, for the Series A Purchase Price or the Series B Purchase Price, a number of shares of the related class of common stock of the Company having a market value equal to twice such purchase price.

If following the time a person or group becomes an Acquiring Person, the Company is acquired in a merger or other business combination transaction and the Company is not the surviving corporation; any person consolidates or merges with the Company and all or part of the common stock is converted or exchanged for securities, cash or property of any other person; or 50% or more of the Company's assets or earnings power is sold or transferred, each PE Biosystems Right and each Celera Genomics Right will entitle its holder to purchase, for the Series A Purchase Price or Series B Purchase Price, a number of shares of common stock of the surviving entity in any such merger, consolidation or business combination or the purchaser in any such sale or transfer having a market value equal to twice the Series A Purchase Price or Series B Purchase Price.

The rights are redeemable at the Company's option at one cent per right to a person or group becoming an Acquiring Person.

Capital Stock

The Company's authorized capital stock consists of 500 million shares of PE Corporation-PE Biosystems group common stock, 225 million shares of PE Corporation-Celera Genomics group common stock and 10 million shares of PE Corporation preferred stock. Of the 10 million shares of preferred stock at June 30, 1999, the Company had designated 80,000 shares of two series of participating junior preferred stock in connection with the Company's stockholders' protection rights plan as previously described.

Note 8--Stock Plans

Stock Option Plans

Under the Company's stock option plans, officers and other key employees may be, and directors are, granted options, each of which allows for the purchase of existing common stock at a price of not less than 100% of fair market value at the date of grant. Prior to the recapitalization, most option grants had a two-year vesting schedule, whereby 50% of the option grant vested at the end of each year from the date of grant. The Board of Directors has extended that schedule for most options granted subsequent to the recapitalization whereby 25% will vest annually, resulting in 100% vesting after four years. Options generally expire ten years from the date of grant.

Transactions relating to the stock option plans of the Company are summarized below:

<TABLE>
<CAPTION>

	PE Corporation	
	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>
Fiscal 1997		
Outstanding at June 30, 1996	3,822,535	$34.05
Granted	1,595,528	$59.78
Exercised	1,167,179	$29.73
Cancelled	95,281	$43.17
Outstanding at June 30, 1997	4,155,603	$45.03
Exercisable at June 30, 1997	2,254,052	$35.24
Fiscal 1998		
Granted	1,997,041	$70.41
Exercised	780,994	$34.76
Cancelled	154,686	$71.42
Outstanding at June 30, 1998	5,216,964	$55.51
Exercisable at June 30, 1998	2,936,389	$43.12
Fiscal 1999		
Granted	37,000	$86.61
Exercised	1,549,364	$45.74
Cancelled	108,914	$67.92

Outstanding at May 5, 1999	3,595,686	$60.23
Exercisable at May 5, 1999	2,639,696	$55.43

<CAPTION>

	PE Biosystems Group	
	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>
Fiscal 1999		
Outstanding at May 6, 1999	7,191,372	$27.33
Granted	2,948,046	$54.69
Exercised	687,316	$26.50
Cancelled	240,479	$32.76
Outstanding at June 30, 1999	9,211,623	$35.98
Exercisable at June 30, 1999	4,349,453	$24.68

</TABLE>

As a result of the recapitalization, each outstanding stock option under the Company's stock option plans was converted into separately exercisable options to acquire one share of PE Biosystems stock and 0.5 of a share of Celera Genomics stock. The exercise price for the resulting PE Biosystems stock options and Celera Genomics stock options was calculated by multiplying the exercise price under the original option from which they were converted by a fraction, the numerator of which was the opening price of PE Biosystems stock or Celera Genomics stock, as the case may be, on May 6, 1999 (the first date such stocks were traded on the New York Stock Exchange) and the denominator of which was the sum of such PE Biosystems stock and Celera Genomics stock prices. However, the aggregate intrinsic value of the options was not increased, and the ratio of the exercise price per option to the market value per share was not reduced. In addition, the vesting provisions and option periods of the original grants remained the same on conversion.

The following table summarizes information regarding options outstanding and exercisable for the PE Biosystems group at June 30, 1999:

<TABLE>
<CAPTION>

		Weighted Average	
(Option Prices per Share)	Number of Options	Contractual Life Remaining in Years	Exercise Price
<S>	<C>	<C>	<C>
Options Outstanding			
At $.93 - $14.84	982,816	4.1	$11.25
At $14.85 - $29.68	1,355,230	5.8	$21.21
At $29.69 - $51.94	3,907,247	7.8	$33.08
At $51.95 - $74.21	2,966,330	9.8	$54.74
Options Exercisable			
At $.93 - $14.84	927,537	4.1	$11.70
At $14.85 - $29.68	1,315,103	5.8	$21.01
At $29.69 - $51.94	2,087,553	7.8	$32.40
At $51.95 - $74.21	19,260	9.8	$62.90

</TABLE>

1999 Stock Incentive Plans

The PE Corporation/PE Biosystems Group 1999 Stock Incentive Plan (the "PE Biosystems Group Plan") and the PE Corporation/Celera Genomics Group 1999 Stock Incentive Plan (the "Celera Genomics Group Plan") were approved in April, 1999. The PE Biosystems Group Plan authorizes grants of stock options, stock awards and performance shares with respect to PE Biosystems stock. The Celera Genomics Group Plan authorizes grants of stock options, stock awards and performance shares with respect to Celera Genomics stock. Directors and certain officers and key employees with responsibilities involving both the PE Biosystems group and

the Celera Genomics group may be granted awards under both incentive plans in a manner which reflects their responsibilities. The Board of Directors believes that granting participants awards tied to performance of the group in which the participants work and, in certain cases the other group, is in the best interest of the Company and its stockholders.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan offers domestic and certain foreign employees the right to purchase shares of PE Biosystems stock and/or Celera Genomics stock on a quarterly basis. The purchase price in the United States is equal to the lower of 85% of the average market price of the applicable class of common stock on the offering date or 85% of the average market price of such class of common stock on the last day of the purchase period. Provisions of the plan for employees in foreign countries vary according to local practice and regulations.

Common stock issued under the Employee Stock Purchase Plan during fiscal 1999, 1998, and 1997 totaled 168,000 shares, 174,000 shares, and 111,000 shares, respectively, of PE Corporation (predecessor) common stock. Additionally, 49,000 shares of PE Biosystems stock and 12,000 shares of Celera Genomics stock were issued during fiscal 1999.

Director Stock Purchase and Deferred Compensation Plan

The Company has a Director Stock Purchase and Deferred Compensation Plan that requires non-employee directors of the Company to apply at least 50% of their annual retainer to the purchase of common stock. Purchases of PE Biosystems stock and Celera Genomics stock are made in a ratio approximately equal to the number of shares of PE Biosystems stock and Celera Genomics stock outstanding. The purchase price is the fair market value on the date of purchase. At June 30, 1999, the Company had approximately 85,000 shares of PE Biosystems stock and approximately 43,000 shares of Celera Genomics stock available for issuance.

Restricted Stock

As part of the Company's stock incentive plans, key employees may be, and non-employee directors are, granted shares of restricted stock that will vest when certain continuous employment/service restrictions and/or specified performance goals are achieved. The fair value of shares granted is generally expensed over the restricted periods, which may vary depending on the estimated achievement of performance goals.

As a result of the recapitalization, each share of restricted stock held was redesignated as one share of PE Biosystems stock and 0.5 of a share of Celera Genomics stock. Restricted stock granted prior to the recapitalization to key employees and non-employee directors during fiscal 1999, 1998, and 1997 totaled 42,900 shares, 4,350 shares, and 42,000 shares, respectively, of PE Corporation (predecessor) common stock. Compensation expense of continuing operations recognized by the PE Biosystems group for these awards was $2.3 million, $1.8 million, and $9.1 million for fiscal 1999, 1998, and 1997, respectively.

Performance Unit Bonus Plan

The Company has a Performance Unit Bonus Plan whereby employees may be awarded performance units in conjunction with an equal number of stock options. A performance unit represents the right to receive a cash or stock payment from the Company at

a specified date in the future. The amount of the payment is equal to the fair market value of a share of common stock on the date of the grant. The performance units vest upon shares of the Company's common stock attaining and maintaining specified common stock price levels for a specified period, and are payable on or after a specified future date subject to continued employment through the date of payment. As of June 30, 1999, two series of performance units totaling 498,399 units had been granted under the plan. Compensation expense of continuing operations, pertaining to the first of the series, for the PE Biosystems group was $4.4 million and $5.1 million for fiscal 1999 and 1998, respectively.

At June 30, 1999, all stock price targets applicable to the first series of performance units, totaling 294,499 units, net of cancellations, granted to

members of senior management under the Plan had been attained and the Company became obligated to make payments under the Plan. In recognition of the efforts of the participants in reaching these performance targets and the change in the underlying securities of the Company as a result of the recapitalization of the Company, the Board of Directors decided to accelerate these payments to fiscal year 2000. The related stock options were not accelerated. Compensation expense of continuing operations recognized by the PE Biosystems group as a result of the acceleration of these payments totaled $9.1 million for fiscal 1999.

Accounting for Stock-Based Compensation

Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," is applied in accounting for stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock option and employee stock purchase plans, as all options have been issued at fair market value.

Pro forma net income and earnings per share information, as required by SFAS No. 123, "Accounting for Stock-Based Compensation," have been determined for employee stock plans under the statement's fair value method. The fair value of the options was estimated at grant date using a Black-Scholes option pricing model with the following weighted average assumptions:

For the year ended June 30,	1999
Dividend yield	.63%
Volatility	34.40%
Risk-free interest rates	5.25%
Expected option life in years	5.23

For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period. Pro forma information for the year ended June 30, 1999 is presented below:

(Dollar amounts in millions except per share amounts)	1999
Income from continuing operations	
As reported	$148.4
Pro forma	$127.9
Basic earnings from continuing operations per share	
As reported	$ 1.48
Pro forma	$ 1.27
Diluted earnings from continuing operations per share	
As reported	$ 1.44
Pro forma	$ 1.24

For the fiscal years ended June 30, 1998 and 1997, income from continuing operations was $24.0 million and $132.7 million, respectively. Pro forma information for fiscal 1998 and 1997 is omitted since PE Biosystems stock was not part of the capital structure of the Company.

The weighted average fair value of PE Corporation options granted was $33.54, $24.83, and $20.17 per share for fiscal 1999, 1998, and 1997, respectively. The weighted average fair value of PE Biosystems options granted was $20.23 for fiscal 1999.

Since PE Biosystems stock and Celera Genomics stock were not part of the capital structure of the Company prior to May 6, 1999, there were no stock options outstanding prior to that date. Therefore, the pro forma effect of PE Biosystems stock options is not representative of what the effect will be in future years.

Note 9--Additional Information

The following table provides the major components of selected accounts of the Combined Statements of Financial Position:

<TABLE>
<CAPTION>
(Dollar amounts in millions)

At June 30,	1999	1998
<S>	<C>	<C>
Other Long-Term Assets		
Goodwill	$ 17.6	$ 69.8
Other	229.5	193.0
Total other long-term assets	$247.1	$262.8
Other Accrued Expenses		
Deferred service contract revenues	$ 39.7	$ 28.4
Restructuring liability	5.8	26.9
Other	111.1	65.9
Total other accrued expenses	$156.6	$121.2
Other Long-Term Liabilities		
Accrued postretirement benefits	$ 80.2	$ 87.4
Other	58.0	36.6
Total other long-term liabilities	$138.2	$124.0

</TABLE>

Note 10--Restructuring and Other Merger Costs

During fiscal 1998, the PE Biosystems group recorded a $48.1 million before-tax charge for restructuring and other merger costs to integrate PerSeptive into the PE Biosystems group following the acquisition. The objectives of the integration plan were to lower PerSeptive's cost structure by reducing excess manufacturing capacity, achieve broader worldwide distribution of PerSeptive's products, and combine sales, marketing, and administrative functions. The charge included: $33.9 million for restructuring the combined operations; $8.6 million for transaction costs; and $4.1 million of inventory-related write-offs, recorded in cost of sales, associated with the rationalization of certain product lines. Additional merger-related period costs of $6.1 million for fiscal 1999 and $1.5 million for fiscal 1998 were incurred for training, relocation, and communication in connection with the integration.

The $33.9 million restructuring charge included $13.8 million for severance-related costs and workforce reductions of approximately 170 employees, consisting of 114 employees in production labor and 56 employees in sales and administrative support. The remaining $20.1 million represented facility consolidation and asset-related write-offs and included: $11.7 million for contract and lease terminations and facility-related expenses in connection with the reduction of excess manufacturing capacity; $3.2 million for dealer termination payments, sales office consolidations, and consolidation of sales and administrative support functions; and $5.2 million for the write-off of certain tangible and intangible assets and the termination of certain contractual obligations. Transaction costs of $8.6 million included acquisition-related investment banking and professional fees.

During the fourth quarter of fiscal 1999, the PE Biosystems group completed the restructuring actions. The costs to implement the program were $9.2 million below the $48.1 million charge recorded for fiscal 1998. As a result, during the fourth quarter of fiscal 1999, the PE Biosystems group recorded a $9.2 million reduction of charges required to implement the fiscal 1998 plan.

The following table details the major components of the fiscal 1998 restructuring plan:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	Personnel	Facility Consolidation and Asset Related Write-Offs	Total
<S>	<C>	<C>	<C>
Provision			

Reduction of excess manufacturing capacity	$ 5.1	$11.7	$16.8
Consolidation of sales and administrative support	8.7	3.2	11.9
Other		5.2	5.2
Total provision	$13.8	$20.1	$33.9
Fiscal 1998 Activity			
Reduction of excess manufacturing capacity	$ -	$ .4	$ .4
Consolidation of sales and administrative support	.3	1.2	1.5
Other		5.1	5.1
Total fiscal 1998 activity	$ .3	$ 6.7	$ 7.0
Fiscal 1999 Activity			
Reduction of excess manufacturing capacity	$ .7	$ 6.9	$ 7.6
Adjustment to decrease liabilities originally accrued for excess manufacturing capacity	4.1	3.3	7.4
Consolidation of sales and administrative support	3.4	.9	4.3
Adjustment to decrease liabilities originally accrued for consolidation of sales and administrative support	1.8		1.8
Total fiscal 1999 activity	$10.0	$11.1	$21.1
Balance At June 30, 1999			
Reduction of excess manufacturing capacity	$ .3	$ 1.1	$ 1.4
Consolidation of sales and administrative support	3.2	1.1	4.3
Other		.1	.1
Balance at June 30, 1999	$ 3.5	$ 2.3	$ 5.8

Note 11--Commitments and Contingencies

Future minimum payments at June 30, 1999 under non-cancelable operating leases for real estate and equipment were as follows:

(Dollar amounts in millions)

2000	$ 19.0
2001	21.7
2002	18.3
2003	15.1
2004	12.8
2005 and thereafter	49.8
Total	$136.7

Rental expense was $34.6 million for fiscal 1999, $28.7 million for fiscal 1998, and $22.2 million for fiscal 1997.

In fiscal 1997, the Company entered into a fifteen-year non-cancelable lease for a facility in Foster City, California, effective July 1, 2000. Total lease payments over the fifteen-year period will be approximately $42 million.

As a result of the sale of the Analytical Instruments business, EG&G assumed the

responsibility for the Company's German employee pension obligations. In the event EG&G fails to fulfill such German obligations, the employees may have recourse against PE Corporation.

On March 13, 1998, the Company filed a patent infringement action against Amersham Pharmacia Biotech, Inc. ("Amersham") and Molecular Dynamics, Inc. in the United States District Court for the Northern District of California. The Company asserts that two of its patents (U.S. 5,207,886 and U.S. 4,811,218) are infringed by reason of Molecular Dynamics' and Amersham's sale of certain DNA analysis systems (e.g., the MegaBACE 1000 System). In response, the defendants have asserted various affirmative defenses and several counterclaims, including that the Company is infringing two patents (U.S. 5,091,652 and U.S. 5,459,325) owned by or licensed to Molecular Dynamics by selling the ABI PRISM 377 DNA Sequencing Systems.

On April 2, 1998, Amersham filed a patent infringement action against the Company in the United States District Court for the Northern District of California. The complaint alleges that the Company is directly, contributorily or by inducement infringing U.S. Patent No. 5,688,648 ("the '648 patent"), entitled "Probes Labeled with Energy Transfer Coupled Dyes." The complaint seeks declaratory judgment that the use of the PE BigDye(TM) Primer and BigDye(TM) Terminator kits would infringe the '648 patent, as well as injunctive and monetary relief. The Company answered the complaint, alleging that the '648 patent is invalid and that the Company has not infringed the '648 patent.

On May 21, 1998, Amersham filed a patent infringement action against the Company in the United States District Court for the Southern District of New York. The complaint alleges that the Company is infringing, contributing to the infringement and inducing the infringement of U.S. Patent No. 4,707,235 ("the '235 patent") entitled "Electrophoresis Method and Apparatus having Continuous Detection Means." The complaint seeks injunctive and monetary relief. The Company answered the complaint, alleging that the '235 patent is invalid and that the Company does not infringe the '235 patent.

The Company has been named as a defendant in several legal actions, including patent, commercial, and environmental, arising from the conduct of the PE Biosystems group's normal business activities. Although the amount of any liability that might arise with respect to any of these matters cannot be accurately predicted, the resulting liability, if any, will not in the opinion of management have a material adverse effect on the financial statements of the PE Biosystems group or the Company.

The holders of PE Biosystems stock are stockholders of the Company and will continue to be subject to all risks associated with an investment in the Company, including any legal proceedings and claims affecting the Celera Genomics group.

Note 12--Financial Instruments

Derivatives

The PE Biosystems group utilizes foreign exchange forward, option, and synthetic forward contracts and an interest rate swap agreement to manage foreign currency and interest rate exposures. The principal objective of these contracts is to minimize the risks and/or costs associated with global financial and operating activities. The PE Biosystems group does not use derivative financial instruments for trading or other speculative purposes, nor is the PE Biosystems group a party to leveraged derivatives.

Foreign Currency Risk Management

Foreign exchange forward, option, and synthetic forward contracts are used primarily to hedge reported and anticipated cash flows resulting from the sale of products in foreign locations. Option contracts outstanding at June 30, 1999 were purchased at a cost of $2.5 million. Under these contracts, the Company has the right, but not the obligation, to purchase or sell foreign currencies at fixed rates at various maturity dates. These contracts are utilized primarily when the amount and/or timing of the foreign currency exposures are not certain. Synthetic forward contracts outstanding at June 30, 1999 were purchased having no up-front cost. Under these contracts, the Company may participate in some favorable currency movements but is protected against adverse currency changes. These contracts are used as an alternative to options to reduce the cost of the Company's hedging program.

At June 30, 1999 and 1998, the Company had forward, option, and synthetic forward contracts outstanding for the sale and purchase of foreign currencies at fixed rates as summarized in the table below:

<TABLE>
<CAPTION>

	1999		1998	
(Dollar amounts in millions)	Sale	Purchase	Sale	Purchase
<S>	<C>	<C>	<C>	<C>
Japanese Yen	$104.2	$ 6.0	$ 99.4	$ -
French Francs	4.3		16.9	.2
Australian Dollars	12.0		7.5	
German Marks	25.4		17.2	
Italian Lira	10.4	2.6	21.4	.8
British Pounds	18.6	50.6	27.0	12.6
Swiss Francs	7.5	.7	8.2	4.0
Swedish Krona	8.9		6.1	
Danish Krona	8.1		5.3	
Singapore Dollars	9.3	3.3	.2	
Netherland Guilders		16.1		
Euro	28.2			
Other	17.1		21.3	.2
Total	$254.0	$79.3	$230.5	$17.8

</TABLE>

Foreign exchange contracts are accounted for as hedges of firm commitments and anticipated foreign currency transactions. With respect to firm commitments, unrealized gains and losses are deferred and included in the basis of the transaction underlying the commitment. Gains and losses on foreign currency transactions are recognized in income and offset the foreign exchange losses and gains, respectively, on the related transactions. The amount of the contracts covering anticipated transactions is marked to market and recognized in income.

Interest Rate Risk Management

The Company maintains an interest rate swap in conjunction with a five-year Japanese Yen debt obligation (see Note 3). The interest rate swap agreement involves the payment of a fixed rate of interest and the receipt of a floating rate of interest without the exchange of the underlying notional loan principal amount. Under the terms of this contract, the Company will make fixed interest payments of 2.1% while receiving interest at a LIBOR floating rate. No other cash payments will be made unless the contract is terminated prior to maturity, in which case the amount to be paid or received in settlement is established by agreement at the time of termination. The agreed upon amount usually represents the net present value at current interest rates of the remaining obligation to exchange payments under the terms of the contract.

Based on the level of interest rates prevailing at June 30, 1999, the fair value of the Company's floating rate debt approximated its carrying value. There would be a payment of $1.0 million to terminate the related interest rate swap contract, which would equal the unrealized loss. Unrealized gains or losses on debt or interest rate swap contracts are not recognized for financial reporting purposes unless the debt is retired or the contracts are terminated prior to maturity.

A change in interest rates would have no impact on the Company's reported interest expense and related cash payments because the floating rate debt and fixed rate swap contract have the same maturity and are based on the same interest rate index.

Concentration of Credit Risk

The forward contracts, options, synthetic forwards, and swaps used by the Company in managing its foreign currency and interest rate exposures contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, the Company minimizes such risk by limiting the counterparties to a diverse group of highly rated major domestic and international financial institutions with which the Company has other financial relationships. The Company is exposed to potential losses in the event of non-performance by these counterparties; however, the Company does not expect to record any losses as a result of counterparty default. The Company does not require and is not required to place collateral for these financial instruments.

Fair Value

The fair value of foreign currency forward, option and synthetic forward contracts, as well as interest rate swaps, is estimated based on quoted market prices of comparable contracts and reflects the amounts the Company would receive (or pay) to terminate the contracts at the reporting date. The following table presents notional amounts and fair values of the Company's derivatives at June 30, 1999 and 1998:

(Dollar amounts in millions)	1999 Notional Amount	1999 Fair Value	1998 Notional Amount	1998 Fair Value
Forward contracts	$187.9	$ 2.6	$123.9	$2.1
Purchased options	$ 44.0	$ 3.4	$ 76.7	$1.3
Synthetic forwards	$101.4	$ 2.9	$ 41.5	$1.7
Interest rate swap	$ 31.5	$(1.0)	$ 27.0	$(.9)

The fair value of other significant financial instruments held or owed by the Company is estimated using various methods. Cash and short-term investments approximate their carrying amount due to the duration of these instruments. Fair values of minority equity investments and notes receivable are estimated based on quoted market prices, if available, or quoted market prices of financial instruments with similar characteristics. The fair value of debt is based on the current rates offered to the Company for debt of similar remaining maturities. The following table presents the carrying amounts and fair values of the Company's other financial instruments at June 30, 1999 and 1998:

(Dollar amounts in millions)	1999 Carrying Amount	1999 Fair Value	1998 Carrying Amount	1998 Fair Value
Cash and short-term investments	$236.5	$236.5	$84.1	$84.1
Minority equity investments	$ 43.4	$ 43.4	$29.2	$29.2
Note receivable	$150.0	$150.0		
Short-term debt	$ 3.9	$ 3.9	$12.1	$12.1
Note payable to the Celera Genomics group	$150.0	$150.0		
Long-term debt	$ 31.5	$ 32.5	$33.7	$34.6

Net unrealized gains and losses on minority equity investments are reported as a separate component of comprehensive income (loss).

Note 13--Quarterly Financial Information
(Unaudited)

The following is a summary of quarterly financial results:

(Dollar amounts in millions except per share amounts)	First Quarter 1999	First Quarter 1998	Second Quarter 1999	Second Quarter 1998	Third Quarter 1999	Third Quarter 1998	Fourth Quarter 1999	Fourth Quarter 1998
Net revenues	$251.2	$194.1	$296.2	$215.3	$329.3	$247.5	$345.0	$283.2
Gross margin	139.0	100.4	163.8	120.7	177.9	131.3	178.1	156.0
Income (loss) from continuing operations	21.5	18.4	27.6	(6.1)	46.3	(16.9)	53.0	28.6

Income (loss) from discontinued operations	(0.9)	3.9	(3.2)	13.4	5.2	12.3	77.9	11.1
Net income (loss)	20.6	22.3	24.4	7.3	51.5	(4.6)	130.9	39.7

Dividends per share	$ .085
Income per share from continuing operations	
Basic	$ .52
Diluted	$ .50
Income per share from discontinued operations	
Basic	$ .76
Diluted	$ .74
Net income per share	
Basic	$ 1.28
Diluted	$ 1.24
Price range of common stock	
High	$ 60-5/8
Low	$ 50

</TABLE>

Fiscal 1999 price ranges are for the period from May 6, 1999 through June 30, 1999. On May 6, 1999, the Perkin-Elmer Corporation was merged into PE Corporation, a new Delaware corporation. The recapitalization of the company resulted in the issuance of two new classes of common stock called PE Corporation-PE Biosystems Group Common Stock and PE Corporation-Celera Genomics Group Common Stock.

On June 17, 1999, the Board of Directors announced a two-for-one split of PE Biosystems group common stock. The two-for-one stock split was effected in the form of a 100% stock dividend paid to stockholders of record as of the close of business on July 12, 1999. All PE Biosystems share and per share data reflect this split.

Events Impacting Comparability

Fiscal 1999 First, second, third, and fourth quarter results included before-tax costs of $.9 million, $1.1 million, $1.6 million, and $7.7 million, respectively, related to acquisitions. The fourth quarter charge included a cost of sales write-off of $14.5 million for the impairment of assets associated with Molecular Informatics (see Note 1), and a $9.2 million reduction of liabilities in connection with the PerSeptive acquisition (see Note 10). Second, third, and fourth quarter results included before-tax costs of $1.1 million, $1.6 million, and $12.1 million, respectively, in connection with the recapitalization and transformation of the Company. Third and fourth quarter results included before-tax gains of $2.6 million and $5.8 million, respectively, related to the Company's investments. The fourth quarter included a before-tax gain of $2.3 million on foreign exchange contracts. Second and fourth quarter results included certain tax benefits of $4.8 million and $17.4 million, respectively. The tax benefit recorded in the fourth quarter reflects a reduction in the tax valuation allowance (see Note 4). The aggregate after-tax effect of the above items reduced first and second quarter income from continuing operations by $.8 million and $2.0 million, respectively, and increased third and fourth quarter income from continuing operations by $4.1 million and $3.9 million, respectively. The aggregate net effect of the above items for the fourth quarter increased income from continuing operations by $.08 per diluted share.

Fiscal 1998 First and fourth quarter results included before-tax gains of $.8 million in each quarter relating to the release of contingencies on minority equity investments (see Note 2). Second quarter results included a $28.9 million before-tax charge for acquired research and development (see Note 2). Third and fourth quarter results included before-tax charges for restructuring and other merger costs of $47.0 million and $1.1 million, respectively (see Note 10).The third quarter also included one-time royalty revenues and capitalized certain legal expenses relating to the successful defense of certain patents. The net effect of these items increased third quarter income from continuing operations by approximately $4.2 million.

Note 14--Accumulated Other Comprehensive Income (Loss)

During fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." The provisions of this statement require disclosure of total comprehensive income. Total comprehensive income includes net income, foreign currency translation adjustments, unrealized gains and losses on available-for-sale investments, and minimum pension liability adjustments.

Accumulated other comprehensive income (loss) for fiscal 1999, 1998, and 1997 was as follows:

(Dollar amounts in millions)	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Investments	Minimum Pension Liability Adjustment
Balance at June 30, 1996	$ (.9)	$ 23.2	$ (29.4)
Activity	(4.2)	(20.1)	28.7
Balance at June 30, 1997	(5.1)	3.1	(.7)
Activity	(2.7)	(4.5)	.3
Balance at June 30, 1998	(7.8)	(1.4)	(.4)
Activity	(5.4)	11.9	(1.7)
Balance at June 30, 1999	$ (13.2)	$ 10.5	$ (2.1)

Note 15--Discontinued Operations

Effective May 28, 1999, the Company completed the sale of its Analytical Instruments business to EG&G, Inc. Analytical Instruments, formerly a unit of the Company's PE Biosystems group, develops, manufactures, markets, sells, and services analytical instruments used in a variety of markets. As part of the sale, the rights to the "Perkin-Elmer" name were transferred to EG&G.

The aggregate consideration received by the Company was $425 million, consisting of $275 million in cash and one-year secured promissory notes in the aggregate principal amount of $150 million which bear interest at a rate of 5% per annum. The Company recognized a net gain on disposal of discontinued operations of $100.2 million, net of $87.8 million of income taxes. The transaction is subject to post-closing adjustments pursuant to the terms of the agreement with EG&G.

Summary results prior to discontinuance were as follows:

(Dollar amounts in millions)	For the Eleven Months Ended May 28, 1999	For the Years Ended June 30, 1998	1997
Net revenues	$479.4	$586.8	$604.9
Restructuring charges			13.0
Total costs and expenses	509.7	532.6	570.2
(Benefit) provision for income taxes	(9.2)	13.5	6.8
(Loss) income from discontinued operations	$(21.1)	$ 40.7	$ 27.9

There were no remaining assets and liabilities within discontinued operations at June 30, 1999. The components of net assets of discontinued operations included in the Combined Statements of Financial Position at June 30, 1998 were as follows:

(Dollar amounts in millions)	1998
Current Assets	
Accounts receivable, net	$145.9
Inventories	103.0
Prepaid expenses and other current assets	35.2

Current Liabilities	
Accounts payable	45.7
Accrued expenses	98.4
Current net assets	140.0
Long-term Assets	
Property, plant and equipment, net	73.3
Other long-term assets	37.7
Long-term Liabilities	
Other long-term liabilities	55.1
Long-term net assets	55.9
Net assets of discontinued operations	$195.9

Income Taxes

(Loss) income before income taxes of discontinued operations for the eleven months ended May 28, 1999, and fiscal 1998 and 1997 is summarized below:

(Dollar amounts in millions)	1999	1998	1997
United States	$(36.2)	$34.1	$22.7
Foreign	5.9	20.1	12.0
Total	$(30.3)	$54.2	$34.7

The components of the (benefit) provision for income taxes of discontinued operations for the eleven months ended May 28, 1999, and fiscal 1998 and 1997, consisted of the following:

(Dollar amounts in millions)	1999	1998	1997
Currently payable			
Domestic	$(13.7)	$(3.7)	$(1.0)
Foreign	4.5	7.8	5.1
Total currently payable	(9.2)	4.1	4.1
Deferred			
Domestic		4.9	4.8
Foreign		4.5	(2.1)
Total deferred		9.4	2.7
(Benefit) provision for income taxes from discontinued operations	$ (9.2)	$13.5	$ 6.8

For the eleven months ended May 28, 1999, and fiscal 1998 and 1997, the effective tax rates for discontinued operations were 30%, 25%, and 20%, respectively. The difference between the effective tax rate and the statutory tax rate of 35% was mainly attributed to benefits from the use of U.S. alternative minimum tax credit carryforwards, the benefits from the use of a foreign sales corporation and federal research tax credits, and restructuring charges.

PE Biosystems Group
Report of Management

To the Stockholders of
PE Corporation

Management is responsible for the accompanying combined financial statements, which have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, it is necessary for management to make informed judgments and estimates which it believes are in accordance with generally accepted accounting principles appropriate in the circumstances. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In meeting its responsibility for preparing reliable financial statements, the Company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with corporate policy and management authorization. The Company believes its accounting controls provide reasonable assurance that errors or irregularities which could be material to the financial statements are prevented or would be detected within a timely period. In designing such control procedures, management recognizes judgements are required to assess and balance the costs and expected benefits of a system of internal accounting controls. Adherence to these polices and procedures is reviewed through a coordinated audit effort of the Company's internal audit staff and independent accountants.

The Audit Committee of the Board of Directors is comprised solely of outside directors and is responsible for overseeing and monitoring the quality of the Company's accounting and auditing practices. The independent accountants and internal auditors have full and free access to the Audit Committee and meet periodically with the committee to discuss accounting, auditing, and financial reporting matters.

/s/ Dennis L. Winger

Dennis L. Winger
Senior Vice President and
Chief Financial Officer

/s/ Tony L. White

Tony L. White
Chairman, President, and
Chief Executive Officer

Report of Independent Accountants

To the Stockholders and Board of Directors of
PE Corporation

In our opinion, the accompanying combined statements of financial position and the related combined statements of operations, of group equity and comprehensive income (loss), and of cash flows present fairly, in all material respects, the financial position of the PE Biosystems Group of PE Corporation at June 30, 1999 and 1998, and the results of its operations and its cash flows for each of the three fiscal years in the period ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of PE Corporation; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described above and more fully in Note 1 to the PE Biosystems Group combined financial statements, the PE Biosystems Group is a group of PE Corporation; accordingly, the combined financial statements of the PE Biosystems Group should be read in conjunction with the audited financial statements of PE Corporation.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
July 30, 1999

<TABLE>
<CAPTION>
(Dollar amounts in thousands except per share amounts)

For the years ended June 30,	1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>
Financial Operations				
Net revenues	$ 12,541	$ 4,211	$ 903	$ 159
Net loss	(44,894)	(8,315)	(30,247)	(2,589)
Per share of common stock				
Basic and diluted	(1.79)			
Other Information				
Cash and cash equivalents	$ 71,491	$ -	$ -	$ -
Note receivable from the PE Biosystems group	150,000			
Working capital (deficit)	192,803	(1,160)	(421)	(340)
Capital expenditures	94,541	3,648	411	1,073
Total assets	344,720	6,339	2,983	977
Group equity (deficit)	293,867	(1,259)	(3,464)	611

</TABLE>

The selected financial data should be read with the combined financial statements and the consolidated financial statements. There is no selected financial data for fiscal 1995 since the Celera Genomics group commenced business in fiscal 1996.

On May 6, 1999, The Perkin-Elmer Corporation was merged into a subsidiary of PE Corporation, a new Delaware corporation. The recapitalization of the Company resulted in the issuance of two new classes of common stock called PE Corporation-Celera Genomics Group Common Stock and PE Corporation-PE Biosystems Group Common Stock.

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

Management's Discussion of Operations

The PE Corporation ("PE" or the "Company") is comprised of two separate business segments in continuing operations: the Celera Genomics group and the PE Biosystems group. The performance of these businesses is reflected separately by two classes of common stock: Celera Genomics stock and PE Biosystems stock. The Celera Genomics group was formed for the purpose of generating and commercializing genomic information to accelerate the understanding of biological processes and assisting pharmaceutical, biotechnology and life science research entities. The Celera Genomics group is engaged principally in the generation, sale and support of genomic information databases and related information management and analysis software; discovery, validation and licensing of proprietary gene products, genetic markers and information regarding genetic variability; and related consulting and contract research and development services. A key component of the Celera Genomics group's strategy is the sequencing of the entire human genome, which it expects to be ready in calendar year 2001. The PE Biosystems group manufactures and markets biochemical instrument systems and associated consumable products for life science research and related applications.

The Celera Genomics group also includes the business and operations of GenScope and AgGen. GenScope provides genomic-related contract research and discovery services, utilizing AFLP-based gene expression profiling technology. AgGen is a provider of genetic analysis services for plant and animal breeding. The purchase of Linkage Genetics, Inc. in 1997 and Zoogen Inc. in 1996 were combined with our company's applied agriculture unit to form AgGen. In fiscal 1999, these businesses were integrated into the core business of providing genomic information, and related gene discovery and genomic services.

Operations prior to September 30, 1998 were principally funded from working capital, collaborative arrangements and contract research services. Net losses

for fiscal 1999, 1998, and 1997 were $44.9 million, $8.3 million, and $30.2 million, respectively. Fiscal 1999 results reflected the significant increase in R&D expenditures to support the genomic sequencing efforts. Fiscal 1999 included a non-recurring before-tax cost of $4.6 million incurred in connection with the recapitalization of our company and $1.0 million for costs related to the acceleration of certain long-term compensation programs. Results through fiscal 1998 primarily reflected the operations of GenScope and AgGen. Fiscal 1997 results included charges of $26.8 million for purchased in-process research and development. The Celera Genomics group anticipates that net losses will continue and will increase through at least fiscal 2001.

You should read this discussion with our combined financial statements and consolidated financial statements. Historical results and percentage relationships are not necessarily indicative of operating results for any future periods.

Events Impacting Comparability

Acquisitions and Investments

During the third quarter of fiscal 1999, our company acquired a 49% interest in Agrogene S.A. for $1.2 million. The investment complements the Celera Genomics group's automated DNA sequencing and genotyping services in the agricultural field.

During the fourth quarter of fiscal 1997, our company acquired Linkage, Inc., a provider of genetic analysis services in the agriculture industry. At the acquisition date, the technological feasibility of the acquired technology had not been established and the acquired technology had no future alternative uses. The acquisition cost of $1.4 million was expensed as purchased in-process research and development.

During the third quarter of fiscal 1997, our company acquired GenScope, Inc. for $26.8 million. GenScope, founded in 1995, represented a development stage venture with no operating history. GenScope had effectively no revenues and only limited R&D contract services. At the acquisition date, technological feasibility of the acquired technology right had not been established and the acquired technology right had no future alternative uses. Our company obtained the right to utilize AFLP-based gene expression profiling technology in the field of human health, but did not obtain any core technology or other rights. GenScope's limited balance sheet, with assets of approximately $.2 million, had yet to deliver commercial value. Therefore, of the $26.8 million paid for GenScope, $25.4 million was charged to purchased in-process technology and $1.4 million was allocated to technology rights attributable to GenScope's AFLP-based gene expression profiling technology. AFLP is an enhancement of the polymerase chain reaction ("PCR") process that allows selective analysis of any portion of genetic material without the specific, prior sequence information normally required for PCR. Of the $25.4 million expensed as in-process research and development, $5.5 million represented a contingent liability due on the issuance of a process patent for technology under development. Through June 30, 1999, GenScope incurred approximately $12.2 million in additional research and development costs to further develop the AFLP technology in the field of human health. Our company anticipates spending an additional $2.2 million in fiscal 2000 to substantially complete such project.

Results of Operations--1999 Compared With 1998

The Celera Genomics group reported a net loss of $44.9 million for fiscal 1999 compared with a net loss of $8.3 million for fiscal 1998. The significant increase in the net loss reflected the establishment and start-up of operations to support the expanded sequencing, data management, and software development activities of the business.

Net revenues for the Celera Genomics group were $12.5 million for fiscal 1999 compared with $4.2 million for fiscal 1998. Net revenues for agricultural genotyping and gene discovery services were $8.4 million for fiscal 1999, an increase of $4.5 million over the prior period. The increase included $3.2 million attributable to a three-year contract to provide expression-based gene discovery services in the agricultural market. The contract commenced in the first quarter of fiscal 1999. Revenues from the Celera Genomics group's new genomic information and database products were $2.8 million for fiscal 1999, mainly from early access subscriptions. Revenues for genomic contract services

increased $1.0 million for fiscal 1999 as a result of increased contract research services using AFLP technology.

R&D expenses increased $38.1 million to $48.4 million for fiscal 1999 from $10.3 million for fiscal 1998 primarily as a result of establishing and operating the sequencing facility and computing center of the new genomic information business.

SG&A expenses were $28.3 million for fiscal 1999 compared with $6.7 million for the prior year. The increase resulted from expenses associated with the start-up and ongoing operations of the new genomic information business. Corporate overhead and administrative shared services were $5.1 million for fiscal 1999 compared with $1.7 million for fiscal 1998. Fiscal 1999 SG&A expenses included $1.0 million for costs related to the acceleration of certain long-term compensation programs as a result of the recapitalization of our company and the attainment of performance targets.

During fiscal 1999, the Celera Genomics group was allocated a before-tax special charge of $4.6 million for costs incurred in connection with the recapitalization of our company. The Celera Genomics group and the PE Biosystems group were each allocated 50% of the $9.2 million total recapitalization costs incurred by our company. These costs included investment banking and professional fees.

Interest income was $1.2 million for fiscal 1999. Interest income included $.5 million of interest on cash balances and $.7 million of interest on the $150 million note receivable from the PE Biosystems group.

The effective income tax rate was 34% for fiscal 1999 and 35% for fiscal 1998. See Note 1 to the Celera Genomics group combined financial statements for a discussion of allocations of federal and state income taxes.

Results of Operations--1998 Compared With 1997

The Celera Genomics group reported a net loss of $8.3 million for fiscal 1998 compared with a net loss of $30.2 million for the prior year, or a net loss of $3.4 million excluding the $26.8 million for purchased in-process research and development charged in connection with the GenScope and Linkage acquisitions.

Net revenues for the Celera Genomics group were $4.2 million for fiscal 1998 compared with $.9 million for fiscal 1997. Revenues from genetic analysis services increased to $3.9 million for fiscal 1998 primarily from the animal business. Revenues were $.3 million in fiscal 1998 from contract research utilizing AFLP-based gene expression profiling technology. Fiscal 1997 revenues were entirely attributable to genetic analysis services.

R&D expenses were $10.3 million for fiscal 1998 compared with $4.0 million for fiscal 1997. Fiscal 1997 included the operations of Linkage and GenScope from the date of acquisition.

SG&A expenses were $6.7 million for fiscal 1998 compared with $2.2 million for fiscal 1997. Fiscal 1998 included $1.7 million of corporate overhead and administrative shared services. The amount of allocated corporate overhead and shared services for fiscal 1997 was $.2 million. Fiscal 1997 included the operations of Linkage and GenScope from the date of acquisition.

The effective income tax rate was 35% for both fiscal 1998 and fiscal 1997. Fiscal 1997 included a tax benefit of $1.9 million on a before-tax loss of $32.1 million. The fiscal 1997 charge of $26.8 million for acquired research and development was not deductible for tax purposes. See Note 1 to the Celera Genomics group combined financial statements for a discussion of allocations of federal and state income taxes.

Management's Discussion of Financial Resources and Liquidity

The development of the Celera Genomics group's products and services requires substantial funding. No organization has ever attempted to combine in one business organization all of the Celera Genomics group's businesses. At September 30, 1998, our company allocated to the Celera Genomics group a $330 million short-term note receivable from the PE Biosystems group. The $330 million note represented an allocation of the Company's capital to the Celera Genomics group and did not result in the PE Biosystems group holding an equity interest in the Celera Genomics group. Accordingly, no interest was ascribed to the note. The allocation of capital represented management's decision to allocate a portion of our company's capital to the Celera Genomics group and the remaining capital to the PE Biosystems group prior to the effective date of the recapitalization. The note receivable was liquidated on May 28, 1999 in exchange for a portion of the proceeds received from the sale of the Analytical Instruments business and a new note receivable from the PE Biosystems group for $150 million was established. The new note receivable is for a term of one year,

bears an interest rate of 5% per annum, and is payable on demand without penalty. At June 30, 1999, the outstanding balance of the note receivable was $150 million.

PE intends to allocate tax benefits to the Celera Genomics group for losses incurred, resulting in up to $75 million of additional cash resources for the Celera Genomics group. PE also intends to secure financing of $46 million in fiscal 2000 specifically for the Rockville, Maryland facility acquired in fiscal 1999. Management

believes that the $330 million funding, allocated tax benefits, financing for the facility, and anticipated revenues of the Celera Genomics group should be sufficient to fund its current business objectives through 2001.

In addition, our board of directors has adopted a financing policy, included in Note 1 to the Celera Genomics group combined financial statements, which will permit the PE Biosystems group to make loans to the Celera Genomics group and to make equity contributions to the Celera Genomics group in exchange for an equity interest in the Celera Genomics group.

Significant Changes in the Combined Statements of Financial Position

Net property, plant and equipment increased $100.0 million to $104.2 million at June 30, 1999. The increase was primarily a result of significant capital expenditures to establish the Celera Genomics group's Rockville, Maryland facilities.

At June 30, 1999, the Celera Genomics group had a $9.9 million tax benefit receivable from the PE Biosystems group. This amount represents the tax benefit for the fourth quarter of fiscal 1999. Management settles the tax benefit receivable on a quarterly basis. See Note 1 to the Celera Genomics group combined financial statements for a discussion of allocations of federal and state income taxes.

Accounts payable increased by $19.4 million to $19.9 million at June 30, 1999 as a result of the Celera Genomics group's rapid progress in establishing its infrastructure. The balance at June 30, 1999 included $9.0 million for capital expenditures, as previously described, and $5.2 million for purchases from the PE Biosystems group.

Accrued salaries and wages increased $4.0 million to $4.2 million at June 30, 1999 from $.2 million at June 30, 1998. The increase reflected the growth in the number of employees during fiscal 1999 and the timing of payments.

Deferred revenues were $12.0 million at June 30, 1999 compared with $.3 million at June 30, 1998. The increase pertains primarily to early access subscriptions to the new genomic information database product.

Other accrued expenses were $9.3 million at June 30, 1999, an increase of $8.2 million. At June 30, 1999, the Celera Genomics group accrued a liability of $2.5 million for its portion of our company's costs associated with the recapitalization of PE and a liability of $1.3 million for certain long-term compensation program costs.

Combined Statements of Cash Flows

Cash used by operating activities was $22.8 million for fiscal 1999 compared with $6.9 million for the prior year. The increase in cash used by operating activities resulted primarily from net operating losses and the tax benefit receivable from the PE Biosystems group. This was offset partially by an increase of $11.7 million in deferred revenues and an increase of $19.4 million in accounts payable. For fiscal 1998, net cash used by operating activities was $6.9 million compared with $3.1 million for fiscal 1997 reflecting higher net operating losses for fiscal 1998.

Net cash used by investing activities of $95.8 million for fiscal 1999 was comprised of capital expenditures of $94.5 million and an equity investment in Agrogene of $1.2 million. Capital expenditures were $3.6 million for the prior year. Capital expenditures increased significantly as a result of the establishment and start-up of operations at the Celera Genomics group's Rockville, Maryland facilities. Included in the increase was $46.3 million for land and buildings to house its headquarters and $22.9 million for improvements

thereon. Additionally, the increase included $9.0 million for assets received but not yet paid, $8.1 million related to data management software licenses and $.9 million for facility-related items. Fiscal 1999 capital expenditures also included $8.4 million for the PE Biosystems group's ABI PRISM(R) 3700 DNA Analyzers and $1.6 million for other instrumentation purchased from the PE Biosystems group. Net cash used by investing activities of $3.6 million for fiscal 1998 primarily reflected our company's capital investment in the genomics services business. Net cash used by investing activities for fiscal 1997 was $23.1 million and related to the acquisition of GenScope in the third quarter of fiscal 1997 and Linkage in the fourth quarter of fiscal 1997. See Note 2 to the Celera Genomics group combined financial statements.

Net cash provided by financing activities was $190.0 million for fiscal 1999 reflecting the initial capitalization of $330 million offset partially by the note receivable of $150 million. Net cash provided by financing activities for fiscal 1998 was $10.5 million, attributable entirely to the funding of that year's operations by PE.

Year 2000

In fiscal 1997, PE initiated a worldwide program to assess the expected impact of the Year 2000 date recognition problem on our existing internal computer systems; our non-information technology systems, including embedded and process control systems; our product offerings; and our significant suppliers. The operations of the Celera Genomics group are included within this program. The purpose of this program is to ensure the event does not have a material adverse effect on our business operations.

Regarding PE's existing internal computer systems, the program involves a mix of purchasing new systems and modifying existing systems, with the emphasis on replacement of applications developed in-house. Replacement projects are currently underway, and are anticipated to be substantially completed for all business-critical systems worldwide by December 31, 1999. The program includes replacement of applications that, for reasons other than Year 2000 noncompliance, had been previously selected for replacement. The replacement projects, which began in fiscal 1997, are expected to offer improved functionality and commonality over current systems, while at the same time addressing the Year 2000 problem.

With respect to PE's current product offerings, the program involves performing an inventory of current products, assessing their compliance status, and constructing a remediation plan where appropriate. All of the Celera Genomics group's current product offerings are Year 2000 compliant.

The program also addresses the Year 2000 compliance efforts of PE's significant suppliers, vendors, and third-party interface systems. As part of this analysis, PE has identified and prioritized these suppliers, vendors, and third parties and has sought written assurances from them that they will be Year 2000 compliant. There can be no assurance that the systems of other companies with which PE deals, or on which PE's systems rely will be timely converted, or that any such failure to convert by another company could not have a material adverse effect on PE. PE has not fully determined the extent to which PE's interface systems may be impacted by third parties' systems, which may not be Year 2000 compliant, but are addressing this issue in our contingency plans noted below.

As of June 1999, PE was over 90% complete in accomplishing the objectives established in its program. PE's preliminary estimate of the total cost for this multi-year program covering 3-4 years is approximately $150 million. This includes amounts previously budgeted for information technology infrastructure improvements and estimates of remediation costs on components not yet fully assessed. Incremental spending has not been and is not expected to be material because most Year 2000 compliance costs will be met with amounts that are normally budgeted for procurement and maintenance of PE's information systems, production, and facilities equipment. The redirection of spending to implement Year 2000 compliance plans may in some instances delay productivity improvements.

PE has also engaged a consulting firm to provide periodic assessments of PE's Year 2000 project plans and progress. Because of the importance of addressing the Year 2000 problem, PE has created a Year 2000 business continuity planning team which has developed, and will continue to develop, business contingency plans to address issues that may not be corrected by implementation of PE's Year 2000 compliance plan in a timely manner. Contingency plans include identification of systems and third party risks, an analysis of strategies and

available resources to restore operations, and a recovery program that identifies participants, processes, and significant equipment. If PE is not successful in implementing its Year 2000 compliance plan, or there are delays in and/or increased costs associated with implementing such changes, the Year 2000 problem could have a materially adverse effect on PE's consolidated results of operations and financial condition.

At this stage of the process, PE believes that it is difficult to specifically identify the cause of the most reasonable worst case Year 2000 scenario. A reasonable worst case Year 2000 scenario would be the failure of significant suppliers and vendors to have corrected their own Year 2000 issues which could cause disruption of PE's operations and have a materially adverse effect on PE's financial condition. The impact of such disruption cannot be estimated at this time. In the event PE believes that any of its significant suppliers or vendors are unlikely to be able to resolve their own Year 2000 issues, PE's contingency plans include seeking additional sources of supply.

Recently Issued Accounting Standards and Other

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of the statement require the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Celera Genomics group is required to implement the statement in the first quarter of fiscal 2001. The Celera Genomics group currently believes the statement will not have a material impact on its combined financial statements.

We continue to apply APB No. 25 in accounting for our stock-based compensation plans. Accordingly, no compensation expense has been recognized for these plans, as all options have been issued at fair value. The effect of accounting for such plans at fair value, under SFAS No. 123, "Accounting for Stock Based Compensation," would be to increase fiscal 1999 net loss by $2.6 million and diluted loss per share by $.10. The method used to determine the fair value is the Black-Scholes option pricing model. Accordingly, changes in dividend yield, volatility, interest risk and option life could have a material effect on the fair value. See Note 7 to the Celera Genomics group combined financial statements for a more detailed discussion regarding the accounting for stock-based compensation at fair value.

Outlook

The Celera Genomics group expects to see an expansion in the customer base for the new genomic information and database products, with corresponding increases in revenues throughout fiscal 2000. Additionally, the group expects to benefit from a three-year gene discovery agreement with Rhone-Poulenc Rorer ("RPR") to identify therapeutic targets for a variety of human diseases by applying AFLP-based gene expression profiling technology to RPR's disease model systems. Under the terms of the agreement, RPR will pay upfront fees, as well as milestone payments and royalties in connection with commercialization of any drugs resulting from the alliance.

Despite the potential for increased revenues, the group expects that it will continue to incur significant operating losses for fiscal 2000. Higher R&D spending will be needed to support the expected ramp-up in sequencing activities. Also, development costs associated with information management and analysis software will

increase. Our company believes the Celera Genomics group has adequate funding to meet its working capital requirements through 2001.

Forward-Looking Statements

Certain statements contained in this report, including the Outlook section, are forward-looking and are subject to a variety of risks and uncertainties. These statements may be identified by the use of forward-looking words or phrases such as "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential," among others. These forward-looking statements are based on our

current expectations. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, and results of our businesses include, but are not limited to:

Celera Genomics may not achieve profitability. Celera Genomics has earned small amounts of revenues to date and expects that it will continue to incur net operating losses at least through 2001. As a new business, Celera Genomics faces significant challenges in simultaneously launching and integrating its operations, pursuing key scientific goals, and attracting customers for its information products and services. Celera Genomics has a small number of customers, the revenues from which will offset only a small portion of its expenses. In order to meet its business plan, Celera Genomics will require additional customers in the next few years. In addition, even if Celera Genomics is able to enter into contracts with additional customers, those contracts may be subject to milestones that may not be achieved. As a result, there is a high degree of uncertainty that Celera Genomics will be able to achieve profitable operations.

Celera Genomics' business plan is unique and untested. No organization has ever attempted to combine in one business organization all of Celera Genomics' businesses. The creation of a genomics database 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. As a result, the creation of a business that includes all of Celera Genomics' businesses has unique risks.

Shotgun sequencing strategy has not yet been tested on the scale and complexity of the human genome. Some genomic scientists have criticized Celera Genomics' sequencing strategy, known as "whole genome shotgun sequencing," as having limitations when applied on a large scale in sequencing the human genome. Others have stated that the human genome cannot be sequenced using whole genome shotgun sequencing. Although scientists at The Institute for Genomic Research have used the whole genome shotgun strategy to sequence the genomes of other organisms, the strategy has not been used to sequence a genome with the size and complexity of the human genome. Failure to sequence or assemble the human genome in a timely manner may have a material adverse effect on Celera Genomics' ability to satisfy customer requirements and achieve its business goals.

New DNA sequencers may not perform at expected levels and the integration of over 300 sequencers may be difficult. Celera Genomics' success is heavily dependent on the successful operation of PE Biosystems' new DNA sequencer. Celera Genomics plans to use more than 300 of the new DNA sequencers on a full-time basis, a scale of operation never before attempted. Failure of the DNA sequencers to perform at expected levels, or failure of Celera Genomics to integrate successfully its DNA sequencers in its laboratory, would materially adversely affect Celera Genomics' ability to sequence at the rate required to complete the human genome on a timely basis, to achieve milestones in contracts with customers, and to perform research services effectively.

Realizing revenues from polymorphism data may be difficult. Celera Genomics believes that the polymorphisms it discovers will add considerable value to its integrated information system. Polymorphism data reveals information about genetic variability among individuals. Its use in the testing of new drugs and the diagnosis of disease, however, is largely untested. Although there has been some early success in linking certain polymorphisms to susceptibility to disease and outcomes of drug therapy, pharmaceutical companies are not yet certain how polymorphism data can be used, or if it can be used on a cost-effective basis, in clinical trials or in drug development. Furthermore, public acceptance of the use of polymorphism data is uncertain. Current and future patient privacy and health care laws and regulations issued by the U.S. Food and Drug Administration may also limit the use of this data.

The ability of Celera Genomics to protect its intellectual property rights will affect its polymorphism program. Such protection is uncertain due to the uncertainty of patent law relating to genomics in general and the novelty of this particular aspect of genomics. In addition, Celera Genomics will be dependent on new technology, including technology provided by PE Biosystems, to make the use of polymorphism information cost-effective so as to make it marketable to the public. This technology is still in early stages of development and its application to this area remains uncertain.

Potential initial customers are limited in number and belong to a single industry. Celera Genomics believes that for the next few years it will derive a significant portion of its revenues from fees paid by pharmaceutical companies and larger biotechnology companies for its information products and services. Celera Genomics has also had preliminary discussions with certain universities and similar research organizations about becoming customers, but expects this market to develop at a slower rate. The number of potential subscribers for

Celera Genomics' products during this period may be limited due to their nature and price. Pharmaceutical and biotechnology companies could decide not to subscribe to some or all of Celera Genomics' information products or services, or could decide to conduct their own polymorphism discovery and analysis or work

with Celera Genomics' competitors. There have been published reports of a proposed consortium of pharmaceutical companies to create and make public polymorphism information.

Scientific and management staff have unique expertise which is key to Celera Genomics' commercial viability and which would be difficult to replace. Celera Genomics is highly dependent on the principal members of its scientific and management staff, particularly Dr. Venter, its President. For the sequencing and assembly of the human genome, Celera Genomics believes the following members of its staff are essential: Dr. Venter; Dr. Mark Adams, Vice President for Genome Programs; and Drs. Eugene Myers and Granger Sutton, who are responsible for assembling the genome. Additional members of its medical, scientific, and bioinformatics staff are important to the development of information, tools, and services required for implementation of its business plan, including Dr. Sam Broder, Executive Vice President and Chief Medical Officer. The loss of any of these persons' expertise would be difficult to replace and could have a material adverse effect on Celera Genomics' ability to achieve its goals, particularly the completion of its information products.

Celera Genomics' competitive position will depend on patent and copyright protection, which may not be available for genomics information and technology. Celera Genomics' ability to compete and to achieve profitability may be affected by its ability to protect its proprietary technology and intellectual property. While Celera Genomics will be primarily dependent on revenues from access fees to its discovery and information system, obtaining patent protection may also be important to its business. Patent law affecting Celera Genomics' business, particularly gene sequences and polymorphisms, is uncertain.

Moreover, Celera Genomics may be dependent on protecting, through copyright law or otherwise, its databases to prevent other organizations from taking information from databases and copying and reselling it. Copyright law currently provides uncertain protection to organizations like Celera Genomics that seek to prevent others from reselling their data. Changes in copyright and patent law could expand or reduce the extent to which Celera Genomics and its customers are able to protect their intellectual property.

Public disclosure of genomic sequence data could jeopardize intellectual property protection and have an adverse effect on the value of Celera Genomics' products and services. Celera Genomics, the federally funded Human Genome Project, and others engaged in similar research have committed to make available to the public basic human sequence data. The release of sequence data could undermine the ability of Celera Genomics and its customers to obtain intellectual property protection. Customers may conclude that uncertainties of such protection decrease the value of Celera Genomics' information products and services and, as a result, it may not be able to charge fees sufficient to allow it to achieve profitability.

Others may succeed in commercializing genomic information before Celera Genomics. A number of companies, institutions, and government-financed entities are engaged in various genomics initiatives. At least two other companies, Genset, S.A. and Incyte Pharmaceuticals, Inc., have announced their intention to market to the pharmaceutical industry products and services similar to those being offered by Celera Genomics. Additional competitors may attempt to compete with Celera Genomics in the future, including companies that may seek to resell publicly available genomic data. In addition, there have been published reports of a proposed consortium of pharmaceutical companies to create and make public polymorphism information.

Expected rapid growth in the number of our employees could absorb valuable management resources and be disruptive to the development of Celera Genoimics' business. Celera Genomics expects to continue to grow the number of employees. This growth will require substantial effort to hire new employees and train and integrate them in Celera Genomics' business and to develop and implement management information systems, financial controls and facility plans. In addition, Celera Genomics will be required to create a sales and marketing organization and develop customer support resources as sales of its information products increase. Celera Genomics' inability to manage growth effectively would have a materially adverse effect on its future operating results.

Integration of Genscope and AgGen could be difficult and costly. The success of

Celera Genomics depends in part on its ability to integrate the businesses of GenScope and AgGen, which were previously operated by PE Biosystems. In particular, we believe that coordinating the separate scientific research efforts will be a challenge to Celera Genomics.

Failure of Celera Genomics' Year 2000 Compliance Plan could jeopardize Celera Genomic's information products and services. In fiscal 1997, we initiated a world-wide program to assess the expected impact of the Year 2000 date recognition problem on our existing computer systems; non-information technology systems, including embedded and process-control systems; product offerings; and significant suppliers. Portions of this program are not expected to be completed until December 31, 1999. If we are not successful in implementing our Year 2000 compliance plan, customers may encounter difficulty in accessing and searching Celera Genomics' databases.

Celera Genomics Group
Combined Statements of Operations

<TABLE>
<CAPTION>
(Dollar amounts in thousands except per share amounts)

For the years ended June 30,	1999	1998	1997
<S>	<C>	<C>	<C>
Net Revenues	$ 12,541	$ 4,211	$ 903
Costs and Expenses			
Research and development	48,448	10,279	3,976
Selling, general and administrative	28,255	6,725	2,228
Special charges	4,616		
Acquired research and development			26,801
Operating Loss	(68,778)	(12,793)	(32,102)
Interest income	1,245		
Loss Before Income Taxes	(67,533)	(12,793)	(32,102)
Benefit for income taxes	22,639	4,478	1,855
Net Loss	$(44,894)	$(8,315)	$(30,247)
Net Loss per Share (see Note 1)			
Basic and diluted	$ (1.79)		

</TABLE>

See accompanying notes to the Celera Genomics group combined financial statements.

Celera Genomics Group
Combined Statements of Financial Position

<TABLE>
<CAPTION>
(Dollar amounts in thousands)

At June 30,	1999	1998
<S>	<C>	<C>
Assets		
Current assets		
Cash and cash equivalents	$ 71,491	$ -
Note receivable from the PE Biosystems group (see Note 6)	150,000	
Tax benefit receivable from the PE Biosystems group (see Note 1)	9,935	
Accounts receivable	3,276	756
Prepaid expenses and other current assets	3,454	138
Total current assets	238,156	894
Property, plant and equipment, net	104,192	4,198
Other long-term assets	2,372	1,247
Total Assets	$344,720	$ 6,339

Liabilities and Group Equity		
Current liabilities		
Accounts payable	$ 19,861	$ 488
Accrued salaries and wages	4,179	236
Deferred revenues	12,032	250
Other accrued expenses	9,281	1,080
Total current liabilities	45,353	2,054
Other long-term liabilities	5,500	5,544
Total Liabilities	50,853	7,598
Commitments and contingencies (see Note 9)		
Group Equity (Deficit)	293,867	(1,259)
Total Liabilities and Group Equity	$344,720	$ 6,339

</TABLE>

See accompanying notes to the Celera Genomics group combined financial statements.

Celera Genomics Group
Combined Statements of Cash Flows

<TABLE>
<CAPTION>
(Dollar amounts in thousands)

For the years ended June 30,	1999	1998	1997
<S>	<C>	<C>	<C>
Operating Activities			
Net loss	$(44,894)	$(8,315)	$(30,247)
Adjustments to reconcile net loss to net cash used by operating activities			
Depreciation and amortization	3,757	650	241
Long-term compensation programs	2,802		
Acquired research and development			26,801
Changes in operating assets and liabilities			
Increase in tax benefit receivable from the PE Biosystems group	(9,935)		
Increase in accounts receivable	(2,520)	(354)	(379)
Increase in prepaid expenses and other assets	(3,458)	(4)	(82)
Increase in accounts payable and other liabilities	31,496	1,151	581
Net Cash Used by Operating Activities	(22,752)	(6,872)	(3,085)
Investing Activities			
Additions to property, plant and equipment	(94,541)	(3,648)	(411)
Acquisitions and investments, net	(1,236)		(22,676)
Net Cash Used by Investing Activities	(95,777)	(3,648)	(23,087)
Financing Activities			
Net cash allocated from the PE Biosystems group	188,535	10,520	26,172
Proceeds from stock issued for Celera Genomics group stock plans	1,485		
Net Cash Provided by Financing Activities	190,020	10,520	26,172
Net Change in Cash and Cash Equivalents	71,491		
Cash and Cash Equivalents Beginning of Year			
Cash and Cash Equivalents End of Year	$ 71,491	$ -	$ -

</TABLE>

See accompanying notes to the Celera Genomics group combined financial statements.

Celera Genomics Group
Combined Statements of Group Equity

<TABLE>

<CAPTION>

(Dollar amounts in thousands)	Other	Accumulated Deficit	Group Equity
<S>	<C>	<C>	<C>
Balance at June 30, 1996	$ 3,200	$ (2,589)	$ 611
Net loss		(30,247)	(30,247)
Net cash allocated from the PE Biosystems group	26,172		26,172
Balance at June 30, 1997	29,372	(32,836)	(3,464)
Net loss		(8,315)	(8,315)
Net cash allocated from the PE Biosystems group	10,520		10,520
Balance at June 30, 1998	39,892	(41,151)	(1,259)
Net loss		(44,894)	(44,894)
Net cash allocated from the PE Biosystems group	8,535		8,535
Allocated capital from the PE Biosystems group	330,000		330,000
Issuances under Celera Genomics group stock plans	1,485		1,485
Balance at June 30, 1999	$379,912	$(86,045)	$293,867

</TABLE>

See accompanying notes to the Celera Genomics group combined financial statements.

Celera Genomics Group
Notes to Combined Financial Statements

Note 1--Accounting Policies and Practices

Basis of Presentation

The PE Corporation ("PE" or the "Company") is comprised of two separate business segments in continuing operations: the Celera Genomics group and the PE Biosystems group. The Celera Genomics group is engaged principally in the generation, sale and support of genomic information databases and related information management and analysis software; discovery, validation and licensing of proprietary gene products, genetic markers and information regarding genetic variability; and related consulting and contract research and development services. The PE Biosystems group manufactures and markets biochemical instrument systems and associated consumable products for life science research and related applications.

Recapitalization

On May 6, 1999, The Perkin-Elmer Corporation was merged into a subsidiary of PE Corporation, a new Delaware corporation. The recapitalization of the Company resulted in the issuance of two new classes of common stock called PE Corporation-Celera Genomics Group Common Stock ("Celera Genomics stock") and PE Corporation-PE Biosystems Group Common Stock ("PE Biosystems stock."). Celera Genomics stock is intended to reflect separately the performance of the Celera Genomics business ("Celera Genomics group"), and PE Biosystems stock is intended to reflect separately the performance of the established PE Biosystems' life sciences and the discontinued Analytical Instrument businesses ("PE Biosystems group"). Each share of common stock of The Perkin-Elmer Corporation was converted into 0.5 of a share of Celera Genomics stock and one share of PE Biosystems stock.

The combined financial statements of the Celera Genomics group and the PE Biosystems group (individually referred to as a "group") comprise all of the accounts included in the corresponding consolidated financial statements of the Company. Intergroup transactions between the Celera Genomics group and the PE Biosystems group have not been eliminated in the Celera Genomics group combined financial statements but have been eliminated in the PE Corporation consolidated financial statements. The Celera Genomics group and the PE Biosystems group combined financial statements have been prepared on a basis that management believes to be reasonable and appropriate and reflect (1) the financial position, results of operations, and cash flows of businesses that comprise each of the groups, with all significant intragroup transactions and balances eliminated, (2) in the case of the Celera Genomics group combined financial statements, corporate assets and liabilities of the Company and related transactions identified with the Celera Genomics group, including allocated portions of the Company's debt and selling, general and administrative costs, and (3) in the case of the PE Biosystems group combined financial statements, all other corporate assets and liabilities and related transactions of the

Company, including allocated portions of the Company's debt and selling, general and administrative costs.

Holders of Celera Genomics stock and PE Biosystems stock are stockholders of the Company. The Celera Genomics Group and the PE Biosystems group are not separate legal entities. As a result, stockholders are subject to all of the risks associated with an investment in the Company and all of its businesses, assets, and liabilities. The issuance of Celera Genomics stock and PE Biosystems stock and the allocations of assets and liabilities between the Celera Genomics group and the PE Biosystems group did not result in a distribution or spin-off of any assets or liabilities of the Company or otherwise affect ownership of any assets or responsibility for the liabilities of the Company or any of its subsidiaries. The assets the Company attributes to one group could be subject to the liabilities of the other group, whether such liabilities arise from lawsuits, contracts or indebtedness attributable to the other group. If the Company is unable to satisfy one group's liabilities out of assets attributed to it, the Company may be required to satisfy these liabilities with assets attributed to the other group.

Financial effects arising from one group that affect the Company's results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the class of common stock relating to the other group. Any net losses of the Celera Genomics group or the PE Biosystems group and dividends or distributions on, or repurchases of, Celera Genomics stock or PE Biosystems stock or repurchases of preferred stock of the Company will reduce the assets of the Company legally available for payment of dividends.

The management and allocation policies applicable to the preparation of the financial statements of the Celera Genomics group and the PE Biosystems group may be modified or rescinded, or additional policies may be adopted, at the sole discretion of the Board of Directors at any time without approval of the stockholders. The Celera Genomics group's combined financial statements reflect the application of the management and allocation policies adopted by the Board to various corporate activities, as described below. The Celera Genomics group's combined financial statements should be read in conjunction with the Company's consolidated financial statements.

Financing Activities

As a matter of policy, the Company manages most financial activities of the Celera Genomics group and the PE Biosystems group on a centralized basis. These activities include the investment of surplus cash, the issuance and repayment of short-term and long-term debt and the issuance and repayment of any preferred stock. As the financing activities of the Celera Genomics group were not significant for any of the periods prior to the recapitalization, all historical cash and debt balances for those periods presented were allocated to the PE Biosystems group.

The Board has adopted the following financing policy which will affect the combined statements of the Celera Genomics group and the PE Biosystems group.

The Company will allocate the Company's debt between the Celera Genomics group and the PE Biosystems group ("pooled debt") or, if the Company so determines, in its entirety to a particular group. The Company will allocate preferred stock, if issued, in a similar manner.

Cash allocated to one group that is used to repay pooled debt or redeem pooled preferred stock will decrease such group's allocated portion of the pooled debt or preferred stock. Cash or other property allocated to one group that is transferred to the other group will, if so determined by the Board, decrease the transferring group's allocated portion of the pooled debt or preferred stock and, correspondingly, increase the recipient group's allocated portion of the pooled debt or preferred stock.

Pooled debt will bear interest for group financial statement purposes at a rate equal to the weighted average interest rate of the debt calculated on a quarterly basis and applied to the average pooled debt balance during the period. Preferred stock, if issued and if pooled in a manner similar to the pooled debt, will bear dividends for group financial statement purposes at a rate based on the weighted average dividend rate of the preferred stock similarly calculated and applied. Any expense related to increases in pooled debt or preferred stock will be reflected in the weighted average interest or dividend rate of such pooled debt or preferred stock as a whole.

If the Company allocates debt for a particular financing in its entirety to one group, that debt will bear interest for group financial statement purposes at the rate determined by the Board. If the Company allocates preferred stock in its entirety to one group, the Company will charge the dividend cost to that group in a similar manner. If the interest or dividend cost is higher than the Company's actual cost, the other group will receive a credit for an amount equal to the difference as compensation for the use of the Company's credit capacity. Any expense related to debt or preferred stock of the Company that is allocated in its entirety to a group will be allocated in whole to that group.

Cash or other property that the Company allocates to one group that is transferred to the other group, could, if so determined by the Board, be accounted for either as a short-term loan or as a long-term loan. Short-term loans will bear interest at a rate equal to the weighted average interest rate of the Company's pooled debt. If the Company does not have any pooled debt, the Board will determine the rate of interest for such loan. The Board will establish the terms on which long-term loans between the groups will be made, including interest rate, amortization schedule, maturity and redemption terms.

Although the Company may allocate its debt and preferred stock between groups, the debt and preferred stock will remain obligations of the Company and all stockholders of the Company will be subject to the risks associated with those obligations.

In addition, cash allocated to the PE Biosystems group may be contributed to the Celera Genomics group in exchange for an equity interest in the Celera Genomics group.

Allocation of Corporate Overhead and Administrative Shared Services

A portion of the Company's corporate overhead (such as executive management, human resources, legal, accounting, auditing, tax, treasury, strategic planning and environmental services) has been allocated to the Celera Genomics group based upon the use of services by that group. A portion of the Company's costs of administrative shared services (such as information technology services) has been allocated in a similar manner. Where determination based on use alone is not practical, other methods and criteria were used that management believes are equitable and provide a reasonable estimate of the cost attributable to the Celera Genomics group. The total of these allocations was $5.1 million, $1.7 million, and $.2 million for fiscal 1999, 1998, and 1997, respectively. It is not practicable to provide a detailed estimate of the expenses which would be recognized if the Celera Genomics group were a separate legal entity.

Allocation of Federal and State Income Taxes

The federal income taxes of the Company and its subsidiaries which own assets allocated between the groups are determined on a consolidated basis. 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. Such allocations reflect each group's contribution (positive or negative) to the Company's consolidated federal taxable income and the consolidated federal tax liability and tax credit position. Tax benefits that cannot be used by the group generating those benefits but can be used on a consolidated basis are credited to the group that generated such benefits. Intergroup transactions are taxed as if each group were a stand alone company. Tax benefits generated by the Celera Genomics group commencing July 1, 1998, which then can be utilized on a consolidated basis, will be credited to the Celera Genomics group up to a maximum limit of $75 million. The Celera Genomics group generated $22.6 million of tax benefits for the year ended June 30, 1999.

Had the groups filed separate tax returns, the provision (benefit) for income taxes and net income (loss) for each group would not have differed from the amounts reported in the groups' combined statements of operations for the years ended June 30, 1999, 1998, and 1997. However, the amount of current and deferred taxes and taxes payable or refundable allocated to each group in these historical combined financial statements may differ from those that would have been allocated to each group had they filed separate income tax returns.

Depending on the tax laws of the respective jurisdictions, state and local income taxes are calculated on either a consolidated or combined basis between the groups based on their respective contribution to such consolidated or combined state taxable incomes. State and local income tax provisions and related tax payments or refunds which are determined on a separate corporation basis will be allocated between the groups in a manner designed to reflect the respective contributions of the groups to the Company's separate or local taxable income.

The discussion of the Celera Genomics group's income taxes (see Note 3) should be read in conjunction with the Company's consolidated financial statements and the notes thereto.

Transfers of Assets Between Groups

Transfers of assets can be made between groups without stockholder approval. Such transfers will be made at fair value, as determined by the Company's Board of Directors. The consideration for such transfers may be paid by one group to the other in cash or other consideration, as determined by the Company's Board of Directors.

Dividends

For purposes of the historical (periods prior to the recapitalization) combined financial statements of the Celera Genomics group and the PE Biosystems group, all dividends declared and paid by the Company were allocated to the PE Biosystems group.

Principles of Combination

The Celera Genomic group's combined financial statements have been prepared in accordance with generally accepted accounting principles and, taken together with the PE Biosystems group's combined financial statements, comprise all the accounts included in the corresponding consolidated financial statements of the Company. Intergroup transactions between the Celera Genomics group and the PE Biosystems group have not been eliminated in the Celera Genomics group's combined financial statements but have been eliminated in the PE Corporation consolidated financial statements. The combined financial statements of each group reflect the financial condition, results of operations, and cash flows of the businesses included therein. The combined financial statements of the Celera Genomics group include the assets and liabilities of the Company specifically identified with or allocated to the Celera Genomics group. The preparation of the combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain amounts in the combined financial statements and notes have been reclassified for comparative purposes.

Recent Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of the statement require the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Celera Genomics group is required to implement the statement in the first quarter of fiscal 2001. The Celera Genomics group currently believes the statement will not have a material impact on its combined financial statements.

Earnings per Share

Earnings per share information prior to the recapitalization is omitted from the Celera Genomics group's Combined Statements of Operations because Celera Genomics stock was not part of the capital structure of the Company until fiscal 1999. Basic loss per share is computed by dividing net loss for the period by the weighted average number of shares of Celera Genomics stock outstanding. Diluted loss per share is computed by dividing net loss for the period by the weighted average number of shares of Celera Genomics stock outstanding including the dilutive effect of Celera Genomics stock equivalents.

The table below presents a reconciliation of basic and diluted loss per share:

<TABLE>
<CAPTION>
(Amounts in thousands except per share amounts)
For the year ended June 30, 1999

Weighted average number of common shares used in the calculation of basic loss per share	25,100
Common stock equivalents	
Shares used in the calculation of diluted loss per share	25,100
Net loss used in the calculation of basic and diluted loss per share	$(44,894)
Net loss per share Basic and diluted	$ (1.79)

The reconciliation for fiscal 1998 and 1997 is omitted since Celera Genomics stock was not part of the capital structure of the Company.

Options and warrants to purchase 5.6 million shares of Celera Genomics stock were outstanding at June 30, 1999, but were not included in the computation of diluted loss per share because the effect was antidilutive.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid debt instruments, time deposits, and certificates of deposit with original maturities of three months or less.

Investments

The Company's investment in Agrogene is accounted for on the equity method.

Property, Plant and Equipment, and Depreciation

Property, plant and equipment are recorded at cost and consisted of the following at June 30, 1999 and 1998:

(Dollar amounts in millions)	1999	1998
Land	$ 10.0	$ -
Buildings and leasehold improvements	66.4	4.2
Machinery and equipment	33.3	1.7
Property, plant and equipment, at cost	109.7	5.9
Accumulated depreciation and amortization	5.5	1.7
Property, plant and equipment, net	$104.2	$ 4.2

Major renewals and improvements that significantly add to productive capacity or extend the life of an asset are capitalized. Repairs, maintenance, and minor renewals and improvements are expensed when incurred.

Provisions for depreciation of owned property, plant and equipment are based upon the expected useful lives of the assets and computed primarily by the straight-line method. Leasehold improvements are amortized over their estimated useful lives or the term of the applicable lease, whichever is less, using the straight-line method. Internal-use software costs are amortized primarily over the expected useful lives, not to exceed seven years.

Machinery and equipment included $8.1 million of data management software licenses at June 30, 1999. There were no corresponding amounts at June 30, 1998.

Intangible Assets

The excess of purchase price over the net asset value of companies acquired is amortized on a straight-line method over periods not exceeding 40 years. Purchased technology rights are amortized using the straight-line method over

their expected useful lives.

At June 30, 1999, other long-term assets included goodwill, net of accumulated amortization, of $.9 million. Accumulated amortization of goodwill was $.1 million at June 30, 1999. There was no goodwill at June 30, 1998.

At June 30, 1999 and 1998, other long-term assets included purchased technology rights, net of accumulated amortization, of $1.1 million and $1.2 million, respectively. Accumulated amortization of purchased technology rights was $.3 million and $.2 million at June 30, 1999 and 1998, respectively.

Revenues

Subscription fees for access to the Company's genome databases are recognized ratably over the contracted period in accordance with the provisions of the contract. Contract research service revenues are earned and recognized generally on a percentage of completion or as contract research costs are incurred according to the provisions of the underlying agreement. In some instances revenue recognition may be contingent upon the achievement of certain milestones at each anniversary date. Amounts received in advance of performance are recorded as deferred revenue.

Research and Development

Costs incurred for internal, contract and grant-sponsored research and development are expensed when incurred. Grant-sponsored research and development expense was $.2 million for the year ended June 30, 1999.

Supplemental Cash Flow Information

Significant non-cash investing and financing activities were as follows:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999
<S>	<C>
Capital expenditures liability	$ 8.9
Note receivable from the PE Biosystems group	$150.0

</TABLE>

Note 2--Acquisitions

GenScope, Inc.

During the third quarter of fiscal 1997, the Company acquired GenScope, Inc., for $26.8 million. GenScope, founded in 1995, represented a development stage venture with no operating history. GenScope had effectively no revenues and only limited R&D contract services. At the acquisition date, technological feasibility of the acquired technology right had not been established and the acquired technology right had no future alternative uses. The Company obtained the right to utilize AFLP-based gene expression profiling technology in the field of human health, but did not obtain any core technology or other rights. GenScope's limited balance sheet, with assets of approximately $.2 million, had yet to deliver commercial value. Accordingly, the Company recorded a charge of $25.4 million attributable to the in-process technology purchased. The Company based this amount upon the early development stage of this life science business acquired, the technological hurdles to apply this technology to the field of human health and the underlying cash flow projections. The acquisition represented the purchase of development stage technology, not at the time considered commercially viable in the health care applications that the Company intends to pursue. The Company's intent was to first develop the technology into a set of molecular screening tools for use in the enhancement of pharmaceutical product development. The Company allocated $1.4 million of the purchase price to technology rights attributable to GenScope's AFLP-based gene expression profiling technology. AFLP is an enhancement of the polymerase chain reaction ("PCR") process that allows selective analysis of any portion of genetic material without the specific, prior sequence information normally required for PCR. Of the $25.4 million expensed as in-process research and development, $5.5 million represented a contingent liability due on the issuance of a process patent for technology under development.

Other Acquisitions

During the third quarter of fiscal 1999, the Company acquired a 49% interest in Agrogene S.A., an agricultural DNA testing laboratory in France for $1.2

million. The investment complements the Celera Genomics group's automated DNA sequencing and geno-

typing services in the agricultural field. The excess of cost over net assets acquired of $1.0 million is being amortized on a straight-line basis over a 3 year period.

The Company acquired Linkage Genetics, Inc., a provider of genetic analysis services in the agriculture industry, during the fourth quarter of fiscal 1997. At the acquisition date, the technological feasibility of the acquired technology had not been established and the acquired technology had no future alternative uses. The cash acquisition cost of $1.4 million was accounted for as a purchase. The entire acquisition cost was expensed as purchased in-process research and development.

The net assets and results of operations for all of the above acquisitions were accounted for under the purchase method and have been included in the combined financial statements of the Celera Genomics group since the date of each acquisition. The pro forma effect of these acquisitions, individually or in the aggregate, on the Celera Genomics group combined financial statements was not significant.

Note 3--Income Taxes

The income tax benefit included the Celera Genomics group's allocated portion of the Company's consolidated provision for income taxes.

Loss before income taxes, consisting of losses generated in the United States, for fiscal 1999, 1998, and 1997 was $67.5 million, $12.8 million, and $32.1 million, respectively. The current domestic income tax benefit for fiscal 1999, 1998, and 1997 was $22.6 million, $4.5 million, and $1.9 million, respectively.

A reconciliation of the federal statutory tax to the Celera Genomics group's tax benefit for fiscal 1999, 1998, and 1997 is set forth in the following table:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Federal statutory rate	35%	35%	35%
Tax at federal statutory rate	$23.6	$4.5	$11.2
Recapitalization costs	(1.6)		
Acquired research and development			(9.3)
Miscellaneous	.6		-
Benefit for income taxes	$22.6	$4.5	$ 1.9

</TABLE>

Note 4--Retirement and Other Benefits

Pension

The Company maintains or sponsors a pension plan that cover certain employees of the Celera Genomics group. Pension benefits earned are generally based on years of service and compensation during active employment. Pension plan assets are administered by a trustee and are principally invested in equity and fixed income securities. The funding of the pension plan is determined in accordance with statutory funding requirements.

The Company's domestic pension plans cover a substantial portion of the U.S. employees. During fiscal 1999, the plan was amended to terminate the accrual of benefits under the plan as of June 30, 2004 and to improve the benefit for participants who retire between the ages of 55 and 60. The pension plan is not available to employees hired on or after July 1, 1999.

Pension expense, consisting primarily of service cost, allocated to the Celera Genomics group was less than $.1 million for fiscal 1999, $.1 million for fiscal 1998, and $.1 million for fiscal 1997.

Retiree Health Care and Life Insurance Benefits

The postretirement plan provides certain health care and life insurance benefits to domestic employees hired prior to January 1, 1993, who retire and satisfy certain service and age requirements. Generally, medical coverage pays a stated percentage of most medical expenses, reduced for any deductible and for payments made by Medicare or other group coverage. The cost of providing these benefits is shared with retirees. The plan is unfunded. The postretirement benefit expense allocated to the Celera Genomics group was not material for fiscal 1999, 1998, and 1997. Amounts allocated to the Celera Genomics group were less than $.05 million for all periods presented.

Savings Plan

The Company provides a 401(k) savings plan, for domestic employees, with automatic Company contributions of 2% of eligible compensation and a dollar-for-dollar matching contribution of up to 4% of eligible compensation. The Company contributions allocated to the Celera Genomics group for fiscal 1999, 1998, and 1997 were $.5 million, $.2 million and $.1 million, respectively.

Postemployment Benefits

The Company provides certain postemployment benefits to eligible employees. These benefits generally include severance, disability, and medical-related costs paid after employment but before retirement.

Note 5--Segment, Geographic, and Customer Information

Business Segments and Geographic

In fiscal 1999, the PE Celera Genomics group adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The statement established annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products and services, geographic areas, and major customers. The adoption of the statement did not affect the results of operations or financial position of the Celera Genomics group.

The Celera Genomics group operates in one business segment, which is engaged principally in the generation, sale and support of genomic information database and related information management and analysis software; discovery, validation and licensing of proprietary gene products, genetic markers and information con-

cerning genetic variability; and related consulting and contract research and development services. The Celera Genomics group operates primarily in the United States.

Customer Information

Revenues from any single customer, comprising 10% or more of the total revenues of the Celera Genomics group, were $3.1 million, $.4 million, and $.2 million, for fiscal 1999, 1998, and 1997 respectively.

Note 6--Group Equity and Note Receivable

Celera Genomics stock represents a separate class of the Company's common stock. Additional shares of Celera Genomics stock may be issued from time to time upon exercise of stock options or at the discretion of the Company's Board of Directors. There were no repurchases of Celera Genomics stock for fiscal 1999.

Note Receivable From the PE Biosystems Group

The initial capitalization of the Celera Genomics group included a $330 million short-term note receivable from the PE Biosystems group established at September

30, 1998. The $330 million note represented an allocation of the Company's capital to the Celera Genomics group and did not result in the PE Biosystems group holding an equity interest in the Celera Genomics group. Accordingly, no interest was ascribed to the note. The allocation of capital represented management's decision to allocate a portion of the Company's capital to the Celera Genomics group and the remaining capital to the PE Biosystems group prior to the effective date of the recapitalization. The group financial statements do not include any intergroup equity interests. The note receivable was liquidated on May 28, 1999 in exchange for a portion of the proceeds received from the sale of the Analytical Instruments business and a new note receivable from the PE Biosystems group for $150 million was established. The new note receivable is for a term of one-year, bears an interest rate of 5% per annum, and is payable on demand without penalty. At June 30, 1999, the outstanding balance of the note receivable was $150 million.

Tax Benefit Receivable From the PE Biosystems Group

The Company reimburses the Celera Genomics group for tax benefits generated. These reimbursements are intended to provide additional cash resources to the Celera Genomics group up to a maximum of $75 million. For fiscal 1999, the Celera Genomics group generated $22.6 million of tax benefits. At June 30, 1999, the tax benefit receivable was $9.9 million.

Third Party Equity Transaction

On June 30, 1999, the Company granted an option to purchase 1.3 million shares of Celera Genomics group stock to a third party and entered into a one year non-compete agreement with such party. The fair value of such option approximated $7.2 million and will be amortized over the life of the non-compete agreement.

Stock Purchase Warrants

On January 22, 1998, the Company acquired PerSeptive BioSystems, Inc. The acquisition was accounted for as a pooling of interests, and the PE Biosystems group's financial results were restated to include the combined operations. As a result of the merger each outstanding warrant for shares of PerSeptive common stock was converted into warrants for the number of shares of the Company's common stock that would have been received by the holder if such warrants had been exercised immediately prior to the effective time of the merger.

As a result of the recapitalization, each outstanding warrant for shares of PerSeptive common stock was further converted into warrants to acquire .0963 share of Celera Genomics stock and .3852 share of PE Biosystems stock. The warrants are not separately exercisable into solely Celera Genomics stock or PE Biosystems stock. The exercise price and expiration date of each warrant were not affected by the recapitalization.

At June 30, 1999, there were warrants outstanding to purchase 107,598 shares of PE Biosystems stock and 26,900 shares of Celera Genomics stock at an exercise price of $32.87. The warrants expire in September, 2003.

Stockholders' Protection Rights Plan

In connection with the recapitalization, the Company adopted a new Stockholder Rights Plan (the "Rights Agreement") to protect stockholders against abusive takeover tactics. Under the Rights Agreement, the Company will issue one right for each share of Celera Genomics stock (a "Celera Genomics Right"), which will allow holders to purchase one-thousandth of a share of a newly designated Series B participating junior preferred stock of the Company at a purchase price of $125, subject to adjustment (the "Series B Purchase Price"), and one right for each share of PE Biosystems stock (a "PE Biosystems Right"), which will allow holders to purchase one-thousandth of a share of a newly designated Series A participating junior preferred stock of the Company at a purchase price of $425, subject to adjustment (the "Series A Purchase Price").

A Celera Genomics Right or PE Biosystems Right will be exercisable only if a person or group ("Acquiring Person"): (a) acquires 15% or more of the shares of Celera Genomics stock then outstanding or 15% or more of the shares of PE Biosystems stock then outstanding or (b) commences a tender offer that would result in such person or group owning such number of shares.

If any person or group becomes an Acquiring Person, each Celera Genomics Right and each PE Biosystems Right will entitle its holder to purchase, for the Series B Purchase Price or the Series A Purchase Price, a number of shares of the related class of common stock of the Company having a market value equal to twice such purchase price.

If following the time a person or group becomes an Acquiring Person, the Company is acquired in a merger or other business combination transaction and the Company is not the surviving corporation; any person consolidates or merges with the Company and all or part of the common stock is converted or exchanged for securities, cash or property of any other person; or 50% or more of the Company's assets or earnings power is sold or transferred, each Celera Genomics Right and each PE Biosystems Right will entitle its holder to purchase, for the Series B Purchase Price or Series A Purchase Price, a number of shares of common stock of the surviving entity in any such merger, consolidation or business combination or the purchaser in any such sale or transfer having a market value equal to twice the Series A Purchase Price or Series B Purchase Price.

The rights are redeemable at the Company's option at one cent per right to a person or group becoming an Acquiring Person.

Capital Stock

The Company's authorized capital stock consists of 225 million shares of PE Corporation-Celera Genomics group common stock, 500 million shares of PE Corporation-PE Biosystems group common stock and 10 million shares of PE Corporation preferred stock. Of the 10 million shares of preferred stock at June 30, 1999, the Company had designated 80,000 shares of two series of participating junior preferred stock in connection with the Company's stockholders' protection rights plan as previously described.

Note 7--Stock Plans

Stock Option Plans

Under the Company's stock option plans, officers and other key employees may be, and directors are, granted options, each of which allows for the purchase of existing common stock at a price of not less than 100% of fair market value at the date of grant. Prior to the recapitalization, most option grants had a two-year vesting schedule, whereby 50% of the option grant vested at the end of each year from the date of grant. The Board of Directors has extended that schedule for most options granted subsequent to the recapitalization whereby 25% will vest annually, resulting in 100% vesting after four years. Options generally expire ten years from the date of grant.

Transactions relating to the stock option plans are summarized below:

<TABLE>
<CAPTION>

	PE Corporation	
	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>
Fiscal 1997		
Outstanding at June 30, 1996	3,822,535	$34.05
Granted	1,595,528	$59.78
Exercised	1,167,179	$29.73
Cancelled	95,281	$43.17
Outstanding at June 30, 1997	4,155,603	$45.03
Exercisable at June 30, 1997	2,254,052	$35.24
Fiscal 1998		
Granted	1,997,041	$70.41
Exercised	780,994	$34.76
Cancelled	154,686	$71.42
Outstanding at June 30, 1998	5,216,964	$55.51
Exercisable at June 30, 1998	2,936,389	$43.12
Fiscal 1999		
Granted	37,000	$86.61
Exercised	1,549,364	$45.74
Cancelled	108,914	$67.92

Outstanding at May 5, 1999	3,595,686	$60.23
Exercisable at May 5, 1999	2,639,696	$55.43

<CAPTION>

	Celera Genomics Group	
	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>
Fiscal 1999		
Outstanding at May 6, 1999	1,797,843	$11.04
Granted	3,976,018	$17.44
Exercised	140,894	$10.49
Cancelled	66,303	$13.34
Outstanding at June 30, 1999	5,566,664	$15.62
Exercisable at June 30, 1999	1,818,116	$12.78

</TABLE>

As a result of the recapitalization, each outstanding stock option under the Company's stock option plans was converted into separately exercisable options to acquire one share of PE Biosystems stock and 0.5 of a share of Celera Genomics stock. The exercise price for the resulting PE Biosystems stock options and Celera Genomics stock options was calculated by multiplying the exercise price under the original option from which they were converted by a fraction, the numerator of which was the opening price of PE Biosystems stock or Celera Genomics stock, as the case may be, on May 6, 1999 (the first date such stocks were traded on the New York Stock Exchange) and the denominator of which was the sum of such PE Biosystems stock and Celera Genomics stock prices. However, the aggregate intrinsic value of the options was not increased, and the ratio of the exercise price per option to the market value per share was not reduced. In addition, the vesting provision and option periods of the original grants has remained the same on conversion.

The following table summarizes information regarding options outstanding and exercisable for the Celera Genomics group at June 30, 1999:

<TABLE>
<CAPTION>

		Weighted Average	
(Option Prices Per Share)	Number of Options	Contractual Life Remaining in Years	Exercise Price
<S>	<C>	<C>	<C>
Options Outstanding			
At $.37 - $12.10	600,294	5.1	$ 6.95
At $12.11 - $15.13	961,784	7.8	$13.39
At $15.14 - $17.12	3,652,464	9.5	$17.11
At $17.13 - $30.26	352,122	9.8	$21.00
Options Exercisable			
At $.37 - $12.10	578,766	5.1	$ 6.98
At $12.11 - $15.13	523,132	7.8	$13.14
At $15.14 - $17.12	705,020	9.5	$17.10
At $17.13 - $30.26	11,198	9.8	$22.65

</TABLE>

1999 Stock Incentive Plans

The PE Corporation/PE Biosystems Group 1999 Stock Incentive Plan (the "PE Biosystems plan") and the PE Corporation/Celera Genomics Group 1999 Stock Incentive Plan (the "Celera Genomics plan") were approved in April 1999. The Celera Genomics plan authorizes grants of stock options, stock awards and performance shares with respect to Celera Genomics stock. The PE Biosystems plan authorizes grants of stock options, stock awards and performance shares with respect to PE Biosystems stock. Directors and certain officers and key employees

with responsibilities involving both the PE Biosystems group and the Celera Genomics group may be granted awards under both incentive plans in a manner which reflects their responsibilities. The Board of Directors believes that granting participants awards tied to performance of the group in which the participants work and, in certain cases the other group, is in the best interest of the Company and its stockholders.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan offers domestic and certain foreign employees the right to purchase shares of Celera Genomics stock and/or PE Biosystems stock on a quarterly basis. The purchase price in the United States is equal to the lower of 85% of the average market price of such class of common stock on the offering date or 85% of the average market price of the applicable class of common stock on the last day of the purchase period. Provisions of the plan for employees in foreign countries vary according to local practice and regulations.

Common stock issued under the Employee Stock Purchase Plan during fiscal 1999, 1998, and 1997 totaled 168,000 shares, 174,000 shares, and 111,000 shares, respectively, of PE Corporation (predecessor) common stock. Additionally, 12,000 shares of Celera Genomics stock and 49,000 shares of PE Biosystems stock were issued during fiscal 1999.

Director Stock Purchase and Deferred Compensation Plan

The Company has a Director Stock Purchase and Deferred Compensation Plan that requires non-employee directors of the Company to apply at least 50% of their annual retainer to the purchase of common stock. Purchases of Celera Genomics stock and PE Biosystems stock are made in a ratio approximately equal to the number of shares of Celera Genomics stock and PE Biosystems stock outstanding. The purchase price is the fair market value on the date of purchase. At June 30, 1999, the Company had approximately 43,000 shares of Celera Genomics stock and approximately 85,000 shares of PE Biosystems stock available for issuance.

Restricted Stock

As part of the Company's stock incentive plans, key employees may be, and non-employee directors are, granted shares of restricted stock that will vest when certain continuous employment/service restrictions and/or specified performance goals are achieved. The fair value of shares granted is generally expensed over the restricted periods, which may vary depending on the estimated achievement of performance goals.

As a result of the recapitalization, each share of restricted stock held was redesignated as 0.5 of a share of Celera Genomics stock and one share of PE Biosystems stock. Restricted stock granted prior to the recapitalization to key employees and non-employee directors during fiscal 1999, 1998, and 1997 totaled 42,900 shares, 4,350 shares, and 42,000 shares, respectively, of PE Corporation (predecessor) common stock.

Performance Unit Bonus Plan

The Company has a Performance Unit Bonus Plan whereby employees may be awarded performance units in conjunction with an equal number of stock options. A performance unit represents the right to receive a cash or stock payment from the Company at a specified date in the future. The amount of the payment is equal to the fair market value of a share of common stock on the date of the grant. The performance units vest upon shares of the Company's common stock attaining and maintaining specified stock price levels for a specified period, and are payable on or after a specified future date subject to continued employment through the date of payment. As of June 30, 1999 two series of performance units totaling 498,399 units had been granted under the plan. Compensation expense, pertaining to the first of the series, for the Celera Genomics group was $.3 million for fiscal 1999.

At June 30, 1999, all stock price targets applicable to the first series of performance units, totaling 294,499 units, net of cancellations, units initially granted to members of senior management under the plan had been attained and the Company became obligated to make payments under the plan. In recognition of the efforts of the participants in reaching these performance targets and the change in the underlying securities of the Company as a result of the recapitalization of the Company, the Board of Directors decided to accelerate these payments to fiscal year 2000. The

related stock options were not accelerated. Compensation expense recognized by the Celera Genomics group as a result of the acceleration of these payments totaled $1.0 million for fiscal 1999.

Accounting for Stock-Based Compensation

Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," is applied in accounting for stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock option and employee stock purchase plans, as all options have been issued at fair market value.

Pro forma net income and earnings per share information, as required by SFAS No. 123, "Accounting for Stock-Based Compensation," have been determined for employee stock plans under the statement's fair value method. The fair value of the options was estimated at grant date using a Black-Scholes option pricing model with the following weighted average assumptions for the Celera Genomics group:

For the year ended June 30,	1999
Dividend yield	-%
Volatility	34.40%
Risk-free interest rates	5.0%
Expected option life in years	5.23

For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period.

Pro forma information for the Celera Genomics group for fiscal 1999 is presented below:

(Dollar amounts in millions except per share amounts)	1999
Net loss	
As reported	$ (44.9)
Pro forma	$ (47.5)
Basic and diluted loss per share	
As reported	$ (1.79)
Pro forma	$ (1.89)

For the fiscal years ended June 30, 1998 and 1997, the net loss was $8.3 million and $30.2 million, respectively. Pro forma information for fiscal 1998 and 1997 is omitted since Celera Genomics stock was not part of the capital structure of the Company.

The weighted average fair value of PE Corporation options granted was $33.54, $24.83, and $20.17 per share for fiscal 1999, 1998, and 1997, respectively. The weighted average fair value of Celera Genomics options granted was $8.26 for fiscal 1999.

Since Celera Genomics stock and PE Biosystems were not part of the capital structure of the Company prior to May 6, 1999, there were no stock options outstanding prior to that date. Therefore, the pro forma effect of Celera Genomics stock options is not representative of what the effect will be in future years.

Note 8--Related Party Transactions

Sales of Products and Services Between Groups

A group will sell products or services to the other group on terms that would be available from third parties in commercial transactions. If terms for such transaction are not available, the purchasing group will pay fair value as determined by the Board of Directors for such products and services or at the

cost (including overhead) of the selling group. For fiscal 1999, R&D expenses included $15.2 million for purchases of instruments, lease payments on instruments and the purchase of consumables, and $2.1 million of contracted R&D services from the PE Biosystems group.

Access to Technology and Know-How

Each group will have free access to all Company technology and know-how (excluding products and services of the other group) that may be useful in that group's business, subject to obligations and limitations applicable to the Company and to such exceptions that the Board of Directors may determine. The groups will consult with each other on a regular basis concerning technology issues that affect both groups. The costs of developing this technology remain in the group responsible for its development.

Note 9--Commitments and Contingencies

Future minimum payments at June 30, 1999 under non-cancelable operating leases for real estate and equipment were as follows:

<TABLE>
<CAPTION>
(Dollar amounts in millions)

<S>	<C>
2000	$20.7
2001	18.3
2002	1.6
2003	
2004	
2005 and thereafter	
Total	$40.6

</TABLE>

Rental expense was $8.5 million for fiscal 1999, $.3 million for fiscal 1998, and $.1 million for fiscal 1997.

On March 13, 1998, the Company filed a patent infringement action against American Pharmacia Biotech, Inc. ("Amersham") and Molecular Dynamics, Inc. in the United States District Court for the Northern District of California. The Company asserts that two of its patents (U.S. 5,207,886 and U.S. 4,811,218) are infringed by reason of Molecular Dynamics' and Amersham's sale of certain DNA analysis systems (e.g., the MegaBACE 1000 System). In response, the defendants have asserted various affirmative defenses and several counterclaims, including that the Company is infringing two patents (U.S. 5,091,652 and U.S. 5,459,325) owned by or licensed to Molecular Dynamics by selling the ABI PRISM(R) 377 DNA Sequencing Systems.

On April 2, 1998, Amersham filed a patent infringement action against the Company in the United States District Court for the Northern District of California. The complaint alleges that the Company is directly, contributorily or by inducement infringing U.S. Patent No. 5,688,648 ("the '648 patent"), entitled "Probes Labeled with Energy Transfer Coupled Dyes." The complaint seeks declaratory judgment that the use of the PE BigDye(TM) Primer and BigDye(TM) Terminator kits would infringe the '648 patent, as well as injunctive and monetary relief. The Company answered the complaint, alleging that the '648 patent is invalid and that the Company has not infringed the '648 patent.

On May 21, 1998, Amersham filed a patent infringement action against the Company in the United States District Court for the Southern District of New York. The complaint alleges that the Company is infringing, contributing to the infringement and inducing the infringement of U.S. Patent No. 4,707,235 ("the '235 patent") entitled "Electrophoresis Method and Apparatus having Continuous Detection Means." The complaint seeks injunctive and monetary relief. The Company answered the complaint, alleging that the '235 patent is invalid and that the Company does not infringe the '235 patent.

The Company has been named as a defendant in several legal actions, including patent, commercial, and environmental, arising from the conduct of normal business activities. Although the amount of any liability that might arise with respect to any of these matters cannot be accurately predicted, the resulting

liability, if any, will not in the opinion of management have a material adverse effect on the financial statements of the Celera Genomics group or the Company.

The holders of Celera Genomics stock are stockholders of the Company and will continue to be subject to all of the risks associated with an investment in the Company, including any legal proceeding and claims affecting the PE Biosystems group.

Celera Genomics Group
Notes to Combined Financial Statements continued

Note 10--Quarterly Financial Information
(Unaudited)

The following is a summary of quarterly financial results:

<TABLE>
<CAPTION>

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
(Dollar amounts in millions except per share amounts)	1999	1998	1999	1998	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	$3.9	$ .6	$ 1.7	$1.2	$ 1.8	$1.3	$ 5.1	$1.1
Operating loss	(5.6)	(1.4)	(12.9)	(2.1)	(19.3)	(3.6)	(31.0)	(5.7)
Net loss	(3.6)	(.9)	(8.6)	(1.4)	(12.8)	(2.3)	(19.9)	(3.7)
Net loss per share Basic and diluted							$(.78)	
Price range of common stock								
High							$ 22-1/2	
Low							$ 14-3/16	

</TABLE>

There were no dividends on Celera Genomics stock for the periods presented.

Fiscal 1999 price ranges are for the period from May 6, 1999 through June 30, 1999. On May 6, 1999, The Perkin-Elmer Corporation was merged into PE Corporation, a new Delaware corporation. The recapitalization of the Company resulted in the issuance of two new classes of common stock called PE Corporation-Celera Genomics Group Common Stock and PE Corporation-PE Biosystems Group Common Stock.

Events Impacting Comparability -- Fiscal 1999

Second, third, and fourth quarter results included before-tax costs of $.6 million, $.8 million, and $3.2 million, respectively in connection with the recapitalization of the Company. Fourth quarter results also included before-tax costs of $1.0 million for the Company's long-term compensation programs. The aggregate after-tax effect of these items increased second, third, and fourth quarter net loss by $.6 million, $.8 million, and $3.9 million, respectively, and increased fourth quarter net loss by $.15 per diluted share.

Celera Genomics Group
Report of Management

To the Stockholders of
PE Corporation

Management is responsible for the accompanying combined financial statements, which have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, it is necessary for management to make informed judgments and estimates which it believes are in accordance with generally accepted accounting principles appropriate in the circumstances. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In meeting its responsibility for preparing reliable financial statements, the Company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with corporate policy and management authorization. The Company believes its accounting controls provide reasonable assurance that errors or irregularities which could be material to the financial statements are prevented or would be detected within a timely period. In designing such control procedures, management recognizes judgements are required to assess and balance the costs and expected benefits of a system of internal accounting controls. Adherence to these polices and procedures is reviewed through a coordinated audit effort of the Company's internal audit staff and independent accountants.

The Audit Committee of the Board of Directors is comprised solely of outside directors and is responsible for overseeing and monitoring the quality of the Company's accounting and auditing practices. The independent accountants and internal auditors have full and free access to the Audit Committee and meet periodically with the committee to discuss accounting, auditing, and financial reporting matters.

/s/ Dennis L. Winger

Dennis L. Winger
Senior Vice President and
Chief Financial Officer

/s/ Tony L. White

Tony L. White
Chairman, President, and
Chief Executive Officer

Report of Independent Accountants

To the Stockholders and Board of Directors of
PE Corporation

In our opinion, the accompanying combined statements of financial position and the related combined statements of operations, of group equity, and of cash flows present fairly, in all material respects, the financial position of the Celera Genomics Group of PE Corporation at June 30, 1999 and 1998, and the results of its operations and its cash flows for each of the three fiscal years in the period ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the management of PE Corporation; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described above and more fully in Note 1 to the Celera Genomics Group combined financial statements, the Celera Genomics Group is a group of PE Corporation; accordingly, the combined financial statements of the Celera Genomics Group should be read in conjunction with the audited financial statements of PE Corporation.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
July 30, 1999

PE Corporation
Selected Financial Data

<TABLE>
<CAPTION>
(Dollar amounts in thousands except per share amounts)

For the years ended June 30,	1999	1998	1997	1996	1995

<S>	<C>	<C>	<C>	<C>	<C>
Financial Operations					
Net revenues	$1,216,897	$ 944,306	$ 768,368	$642,218	$543,945
Income from continuing operations	96,797	15,694	102,492	1,310	38,569
Per share of common stock					
Basic		.32	2.16	.03	.87
Diluted		.31	2.07	.03	.85
Income (loss) from discontinued operations (net of income taxes)	79,058	40,694	27,906	(37,833)	7,738
Net income (loss)	175,855	56,388	130,398	(36,523)	46,307
Per share of common stock					
Basic		1.16	2.74	(.80)	1.04
Diluted		1.12	2.63	(.77)	1.02
Dividends per share	.51	.68	.68	.68	.68
Attributable to PE Biosystems Group					
Income from continuing operations	$ 148,365	$ 24,009	$ 132,739	$ 3,899	$ 38,569
Per share of common stock					
Basic	1.48				
Diluted	1.44				
Income (loss) from discontinued operations (net of income taxes)	79,058	40,694	27,906	(37,833)	7,738
Net income (loss)	227,423	64,703	160,645	(33,934)	46,307
Per share of common stock					
Basic	2.27				
Diluted	2.21				
Dividends per share	.085				
Attributable to Celera Genomics Group					
Net loss	$ (44,894)	$ (8,315)	$ (30,247)	$ (2,589)	$ -
Per share of common stock					
Basic and diluted	(1.79)				
Other Information					
Cash and short-term investments	$ 308,021	$ 84,091	$ 217,222	$121,145	$103,826
Working capital	471,350	287,991	354,742	229,639	256,607
Capital expenditures	176,035	71,820	58,057	28,198	33,891
Total assets	1,519,307	1,135,276	1,006,793	809,856	797,970
Long-term debt	31,452	33,726	59,152	33,694	64,524
Total debt	35,363	45,825	89,068	89,801	123,224
Stockholders' equity	821,525	564,248	504,270	373,727	369,807

</TABLE>

The selected financial data should be read with the consolidated financial statements.

On May 6, 1999, The Perkin-Elmer Corporation was merged into a subsidiary of PE Corporation, a new Delaware corporation. The recapitalization of the Company resulted in the issuance of two new classes of common stock called PE Corporation-PE Biosystems Group Common Stock and PE Corporation-Celera Genomics Group Common Stock.

On June 17, 1999, the Board of Directors announced a two-for-one split of PE Biosystems group common stock. The two-for-one stock split was effected in the form of a 100% stock dividend paid to stockholders of record as of the close of business on July 12, 1999. All PE Biosystems group share and per share data reflect this split.

A number of items impact the comparability of the data from continuing operations. Before-tax amounts include:

- Charges of $19.3 million for fiscal 1999 relating to the recapitalization and transformation of the Company;
- Restructuring and other merger costs of $6.1 million for fiscal 1999, $48.1 million for fiscal 1998, $17.5 million for fiscal 1996, and $15.5 million for fiscal 1995;
- Restructuring reserve adjustment of $9.2 million for fiscal 1999 relating to excess fiscal 1998 restructuring liabilities;
- Gains on investments of $6.1 million for fiscal 1999, $1.6 million for fiscal 1998, $64.9 million for fiscal 1997, $11.7 million for fiscal 1996, and $20.8 million for fiscal 1995;
- Acquired research and development charges of $28.9 million for fiscal 1998, $26.8 million for fiscal 1997, and $33.9 million for fiscal 1996;
- Charges for the impairment of assets of $14.5 million for fiscal 1999, $.7 million for fiscal 1997, and $9.9 million for fiscal 1996;
- Foreign currency hedge contract related gain of $2.3 million for fiscal 1999;
- Tax benefit and valuation allowance reductions of $22.2 million for fiscal 1999; and
- A charge of $3.5 million for a donation to the Company's charitable foundation for fiscal 1999.

PE Corporation
Management's Discussion and Analysis

Management's Discussion of Continuing Operations

The PE Corporation ("PE" or the "Company") is comprised of two separate business segments in continuing operations: the PE Biosystems group and the Celera Genomics group. The performance of these businesses is reflected separately by two classes of common stock: PE Biosystems stock and Celera Genomics stock. The PE Biosystems group manufactures and markets biochemical instrument systems and associated consumable products for life science research and related applications. The Celera Genomics group is engaged principally in the generation, sale and support of genomic information databases and related information management and analysis software; discovery, validation and licensing of proprietary gene products, genetic markers and information regarding genetic variability; and related consulting and contract research and development services.

You should read this discussion with our consolidated financial statements. Historical results and percentage relationships are not necessarily indicative of operating results for any future periods.

Throughout the following discussion of operations we refer to the impact on our reported results of the movement in foreign currency exchange rates from one reporting period to another as "foreign currency translation."

Discontinued Operations

Effective May 28, 1999, we completed the sale of our Analytical Instruments business to EG&G, Inc. ("EG&G"). Analytical Instruments, formerly a unit of our PE Biosystems group, develops, manufactures, markets, sells, and services analytical instruments used in a variety of markets. As part of the sale, the rights to the "Perkin-Elmer" name were transferred to EG&G.

The aggregate consideration we received was $425 million, consisting of $275 million in cash and one-year secured promissory notes in the aggregate principal amount of $150 million which bear interest at a rate of 5% per annum. We recognized a net gain on disposal of discontinued operations of $100.2 million, net of $87.8 million of income taxes. The transaction is subject to post-closing adjustments pursuant to the terms of the agreement with EG&G.

Amounts previously reported for Analytical Instruments have been reclassified and stated as discontinued operations. See Note 15 to the consolidated financial statements.

Events Impacting Comparability

Acquisitions, Investments, and Dispositions

On January 22, 1998, we acquired PerSeptive Biosystems, Inc. ("PerSeptive"). The acquisition was accounted for as a pooling of interests and, accordingly, our financial results were restated to include the combined operations.

We acquired Molecular Informatics, Inc. ("Molecular Informatics") and a 14.5% interest, and approximately 52% of the voting rights, in Tecan AG ("Tecan") during the second quarter of fiscal 1998, and GenScope, Inc. ("GenScope") during the third quarter of fiscal 1997. The results of operations for these acquisitions, each of which was accounted for as a purchase, have been included in the consolidated financial statements since the date of each respective acquisition. During the fourth quarter of fiscal 1999, we divested our interest in Tecan. A before-tax gain of $1.6 million was recognized on the sale.

A discussion of significant acquisitions, investments and dispositions is provided in Note 2 to the consolidated financial statements.

Restructuring and Other Special Charges

In fiscal 1999, non-recurring before-tax costs of $9.2 million were incurred in connection with the recapitalization of our company. See Note 1 to the consolidated financial statements for a discussion of the recapitalization.

During fiscal 1998, $48.1 million of before-tax charges were recorded for restructuring and other merger costs to integrate PerSeptive into PE following the acquisition. The objectives of the integration plan were to lower PerSeptive's cost structure by reducing excess manufacturing capacity, achieve

broader worldwide distribution of PerSeptive's products, and combine sales, marketing, and administrative functions. The charge included: $33.9 million for restructuring the combined operations; $8.6 million for transaction costs; and $4.1 million of inventory-related write-offs, recorded in cost of sales, associated with the rationalization of certain product lines. Additional merger-related period costs of $6.1 million for fiscal 1999 and $1.5 million for fiscal 1998, were incurred for training, relocation, and communication in connection with the integration.

During the fourth quarter of fiscal 1999, we completed the restructuring actions. The cost to implement the program were $9.2 million below the $48.1 million charge recorded for fiscal 1998. As a result, during the fourth quarter of fiscal 1999, we recorded a $9.2 million reduction of charges required to implement the fiscal 1998 plan. A discussion of our restructuring program is provided in Note 10 to the consolidated financial statements.

Acquired Research and Development

During fiscal 1998 and 1997, we recorded charges of $28.9 million and $26.8 million, respectively, for purchased in-process research and development in connection with certain acquisitions. See Note 2 to the consolidated financial statements.

In the second quarter of fiscal 1998, we expensed $28.9 million of the Molecular Informatics acquisition cost as in-process research and development, representing 53.6% of the purchase price. This amount was attributed and supported by a discounted probable cash flow analysis on a project-by-project basis. At the acquisition

date, the technological feasibility of the acquired technology had not been established and the acquired technology had no future alternative uses.

We attributed approximately 10% of the in-process research and development value to BioLIMS, a software system that manages data, initiates analysis programs, and captures the results in a centralized, relational database for sequencing instruments; 6% to GA SFDB, a client-side add-on product to several existing gene sequencing instruments; 38% to BioMERGE, a client-server management and integration system that organizes proprietary, public and third-party results in a single relational database for the drug discovery and genomic research markets; 9% to BioCLINIC, a client-server management and integration system that organizes proprietary, public and third-party results generated from DNA and protein sequence analysis in a single database for the clinical trials phase of drug development; and 37% to SDK, an open architecture software platform from which all of Molecular Informatics' future software applications were expected to be derived.

As of the acquisition date, all of the major functionality for BioLIMS 2.0 had been completed and the product was subsequently released in September 1998. As of the acquisition date, BioLIMS 3.0 was in the design and scoping phase. As of the acquisition date, GA SFDB was in early alpha phase and had been completed concurrent with the development of BioLIMS 2.0 and was released in September 1998. As of the acquisition date, BioMerge's 3.0 functional scope was defined and the requirements assessment had been completed and was subsequently released in November 1998. As of the acquisition date, the BioCLINIC product requirements had been specified and discussions had begun with two potential customers to begin the specific software modifications. Development efforts were terminated in April 1998 due to unsuccessful marketing efforts. As of the acquisition date, the SDK requirements assessment had been completed and the functional scope had been defined.

We attributed $11.8 million of the purchase price to core technology and existing products, primarily related to the BioMERGE product. We applied a risk-adjusted discount to the project's cash flows of 20% for existing technology and 23% for in-process technology. The risk premium of 3% for in-process technologies was determined by management based on the associated risks of releasing these in-process technologies versus the existing technologies for the emerging bioinformatics software industry. The significant risks associated with these products include the limited operating history of Molecular Informatics, uncertainties surrounding the market acceptance of such in-process products, competitive threats from other bioinformatics companies and other risks. Management is primarily responsible for estimating the fair value of such existing and in-process technology.

During the third quarter of fiscal 1997, we acquired GenScope for $26.8 million. GenScope, founded in 1995, represented a development stage venture with no operating history. GenScope had effectively no revenues and only limited R&D contract services. At the acquisition date, technological feasibility of the acquired technology right had not been established and the acquired technology right had no future alternative uses. We obtained the right to utilize AFLP-based gene expression profiling technology in the field of human health, but did not obtain any core technology or other rights. GenScope's limited balance sheet, with assets of approximately $.2 million, had yet to deliver commercial value. Accordingly, we recorded a charge of $25.4 million attributable to the in-process technology purchased. We based this amount upon the early development stage of this life science business acquired, the technological hurdles to apply this technology to the field of human health and the underlying cash flow projections. The acquisition represented the purchase of development stage technology, not at the time considered commercially viable in the health care applications that we intend to pursue. Our intent was to first develop the technology into a set of molecular screening tools for use in the enhancement of pharmaceutical product development. We allocated $1.4 million of the purchase price to technology rights attributable to GenScope's AFLP-based gene expression profiling technology. AFLP is an enhancement of the polymerase chain reaction ("PCR") process that allows selective analysis of any portion of genetic material without the specific, prior sequence information normally required for PCR. Of the $25.4 million expensed as in-process research and development, $5.5 million represented a contingent liability due on the issuance of a process patent for technology under development.

Through June 30, 1999, we incurred approximately $12.2 million in additional research and development costs to further develop the AFLP technology in the field of human health. We anticipate spending an additional $2.2 million in fiscal 2000 to substantially complete such project. Such costs approximate those anticipated at the date of acquisition.

Asset Impairment

During the fourth quarter of fiscal 1999, we incurred a $14.5 million charge to cost of sales for the impairment of intangible assets associated with the Molecular Informatics business. This impairment resulted primarily from a decline in management's assessment of future cash flows from this business which included the discontinuance of certain product lines in the fourth quarter.

During fiscal 1997, a $.7 million charge was recorded to cost of sales for the write-down of certain impaired assets.

See Note 1 to the consolidated financial statements.

Gain on Investments

Fiscal 1999, 1998, and 1997 included before-tax gains of $4.5 million, $1.6 million, and $64.9 million, respectively, related to the sale and release of contingencies on minority equity investments. As previously described, fiscal 1999 also included a before-tax gain of $1.6 million related to the sale of our interest in Tecan. See Note 2 to the consolidated financial statements.

Other Events Impacting Comparability

During the fourth quarter of fiscal 1999, a $10.1 million charge was recorded to selling, general and administrative expenses for costs related to the acceleration of certain long-term compensation programs as a result of the recapitalization of our company and the attainment of performance targets.

During the fourth quarter of fiscal 1999, we made a $3.5 million donation to our company's charitable foundation, which supports educational and other charitable programs. The charge was recorded to selling, general and administrative expenses.

A gain of $2.3 million related to foreign currency hedge contracts was recognized in other income, net during the fourth quarter of fiscal 1999.

The effective income tax rate for fiscal 1999 included certain tax benefit and valuation allowance reductions of $22.2 million. See Note 4 to the consolidated financial statements.

Results of Continuing Operations--1999 Compared With 1998

We reported income from continuing operations of $96.8 million for fiscal 1999 compared with $15.7 million for fiscal 1998. On a segment basis, the PE Biosystems group reported income from continuing operations of $148.4 million for fiscal 1999 compared with $24.0 million for fiscal 1998 and the Celera Genomics group reported a net loss of $44.9 million for fiscal 1999, compared with $8.3 million for fiscal 1998.

Income from continuing operations for our company, on a comparable basis excluding the special items previously described, increased 4.0% to $91.4 million for fiscal 1999 compared with $87.9 million for fiscal 1998. On a segment basis, the PE Biosystems group, excluding the special items, reported an increase of 44.8% in income from continuing operations for fiscal 1999 compared with the prior year. Excluding the fiscal 1999 special items allocated to the Celera Genomics group of $4.6 million for costs incurred in connection with the recapitalization and $1.0 million for costs related to the acceleration of certain compensation programs, the group reported a net loss of $39.6 million compared with $8.3 million for fiscal 1998.

Net revenues were $1,216.9 million for fiscal 1999 compared with $944.3 million for fiscal 1998, an increase of 28.9%. On a segment basis, net revenues for the PE Biosystems group increased 30.0% to $1,221.7 million for fiscal 1999, compared with $940.1 million for the prior year. The Celera Genomics group reported net revenues of $12.5 million for fiscal 1999, compared with $4.2 million for fiscal 1998.

Net revenues for the PE Biosystems group, excluding the results of Tecan, increased 25.9% compared with the prior year. The effects of foreign currency translation increased net revenues by less than 1% compared with the prior year. Net revenues from shipments to the Celera Genomics group were $17.3 million for fiscal 1999 and represented less than 2% of the group's net revenues. There were no revenues to the Celera Genomics group for fiscal 1998. Geographically, excluding the net revenues of Tecan, the PE Biosystems group reported revenue growth in all regions for fiscal 1999 compared with the prior year. Revenues increased 32.5% in the United States, 19.5% in Europe, 20.9% in the Far East and 12.6% in Latin America and other markets, compared with the prior year. Demand for the PE Biosystems group's new ABI PRISM(R) 3700 DNA Analyzer, which began shipping in the second quarter of fiscal 1999, was strong. Shipments for sequence detection systems and liquid chromatography/mass spectrometry ("LC/MS") products also contributed to the growth.

Net revenues for the Celera Genomics group increased $8.3 million for fiscal 1999 compared with the prior year. Revenues for contract research services increased $4.5 million, relating primarily to expression-based gene discovering services in the agricultural market, and $2.8 million from the group's new genomic information and database products, mainly from early access subscriptions.

Gross margin for our company as a percentage of net revenues was 54.1% for fiscal 1999, compared with 54.3% for the prior year. The PE Biosystems group's fiscal 1999 gross margin included $14.5 million for the impairment of intangible assets associated with the Molecular Informatics business. Fiscal 1998 gross margin included $4.1 million of inventory-related write-offs associated with the rationalization of certain product lines in connection with the acquisition of PerSeptive. On a comparable basis, excluding the special items for both years, gross margin as a percentage of net revenues was 55.1% for fiscal 1999 and 54.5% for fiscal 1998. The improved gross margin was primarily the result of a change in product mix. Increased unit sales of reagents to support genetic analysis systems, increased royalty revenues, and continued demand in instrument sales of higher margin genetic analysis product offerings contributed to the growth.

SG&A expenses for our company were $364.1 million for fiscal 1999, compared with $283.4 million for fiscal 1998, an increase of 28.5%. On a segment basis, SG&A expenses were $335.9 million compared with $276.7 million for fiscal 1999 and 1998, respectively, for the PE Biosystems group, and $28.3 million compared with $6.7 million for fiscal 1999 and 1998, respectively, for the Celera Genomics group.

SG&A expenses for the PE Biosystems group, excluding Tecan, increased 15.6% for fiscal 1999 compared with the prior year. Fiscal 1999 expenses included a charge of $9.1 million for costs related to the acceleration of certain long-term compensation programs as a result of the recapitalization of our company and the attainment of performance targets. Fiscal 1999 expenses also included $3.5 million for a contribution to our company's charitable foundation which supports educational and other charitable programs. On a comparable basis, excluding the special items, SG&A expenses increased 10.8%. This increase was due to higher planned expenses, reflecting the growth in sales and orders. As a percentage of net revenues, excluding Tecan and the special items, SG&A expenses were 25.9% for fiscal 1999 compared with 29.4% for the prior year.

The Celera Genomics group's SG&A expenses increased $21.5 million for fiscal 1999 compared with the prior year. The increase was primarily related to the start-up and ongoing operations of the new genomic information business. SG&A expenses for fiscal 1999 included $1.0 million for costs related to the acceleration of certain compensation programs as a result of the recapitalization of our company and the attainment of performance targets.

R&D expenses for our company were $179.3 million for fiscal 1999 compared with $115.8 million for fiscal 1998, an increase of 54.9%. R&D expenses for the PE Biosystems group increased 26.6% compared with the prior year to $133.5 million for fiscal 1999. Excluding Tecan, expenses increased 19.5% compared with the prior year in support of the introduction of new products and the acceleration of product development. As a percentage of net revenues, excluding Tecan, R&D expenses were 10.7% for fiscal 1999 compared with 11.2% for the prior year. The Celera Genomics group's R&D expenses increased to $48.4 million for fiscal 1999 compared with $10.3 million for fiscal 1998, primarily as a result of establishing and operating the sequencing facility and computing center of the new genomic information business.

During fiscal 1998, $48.1 million of before-tax charges were recorded for restructuring and other merger costs to integrate PerSeptive into the PE Biosystems group of our company following the acquisition. The objectives of the integration plan were to lower PerSeptive's cost structure by reducing excess manufacturing capacity, achieve broader worldwide distribution of PerSeptive's products, and combine sales, marketing, and administrative functions. The charge included: $33.9 million for restructuring the combined operations; $8.6 million for transaction costs; and $4.1 million of inventory-related write-offs, recorded in cost of sales, associated with the rationalization of certain product lines. Additional merger-related period costs of $6.1 million for fiscal 1999 and $1.5 million for fiscal 1998 were incurred for training, relocation, and communication costs.

The $33.9 million restructuring charge included $13.8 million for severance-related costs and workforce reductions of approximately 170 employees, consisting of 114 employees in production labor and 56 employees in sales and administrative support. The remaining $20.1 million represented facility consolidation and asset-related write-offs that included: $11.7 million for contract and lease terminations and facility-related expenses in connection with the reduction of excess manufacturing capacity; $3.2 million for dealer termination payments, sales office consolidations, and consolidation of sales and administrative support functions; and $5.2 million for the write-off of certain tangible and intangible assets and the termination of certain contractual obligations. Transaction costs of $8.6 million included acquisition-related investment banking and professional fees.

During the fourth quarter of fiscal 1999, our company completed the restructuring actions. The costs to implement the program were $9.2 million below the $48.1 million charge recorded for fiscal 1998. As a result, during the fourth quarter of fiscal 1999, the PE Biosystems group recorded a $9.2 million reduction of charges required to implement the fiscal 1998 plan. See Note 10 to the consolidated financial statements.

During fiscal 1999, our company recorded a before-tax special charge of $9.2 million for costs incurred in connection with the recapitalization of our company. These costs included investment banking and professional fees. On a segment basis, the PE Biosystems group and the Celera Genomics group were each allocated 50% of the total costs.

Fiscal 1998 included $28.9 million of purchased in-process research and development associated with our company's acquisition of Molecular Informatics for the PE Biosystems group.

<TABLE>
<CAPTION>
Operating Income

(Dollar amounts in millions)	1999	1998
<S>	<C>	<C>
Operating income before special items	$142.8	$117.6
Asset impairment	(14.5)	
Long-term compensation programs	(10.1)	
Charitable foundation contribution	(3.5)	
Restructuring and other merger costs, net	3.1	(48.1)
Recapitalization costs	(9.2)	
Acquired research and development		(28.9)

Operating income	$108.6	$ 40.6

</TABLE>

Operating income for our company increased to $108.6 million for fiscal 1999 compared with $40.6 million for fiscal 1998. On a comparable basis, excluding the special items previously described, operating income increased 21.4% to $142.8 million for fiscal 1999 compared with $117.6 million for the prior year.

On a segment basis, operating income for the PE Biosystems group increased to $187.9 million for fiscal 1999 compared with $53.4 million for the prior year. On a comparable basis, excluding the results of Tecan and the special items previously described, operating income increased 60.7% for fiscal 1999 compared with the prior year. The PE Biosystems group benefited from increased revenues, higher gross margins, and lower operating expenses as a percentage of net revenues. Higher operating income from sequencing, mapping systems, and LC/MS products were the primary contributors. The effects of currency translation for the PE Biosystems group increased operating income by less than 1% for fiscal 1999 compared with the prior year. Operating income as a percentage of net revenues, excluding the results of Tecan and the special items, increased to 17.6% for fiscal 1999 compared with 13.8% for the prior year.

Operating loss for the Celera Genomics group was $68.8 million for fiscal 1999 compared with $12.8 million for fiscal 1998. Excluding the $4.6 million of special charges for costs incurred in connection with the recapitalization and the $1.0 million of costs related to the acceleration of certain long-term compensation programs, the operating loss was $63.2 million for fiscal 1999.

For fiscal 1999 and 1998, the PE Biosystems group recorded gains of $4.5 million and $1.6 million, respectively, on the sale and release of contingencies on minority equity investments. Fiscal 1999 also included a gain of $1.6 million related to the sale of our interest in Tecan.

Interest expense was $3.8 million for fiscal 1999 compared with $4.9 million for the prior year. This decrease was primarily due to the refinancing of PerSeptive's 8-1/4% Convertible Subordinated Notes ("the PerSeptive Notes") and lower average interest rates. Interest income was $2.9 million for fiscal 1999 compared with $5.9 million for the prior year, primarily because of lower average cash balances during the year.

Other income, net for fiscal 1999 was $.5 million compared with $3.1 million for the prior year. Fiscal 1999 other income, net primarily related to the revaluation of foreign exchange contracts and a legal settlement that were partially offset by the loss on the disposal of certain assets and other non-operating costs. The other income, net for fiscal 1998 resulted from a gain on the sale of certain operating and non-operating assets.

The effective income tax rate was 4% for fiscal 1999 and 54% for fiscal 1998. Excluding Tecan and the special items, the effective income tax rate was 25% for fiscal 1999 and 24% for fiscal 1998. The effective income tax rate for fiscal 1999 included the release of valuation allowances of $17.4 million. The valuation allowance was reduced because management believes, now that the sale of the Analytical Instruments business has been completed, that it is more likely than not that the deferred tax assets to which the valuation allowance related will be realized. An analysis of the differences between the federal statutory income tax rate and the effective tax rate is provided in Note 4 to the consolidated financial statements.

The PE Biosystems group incurred minority interest expense of $13.4 million for fiscal 1999 and $5.6 million for fiscal 1998 relating to our company's 14.5% financial interest in Tecan. As previously indicated, we divested our interest in Tecan during the fourth quarter of fiscal 1999.

Results of Continuing Operations--1998 Compared With 1997

We reported income from continuing operations of $15.7 million for fiscal 1998 compared with $102.5 million for the prior year. On a comparable basis, excluding the special items previously described, income from continuing operations was $87.9 million for fiscal 1998 compared with $73.7 million for fiscal 1997.

On a segment basis, the PE Biosystems group reported income from continuing operations of $24.0 million for fiscal 1998 compared with $132.7 million for fiscal 1997. On a comparable basis, excluding the special items previously

described, income from continuing operations increased 23.2% to $95.0 million for fiscal 1998 compared with $77.1 million for fiscal 1997. The Celera Genomics group reported a net loss of $8.3 million for fiscal 1998 compared with $30.2 million for the prior year, or $3.4 million excluding the $26.8 million for purchased research and development charged in connection with the GenScope acquisition.

Net revenues for our company were $944.3 million for fiscal 1998 compared with $768.4 million for the prior year, an increase of $22.9%. On a segment basis, net revenues for the PE Biosystems group were $940.1 million for fiscal 1998 compared with $767.5 million for fiscal 1997, an increase of 22.5%. Celera Genomics group's net revenues increased from $.9 million for fiscal 1997 to $4.2 million for fiscal 1998, primarily related to AgGen.

Net revenues for the PE Biosystems group, excluding Tecan, increased 15.9% compared with the prior year. The effects of currency translation decreased net revenues by approximately $33 million, or 4%, compared with the prior year, as the U.S. dollar strengthened against most European and Far Eastern currencies. On a worldwide basis, excluding Tecan and the effects of currency translation, revenues would have increased approximately 20% compared with the prior year. Increased demand for genetic analysis, LC/MS, and polymerase chain reaction ("PCR") product lines was the primary contributor. All geographic markets for the PE Biosystems group reported increased revenues over the prior year. Excluding Tecan, net revenues in the United States, Europe, and the Far East increased 24.0%, 10.7%, and 4.6%, respectively. Before the effects of currency translation, and excluding Tecan, revenues in Europe and the Far East would have increased approximately 18% and 14%, respectively, compared with the prior year. The PE Biosystems group believes slower Japanese government funding in the second half of fiscal 1998 and the lack of a supplemental budget, which added to fiscal 1997 revenues, contributed to a lower growth rate of only 3% in the Japanese market.

Gross margin for our company as a percentage of net revenues was 54.3% for fiscal 1998 compared with 53.0% for fiscal 1997. The PE Biosystems group's fiscal 1998 gross margin included $4.1 million of inventory-related write-offs associated with the rationalization of certain product lines in connection with the acquisition of PerSeptive. Fiscal 1997 included a charge of $.7 million for the write-down of certain other assets. Excluding the special items, gross margin as a percentage of net revenues increased to 54.5% for fiscal 1998. Benefits realized from the sale of higher-margin genetic analysis products and increased royalty revenues in the United States more than offset the negative effects of currency translation.

SG&A expenses for our company were $283.4 million for fiscal 1998 compared with $229.9 million for fiscal 1997, an increase of 23.3%. On a segment basis, the PE Biosystems group's SG&A expenses increased to $276.7 million for fiscal 1998 compared with $227.7 million for the prior year. The 21.5% increase in expenses, or 14.7% excluding Tecan, was due to higher planned worldwide selling and marketing expenses commensurate with the substantially higher revenue and order growth. Before the effects of currency translation and excluding Tecan, SG&A expenses increased approximately 18% compared with the prior year. As a percentage of net revenues, SG&A expenses for the

PE Biosystems group were essentially unchanged at 29.4% for fiscal 1998 compared with 29.7% for the prior year. SG&A expenses for the Celera Genomics group increased from $2.2 million for fiscal 1997 to $6.7 million for fiscal 1998, primarily reflecting the operations of the AgGen and GenScope businesses.

R&D expenses for our company increased to $115.8 million for fiscal 1998 from $82.1 million for fiscal 1997. On a segment basis, R&D expenses for the PE Biosystems group of $105.5 million increased 35.0% over the prior year, or 27.7% excluding Tecan. R&D spending increased 40.6%, or 33.3% excluding Tecan, over the prior year as the PE Biosystems group continued its product development efforts and preparation for new product launches. As a percentage of net revenues, the PE Biosystems group's R&D expenses increased to 11.2% compared with 10.2% for the prior year. Celera Genomics group's R&D expenses were $10.3 million for fiscal 1998 compared with $4.0 million for fiscal 1997. Fiscal 1997 included the operations of GenScope and Linkage from the date of acquisition.

During fiscal 1998, $48.1 million of before-tax charges were recorded for restructuring and other merger costs to integrate PerSeptive into the PE Biosystems group of our company following the aquisition. Additional merger-related period costs of $1.5 million for training, relocation, and communication costs were recognized in the third and fourth quarters of fiscal

1998.

Fiscal 1998 included $28.9 million of purchased in-process research and development associated with our company's acquisition of Molecular Informatics for the PE Biosystems group. Fiscal 1997 included a charge of $26.8 million for in-process research and development, related to our company's acquisitions of GenScope and Linkage for the Celera Genomics group.

<TABLE>
<CAPTION>
Operating Income

(Dollar amounts in millions)	1998	1997
<S>	<C>	<C>
Operating income before special items	$117.6	$ 95.7
Asset impairment		(.7)
Restructuring and other merger costs	(48.1)	
Acquired research and development	(28.9)	(26.8)
Operating income	$ 40.6	$ 68.2

</TABLE>

Operating income for our company was $40.6 million for fiscal 1998 compared with $68.2 million for fiscal 1997. On a comparable basis, excluding the items previously described, operating income increased to $117.6 million for fiscal 1998 compared with $95.7 million for the prior year, an increase of 22.9%.

On a segment basis, operating income for the PE Biosystems group decreased to $53.4 million for fiscal 1998 compared with $100.3 million for fiscal 1997. Excluding the special charges for restructuring and other merger costs, acquired research and development, and the impairment of assets, operating income increased $29.4 million, or 29.1%, primarily as a result of increased volume and improved margins. A 23.5% increase in operating income from higher-margin sequencing and mapping systems was the primary contributor. Excluding Tecan, operating income before special items increased 21.6% compared with the prior year. Before the effects of currency translation and excluding Tecan, fiscal 1998 operating income increased 38.5% compared with the prior year. Geographically, excluding Tecan, fiscal 1998 operating income before special items increased 48.0% in the United States, 20.1% in the Far East, and 8.0% in Europe compared with fiscal 1997. As a percentage of net revenues, operating income before special items increased to 13.9% for fiscal 1998 compared with 13.2% for the prior year.

Operating loss for the Celera Genomics group was $12.8 million for fiscal 1998 compared with $32.1 million for fiscal 1997. On a comparable basis, excluding the $26.8 million charge for acquired research and development, the operating loss for fiscal 1997 was $5.3 million.

For fiscal 1998 and 1997, the PE Biosystems group recorded gains of $1.6 million and $64.9 million, respectively, on the sale and release of contingencies on minority equity investments. See Note 2 to the consolidated financial statements.

Interest expense was $4.9 million for fiscal 1998 compared with $5.9 million for the prior year. The decrease was primarily due to the refinancing of the PerSeptive Notes together with slightly lower outstanding debt balances and lower average interest rates. Interest income was $5.9 million for fiscal 1998 compared with $8.8 million for the prior year, primarily because of lower cash balances resulting from the use of cash to fund the PE Biosystems group's continued investments and acquisitions, as well as from lower interest rates.

Other income, net for fiscal 1998 of $3.1 million, primarily related to the sale of certain operating and non-operating assets, compared with other income, net of $1.9 million for the prior year.

Our effective income tax rate was 54% for fiscal 1998 and 26% for fiscal 1997. Excluding Tecan in fiscal 1998, and special items in fiscal 1998 and fiscal 1997, the effective income tax rate was 24% for fiscal 1998 compared with 27% for fiscal 1997. Increased earnings in low tax jurisdictions reduced our tax rate for fiscal 1998. An analysis of the differences between the federal statutory income tax rate and the effective rate is provided in Note 4 to the consolidated financial statements.

Minority interest expense of $5.6 million was recognized in fiscal 1998, by the PE Biosystems group, relating to our company's 14.5% financial interest in Tecan. See Note 2 to the consolidated financial statements.

Market Risk

The PE Biosystems group of our company operates internationally, with manufacturing and distribution facilities in various countries throughout the

world. For fiscal 1999 and fiscal 1998, approximately 50% and 52%, respectively, of revenues were derived from countries outside of the United States. Results continue to be

affected by market risk, including fluctuations in foreign currency exchange rates and changes in economic conditions in foreign markets.

Our risk management strategy utilizes derivative financial instruments, including forwards, swaps, purchased options, and synthetic forward contracts to hedge certain foreign currency and interest rate exposures, with the intent of offsetting losses and gains that occur on the underlying exposures with gains and losses on the derivatives. We do not use derivative financial instruments for trading or other speculative purposes, nor is our company a party to leveraged derivatives. At June 30, 1999 and June 30, 1998, outstanding hedge contracts covered approximately 80% of the estimated foreign currency exposures related to cross-currency cash flows to be realized over the next twelve months. The outstanding hedges were a combination of forward, option, and synthetic forward contracts maturing over the next twelve months.

We performed sensitivity analyses as of June 30, 1999 and June 30, 1998. Assuming a hypothetical adverse change of 10% in foreign exchange rates, i.e., a weakening of the U.S. Dollar, at June 30, 1999 and June 30, 1998, we calculated hypothetical losses in future cash flows of $6.1 million and $4.1 million, respectively. We calculated the hypothetical losses by comparing the difference between the change in market value of both the foreign currency contracts outstanding and the underlying exposures being hedged at June 30, 1999 and June 30, 1998, assuming the 10% adverse change in exchange rates. Actual gains and losses in the future could, however, differ materially from these analyses, based on changes in the timing and amount of foreign currency exchange rate movements and actual exposures and hedges.

Interest rate swaps are used to hedge underlying debt obligations. In fiscal 1997, we executed an interest rate swap, allocated to the PE Biosystems group, in conjunction with our entering into a five-year Japanese Yen debt obligation. Under the terms of the swap agreement, we pay a fixed rate of interest at 2.1% and receive a floating LIBOR interest rate. At June 30, 1999, the notional amount of indebtedness covered by the interest rate swap was Yen 3.8 billion or $31.5 million. The maturity date of the swap coincides with the maturity of the Yen loan in March 2002. A change in interest rates would have no impact on our reported interest expense and related cash payments because the floating rate debt and fixed rate swap contract have the same maturity and are based on the same rate index.

Management's Discussion of Financial Resources and Liquidity

The following discussion of financial resources and liquidity focuses on the Consolidated Statements of Financial Position and the Consolidated Statements of Cash Flows.

Cash and cash equivalents of continuing operations were $308.0 million at June 30, 1999 and $82.9 million at June 30, 1998, with total debt of $35.4 million at June 30, 1999 and $45.8 million at June 30, 1998.

Working capital was $471.4 million at June 30, 1999 and $288.0 million at June 30, 1998. Excluding the current net assets of discontinued operations at June 30, 1998, working capital was $148.0 million. Debt to total capitalization decreased to 4% at June 30, 1999 from 8% at June 30, 1998, as a result of a decrease in loans payable.

Significant Changes in the Consolidated Statements of Financial Position

Effective May 28, 1999, we completed the sale of our Analytical Instruments business to EG&G. The aggregate consideration received by our company was $425 million, consisting of $275 million in cash and one-year secured promissory notes in the aggregate principal amount of $150 million which bear interest at a rate of 5% per annum.

Accounts receivable increased by $78.1 million and the inventory balance increased by $12.7 million from June 30, 1998 to June 30, 1999. On a comparable basis, excluding Tecan from the June 30, 1998 balances, accounts receivable and inventory levels increased by $99.6 million and $22.4 million, respectively, from June 30, 1998 to June 30, 1999, reflecting the growth in net revenues and backlog of the PE Biosystems group.

Prepaid expenses and other current assets increased to $79.3 million at June 30, 1999 from $62.0 million at June 30, 1998, or $57.2 million excluding Tecan. The increase of $22.1 million, excluding Tecan, was related primarily to growth in non-trade receivables, royalties and prepaid dealer commissions.

Other long-term assets decreased to $249.5 million at June 30, 1999 from $264.1 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, other long-term assets increased $32.8 million. The change was primarily a result of a $9.4 million increase in prepaid pension assets, a net $17.0 million increase in our equity investments, a $15.6 million increase in non-current deferred tax asset, offset by the write-off of $14.5 million of impaired intangible assets associated with the Molecular Informatics business.

We reduced our total deferred tax asset and related valuation allowance from $115.5 million and $62.8 million at June 30, 1998 to $112.1 million and $37.5 million at June 30, 1999. This resulted in an overall increase to the total deferred tax asset after valuation allowance of $21.9 million. The valuation allowance relates primarily to foreign and domestic tax loss carryforwards, domestic tax credit carryforwards and other domestic deferred tax assets. A portion of the valuation allowance is attributable to tax loss and credit carryforwards and other deferred tax assets which we acquired as part of the purchase of PerSeptive in fiscal 1998. In evaluating our need for a valuation allowance, we considered all available positive and negative evidence, including historical information supplemented by information about future years. We evaluate the need for the valuation allowance periodically for each tax-paying component in each tax jurisdiction. The following factors significantly influenced our conclusion regarding the need for a valuation allowance: (1) the limitation under the Internal Revenue Code on the amount of

annual utilization of domestic loss carryforwards and credits of PerSeptive, and (2) the various expiration dates of the foreign loss carryforwards.

Accounts payable increased to $165.1 million at June 30, 1999 from $119.6 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, accounts payable increased $50.0 million. The increase resulted primarily from higher purchases to support production and operating requirements of the PE Biosystems group and the rapid progress in establishing the infrastructure of the Celera Genomics group.

Accrued salaries and wages increased $17.5 million to $47.5 million at June 30, 1999 from $30.0 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, accrued salaries and wages increased $20.7 million reflecting the timing of payments for both groups and the increased headcount of the Celera Genomics group.

Accrued taxes on income increased $48.4 million to $128.3 million at June 30, 1999 from $79.9 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, accrued taxes on income increased $52.2 million as a result of the tax on the gain from the sale of the Analytical Instruments business in foreign tax jurisdictions.

Other accrued expenses increased by $55.4 million to $177.9 million at June 30, 1999 from $122.5 million at June 30, 1998. Excluding Tecan from the June 30, 1998 balance, other accrued expenses increased by $61.7 million as a result of higher warranty and installation accruals, reflecting the increase in volume of the PE Biosystems group, an increase in deferred revenues, and higher benefit and certain compensation accruals of both groups.

At June 30, 1998, $43.8 million of minority interest was recognized in connection with Tecan. During the fourth quarter of fiscal 1999 we divested our interest in Tecan.

Consolidated Statements of Cash Flows

Operating activities from continuing operations generated $69.1 million of cash for fiscal 1999 compared with $68.1 million for fiscal 1998 and $73.4 million for fiscal 1997. For fiscal 1999, higher income-related cash flow and increased operating liabilities were only partially offset by cash used for operating assets.

For fiscal 1999, net cash provided by investing activities from continuing operations was $154.1 million, compared with net cash used of $129.3 million for

fiscal 1998. During fiscal 1999, we generated $325.8 million in net cash proceeds from the sale of various assets. Net cash proceeds included $275.0 million from the sale of the Analytical Instruments business, $30.0 million from the sale of Tecan, and $20.8 million from the sale of minority equity investments and certain non-operating assets. The proceeds were partially offset by $176.0 million of capital expenditures. Fiscal 1999 capital expenditures were $92.1 million for the PE Biosystems group, which included $12.9 million as part of the strategic program to improve our information technology infrastructure, $17.5 million for the acquisition of an airplane, and $10.6 million of capital equipment leased to the Celera Genomics group. Capital expenditures for the Celera Genomics group were $94.5 million for fiscal 1999. The capital expenditures included $46.3 million for the purchase of land and buildings in Rockville, Maryland and $22.9 million for improvements thereon. For fiscal 1999, $5.3 million was used for various acquisitions and investments. See Note 2 to the consolidated financial statements.

For fiscal 1998, net cash used by investing activities from continuing operations was $129.3 million compared with net cash provided by investing activities of $24.7 million for fiscal 1997. During fiscal 1998, the PE Biosystems group generated $19.5 million in net cash proceeds from the sale of assets and $9.7 million from the collection of a note receivable. The proceeds were more than offset by $71.8 million of capital expenditures by our company, which included $33.7 million as part of the strategic program to improve our information technology infrastructure, and $98.0 million for acquisitions and investments, primarily Tecan and Molecular Informatics.

For fiscal 1997, we generated $99.7 million in net cash proceeds from the sale of our company's equity interests in Etec Systems, Inc. and Millennium Pharmaceuticals, Inc. and from the sale of certain other non-operating assets. These proceeds were partially offset by $5.0 million used for acquisitions and $58.1 million for capital expenditures that included $9.5 million for information technology infrastructure improvements and $12.1 million for the acquisition of an airplane.

Net cash provided by financing activities was $43.6 million for fiscal 1999 compared with net cash used of $37.7 million for fiscal 1998. For fiscal 1999, we received $96.4 million of proceeds from employee stock option plan exercises compared with $33.6 million for fiscal 1998. Fiscal 1999 included $2.2 million for the purchase of shares of common stock for treasury. No shares were repurchased during fiscal 1998. Dividends paid were $34.2 million for fiscal 1999 and $39.1 million for fiscal 1998. Reduction in loans payable and principal payments on long-term debt were $16.4 million for fiscal 1999, compared with $32.2 million for fiscal 1998. The fiscal 1998 principal payment on long-term debt included $24.7 million for the redemption of the PerSeptive Notes.

During fiscal 1997, we generated $1.8 million from the sale of equity put warrants and $33.6 million of proceeds from employee stock plan exercises. These were offset by stockholder dividends of $29.5 million. Fiscal 1997 included $25.1 million for the purchase of shares of common stock for treasury. Purchases of common stock for treasury were made in support of various stock plans.

During fiscal 1999, we made cash payments of $8.1 million for obligations related to restructuring plans and other merger costs. Restructuring liabilities remaining at June 30, 1999 were $5.8 million for the fiscal 1998 plan. See Note 10 to the consolidated financial statements. The funding for the remaining restructuring liabilities will be from current cash balances and funds generated from operating activities.

We believe our cash and short-term investments, funds generated from operating activities, and available borrowing facilities are sufficient to provide for our anticipated financing needs over the next two years. At June 30, 1999, we had unused credit facilities totaling $339 million.

Impact of Inflation and Changing Prices

Inflation and changing prices are continually monitored. We attempt to minimize the impact of inflation by improving productivity and efficiency through continual review of both manufacturing capacity and operating expense levels. When operating costs and manufacturing costs increase, we attempt to recover such costs by increasing, over time, the selling price of our products and services. We believe the effects of inflation have been appropriately managed and therefore have not had a material impact on our historic operations and resulting financial position.

Year 2000

In fiscal 1997, we initiated a worldwide program to assess the expected impact of the Year 2000 date recognition problem on our existing internal computer systems; our non-information technology systems, including embedded and process control systems; our product offerings; and our significant suppliers. The purpose of this program is to ensure the event does not have a material adverse effect on our business operations.

Regarding our existing internal computer systems, the program involves a mix of purchasing new systems and modifying existing systems, with the emphasis on replacement of applications developed in-house. Replacement projects are currently underway, and are anticipated to be substantially completed for all business-critical systems worldwide by December 31, 1999. The program includes replacement of applications that, for reasons other than Year 2000 noncompliance, had been previously selected for replacement. The replacement projects, which began in fiscal 1997, are expected to offer improved functionality and commonality over current systems, while at the same time addressing the Year 2000 problem.

With respect to our current product offerings, the program involves performing an inventory of current products, assessing their compliance status, and constructing a remediation plan where appropriate. Significant progress has been made in each of these three phases and we expect our current product offerings to be Year 2000 compliant by December 31, 1999. A substantial portion of the PE Biosystems group's current product offerings is Year 2000 compliant. All of Celera Genomics group's current product offerings are Year 2000 compliant.

The program also addresses the Year 2000 compliance efforts of our significant suppliers, vendors, and third-party interface systems. As part of this analysis, we identified and prioritized these suppliers, vendors, and third parties and have sought written assurances from them that they will be Year 2000 compliant. There can be no assurance that the systems of other companies with which we deal, or on which our systems rely will be timely converted, or that any such failure to convert by another company could not have a material adverse effect on our company. We have not fully determined the extent to which our interface systems may be impacted by third parties' systems, which may not be Year 2000 compliant but are addressing this issue in our contingency plans noted below.

As of June 1999, we were over 90% complete in accomplishing the objectives established in our program. Our preliminary estimate of the total cost for this multi-year program covering 3-4 years is approximately $150 million. This includes amounts previously budgeted for information technology infrastructure improvements and estimates of remediation costs on components not yet fully assessed. Incremental spending has not been and is not expected to be material because most Year 2000 compliance costs will be met with amounts that are normally budgeted for procurement and maintenance of PE's information systems, production, and facilities equipment. The redirection of spending to implement Year 2000 compliance plans may in some instances delay productivity improvements.

We have also engaged a consulting firm to provide periodic assessments of our Year 2000 project plans and progress. Because of the importance of addressing the Year 2000 problem, we have created a Year 2000 business continuity planning team which has developed, and will continue to develop, business contingency plans to address any issues that may not be corrected by implementation of our Year 2000 compliance plan in a timely manner. Contingency plans include identification of systems and third party risks, an analysis of strategies and available resources to restore operations, and a recovery program that identifies participants, processes, and significant equipment. If we are not successful in implementing our Year 2000 compliance plan, or there are delays in and/or increased costs associated with implementing such changes, the Year 2000 problem could have a materially adverse effect on our consolidated results of operations and financial condition.

At this stage of the process, we believe that it is difficult to specifically identify the cause of the most reasonable worst case Year 2000 scenario. A reasonable worst case Year 2000 scenario would be the failure of significant suppliers and vendors to have corrected their own Year 2000 issues which could cause disruption of our operations and have a materially adverse effect on our financial condition. The impact of such disruption cannot be estimated at this time. In the event we believe that any of our significant suppliers or vendors are unlikely to be able to resolve their own Year 2000 issues, our contingency plans include seeking additional sources of supply.

Euro Conversion

A single currency called the euro was introduced in Europe on January 1, 1999. Eleven of the fifteen member countries of the European Union agreed to adopt the euro as their common legal currency on that date. Fixed conversion rates between these participating countries' existing currencies (the "legacy currencies") and the euro were established as of that date. The legacy currencies are scheduled to remain legal tender as denominations of the euro until at least January 1, 2002, but not later than July 1, 2002. During this transition period, parties may settle transactions using either the euro or a participating country's legal currency.

We are currently evaluating the impact of the euro conversion on our computer and financial systems, business processes, market risk, and price competition. We do not expect this conversion to have a material impact on our results of operations, financial position, or cash flows.

Recently Issued Accounting Standards and Other

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of the statement require the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. We are required to implement the statement in the first quarter of fiscal 2001. Management is currently analyzing the statement to determine the impact, if any, on the consolidated financial statements.

We continue to apply APB No. 25 in accounting for our stock-based compensation plans. Accordingly, no compensation expense has been recognized for these plans, as all options have been issued at fair value. The effect of accounting for such plans at fair value, under SFAS No. 123, "Accounting for Stock Based Compensation," would be to decrease fiscal 1999 income from continuing operations by $23.1 million. The effect of accounting for such plans at fair value would be to decrease the PE Biosystems group's fiscal 1999 income from continuing operations by $.20 per diluted share, and to increase the Celera Genomics group's fiscal 1999 net loss by $.10 per diluted share. The method used to determine the fair value is the Black-Scholes option pricing model. Accordingly, changes in dividend yield, volatility, interest risks and option life could have a material effect on the fair value. See Note 8 to the consolidated financial statements for a more detailed discussion regarding the accounting for stock-based compensation at fair value.

Outlook

The PE Biosystems group expects to continue to grow and maintain profitability for fiscal 2000 on the strength of robust demand and several new products. Fiscal 2000 will focus on growing product lines across a broad array of base technologies and exploring the needs of evolving markets. Orders for genetic analysis systems and reagents, sequence detection systems, and mass spectroscopy products continue to be strong. At June 30, 1999, backlog increased to approximately $200 million.

We remain concerned about adverse currency effects because approximately 50% of the PE Biosystems group's revenues were derived from regions outside the United States for fiscal 1999.

The Celera Genomics group expects to see an expansion of its customer base for the new genomic information and database products, with corresponding increases in revenues throughout fiscal 2000. Additionally, the group expects to benefit from a three-year gene discovery agreement with Rhone-Poulenc Rorer ("RPR") to identify therapeutic targets for a variety of human diseases by applying GenScope's proprietary technology to RPR's disease model systems.

Despite the potential for increased revenues, the Celera Genomics group expects that it will continue to incur significant operating losses for fiscal 2000. Higher R&D spending will be needed to support the expected ramp-up in sequencing activities. Also, development costs associated with information management and analysis software will increase. We believe the Celera Genomics group has adequate funding to meet its working capital requirements through 2001.

Forward-Looking Statements

Certain statements contained in this report, including the Outlook section, are

forward-looking and are subject to a variety of risks and uncertainties. These statements may be identified by the use of forward-looking words or phrases such as "believe," "expect," "anticipate," "should," "planned," "estimated," and "potential," among others. These forward-looking statements are based on our current expectations. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for such forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks and uncertainties that may affect the operations, performance, development, and results of our businesses include, but are not limited to:

Factors Relating to PE Biosystems

Rapidly changing technology in life sciences could make PE Biosystems' product line obsolete unless it continues to improve existing products and develop new products. A significant portion of the net revenues for PE Biosystems each year is derived from products that did not exist in the prior year. PE Biosystems' future success will depend on its ability to continually improve

its current products and to develop and introduce, on a timely and cost-effective basis, new products that address the evolving needs of its customers. PE Biosystems' products are based on complex technology which is subject to rapid change as new technologies are developed and introduced in the marketplace. Unanticipated difficulties or delays in replacing existing products with new products could adversely affect PE Biosystems' future operating results.

A significant portion of sales depends on customers' capital spending policies and government funding which may be subject to significant and unexpected decreases. A significant portion of PE Biosystems' instrument product sales are capital purchases by its customers. PE Biosystems' customers include pharmaceutical, environmental, research and chemical companies, and the capital spending policies of these companies can have a significant effect on the demand for PE Biosystems' products. These policies are based on a wide variety of factors, including the resources available to make purchases, the spending priorities among various types of research equipment and policies regarding capital expenditures during recessionary periods. Any decrease in capital spending or change in spending policies of these companies could significantly reduce the demand for PE Biosystems' products.

In addition, a substantial portion of PE Biosystems' sales is to customers at universities or research laboratories whose funding is dependent on both the level and timing of funding from government sources. As a result, the timing and amount of revenues from these sources may vary significantly due to factors that can be difficult to forecast. Although research funding has increased during the past several years, grants have, in the past, been frozen for extended periods or otherwise become unavailable to various institutions, sometimes without advance notice. Budgetary pressures, particularly in the United States and Japan, may result in reduced allocations to government agencies that fund research and development activities. If government funding necessary to purchase PE Biosystems' products were to become unavailable to researchers for any extended period of time or if overall research funding were to decrease, the business of PE Biosystems could be adversely affected.

Due to rapidly-developing technology and lack of legal precedents, PE Biosystems' products could be subject to claims for patent infringement. PE Biosystems' products are based on complex, rapidly-developing technologies. These products could be developed without knowledge of previously filed but unpublished patent applications that cover some aspect of these technologies. In addition, there are relatively few decided court cases interpreting the scope of patent claims in these technologies. PE Biosystems could be made a party to litigation regarding intellectual property matters in the future. PE Biosystems has from time to time been notified that it may be infringing certain patents and other intellectual property rights of others. It may be necessary or desirable in the future to obtain licenses relating to one or more products or relating to current or future technologies, and we cannot assure you that PE Biosystems will be able to obtain these licenses or other rights on commercially reasonable terms.

Since PE Biosystems' business is dependent on foreign sales, fluctuating currencies will make our revenues and operating results more volatile. Approximately 50% of PE Biosystems' net revenues during fiscal 1999 were derived from sales to customers outside of the United States. The majority of these

sales was based on the relevant customer's local currency. As a result, PE Biosystems' reported and anticipated operating results and cash flows are subject to fluctuations due to material changes in foreign currency exchange rates that are beyond PE Biosystems' control.

Integrating acquired technologies may be costly and may not result in technological advances. The future growth of PE Biosystems depends in part on its ability to acquire complementary technologies through acquisitions and investments. Since January 1, 1996, PE Biosystems has acquired a number of companies, including PerSeptive Biosystems, Inc., Molecular Informatics, Inc., and Tropix, Inc., and made investments in others. The consolidation of employees, operations, and marketing and distribution methods could present significant managerial challenges. For example, PE Biosystems may encounter operational difficulties in the integration of manufacturing or other facilities. In addition, technological advances resulting from the integration of technologies may not be achieved as successfully or rapidly as anticipated, if at all.

Failure of PE Biosystems' Year 2000 compliance plan or failure of the compliance plans of PE Biosystems' limited source suppliers could materially disrupt the sales of affected products. In fiscal 1997, PE Biosystems initiated a world-wide program to assess the expected impact of the Year 2000 date recognition problem on our existing computer systems; non-information technology systems, including embedded and process-control systems; product offerings; and significant suppliers. Portions of this program are not expected to be completed until December 31, 1999. If we are not successful in implementing our Year 2000 compliance plan, or if our limited source suppliers are not successful in implementing compliance plans, the Year 2000 problem could materially disrupt PE Biosystems' sales of affected products.

Earthquakes could disrupt operations in California. A significant portion of PE Biosystems' operations is located near major California earthquake faults. The ultimate impact of earthquakes on PE Biosystems, significant suppliers and the general infrastructure is unknown, but operating results could be materially affected in the event of a major earthquake.

Factors Relating to Celera Genomics

Celera Genomics may not achieve profitability. Celera Genomics has earned small amounts of revenues to date and expects that it will continue to incur net operating losses at least through 2001. As a new business, Celera Genomics faces significant challenges in simultaneously launching and integrating its operations, pursuing key scientific goals, and attracting customers for its information products and services. Celera Genomics has a small number of

customers, the revenues from which will offset only a small portion of its expenses. In order to meet its business plan, Celera Genomics will require additional customers in the next few years. In addition, even if Celera Genomics is able to enter into contracts with additional customers, those contracts may be subject to milestones that may not be achieved. As a result, there is a high degree of uncertainty that Celera Genomics will be able to achieve profitable operations.

Celera Genomics' business plan is unique and untested. No organization has ever attempted to combine in one business organization all of Celera Genomics' businesses. The creation of a genomics database 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. As a result, the creation of a business that includes all of Celera Genomics' businesses has unique risks.

Shotgun sequencing strategy has not yet been tested on the scale and complexity of the human genome. Some genomic scientists have criticized Celera Genomics' sequencing strategy, known as "whole genome shotgun sequencing," as having limitations when applied on a large scale in sequencing the human genome. Others have stated that the human genome cannot be sequenced using whole genome shotgun sequencing. Although scientists at The Institute for Genomic Research have used the whole genome shotgun strategy to sequence the genomes of other organisms, the strategy has not been used to sequence a genome with the size and complexity of the human genome. Failure to sequence or assemble the human genome in a timely manner may have a material adverse effect on Celera Genomics' ability to satisfy customer requirements and achieve its business goals.

New DNA sequencers may not perform at expected levels and the integration of over 300 sequencers may be difficult. Celera Genomics' success is heavily dependent on the successful operation of PE Biosystems' new DNA sequencer. Celera Genomics plans to use more than 300 of the new DNA sequencers on a full-time basis, a scale of operation never before attempted. Failure of the DNA sequencers to perform at expected levels, or failure of Celera Genomics to integrate successfully its DNA sequencers in its laboratory, would materially adversely affect Celera Genomics' ability to sequence at the rate required to complete the human genome on a timely basis, to achieve milestones in contracts with customers, and to perform research services effectively.

Realizing revenues from polymorphism data may be difficult. Celera Genomics believes that the polymorphisms it discovers will add considerable value to its integrated information system. Polymorphism data reveals information about genetic variability among individuals. Its use in the testing of new drugs and the diagnosis of disease, however, is largely untested. Although there has been some early success in linking certain polymorphisms to susceptibility to disease and outcomes of drug therapy, pharmaceutical companies are not yet certain how polymorphism data can be used, or if it can be used on a cost-effective basis, in clinical trials or in drug development. Furthermore, public acceptance of the use of polymorphism data is uncertain. Current and future patient privacy and health care laws and regulations issued by the U.S. Food and Drug Administration may also limit the use of this data.

The ability of Celera Genomics to protect its intellectual property rights will affect its polymorphism program. Such protection is uncertain due to the uncertainty of patent law relating to genomics in general and the novelty of this particular aspect of genomics. In addition, Celera Genomics will be dependent on new technology, including technology provided by PE Biosystems, to make the use of polymorphism information cost-effective so as to make it marketable to the public. This technology is still in early stages of development and its application to this area remains uncertain.

Potential initial customers are limited in number and belong to a single industry. Celera Genomics believes that for the next few years it will derive a significant portion of its revenues from fees paid by pharmaceutical companies and larger biotechnology companies for its information products and services. Celera Genomics has also had preliminary discussions with certain universities and similar research organizations about becoming customers, but expects this market to develop at a slower rate. The number of potential subscribers for Celera Genomics' products during this period may be limited due to their nature and price. Pharmaceutical and biotechnology companies could decide not to subscribe to some or all of Celera Genomics' information products or services, or could decide to conduct their own polymorphism discovery and analysis or work with Celera Genomics' competitors. There have been published reports of a proposed consortium of pharmaceutical companies to create and make public polymorphism information.

Scientific and management staff have unique expertise which is key to Celera Genomics' commercial viability and which would be difficult to replace. Celera Genomics is highly dependent on the principal members of its scientific and management staff, particularly Dr. Venter, its President. For the sequencing and assembly of the human genome, Celera Genomics believes the following members of its staff are essential: Dr. Venter; Dr. Mark Adams, Vice President for Genome Programs; and Drs. Eugene Myers and Granger Sutton, who are responsible for assembling the genome. Additional members of its medical, scientific, and bioinformatics staff are important to the development of information, tools, and services required for implementation of its business plan, including Dr. Sam Broder, Executive Vice President and Chief Medical Officer. The loss of any of these persons' expertise would be difficult to replace and could have a material adverse effect on Celera Genomics' ability to achieve its goals, particularly the completion of its information products.

Celera Genomics' competitive position will depend on patent and copyright protection, which may not be available for genomics information and technology. Celera Genomics' ability to compete and to achieve profitability may be affected by its ability to protect its proprietary technology and intellectual property. While Celera Genomics will be primarily dependent on revenues from access

fees to its discovery and information system, obtaining patent protection may also be important to its business. Patent law affecting Celera Genomics' business, particularly gene sequences and polymorphisms, is uncertain.

Moreover, Celera Genomics may be dependent on protecting, through copyright law

or otherwise, its databases to prevent other organizations from taking information from databases and copying and reselling it. Copyright law currently provides uncertain protection to organizations like Celera Genomics that seek to prevent others from reselling their data. Changes in copyright and patent law could expand or reduce the extent to which Celera Genomics and its customers are able to protect their intellectual property.

Public disclosure of genomic sequence data could jeopardize intellectual property protection and have an adverse effect on value of Celera Genomics' products and services. Celera Genomics, the federally funded Human Genome Project, and others engaged in similar research have committed to make available to the public basic human sequence data. The release of sequence data could undermine the ability of Celera Genomics and its customers to obtain intellectual property protection. Customers may conclude that uncertainties of such protection decrease the value of Celera Genomics' information products and services and, as a result, it may not be able to charge fees sufficient to allow it to achieve profitability.

Others may succeed in commercializing genomic information before Celera Genomics. A number of companies, institutions, and government-financed entities are engaged in various genomics initiatives. At least two other companies, Genset, S.A. and Incyte Pharmaceuticals, Inc., have announced their intention to market to the pharmaceutical industry products and services similar to those being offered by Celera Genomics. Additional competitors may attempt to compete with Celera Genomics in the future, including companies that may seek to resell publicly available genomic data. In addition, there have been published reports of a proposed consortium of pharmaceutical companies to create and make public polymorphism information.

Expected growth in the number of our employees could absorb valuable management resources and be disruptive to the development of Celera Genomics' business. Celera Genomics expects to continue to grow the number of employees. This growth will require substantial effort to hire new employees and train and integrate them in Celera Genomics' business and to develop and implement management information systems, financial controls and facility plans. In addition, Celera Genomics will be required to create a sales and marketing organization and develop customer support resources as sales of its information products increase. Celera Genomics' inability to manage growth effectively would have a materially adverse effect on its future operating results.

Integration of GenScope and AgGen could be difficult and costly. The success of Celera Genomics depends in part on its ability to integrate the businesses of GenScope and AgGen, which were previously operated by PE Biosystems. In particular, we believe that coordinating the separate scientific research efforts will be a challenge to Celera Genomics.

Failure of Celera Genomics' Year 2000 Compliance Plan could jeopardize Celera Genomic's information products and services. In fiscal 1997, we initiated a world-wide program to assess the expected impact of the Year 2000 date recognition problem on our existing computer systems; non-information technology systems, including embedded and process-control systems; product offerings; and significant suppliers. Portions of this program are not expected to be completed until December 31, 1999. If we are not successful in implementing our Year 2000 compliance plan, customers may encounter difficulty in accessing and searching Celera Genomics' databases.

PE Corporation
Consolidated Statements of Operations

<TABLE>
<CAPTION>
(Dollar amounts in thousands except per share amounts)

For the years ended June 30,	1999	1998	1997
<S>	<C>	<C>	<C>
Net Revenues	$1,216,897	$944,306	$768,368
Cost of sales	558,813	431,738	361,315
Gross Margin	658,084	512,568	407,053
Selling, general and administrative	364,128	283,399	229,915
Research, development and engineering	179,275	115,764	82,117
Restructuring and other special charges	6,116	43,980	
Acquired research and development		28,850	26,801
Operating Income	108,565	40,575	68,220

Gain on investments	6,126	1,605	64,850
Interest expense	3,783	4,905	5,859
Interest income	2,869	5,938	8,826
Other income, net	522	3,147	1,881
Income Before Income Taxes	114,299	46,360	137,918
Provision for income taxes	4,140	25,069	35,426
Minority interest	13,362	5,597	
Income From Continuing Operations	96,797	15,694	102,492
Discontinued Operations, Net of Income Taxes			
Income (loss) from discontinued operations	(21,109)	40,694	27,906
Gain on disposal of discontinued operations	100,167		
Net Income	$ 175,855	$ 56,388	$130,398
Attributable to PE Biosystems Group (see Note 1)			
Income From Continuing Operations	$ 148,365	$ 24,009	$132,739
Basic per share	$ 1.48		
Diluted per share	$ 1.44		
Income From Discontinued Operations	$ 79,058	$ 40,694	$ 27,906
Basic per share	$ .79		
Diluted per share	$ .77		
Net Income	$ 227,423	$ 64,703	$160,645
Basic per share	$ 2.27		
Diluted per share	$ 2.21		
Attributable to Celera Genomics Group (see Note 1)			
Net Loss	$ (44,894)	$ (8,315)	$(30,247)
Basic and diluted per share	$ (1.79)		
PE Corporation (see Note 1)			
Income From Continuing Operations			
Basic per share		$ .32	$ 2.16
Diluted per share		$ .31	$ 2.07
Income From Discontinued Operations			
Basic per share		$ .84	$ .58
Diluted per share		$ .81	$ .56
Net Income			
Basic per share		$ 1.16	$ 2.74
Diluted per share		$ 1.12	$ 2.63

</TABLE>

See accompanying notes to consolidated financial statements.

PE Corporation
Consolidated Statements of Financial Position

<TABLE>
<CAPTION>
(Dollar amounts in thousands except share data)

At June 30,	1999	1998
<S>	<C>	<C>
Assets		
Current assets		
Cash and cash equivalents	$ 308,021	$ 82,865
Short-term investments		1,226
Note receivable	150,000	
Accounts receivable, less allowances for doubtful accounts of $4,518 ($4,783 - 1998)	307,056	228,985
Inventories	149,670	137,015
Prepaid expenses and other current assets	79,255	61,973
Current net assets of discontinued operations		139,959
Total current assets	994,002	652,023
Property, plant and equipment, net	275,792	163,325
Other long-term assets	249,513	264,001
Long-term net assets of discontinued operations		55,927
Total Assets	$1,519,307	$1,135,276
Liabilities and Stockholders' Equity		
Current liabilities		
Loans payable	$ 3,911	$ 12,099
Accounts payable	165,120	119,555

Accrued salaries and wages	47,495	30,036
Accrued taxes on income	128,261	79,860
Other accrued expenses	177,865	122,482
Total current liabilities	522,652	364,032
Long-term debt	31,452	33,726
Other long-term liabilities	143,678	129,513
Total Liabilities	697,782	527,271
Minority interest		43,757
Commitments and contingencies (see Note 11)		
Stockholders' Equity		
Capital stock		
Preferred stock		
PE Corporation: $.01 par value; 10,000,000 shares and no shares authorized at June 30, 1999 and 1998, respectively; no shares issued at June 30, 1999 and 1998		
PE Corporation (predecessor): $1.00 par value; no shares and 1,000,000 shares authorized at June 30, 1999 and 1998, respectively; no shares issued at June 30, 1999 and 1998		
Common stock		
PE Corporation - PE Biosystems group: $.01 par value; 500,000,000 shares and no shares authorized at June 30, 1999 and 1998, respectively; 102,707,006 shares and no shares issued and outstanding at June 30, 1999 and 1998, respectively	1,027	
PE Corporation - Celera Genomics group: $.01 par value; 225,000,000 shares and no shares authorized at June 30, 1999 and 1998, respectively; 25,658,020 shares and no shares issued and outstanding at June 30, 1999 and 1998, respectively	257	
PE Corporation (predecessor): $1.00 par value; no shares and 180,000,000 shares authorized at June 30, 1999 and 1998, respectively; no shares and 50,148,384 shares issued and outstanding at June 30, 1999 and 1998, respectively		50,148
Capital in excess of par value	507,341	379,974
Retained earnings	317,720	190,966
Accumulated other comprehensive loss	(4,820)	(9,513)
Treasury stock, at cost		
PE Corporation common stock (shares: 1999 - none, 1998 - 831,213)		(47,327)
Total Stockholders' Equity	821,525	564,248
Total Liabilities and Stockholders' Equity	$1,519,307	$1,135,276

</TABLE>

See accompanying notes to consolidated financial statements.

PE Corporation
Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>
(Dollar amounts in thousands)

For the years ended June 30,	1999	1998	1997
<S>	<C>	<C>	<C>
Operating Activities From Continuing Operations			
Income from continuing operations	$ 96,797	$ 15,694	$102,492
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation and amortization	48,066	35,928	25,646
Long-term compensation programs	17,482	6,853	9,103
Deferred income taxes	(25,533)	10,234	(40,819)
Gains from the sale of assets	(6,126)	(3,052)	(66,636)
Provision for restructured operations and other merger costs	(9,200)	48,080	
Acquired research and development		28,850	26,801
Asset impairment	14,464		
Recapitalization costs	9,232		
Changes in operating assets and liabilities			
Increase in accounts receivable	(105,093)	(23,507)	(43,548)
Increase in inventories	(22,387)	(21,362)	(4,421)
Increase in prepaid expenses and other assets	(46,665)	(30,862)	(6,794)
Increase in accounts payable and other liabilities	98,027	1,219	71,590
Net Cash Provided by Operating Activities	69,064	68,075	73,414
Investing Activities From Continuing Operations			

Additions to property, plant and equipment (net of disposals of $9,614, $11,339, and $5,738, respectively)	(166,421)	(60,481)	(52,319)
Acquisitions and investments, net	(5,261)	(97,998)	(27,676)
Proceeds from the sale of assets, net	325,766	19,496	99,710
Proceeds from the collection of notes receivable		9,673	4,978
Net Cash Provided (Used) by Investing Activities	154,084	(129,310)	24,693
Net Cash From Continuing Operations Before Financing Activities	223,148	(61,235)	98,107
Discontinued Operations			
Net cash provided (used) by operating activities	(16,297)	10,084	39,781
Net cash used by investing activities	(26,970)	(40,639)	(11,315)
Net Cash From Discontinued Operations Before Financing Activities	(43,267)	(30,555)	28,466
Financing Activities			
Net change in loans payable	(9,572)	(6,797)	(4,914)
Proceeds from long-term debt			31,033
Principal payments on long-term debt	(6,843)	(25,449)	(22,908)
Dividends	(34,156)	(39,072)	(29,459)
Purchases of common stock for treasury	(2,187)		(25,126)
Proceeds from issuance of equity put warrants			1,846
Proceeds from stock issued for stock plans	96,379	33,629	33,637
Net Cash Provided (Used) by Financing Activities	43,621	(37,689)	(15,891)
Elimination of PerSeptive results from July 1, 1997 to September 30, 1997 (see Note 1)		2,590	
Effect of Exchange Rate Changes on Cash	1,654	(3,274)	1,601
Net Change in Cash and Cash Equivalents	225,156	(130,163)	112,283
Cash and Cash Equivalents Beginning of Year	82,865	213,028	100,745
Cash and Cash Equivalents End of Year	$308,021	$ 82,865	$213,028

</TABLE>

See accompanying notes to consolidated financial statements.

PE Corporation
Consolidated Statements of Stockholders' Equity
and Comprehensive Income (Loss)

<TABLE>
<CAPTION>

(Dollar amounts and shares in thousands)	PE Corporation Common Stock	PE Biosystems Common Stock	Celera Genomics Common Stock	Capital In Excess Of Par Value	Retained Earnings
<S>	<C>	<C>	<C>	<C>	<C>
Balance at June 30, 1996	$ 50,026	$ -	$ -	$ 358,454	$ 69,519
Comprehensive income					
Net income					130,398
Other comprehensive income, net of tax					
Foreign currency translation adjustments					
Minimum pension liability adjustment					
Unrealized gain on investments, net					
Sale of equity investment					
Other comprehensive income					
Comprehensive income					
Cash dividends declared					(29,536)
Repurchases of common stock					
Issuances under stock plans	61			2,065	(1,459)
Tax benefit related to employee stock options				4,568	
Restricted stock plan				6,098	
Sale of equity put warrants				1,846	
Other	35			1,392	(1,440)
Balance at June 30, 1997	50,122			374,423	167,482
Comprehensive income					
Net income					56,388
Other comprehensive loss, net of tax					
Foreign currency translation adjustments					
Minimum pension liability adjustment					
Unrealized loss on investments, net					
Other comprehensive loss					

Comprehensive income					
Cash dividends declared					(31,604)
Issuances under stock plans	26			1,358	(3,468)
Tax benefit related to employee stock options				2,335	
Restricted stock plan				1,858	(136)
Elimination of PerSeptive results from July 1, 1997 to September 30, 1997 (see Note 1)					2,590
Other					(286)
Balance at June 30, 1998	50,148			379,974	190,966
Comprehensive income					
Net income					175,855
Other comprehensive income, net of tax					
Foreign currency translation adjustments					
Minimum pension liability adjustment					
Unrealized gain on investments, net					
Other comprehensive income					
Comprehensive income					
Cash dividends declared on PE Corporation common stock					(25,479)
Cash dividends declared on PE Biosystems common stock					(8,677)
PE Corporation restricted stock plan				(883)	1,207
Tax benefit related to employee stock options				15,735	
Issuances under PE Corporation common stock plans	873			43,323	(14,862)
Recapitalization (May 6, 1999)	(51,021)	510	255	50,256	
Repurchases of PE Biosystems common stock					
Issuances under PE Biosystems common stock plans		3		17,967	(1,290)
Issuances under Celera Genomics common stock plans			2	1,483	
PE Biosystems two-for-one stock split		514		(514)	
Balance at June 30, 1999	$ -	$ 1,027	$ 257	$ 507,341	$ 317,720

<CAPTION>

(Dollar amounts and shares in thousands)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock At Cost	Treasury Stock Shares	Total Stock-holders' Equity
<S>	<C>	<C>	<C>	<C>
Balance at June 30, 1996	$ (7,117)	$(97,155)	(2,701)	$ 373,727
Comprehensive income				
Net income				130,398
Other comprehensive income, net of tax				
Foreign currency translation adjustments	(4,125)			
Minimum pension liability adjustment	28,660			
Unrealized gain on investments, net	3,156			
Sale of equity investment	(23,245)			
Other comprehensive income	4,446			4,446
Comprehensive income				134,844
Cash dividends declared				(29,536)
Repurchases of common stock		(25,126)	(428)	(25,126)
Issuances under stock plans		31,615	1,146	32,282
Tax benefit related to employee stock options				4,568
Restricted stock plan		5,580	187	11,678
Sale of equity put warrants				1,846
Other				(13)
Balance at June 30, 1997	(2,671)	(85,086)	(1,796)	504,270
Comprehensive income				
Net income				56,388
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	(2,747)			
Minimum pension liability adjustment	354			
Unrealized loss on investments, net	(4,449)			
Other comprehensive loss	(6,842)			(6,842)
Comprehensive income				49,546
Cash dividends declared				(31,604)
Issuances under stock plans		37,759	965	35,675
Tax benefit related to employee stock options				2,335
Restricted stock plan				1,722
Elimination of PerSeptive results from July 1, 1997 to September 30, 1997 (see Note 1)				2,590
Other				(286)
Balance at June 30, 1998	(9,513)	(47,327)	(831)	564,248
Comprehensive income				

Net income				175,855
Other comprehensive income, net of tax				
Foreign currency translation adjustments	(5,415)			
Minimum pension liability adjustment	(1,779)			
Unrealized gain on investments, net	11,887			
Other comprehensive income	4,693			4,693
Comprehensive income				180,548
Cash dividends declared on PE Corporation common stock				(25,479)
Cash dividends declared on PE Biosystems common stock				(8,677)
PE Corporation restricted stock plan		1,973	42	2,297
Tax benefit related to employee stock options				15,735
Issuances under PE Corporation common stock plans		45,354	789	74,688
Recapitalization (May 6, 1999)				
Repurchases of PE Biosystems common stock		(2,187)	(20)	(2,187)
Issuances under PE Biosystems common stock plans		2,187	20	18,867
Issuances under Celera Genomics common stock plans				1,485
PE Biosystems two-for-one stock split				
Balance at June 30, 1999	$ (4,820)	$ -	-	$ 821,525

</TABLE>

See accompanying notes to consolidated financial statements.

PE Corporation
Notes to Consolidated Financial Statements

Note 1--Accounting Policies and Practices

Principles of Consolidation

The consolidated financial statements include the accounts of all majority-owned subsidiaries of PE Corporation ("PE" or "the Company"). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Certain amounts in the consolidated financial statements and notes have been reclassified for comparative purposes.

On January 22, 1998, the Company acquired PerSeptive Biosystems, Inc. The acquisition was accounted for as a pooling of interests and, accordingly, the Company's financial results were restated to include the combined operations (see Note 2). The Company's fiscal year ended June 30 and PerSeptive's fiscal year ended September 30. The fiscal 1998 Consolidated Statements of Operations combined the Company's operating results for the fiscal year ended June 30, 1998 with PerSeptive's operating results for the nine months ended June 30, 1998 and the three months ended September 30, 1997 (PerSeptive's fiscal 1997 fourth quarter). The fiscal 1997 Consolidated Statements of Operations combined the Company's results of operations for the fiscal year ended June 30, 1997 with PerSeptive's results of operations for the fiscal year ended September 30, 1997. In order to conform PerSeptive to a June 30 fiscal year-end in fiscal 1998, PerSeptive's results of operations for the three months ended September 30, 1997 have been included in the Company's Consolidated Statements of Operations for the fiscal years ended June 30, 1998 and 1997.

Recapitalization

On May 6, 1999, The Perkin-Elmer Corporation was merged into a subsidiary of PE Corporation, a new Delaware corporation. The recapitalization of the Company resulted in the issuance of two new classes of common stock called PE Corporation-PE Biosystems Group Common Stock ("PE Biosystems stock") and PE Corporation-Celera Genomics Group Common Stock ("Celera Genomics stock"). PE Biosystems stock is intended to reflect separately the performance of the established PE Biosystems' life sciences and the discontinued Analytical Instruments businesses ("PE Biosystems group"), and Celera Genomics stock is intended to reflect separately the performance of the Celera Genomics business ("Celera Genomics group"). Each share of common stock of The Perkin-Elmer Corporation was converted into one share of PE Biosystems stock and 0.5 of a share of Celera Genomics stock.

Holders of PE Biosystems stock and Celera Genomics stock are stockholders of the

Company. The PE Biosystems group and the Celera Genomics group are not separate legal entities. As a result, stockholders are subject to all of the risks associated with an investment in the Company and all of its businesses, assets, and liabilities.

Financial effects arising from one group that affect the Company's results of operations or financial condition could, if significant, affect the results of operations or financial condition of the other group and the market price of the class of common stock relating to the other group. Any net losses of the PE Biosystems group or the Celera Genomics group and dividends or distributions on, or repurchases of, PE Biosystems stock or Celera Genomics stock or repurchases of preferred stock of the Company will reduce the assets of the Company legally available for payment of dividends.

The Company has presented financial statements of each group in addition to the Company's consolidated financial information in order to assist investors in making informed financial decisions.

Discontinued Operations

The Company's consolidated financial statements were restated to reflect the net assets and operating results of the Analytical Instruments business as discontinued operations for all periods presented (see Note 15). The net assets have been reclassified in both the current and long-term asset sections of the Consolidated Statements of Financial Position for all periods presented. The operating results are reflected in the Consolidated Statements of Operations as income (loss) from discontinued operations for all periods presented. The accompanying notes, except Note 15, relate only to continuing operations.

Recent Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The provisions of the statement require the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Company is required to implement the statement in the first quarter of fiscal 2001. The Company is currently analyzing the statement to determine the impact, if any, on the consolidated financial statements.

Earnings per Share

Basic earnings per share is computed by dividing income from continuing operations for the period by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income from continuing operations for the period by the weighted average number of common shares outstanding including the dilutive effect of common stock equivalents.

The following tables present a reconciliation of basic and diluted earnings per share from continuing operations:

<TABLE>
<CAPTION>

(Amounts in thousands except per share amounts) For the year ended June 30,	PE Biosystems Group 1999	Celera Genomics Group 1999
<S>	<C>	<C>
Weighted average number of common shares used in the calculation of basic earnings (loss) per share from continuing operations	100,406	25,100
Common stock equivalents	2,698	
Shares used in the calculation of diluted earnings (loss) per share		

from continuing operations	103,104	25,100
Income from continuing operations used in the calculation of basic and diluted earnings (loss) per share from continuing operations	$148,365	$(44,894)
Income (loss) per share from continuing operations		
Basic	$ 1.48	$ (1.79)
Diluted	$ 1.44	$ (1.79)

<CAPTION>

(Amounts in thousands except per share amounts)	PE Corporation	
For the years ended June 30,	1998	1997
<S>	<C>	<C>
Weighted average number of common shares used in the calculation of basic earnings per share from continuing operations	48,560	47,517
Common stock equivalents	1,592	1,996
Shares used in the calculation of diluted earnings per share from continuing operations	50,152	49,513
Income from continuing operations used in the calculation of basic and diluted earnings per share from continuing operations	$ 15,694	$ 102,492
Income per share from continuing operations		
Basic	$ .32	$ 2.16
Diluted	$ .31	$ 2.07

</TABLE>

Options to purchase 20,000 shares of PE Biosystems stock were outstanding at June 30, 1999, but were not included in the computation of diluted earnings per share because the effect was antidilutive. Options and warrants to purchase 5.6 million shares of Celera Genomics stock were outstanding at June 30, 1999, but were not included in the computation of diluted loss per share because the effect was antidilutive. Options and warrants to purchase 1.4 million, and .2 million shares of the Company's common stock were outstanding at June 30, 1998, and 1997, respectively, but were not included in the computation of diluted earnings per share because the effect was antidilutive.

On June 17, 1999, the Board of Directors announced a two-for-one split of PE Biosystems group common stock. The two-for-one stock split was effected in the form of a 100% stock dividend paid to stockholders of record as of the close of business on July 12, 1999. All PE Biosystems share and per share data reflect this split.

Foreign Currency

Assets and liabilities of foreign operations, where the functional currency is the local currency, are translated into U.S. dollars at the fiscal year-end exchange rates. The related translation adjustments are recorded as a separate component of stockholders' equity. Foreign currency revenues and expenses are translated using monthly average exchange rates prevailing during the year. Foreign currency transaction gains and losses, as well as translation adjustments of foreign operations where the functional currency is the U.S. dollar, are included in net income. Transaction gains and losses for the periods ended June 30, 1999, 1998, and 1997 were a loss of $5.6 million, a loss of $2.5 million, and a gain of $1.5 million, respectively.

Derivative Financial Instruments

The Company uses derivative financial instruments to offset exposure to market risks arising from changes in foreign currency exchange rates and interest rates. Derivative financial instruments currently utilized by the Company include foreign currency forward contracts, synthetic forward contracts, foreign currency options, and an interest rate swap (see Note 12).

Cash, Short-Term Investments, and Marketable Securities

Cash equivalents consist of highly liquid debt instruments, time deposits, and certificates of deposit with original maturities of three months or less. Time deposits and certificates of deposit with original maturities of three months to one year are classified as short-term investments. Short-term investments, which include marketable securities, are recorded at cost, which generally approximates market value.

Accounts Receivable

The Company periodically sells accounts receivable arising from business conducted in Japan. During fiscal 1999, 1998, and 1997, the Company received cash proceeds of $40.5 million, $98.8 million, and $65.7 million, respectively, from the sale of such receivables. The Company accounts for such sales in accordance with SFAS 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" and believes it has adequately provided for any risk of loss that may occur under these arrangements.

Investments

The equity method of accounting is used for investments in joint ventures that are 20% to 50% owned and the cost method is used for investments that are less than 20% owned. Minority equity investments are generally classified as available-for-sale and carried at market value in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Inventories

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Inventories at June 30, 1999 and 1998, included the following components:

(Dollar amounts in millions)	1999	1998
Raw materials and supplies	$ 42.8	$ 45.2
Work-in-process	10.3	7.3
Finished products	96.6	84.5
Total inventories	$149.7	$137.0

Property, Plant and Equipment, and Depreciation

Property, plant and equipment are recorded at cost and consisted of the following at June 30, 1999 and 1998:

(Dollar amounts in millions)	1999	1998
Land	$ 21.2	$ 11.7
Buildings and leasehold improvements	154.9	96.3
Machinery and equipment	231.4	174.9
Property, plant and equipment, at cost	407.5	282.9
Accumulated depreciation and amortization	131.7	119.6
Property, plant and equipment, net	$275.8	$163.3

Major renewals and improvements that significantly add to productive capacity or extend the life of an asset are capitalized. Repairs, maintenance, and minor renewals and improvements are expensed when incurred.

Provisions for depreciation of owned property, plant and equipment are based

upon the expected useful lives of the assets and computed primarily by the straight-line method. Leasehold improvements are amortized over their estimated useful lives or the term of the applicable lease, whichever is less, using the straight-line method. Internal-use software costs are amortized primarily over the expected useful lives, not to exceed seven years.

Machinery and equipment includes capitalized internal-use software, primarily related to the Company's worldwide strategic program to improve its information technology infrastructure, of $53.2 million and $43.3 million at June 30, 1999 and 1998, respectively. Net of accumulated amortization the capitalized internal-use software was $43.4 million and $39.3 million at June 30, 1999 and 1998, respectively.

Capitalized Software

Internal software development costs, as used in the Company's products, that are incurred from the time technological feasibility of the software is established until the software is ready for its intended use are capitalized and included in other long-term assets. The costs are amortized using the straight-line method over a maximum of three years or the expected life of the product, whichever is less. At June 30, 1999 and 1998, capitalized software costs, net of accumulated amortization, were $12.5 million and $4.4 million, respectively. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred.

Intangible Assets

The excess of purchase price over the net asset value of companies acquired is amortized on a straight-line method over periods not exceeding 40 years. Patents and trademarks are amortized using the straight-line method over their expected useful lives. At June 30, 1999 and 1998, other long-term assets included goodwill, net of accumulated amortization, of $18.5 million and $69.8 million, respectively. Accumulated amortization of goodwill was $6.7 million and $6.1 million, at June 30, 1999 and 1998, respectively.

Asset Impairment

The Company reviews long-lived assets for impairment, in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are written-down to fair value when the carrying costs exceed this amount. During fiscal 1999, the Company's PE Biosystems group recorded a $14.5 million charge to cost of sales for the impairment of assets associated with the Molecular Informatics business (see Note 2). During fiscal 1997, the Company's PE Biosystems group recorded a $.7 million charge to cost of sales for the write-down of certain impaired assets. The impairment losses were determined based upon estimated future cash flows and fair values.

Revenues

Revenues are recorded at the time of shipment of products or performance of services. Revenues from service contracts are recorded as deferred service contract revenues and reflected in net revenues over the term of the contract, generally one year. Subscription fees for access to the Company's genome databases are recognized ratably over the contracted period in accordance with the provisions of the contract. Contract research service revenues are earned and recognized generally on a percentage of completion or as contract research costs are incurred according to the provisions of the underlying agreement. In some instances revenue recognition may be contingent upon the achievement of certain milestones at each anniversary date. Amounts received in advance of performance are recorded as deferred revenue.

Research, Development and Engineering

Research, development and engineering costs are expensed when incurred.

Supplemental Cash Flow Information

Cash paid for interest and income taxes and significant non-cash investing and

financing activities for the following periods were as follows:

(Dollar amounts in millions)	1999	1998	1997
Interest	$ 3.4	$ 5.7	$ 6.0
Income taxes	$30.3	$60.5	$31.3
Significant non-cash investing and financing activities			
Unrealized gains (loss) on investments	$11.9	$(4.4)	$ 3.1
Dividends declared not paid			$ 7.5
Common shares issued in PerSeptive pooling		4.6	
Minority interest assumed		$41.3	

Note 2--Acquisitions, Investments, and Dispositions

Perseptive Biosystems, Inc.

The merger (the "Merger") of Seven Acquisition Corp., a wholly-owned subsidiary of the Company, and PerSeptive was consummated on January 22, 1998. PerSeptive develops, manufactures, and markets an integrated line of proprietary consumable products and advanced instrumentation systems for the purification, analysis, and synthesis of biomolecules. As a result of the Merger, PerSeptive, which was the surviving corporation of the Merger, became a wholly-owned subsidiary of the Company on that date. Each outstanding share of PerSeptive common stock was converted into shares of the Company's common stock at an exchange ratio equal to 0.1926. Accordingly, the Company issued 4.6 million shares of its common stock for all outstanding shares of PerSeptive common stock. Each outstanding option and warrant for shares of PerSeptive common stock was converted into options and warrants for the number of shares of the Company's common stock that would have been received if such options and warrants had been exercised immediately prior to the effective time of the Merger. All shares of Series A Redeemable Convertible Preferred Stock of PerSeptive outstanding immediately prior to the effective time of the Merger were converted in accordance with their terms into shares of PerSeptive common stock which were then converted into shares of the Company's common stock. As a result of the Merger, PerSeptive's 8-1/4% Convertible Subordinated Notes Due 2001 (the "PerSeptive Notes") became convertible into shares of the Company's common stock. On March 23, 1998, the Company redeemed the PerSeptive Notes for a total of $26.1 million representing $24.7 million of principal and $1.4 million of accrued interest and premium relating to the PerSeptive Notes. Additionally, $2.5 million of the principal amount of the PerSeptive Notes was converted by the holders thereof into 35,557 shares of the Company's common stock.

The Merger qualified as a tax-free reorganization and has been accounted for as a pooling of interests. Accordingly, the Company's financial results have been restated to include the combined operations.

Combined and separate results of the Company and PerSeptive during the periods preceding the Merger were as follows:

(Dollar amounts in millions)	PE	PerSeptive	Adjustment	Combined
Six Months Ended December 31, 1997 (Unaudited)				
Net revenues	$358.7	$ 52.6		$411.3
Income (loss) from continuing operations	$ 14.9	$ (5.4)	$.6	$ 10.1
Fiscal Year Ended June 30, 1997				
Net revenues	$671.9	$ 96.5		$768.4
Income from continuing operations	$ 87.3	$ 15.2		$102.5

The adjustment for the six months ended December 31, 1997 reflects the inclusion of PerSeptive's operating results within the Company's consolidated tax

provision. There were no material intercompany transactions between the Company and PerSeptive during any period presented.

Tecan AG

The Company acquired a 14.5% interest and approximately 52% of the voting rights in Tecan AG ("Tecan") in December 1997. Tecan is a world leader in the development and manufacturing of automated sample processors, liquid handling systems, and microplate photometry. Used in research, industrial, and clinical markets, these products provide automated solutions for pharmaceutical drug discovery, molecular biology, genomic testing, and clinical diagnostics. The acquisition cost was $53.2 million in cash and was accounted for as a purchase with a minority interest of $41.3 million. The excess purchase price over the fair market value of the underlying assets was $46.2 million and was being amortized over fifteen years.

During the fourth quarter of fiscal 1999, the Company divested its interest in Tecan through a public offering in Switzerland and private sales outside of Switzerland. Cash proceeds, net of transaction costs, from the divestiture were $53.8 million. The Company recognized a before-tax gain of $1.6 million on the sale.

Molecular Informatics, Inc.

During the second quarter of fiscal 1998, the Company acquired Molecular Informatics, Inc. ("Molecular Informatics"), a leader in the development of infrastructure software for the pharmaceutical, biotechnology, and agrochemical industries as well as for applied markets such as forensics and human identification. The acquisition cost was $53.9 million and was accounted for as a purchase. In connection with the acquisition, $28.9 million was expensed as purchased in-process research and development, $9.0 million was allocated to goodwill and $15.7 million was allocated to other intangible assets. The initial amortization period was ten years for the goodwill and four to seven years for the other intangible assets.

The $28.9 million expensed as in-process research and development represented 53.6% of the purchase price and was attributed and supported by a discounted probable cash flow analysis on a project-by-project basis. At the acquisition date, the technological feasibility of the acquired technology had not been established and the acquired technology had no future alternative uses.

Approximately 10% of the in-process research and development value was attributed to BioLIMS, a software system that manages data, initiates analysis programs, and captures the results in a centralized, relational database for sequencing instruments; 6% was attributed to GA SFDB, a client-side add-on product to several existing gene sequencing instruments; 38% was attributed to BioMERGE, a client-server management and integration system that organizes proprietary, public, and third-party results in a single relational database for the drug discovery and genomic research markets; 9% was attributed to BioCLINIC, a client-server management and integration system that organizes proprietary, public, and third-party results generated from DNA and protein sequence analysis in a single database for the clinical trials phase of drug development; and 37% was attributed to SDK, an open architecture software platform from which all of Molecular Informatics' future software applications were expected to be derived.

As of the acquisition date, all of the major functionality for BioLIMS 2.0 had been completed and the product was subsequently released in September 1998. As of the acquisition date, BioLIMS 3.0 was in the design and scoping phase. As of the acquisition date, GA SFDB was in early alpha phase and had been completed concurrent with the development of BioLIMS 2.0 and was released in September 1998. As of the acquisition date, BioMerge 3.0 functional scope was defined and the requirements assessment had been completed and was subsequently released in November 1998. As of the acquisition date, the BioCLINIC product requirements had been specified and discussions had begun with two potential customers to begin the specific software modifications. Development efforts were terminated in April 1998 due to unsuccessful marketing efforts. As of the acquisition date, the SDK requirements assessment had been completed and the functional scope had been defined.

At the date of the acquisition, management expected to complete the majority of these projects and commence generating significant revenues in 1999. A total of $11.8 million of the purchase price was attributed to core technology and existing products, primarily related to the BioMERGE product. The risk-adjusted

discount rate applied to the projects' cash flows was 20% for existing technology and 23% for in-process technology. The risk premium of 3% for in-process technologies was determined by management based upon the associated risks of rolling out these in-process technologies versus the existing technologies for the emerging bioinformatics software industry. The significant risks associated with these products include the limited operating history of Molecular Informatics, uncertainties surrounding market acceptance of such in-process products, competitive threats from other bioinformatics companies, and other risks. Management is primarily responsible for estimating the fair value of such existing and in-process technology.

During the fourth quarter of fiscal 1999, the Company incurred a $14.5 million charge to cost of sales for the impairment of intangible assets associated with the Molecular Informatics business. This impairment resulted primarily from a decline in management's assessment of future cash flows from this business which included the discontinuance of certain product lines in the fourth quarter. The charge to cost of sales included $5.6 million for the write-down of goodwill and $8.9 million for the write-down of other intangible assets. The remaining goodwill of $1.9 million and other intangible assets of $1.9 million are being amortized over 4 years.

Biometric Imaging, Inc.

The Company acquired a minority equity interest in Biometric Imaging, Inc. for $4.0 million during fiscal 1998. The collaboration was for the development and manufacturing of a high-throughput screening system for use by pharmaceutical research companies to accelerate the drug discovery process. The Company received exclusive worldwide marketing rights for products developed for that market.

During the third quarter of fiscal 1999, the Company recorded a before-tax gain of $2.6 million on the sale of its entire equity interest in Biometric Imaging.

GenScope, Inc.

During the third quarter of fiscal 1997, the Company acquired GenScope, Inc., for $26.8 million. GenScope, founded in 1995, represented a development stage venture with no operating history. GenScope had effectively no revenues and only limited R&D contract services. At the acquisition date, technological feasibility of the acquired technology right had not been established and the acquired technology right had no future alternative uses. The Company obtained the right to utilize AFLP-based gene expression profiling technology in the field of human health, but did not obtain any core technology or other rights. GenScope's limited balance sheet, with assets of approximately $.2 million, had yet to deliver commercial value. Accordingly, the Company recorded a charge of $25.4 million attributable to the in-process technology purchased. The Company based this amount upon the early development stage of this life science business acquired, the technological hurdles to the application of this technology to the field of human health and the underlying cash flow projections. The acquisition

represented the purchase of development stage technology, not at the time considered commercially viable in the health care applications that the Company intends to pursue. The Company's intent was to first develop the technology into a set of molecular screening tools for use in the enhancement of pharmaceutical product development. The Company allocated $1.4 million of the purchase price to technology rights attributable to GenScope's AFLP-based gene expression profiling technology. AFLP is an enhancement of the polymerase chain reaction ("PCR") process that allows selective analysis of any portion of genetic material without the specific, prior sequence information normally required for PCR. Of the $25.4 million expensed as in-process research and development, $5.5 million represented a contingent liability due on the issuance of a process patent for technology under development.

Other Acquisitions

During the fourth quarter of fiscal 1998, the Company made a minority equity investment of $2.5 million in ACLARA BioSciences, Inc. The companies are collaborating on the development of advanced genetic analysis systems.

The Company entered into a strategic partnership with Hyseq, Inc., acquiring a minority equity interest for an initial cash investment of $5.0 million, during the fourth quarter of fiscal 1997. Hyseq, Inc. applies proprietary DNA array

technology to develop gene-based therapeutic product candidates and diagnostic products and tests. In the first quarter of fiscal 1998, the Company increased its investment by $5.0 million.

The net assets and results of operations for the above acquisitions accounted for under the purchase method have been included in the consolidated financial statements since the date of each acquisition. The pro forma effect of these acquisitions, individually or in the aggregate, on the Company's consolidated financial statements was not significant.

Other Dispositions of Minority Equity Investments
Millennium Pharmaceuticals, Inc.

During fiscal 1999 and 1998, the Company recorded before-tax gains of $1.9 million and $1.6 million, respectively, in connection with the release of previously existing contingencies on shares of Millennium Pharmaceuticals, Inc. ("Millennium") common stock. During fiscal 1997, the Company recognized a before-tax gain of $27.5 million associated with the sale of approximately 50% of its investment in Millennium and the release of previously existing contingencies. The gain included $25.9 million from the Company's exchange of a 34% equity interest in ChemGenics Pharmaceuticals, Inc. for an approximate 6% equity interest in Millennium.

Etec Systems, Inc.

During fiscal 1997, the Company recognized a before-tax gain of $34.7 million from the sale of the Company's entire equity interest in Etec Systems, Inc. Net cash proceeds from the sale were $45.8 million.

Note 3--Debt and Lines of Credit

Loans payable and long-term debt at June 30, 1999 and 1998 are summarized below:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999	1998
<S>	<C>	<C>
Loans Payable		
Short-term loans	$ 3.9	$12.1
Long-Term Debt		
Yen loan	$31.5	$27.0
Other		6.7
Total long-term debt	$31.5	$33.7

</TABLE>

The weighted average interest rates at June 30, 1999 and 1998 for loans payable were 4.5%, and 1.8%, respectively.

On March 23, 1998, the Company redeemed PerSeptive's 8-1/4% convertible subordinated notes (see Note 2).

The Company maintains a Yen 3.8 billion variable rate long-term loan which matures in March 2002. Through an interest rate swap agreement (see Note 12), the effective interest rate for the loan is fixed at 2.1%.

The Company maintains a $100 million revolving credit agreement that matures on June 1, 2000. Commitment and facility fees are based on leverage and interest coverage ratios. Interest rates on amounts borrowed vary depending on whether borrowings are undertaken in the domestic or Eurodollar markets. There were no borrowings under the facility at June 30, 1999 or 1998.

At June 30, 1999, in addition to the $100 million revolving credit agreement, the Company had $239 million of unused credit facilities for short-term borrowings from domestic and foreign banks in various currencies. These credit facilities consist of uncommitted overdraft credit lines that are provided at the discretion of local banks. A PE Corporation guarantee is usually required if the local unit borrows any funds.

Under various debt and credit agreements, the Company is required to maintain certain minimum net worth and interest coverage ratios.

There are no maturities of long-term debt scheduled for fiscal 2000, 2001, 2003, or 2004. The Yen 3.8 billion loan matures in fiscal 2002.

PE Corporation
Notes to Consolidated Financial Statements continued

Note 4--Income Taxes

Income before income taxes from continuing operations for fiscal 1999, 1998, and 1997 follows:

(Dollar amounts in millions)	1999	1998	1997
United States	$(41.6)	$(38.0)	$ 98.3
Foreign	155.9	84.4	39.6
Total	$114.3	$ 46.4	$137.9

The components of the provision for income taxes from continuing operations for fiscal 1999, 1998, and 1997 consisted of the following:

(Dollar amounts in millions)	1999	1998	1997
Currently Payable			
Domestic	$ 6.1	$ 3.8	$ 57.2
Foreign	23.5	17.8	18.7
Total currently payable	29.6	21.6	75.9
Deferred			
Domestic	(29.1)	6.1	(45.8)
Foreign	3.6	(2.6)	5.3
Total deferred	(25.5)	3.5	(40.5)
Total provision for income taxes from continuing operations	$ 4.1	$25.1	$ 35.4

Significant components of deferred tax assets and liabilities from continuing operations at June 30, 1999 and 1998 follows:

(Dollar amounts in millions)	1999	1998
Deferred Tax Assets		
Inventories	$ 2.3	$ 4.0
Postretirement and postemployment benefits	32.2	35.0
Other reserves and accruals	8.8	44.3
Tax credit and loss carryforwards	68.8	32.2
Subtotal	112.1	115.5
Valuation allowance	(37.5)	(62.8)
Total deferred tax assets	74.6	52.7
Deferred Tax Liabilities		
Depreciation	3.1	
Other reserves and accruals	12.3	6.9
Total deferred tax liabilities	15.4	6.9
Total deferred tax assets, net	$59.2	$ 45.8

A reconciliation of the federal statutory tax to the Company's continuing tax provision for fiscal 1999, 1998 and 1997 is set forth in the following table:

(Dollar amounts in millions)	1999	1998	1997
Federal statutory rate	35%	35%	35%
Tax at federal statutory rate	$40.0	$16.2	$48.3
State income taxes (net of federal benefit)	.4	.1	.1
Effect on income from foreign operations	(21.4)	1.2	41.1
Effect on income from foreign sales corporation	(4.9)	(2.5)	(1.6)
Acquired research and development		10.1	9.4
Restructuring and other merger costs		5.2	
Domestic temporary differences for which benefit is recognized	(17.4)	(4.8)	(56.6)
Utilization of net operating losses			(7.7)
Effect of goodwill write-off	1.2	.4	.6
Recapitalization costs	3.3		
Other	2.9	(.8)	1.8
Total provision for income taxes from continuing operations	$ 4.1	$25.1	$35.4

The category "domestic temporary differences for which benefit is recognized" reported in the table above reflects the current year benefit attributable to a reduction in the valuation allowance. The benefit is primarily due to releases of the valuation allowance in 1999 and 1997 in the amounts of $17.4 million and $50.0 million, respectively. The remainder of the benefit resulted from the utilization of domestic tax credit carryforwards and the recognition of various other deferred tax assets that were previously subject to a valuation allowance. During the fourth quarter of fiscal year 1999 the Company reduced its domestic deferred tax valuation allowance, resulting in a recognition of $17.4 million deferred tax benefit. The valuation allowance was reduced because management believes, now that the sale of the Analytical Instruments business has been completed, that it is more likely than not that the deferred tax assets to which the valuation allowance related will be realized.

At June 30, 1999, the Company's worldwide valuation allowance of $37.5 million related to foreign tax loss carryforwards, as well as the domestic tax loss carryforwards, temporary differences and tax credit carryforwards recorded as a result of the stock acquisition of PerSeptive in January 1998.

The Company's subsidiary, PerSeptive, has domestic loss carryforwards of approximately $68 million that will expire between the years 2003 and 2012. The amount of these net operating loss carryforwards that can be utilized annually to offset future taxable income or tax liability has been limited under the Internal Revenue Code as a result of the acquisition. The Company also has a con-

solidated domestic loss carryforward of approximately $34 million that will expire in 2019 and loss carryforwards of approximately $28 million in various foreign countries with varying expiration dates.

U.S. income taxes have not been provided on approximately $302 million of net unremitted earnings from foreign subsidiaries since the Company intends to permanently reinvest substantially all of such earnings in the operations of the subsidiaries. These earnings include income from manufacturing operations in Singapore, which is tax exempt through the year 2004. In those instances where the Company expects to remit earnings, the effect on the results of operations, after considering available tax credits and amounts previously accrued, was not significant.

The Company and its subsidiaries are subject to tax examinations in various U.S. and foreign jurisdictions. During the current year, the Company filed a petition

in the U.S. Tax Court which contested a deficiency asserted by the IRS for 1992. The Company will vigorously contest the proposed adjustments. The Company believes that adequate tax payments have been made and adequate accruals have been recorded for all years.

Note 5--Retirement and Other Benefits

Pension Plans, Retiree Health Care, and Life Insurance Benefits

The Company maintains or sponsors pension plans that cover a substantial portion of all worldwide employees. Pension benefits earned are generally based on years of service and compensation during active employment. However, the level of benefits and terms of vesting may vary among plans. Pension plan assets are administered by trustees and are principally invested in equity and fixed income securities. The funding of pension plans is determined in accordance with statutory funding requirements.

The Company's domestic pension plans cover a substantial portion of the U.S. employees. During fiscal 1999, the plan was amended to terminate the accrual of benefits under the plan as of June 30, 2004 and to improve the benefit for participants who retire between the ages of 55 and 60. The pension plan is not available to employees hired on or after July 1, 1999.

The postretirement plan provides certain health care and life insurance benefits to domestic employees hired prior to January 1, 1993, who retire and satisfy certain service and age requirements. Generally, medical coverage pays a stated percentage of most medical expenses, reduced for any deductible and for payments made by Medicare or other group coverage. The cost of providing these benefits is shared with retirees. The plan is unfunded.

The components of net pension and postretirement expenses for fiscal 1999, 1998, and 1997 are set forth in the following table:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Pension			
Service cost	$ 5.2	$ 4.9	$ 3.6
Interest cost	38.7	36.4	32.0
Expected return on plan assets	(38.6)	(35.6)	(30.5)
Amortization of transition asset	(1.9)	(1.9)	(1.2)
Amortization of prior service cost	(.4)		
Amortization of losses	.5	.5	.8
Curtailments and settlements	.1		
Net periodic expense	$ 3.6	$ 4.3	$ 4.7
Postretirement			
Service cost	$ .2	$ .1	$ .1
Interest cost	4.8	4.7	4.8
Amortization of gains	(1.5)	(1.2)	(1.1)
Net periodic expense	$ 3.5	$ 3.6	$ 3.8

</TABLE>

The following tables set forth the changes in the benefit obligations and the plan assets, and the funded status of the plans of continuing operations and the amounts recognized in the Company's Consolidated Statements of Financial Position at June 30, 1999 and 1998:

<TABLE>
<CAPTION>

	Pension		Postretirement	
(Dollar amounts in millions)	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Change in Benefit Obligation				
Benefit obligation, beginning of year	$560.5	$488.9	$72.4	$71.3
Service cost	5.2	4.9	.2	.1

Interest cost	38.7	36.4	4.8	4.7
Participant contributions	.1	.1		
Benefits paid	(30.8)	(27.6)	(5.3)	(6.7)
Actuarial loss (gain)	17.7	21.6	(3.3)	1.5
Variable annuity unit value change	2.8	26.6		
Amendments	(2.0)	.4		
Currency translation	(.1)	(.1)		
Other	2.0	9.3	(6.3)	1.5
Benefit obligation	$594.1	$560.5	$62.5	$72.4

</TABLE>

<TABLE>
<CAPTION>

	Pension		Postretirement	
(Dollar amounts in millions)	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Change in Plan Assets				
Fair value of plan assets, beginning of year	$561.8	$476.1	$ -	$ -
Actual return on plan assets	56.8	96.7		
Participants contributions	.1	.1		
Company contribution	11.4	15.6	5.3	6.7
Benefits paid	(29.5)	(26.6)	(5.3)	(6.7)
Currency translation		(.1)		
Fair value of plan assets	$600.6	$561.8	$ -	$ -
Funded Status Reconciliation				
Funded status	$ 6.5	$ 1.3	$(62.5)	$(72.4)
Unrecognized prior service gain	(2.5)	(2.1)		
Unrecognized transition asset	(2.2)	(4.4)		
Unrecognized losses (gains)	37.7	37.2	(23.2)	(21.5)
Net amount recognized	$ 39.5	$ 32.0	$(85.7)	$(93.9)
Amounts Recognized in the Statement of Financial Position				
Prepaid benefit cost	$ 48.3	$ 38.4	$ -	$ -
Accrued benefit liability	(11.6)	(10.5)	(85.7)	(93.9)
Intangible asset	.7	3.7		
Minimum pension liability adjustment	2.1	.4		
Net amount recognized	$ 39.5	$ 32.0	$(85.7)	$(93.9)

</TABLE>

Other changes in benefit obligation represents changes in benefit obligation related to the Analytical Instruments business for periods prior to the sale.

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The projected benefit obligation and accumulated benefit obligation

for the pension plans with accumulated benefit obligations in excess of plan assets were $12.1 million and $11.6 million, respectively, at June 30, 1999, and $12.2 million and $9.5 million, respectively, at June 30, 1998.

The following actuarial assumptions were used for the Company's pension and postretirement plans:

<TABLE>
<CAPTION>

	1999	1998
<S>	<C>	<C>
Domestic Plans		
Discount rate	7-1/2%	8%
Compensation increase	5%	4%
Expected rate of return	7-1/2 - 9-1/4%	8-1/2 - 9-1/4%
Foreign Plans		
Discount rate	5 - 5-3/4%	5-1/2%
Compensation increase	4%	4-1/4%
Expected rate of return	6-1/2 - 9%	6-1/2%

</TABLE>

For measurement purposes, an 8.2% annual rate of increase in the per capita cost of covered health care benefits was assumed for plan year 2000, gradually reducing to 5.5% in 2003 and thereafter. A one-percentage point change in assumed health care cost trend rates would have the following effects:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	One-Percentage Point Increase	One-Percentage Point Decrease
<S>	<C>	<C>
Effect on the total of service and interest cost components	$ .3	$ (.3)
Effect on postretirement benefit obligation	$5.0	$(5.0)

</TABLE>

Savings Plan

The Company provides a 401(k) savings plan, for most domestic employees, with automatic Company contributions of 2% of eligible compensation and a dollar-for-dollar matching contribution of up to 4% of eligible compensation. Employees who are not eligible for the employee pension plan receive an extra 2% contribution in addition to the automatic 2% company contribution to their employee savings plan accounts through June 30, 2004, while pension plan participants will continue to receive the automatic 2% contribution. The Company's contributions to this plan for continuing operations were $8.5 million, $5.9 million, and $4.7 million for fiscal 1999, 1998, and 1997, respectively.

Postemployment Benefits

The Company provides certain postemployment benefits to eligible employees. These benefits generally include severance, disability, and medical-related costs paid after employment but before retirement.

Note 6--Segment, Geographic, and Customer Information

Business Segments

In fiscal 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The statement established annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products and services, geographic areas, and major customers. The adoption of the statement did not affect the results of operations or financial position of the Company.

The Company operates in the life science industry through two reportable segments, the PE Biosystems group and the Celera Genomics group. The PE Biosystems group is engaged in the development, manufacture, sale and service of instrument systems and associated consumable products for life science research and related applications. The Celera Genomics group is engaged in the generation, sale and support of genomic information and related information management and analysis software; discovery, validation and licensing of proprietary gene products, genetic markers and information concerning genetic variability; and related consulting and contract research and development services.

As a result of the recapitalization, the Company established two separate stocks to track the individual performance of the reportable segments. Operating income (loss) excludes other income (expense), gain on investments, net interest income, provision (benefit) for income taxes, and minority interest. The accounting policies of the operating segments are the same as those described in Note 1. Sales of products and services between segments are based on terms that would be available from third parties in commercial transactions. Other consists of the elimination of intersegment activity. Other total assets of $173.0 million includes the elimination of $150 million Celera Genomics group note receivable from the PE Biosystems group.

Segment information follows:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	PE Biosystems Group	Celera Genomics Group	Other	Consolidated
<S>	<C>	<C>	<C>	<C>
1999				
Net revenues from external customers	$1,204.4	$ 12.5	$ -	$1,216.9
Intersegment revenues	17.3		(17.3)	
Total revenues	$1,221.7	$ 12.5	$ (17.3)	$1,216.9
Operating income (loss)	$ 187.9	$(68.8)	$ (10.5)	$ 108.6
Depreciation and amortization expense	$ 44.3	$ 3.8		$ 48.1
Capital expenditures	$ 92.0	$ 94.5	$ (10.5)	$ 176.0
Total assets	$1,347.6	$344.7	$ (173.0)	$1,519.3
1998				
Net revenues from external customers	$ 940.1	$ 4.2	$ -	$ 944.3
Operating income (loss)	$ 53.4	$(12.8)		$ 40.6
Depreciation and amortization expense	$ 35.2	$ .7		$ 35.9
Capital expenditures	$ 68.2	$ 3.6		$ 71.8
Total assets	$1,128.9	$ 6.4		$1,135.3
1997				
Net revenues from external customers	$ 767.5	$ .9	$ -	$ 768.4
Operating income (loss)	$ 100.3	$(32.1)		$ 68.2
Depreciation and amortization expense	$ 25.4	$ .2		$ 25.6
Capital expenditures	$ 57.7	$ .4		$ 58.1
Total assets	$1,003.8	$ 3.0		$1,006.8

</TABLE>

Events Impacting Comparability

PE Biosystems Group

Fiscal 1999 operating income included before-tax costs of $13.7 million related to the recapitalization and transformation of the Company, $6.1 million for restructuring and other merger costs, $14.5 million for the impairment of assets, and $3.5 million of donations to the Company's charitable foundation, offset by a $9.2 million reduction of charges required to implement the fiscal 1998 restructuring plan. Fiscal 1998 operating income included $48.1 million related to restructuring and other merger costs and $28.9 million for acquired

research and development. Fiscal 1997 operating income included $.7 million related to the impairment of assets.

Celera Genomics Group

Fiscal 1999 operating loss included before-tax costs of $5.6 million related to the recapitalization and transformation of the Company. Fiscal 1997 operating loss included $26.8 million for acquired research and development.

Geographic Areas

Information concerning principal geographical areas follows:

(Dollar amounts in millions)	1999	1998	1997
Net Revenues From External Customers			
United States	$ 609.0	$457.1	$350.0
Europe	370.1	291.9	239.9
Japan	154.8	129.5	118.8
Other Far East countries	56.1	42.0	40.9
Latin America and other	26.9	23.8	18.8
Consolidated	$1,216.9	$944.3	$768.4

Net revenues are attributable to geographic areas based on the region of destination.

	At June 30,	
(Dollar amounts in millions)	1999	1998
Long-Lived Assets		
United States	$266.2	$152.5
Europe	15.1	18.2
Japan	14.1	12.7
Other Far East countries	.7	.5
Latin America and other	.3	1.2
Consolidated	$296.4	$185.1

Long-lived assets exclude goodwill and other intangible assets.

Customer Information

The Company has a large and diverse customer base. No single customer accounted for more than 10% of total net revenues during fiscal 1999, 1998, and 1997.

Note 7--Stockholders' Equity

Treasury Stock

Common Stock purchases have been made in support of the Company's various stock plans and as part of a general share repurchase authorization. During fiscal 1999, 20,000 shares of PE Biosystems group stock were purchased to support various stock plans. There were no share purchases in fiscal 1998. During fiscal 1997, the Company purchased .4 million shares of common stock to support various stock plans.

Stock Purchase Warrants

As a result of the Merger with PerSeptive, each outstanding warrant for shares of PerSeptive common stock was converted into warrants for the number of shares of the Company's common stock that would have been received by the holder if such warrants had been exercised immediately prior to the effective time of the Merger.

As a result of the recapitalization, each outstanding warrant for shares of PerSeptive common stock was further converted into warrants to acquire .3852 share of PE Biosystems stock and .0963 share of Celera Genomics stock. The warrants are not separately exercisable into solely PE Biosystems stock or Celera Genomics stock. The exercise price and expiration date of each warrant were not affected by the recapitalization.

At June 30, 1999, there were warrants outstanding to purchase 107,598 shares of PE Biosystems stock and 26,900 shares of Celera Genomics stock at an exercise price of $32.87. The warrants expire in September, 2003.

Equity Put Warrants

During the first quarter of fiscal 1997, the Company sold in a private placement 600,000 put warrants on shares of its common stock. Each warrant obligated the Company to purchase the shares from the holder, at specified prices, if the closing price of the common stock was below the exercise price on the maturity date. The cash proceeds from the sale of the put warrants were $1.8 million and have been included in capital in excess of par value. During fiscal 1997, all 600,000 warrants expired unexercised. No equity put warrants were sold in fiscal 1999 and 1998.

Stockholders' Protection Rights Plan

In connection with the recapitalization, the Company adopted a new Stockholder Rights Plan (the "Rights Agreement") to protect stockholders against abusive takeover tactics. Under the Rights Agreement, the Company will issue one right for each share of PE Biosystems stock (a "PE Biosystems Right"), which will allow holders to purchase one-thousandth of a share of a newly designated Series A participating junior preferred stock of the Company at a purchase price of $425, subject to adjustment (the "Series A Purchase Price"), and one right for each share of Celera Genomics stock (a "Celera Genomics Right"), which will allow holders to purchase one-thousandth of a share of a newly designated Series B participating junior preferred stock of the Company at a purchase price of $125, subject to adjustment (the "Series B Purchase Price").

A PE Biosystems Right or Celera Genomics Right will be exercisable only if a person or group ("Acquiring Person"): (a) acquires 15% or more of the shares of PE Biosystems stock then outstanding or 15% or more of the shares of Celera Genomics stock then outstanding or (b) commences a tender offer that would result in such person or group owning such number of shares.

If any person or group becomes an Acquiring Person, each PE Biosystems Right and each Celera Genomics Right will entitle its holder to purchase, for the Series A Purchase Price or the Series B Purchase Price, a number of shares of the related class of common stock of the Company having a market value equal to twice such purchase price.

If following the time a person or group becomes an Acquiring Person, the Company is acquired in a merger or other business combination transaction and the Company is not the surviving corporation; any person consolidates or merges with the Company and all or part of the common stock is converted or exchanged for securities, cash or property of any other person; or 50% or more of the Company's assets or earnings power is sold or transferred, each PE Biosystems Right and each Celera Genomics Right will entitle its holder to purchase, for the Series A Purchase Price or Series B Purchase Price, a number of shares of common stock of the surviving entity in any such merger, consolidation or business combination or the purchaser in any such sale or transfer having a market value equal to twice the Series A Purchase Price or Series B Purchase Price.

The rights are redeemable at the Company's option at one cent per right to a person or group becoming an Acquiring Person.

Capital Stock

The Company's authorized capital stock consists of 500 million shares of PE Corporation-PE Biosystems group common stock, 225 million shares of PE Corporation-Celera Genomics group common stock and 10 million shares of PE Corporation preferred stock. Of the 10 million shares of preferred stock at June 30, 1999, the Company had designated 80,000 shares of two series of participating junior preferred stock in connection with the Company's stockholders' protection rights plan as previously described.

PE Corporation
Notes to Consolidated Financial Statements continued

Note 8--Stock Plans

Stock Option Plans

Under the Company's stock option plans, officers and other key employees may be, and directors are, granted options, each of which allows for the purchase of existing common stock at a price of not less than 100% of fair market value at the date of grant. Prior to the recapitalization, most option grants had a two-year vesting schedule, whereby 50% of the option grant vested at the end of each year from the date of the grant. The Board of Directors has extended that schedule for most options granted subsequent to the recapitalization whereby 25% will vest annually, resulting in 100% vesting after four years. Options generally expire ten years from the date of grant.

Transactions relating to the stock option plans of the Company follow:

<TABLE>
<CAPTION>

	PE Corporation	
	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>
Fiscal 1997		
Outstanding at June 30, 1996	3,822,535	$34.05
Granted	1,595,528	$59.78
Exercised	1,167,179	$29.73
Cancelled	95,281	$43.17
Outstanding at June 30, 1997	4,155,603	$45.03
Exercisable at June 30, 1997	2,254,052	$35.24
Fiscal 1998		
Granted	1,997,041	$70.41
Exercised	780,994	$34.76
Cancelled	154,686	$71.42
Outstanding at June 30, 1998	5,216,964	$55.51
Exercisable at June 30, 1998	2,936,389	$43.12
Fiscal 1999		
Granted	37,000	$86.61
Exercised	1,549,364	$45.74
Cancelled	108,914	$67.92
Outstanding at May 5, 1999	3,595,686	$60.23
Exercisable at May 5, 1999	2,639,696	$55.43

<CAPTION>

	PE Biosystems Group	
	Number of Options	Weighted Average Exercise Price
<S>	<C>	<C>
Fiscal 1999		
Outstanding at May 6, 1999	7,191,372	$27.33
Granted	2,948,046	$54.69
Exercised	687,316	$26.50
Cancelled	240,479	$32.76
Outstanding at June 30, 1999	9,211,623	$35.98
Exercisable at June 30, 1999	4,349,453	$24.68

<CAPTION>

	Celera Genomics Group	
	Number of	Weighted Average

	Options	Exercise Price
<S>	<C>	<C>
Fiscal 1999		
Outstanding at May 6, 1999	1,797,843	$11.04
Granted	3,976,018	$17.44
Exercised	140,894	$10.49
Cancelled	66,303	$13.34
Outstanding at June 30, 1999	5,566,664	$15.62
Exercisable at June 30, 1999	1,818,116	$12.78

</TABLE>

As a result of the recapitalization, each outstanding stock option under the Company's stock option plans was converted into separately exercisable options to acquire one share of PE Biosystems stock and 0.5 of a share of Celera Genomics stock. The exercise price for the resulting PE Biosystems stock options and Celera Genomics stock options was calculated by multiplying the exercise price under the original option from which they were converted by a fraction, the numerator of which was the opening price of PE Biosystems stock or Celera Genomics stock, as the case may be, on May 6, 1999 (the first date such stocks were traded on the New York Stock Exchange) and the denominator of which was the sum of such PE Biosystems stock and Celera Genomics stock prices. However, the aggregate intrinsic value of the options was not increased, and the ratio of the exercise price per option to the market value per share was not reduced. In addition, the vesting provisions and option periods of the original grants remained the same on conversion.

The following tables summarize information regarding options outstanding and exercisable at June 30, 1999:

<TABLE>
<CAPTION>

		Weighted Average	
		Contractual Life	
(Option Prices per Share)	Number of Options	Remaining in Years	Exercise Price
<S>	<C>	<C>	<C>
PE Biosystems Group			
Options Outstanding			
At $.93 - $14.84	982,816	4.1	$11.25
At $14.85 - $29.68	1,355,230	5.8	$21.21
At $29.69 - $51.94	3,907,247	7.8	$33.08
At $51.95 - $74.21	2,966,330	9.8	$54.74
Options Exercisable			
At $.93 - $14.84	927,537	4.1	$11.70
At $14.85 - $29.68	1,315,103	5.8	$21.01
At $29.69 - $51.94	2,087,553	7.8	$32.40
At $51.95 - $74.21	19,260	9.8	$62.90

</TABLE>

<TABLE>
<CAPTION>

		Weighted Average	
		Contractual Life	
(Option Prices per Share)	Number of Options	Remaining in Years	Exercise Price
<S>	<C>	<C>	<C>
Celera Genomics Group			
Options Outstanding			
At $.37 - $12.10	600,294	5.1	$ 6.95
At $12.11 - $15.13	961,784	7.8	$13.39
At $15.14 - $17.12	3,652,464	9.5	$17.11
At $17.13 - $30.26	352,122	9.8	$21.00
Options Exercisable			
At $.37 - $12.10	578,766	5.1	$ 6.98

At $12.11 - $15.13	523,132	7.8	$13.14
At $15.14 - $17.12	705,020	9.5	$17.10
At $17.13 - $30.26	11,198	9.8	$22.65

</TABLE>

1999 Stock Incentive Plans

The PE Corporation/PE Biosystems Group 1999 Stock Incentive Plan (the "PE Biosystems Group Plan") and the PE Corporation/Celera Genomics Group 1999 Stock Incentive Plan (the "Celera Genomics Group Plan") were approved in April, 1999. The PE Biosystems Group Plan authorizes grants of stock options, stock awards and performance shares with respect to PE Biosystems stock. The Celera Genomics Group Plan authorizes grants of stock options, stock awards and performance shares with respect to Celera Genomics stock. Directors and certain officers and key employees with responsibilities involving both the PE Biosystems group and the Celera Genomics group may be granted awards under both incentive plans in a manner which reflects their responsibilities. The Board of Directors believes that granting participants awards tied to performance of the group in which the participants work and, in certain cases the other group, is in the best interest of the Company and its stockholders.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan offers domestic and certain foreign employees the right to purchase shares of PE Biosystems stock and/or Celera Genomics stock on a quarterly basis. The purchase price in the United States is equal to the lower of 85% of the average market price of the applicable class of common stock on the offering date or 85% of the average market price of such class of common stock on the last day of the purchase period. Provisions of the plan for employees in foreign countries vary according to local practice and regulations.

Common stock issued under the Employee Stock Purchase Plan during fiscal 1999, 1998, and 1997 totaled 168,000 shares, 174,000 shares, and 111,000 shares, respectively of PE Corporation (predecessor) common stock. Additionally, 49,000 shares of PE Biosystems stock and 12,000 shares of Celera Genomics stock were issued during fiscal 1999.

Director Stock Purchase and Deferred Compensation Plan

The Company has a Director Stock Purchase and Deferred Compensation Plan that requires non-employee directors of the Company to apply at least 50% of their annual retainer to the purchase of common stock. Purchases of PE Biosystems stock and Celera Genomics stock are made in a ratio approximately equal to the number of shares of PE Biosystems stock and Celera Genomics stock outstanding. The purchase price is the fair market value on the date of purchase. At June 30, 1999, the Company had approximately 85,000 shares of PE Biosystems stock and approximately 43,000 shares of Celera Genomics stock available for issuance.

Restricted Stock

As part of the Company's stock incentive plans, key employees may be, and non-employee directors are, granted shares of restricted stock that will vest when certain continuous employment/service restrictions and/or specified performance goals are achieved. The fair value of shares granted is generally expensed over the restricted periods, which may vary depending on the estimated achievement of performance goals.

As a result of the recapitalization, each share of restricted stock held was redesignated as one share of PE Biosystems stock and 0.5 of a share of Celera Genomics stock. Restricted stock granted prior to the recapitalization to key employees and non-employee directors during fiscal 1999, 1998, and 1997 totaled 42,900 shares, 4,350 shares, and 42,000 shares, respectively, of PE Corporation (predecessor) common stock. Compensation expense of continuing operations recognized by the Company for these awards was $2.3 million, $1.8 million, and $9.1 million for fiscal 1999, 1998, and 1997, respectively.

Performance Unit Bonus Plan

The Company has a Performance Unit Bonus Plan whereby employees may be awarded performance units in conjunction with an equal number of stock options. A performance unit represents the right to receive a cash or stock payment from the Company at a specified date in the future. The amount of the payment is equal to the fair market value of a share of common stock on the date of the grant. The performance units vest upon shares of the Company's common stock attaining and maintaining specified common stock price levels for a specified period, and are payable on or after a specified future date subject to continued employment through the date of payment. As of June 30, 1999, two series of

performance units totaling 498,399 units had been granted under the plan. Compensation expense of continuing operations, pertaining to the first of the series, was $4.4 million and $5.1 million for fiscal 1999 and 1998, respectively.

At June 30, 1999, all stock price targets applicable to the first series of performance units, totaling 294,499 units net of cancellations, granted to members of senior management under the Plan had been attained and the Company became obligated to make

payments under the Plan. In recognition of the efforts of the participants in reaching these performance targets and the change in the underlying securities of the Company as a result of the recapitalization of the Company, the Board of Directors decided to accelerate these payments to fiscal year 2000. The related stock options were not accelerated. Compensation expense of continuing operations recognized as a result of the acceleration of these payments totaled $10.1 million for fiscal 1999.

Accounting for Stock-Based Compensation

Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," is applied in accounting for stock-based compensation plans. Accordingly, no compensation expense has been recognized for its stock option and employee stock purchase plans, as all options have been issued at fair market value.

Pro forma net income and earnings per share information, as required by SFAS No. 123, "Accounting for Stock-Based Compensation," have been determined for employee stock plans under the statement's fair value method. The fair value of the options was estimated at grant date using a Black-Scholes option pricing model with the following weighted average assumptions:

<TABLE>
<CAPTION>

For the years ended June 30,	1999	1998	1997
<S>	<C>	<C>	<C>
PE Biosystems Group			
Dividend yield	.63%		
Volatility	34.40%		
Risk-free interest rates	5.25%		
Expected option life in years	5.23		
Celera Genomics Group			
Dividend yield	-%		
Volatility	34.40%		
Risk-free interest rates	5.00%		
Expected option life in years	5.23		
PE Corporation			
Dividend yield	.62%	.94%	.85%
Volatility	34.40%	27.00%	29.07%
Risk-free interest rates	4.71%	5.64%	6.42%
Expected option life in years	5.23	5.70	5.12

</TABLE>

For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information for the years ended June 30, 1999, 1998, and 1997 is presented below:

<TABLE>
<CAPTION>

(Dollar amounts in millions except per share amounts)	PE Biosystems Group 1999	Celera Genomics Group 1999

<S>	<C>	<C>
Income (loss) from continuing operations		
As reported	$148.4	$(44.9)
Pro forma	$127.9	$(47.5)
Basic earnings (loss) from continuing operations per share		
As reported	$ 1.48	$(1.79)
Pro forma	$ 1.27	$(1.89)
Diluted earnings (loss) from continuing operations per share		
As reported	$ 1.44	$(1.79)
Pro forma	$ 1.24	$(1.89)

<CAPTION>

	PE Corporation		
(Dollar amounts in millions except per share amounts)	1999	1998	1997
<S>	<C>	<C>	<C>
Income (loss) from continuing operations			
As reported	$ 96.8	$ 15.7	$102.5
Pro forma	$ 73.7	$(15.0)	$ 92.3
Basic earnings (loss) from continuing operations per share			
As reported		$ .32	$ 2.16
Pro forma		$ (.31)	$ 1.94
Diluted earnings (loss) from continuing operations per share			
As reported		$ .31	$ 2.07
Pro forma		$ (.31)	$ 1.86

</TABLE>

Pro forma information for PE Biosystems group and Celera Genomics group for fiscal 1998 and 1997 is omitted since PE Biosystems stock and Celera Genomics stock were not part of the capital structure of the Company.

The weighted average fair value of PE Corporation options granted was $33.54, $24.83, and $20.17 per share for fiscal 1999, 1998, and 1997, respectively. The weighted average fair value of PE Biosystems options granted and Celera Genomics options granted was $20.23 and $8.26 for fiscal 1999, respectively.

Since PE Biosystems stock and Celera Genomics stock were not part of the capital structure of the Company prior to May 6, 1999, there were no stock options outstanding prior to that date. Therefore, the pro forma effect of PE Biosystems stock options and Celera Genomics stock options is not representative of what the effect will be in future years.

Note 9--Additional Information

Selected Accounts

The following table provides the major components of selected accounts of the Consolidated Statements of Financial Position:

<TABLE>
<CAPTION>

(Dollar amounts in millions) At June 30,	1999	1998
<S>	<C>	<C>
Other Long-Term Assets		

Goodwill	$ 18.5	$ 69.8
Other	231.0	194.2
Total other long-term assets	$249.5	$264.0
Other Accrued Expenses		
Deferred revenues	$ 51.7	$ 28.7
Restructuring liability	5.8	26.9
Other	120.4	66.9
Total other accrued expenses	$177.9	$122.5
Other Long-Term Liabilities		
Accrued postretirement benefits	$ 80.2	$ 87.4
Other	63.5	42.1
Total other long-term liabilities	$143.7	$129.5

</TABLE>

Related Party Transactions

One of the Company's directors is a former employee of the Roche Group, a pharmaceutical manufacturer and strategic partner of the Company in the biotechnology field. The Company made payments to the Roche Group and its affiliates, for the purchase of reagents and consumables, of $98.3 million, $72.5 million, and $68.2 million in fiscal 1999, 1998, and 1997, respectively.

Third Party Equity Transaction

On June 30, 1999, the Company granted an option to purchase 1.3 million shares of Celera Genomics group stock to a third party and entered into a one year non-compete agreement with such party. The fair value of such option approximated $7.2 million and will be amortized over the life of the non-compete agreement.

Note 10--Restructuring and Other Merger Costs

During fiscal 1998, the Company recorded a $48.1 million before-tax charge for restructuring and other merger costs to integrate PerSeptive into the Company following the acquisition. The objectives of the integration plan were to lower PerSeptive's cost structure by reducing excess manufacturing capacity, achieve broader worldwide distribution of PerSeptive's products, and combine sales, marketing, and administrative functions. The charge included: $33.9 million for restructuring the combined operations; $8.6 million for transaction costs; and $4.1 million of inventory-related write-offs, recorded in costs of sales, associated with the rationalization of certain product lines. Additional merger-related period costs of $6.1 million for fiscal 1999 and $1.5 million for fiscal 1998 were incurred for training, relocation, and communication in connection with the integration.

The $33.9 million restructuring charge included $13.8 million for severance-related costs and workforce reductions of approximately 170 employees, consisting of 114 employees in production labor and 56 employees in sales and administrative support. The remaining $20.1 million represented facility consolidation and asset-related write-offs and included: $11.7 million for contract and lease terminations and facility-related expenses in connection with the reduction of excess manufacturing capacity; $3.2 million for dealer termination payments, sales office consolidations, and consolidation of sales and administrative support functions; and $5.2 million for the write-off of certain tangible and intangible assets and the termination of certain contractual obligations. Transaction costs of $8.6 million included acquisition-related investment banking and professional fees.

During the fourth quarter of fiscal 1999, the Company completed the restructuring actions. The costs to implement the program were $9.2 million below the $48.1 million charge recorded for fiscal 1998. As a result, during the fourth quarter of fiscal 1999, the Company recorded a $9.2 million reduction of charges required to implement the fiscal 1998 plan.

The following table details the major components of the fiscal 1998 restructuring plan:

<TABLE>
<CAPTION>

	Facility Consolidation

(Dollar amounts in millions)	Personnel	Facility Consolidation and Asset Related Write-Offs	Total
<S>	<C>	<C>	<C>
Provision			
Reduction of excess manufacturing capacity	$ 5.1	$11.7	$16.8
Consolidation of sales and administrative support	8.7	3.2	11.9
Other		5.2	5.2
Total provision	$13.8	$20.1	$33.9
Fiscal 1998 Activity			
Reduction of excess manufacturing capacity	$ -	$ .4	$ .4
Consolidation of sales and administrative support	.3	1.2	1.5
Other		5.1	5.1
Total fiscal 1998 activity	$ .3	$ 6.7	$ 7.0

</TABLE>

<TABLE>
<CAPTION>

(Dollar amounts in millions)	Personnel	Facility Consolidation and Asset Related Write-Offs	Total
<S>	<C>	<C>	<C>
Fiscal 1999 Activity			
Reduction of excess manufacturing capacity	$ .7	$ 6.9	$ 7.6
Adjustment to decrease liabilities originally accrued for excess manufacturing capacity	4.1	3.3	7.4
Consolidation of sales and administrative support	3.4	.9	4.3
Adjustment to decrease liabilities originally accrued for consolidation of sales and administrative support	1.8		1.8
Total fiscal 1999 activity	$10.0	$11.1	$21.1
Balance At June 30, 1999			
Reduction of excess manufacturing capacity	$ .3	$ 1.1	$ 1.4
Consolidation of sales and administrative support	3.2	1.1	4.3
Other		.1	.1
Balance at June 30, 1999	$ 3.5	$ 2.3	$ 5.8

</TABLE>

Note 11--Commitments and Contingencies

Future minimum payments at June 30, 1999 under non-cancelable operating leases for real estate and equipment were as follows:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	
<S>	<C>
2000	$ 21.2

2001	23.9
2002	19.9
2003	15.1
2004	12.8
2005 and thereafter	49.8
Total	$142.7

</TABLE>

Rental expense was $43.1 million for fiscal 1999, $29.0 million in fiscal 1998, and $22.3 million for fiscal 1997.

In fiscal 1997, the Company entered into a fifteen-year non-cancelable lease for a facility in Foster City, California, effective July 1, 2000. Total lease payments over the fifteen-year period will be approximately $42 million.

As a result of the sale of the Analytical Instruments business, EG&G assumed the responsibility for the Company's German employee pension obligations. In the event EG&G fails to fulfill such German obligations, the employees may have recourse against PE Corporation.

On March 13, 1998, the Company filed a patent infringement action against Amersham Pharmacia Biotech, Inc. ("Amersham") and Molecular Dynamics, Inc. in the United States District Court for the Northern District of California. The Company asserts that two of its patents (U.S. 5,207,886 and U.S. 4,811,218) are infringed by reason of Molecular Dynamics' and Amersham's sale of certain DNA analysis systems (e.g., the MegaBACE 1000 System). In response, the defendants have asserted various affirmative defenses and several counterclaims, including that the Company is infringing two patents (U.S. 5,091,562 and U.S. 5,459,325) owned by or licensed to Molecular Dynamics by selling the ABI PRISM(R) 377 DNA Sequencing Systems.

On April 2, 1998, Amersham filed a patent infringement action against the Company in the United States District Court for the Northern District of California. The complaint alleges that the Company is directly, contributorily or by inducement infringing U.S. Patent No. 5,688,648 ("the '648 patent"), entitled "Probes Labeled with Energy Transfer Coupled Dyes." The complaint seeks declaratory judgment that the use of the PE BigDye(TM) Primer and BigDye(TM) Terminator kits would infringe the '648 patent, as well as injunctive and monetary relief. The Company answered the complaint, alleging that the '648 patent is invalid and that the Company has not infringed the '648 patent.

On May 21, 1998, Amersham filed a patent infringement action against the Company in the United States District Court for the Southern District of New York. The complaint alleges that the Company is infringing, contributing to the infringement and inducing the infringement of U.S. Patent No. 4,707,235 ("the '235 patent") entitled "Electrophoresis Method and Apparatus having Continuous Detection Means." The complaint seeks injunctive and monetary relief. The Company answered the Complaint, alleging that the '235 patent is invalid and that the Company does not infringe the '235 patent.

The Company has been named as a defendant in several legal actions, including patent, commercial, and environmental, arising from the conduct of its normal business activities. Although the amount of any liability that might arise with respect to any of these matters cannot be accurately predicted, the resulting liability, if any, will not in the opinion of management have a material adverse effect on the financial statements of the Company.

Note 12--Financial Instruments

Derivatives

The Company utilizes foreign exchange forward, option, and synthetic forward contracts and an interest rate swap agreement to manage foreign currency and interest rate exposures. The principal objective of these contracts is to minimize the risks and/or costs associated with global financial and operating activities. The Company does not use derivative financial instruments for trading or other speculative purposes, nor is the Company a party to leveraged derivatives.

Foreign Currency Risk Management

Foreign exchange forward, option, and synthetic forward contracts are used primarily to hedge reported and anticipated cash flows resulting from the sale of products in foreign locations. Option contracts outstanding at June 30, 1999 were purchased at a cost of

$2.5 million. Under these contracts, the Company has the right, but not the obligation, to purchase or sell foreign currencies at fixed rates at various maturity dates. These contracts are utilized primarily when the amount and/or timing of the foreign currency exposures are not certain. Synthetic forward contracts outstanding at June 30, 1999 were purchased having no up-front cost. Under these contracts, the Company may participate in some favorable currency movements but is protected against adverse currency changes. These contracts are used as an alternative to options to reduce the cost of the Company's hedging program.

At June 30, 1999 and 1998, the Company had forward, option, and synthetic forward contracts outstanding for the sale and purchase of foreign currencies at fixed rates as summarized in the table below:

<TABLE>
<CAPTION>

	1999		1998	
(Dollar amounts in millions)	Sale	Purchase	Sale	Purchase
<S>	<C>	<C>	<C>	<C>
Japanese Yen	$104.2	$ 6.0	$ 99.4	$ -
French Francs	4.3		16.9	.2
Australian Dollars	12.0		7.5	
German Marks	25.4		17.2	
Italian Lira	10.4	2.6	21.4	.8
British Pounds	18.6	50.6	27.0	12.6
Swiss Francs	7.5	.7	8.2	4.0
Swedish Krona	8.9		6.1	
Danish Krona	8.1		5.3	
Singapore Dollars	9.3	3.3	.2	
Netherland Guilder		16.1		
Euro	28.2			
Other	17.1		21.3	.2
Total	$254.0	$79.3	$230.5	$17.8

</TABLE>

Foreign exchange contracts are accounted for as hedges of firm commitments and anticipated foreign currency transactions. With respect to firm commitments, unrealized gains and losses are deferred and included in the basis of the transaction underlying the commitment. Gains and losses on foreign currency transactions are recognized in income and offset the foreign exchange losses and gains, respectively, on the related transactions. The amount of the contracts covering anticipated transactions is marked to market and recognized in income.

Interest Rate Risk Management

The Company maintains an interest rate swap in conjunction with a five-year Japanese Yen debt obligation (see Note 3). The interest rate swap agreement involves the payment of a fixed rate of interest and the receipt of a floating rate of interest without the exchange of the underlying notional loan principal amount. Under the terms of this contract, the Company will make fixed interest payments of 2.1% while receiving interest at a LIBOR floating rate. No other cash payments will be made unless the contract is terminated prior to maturity, in which case the amount to be paid or received in settlement is established by agreement at the time of termination. The agreed upon amount usually represents the net present value at current interest rates of the remaining obligation to exchange payments under the terms of the contract.

Based on the level of interest rates prevailing at June 30, 1999, the fair value of the Company's floating rate debt approximated its carrying value. There would be a payment of $1.0 million to terminate the related interest rate swap contract, which would equal the unrealized loss. Unrealized gains or losses on debt or interest rate swap contracts are not recognized for financial reporting purposes unless the debt is retired or the contracts are terminated prior to maturity. A change in interest rates would have no impact on the Company's reported interest expense and related cash payments because the floating rate debt and fixed rate swap contract have the same maturity and are based on the same interest rate index.

Concentration of Credit Risk

The forward contracts, options, synthetic forwards, and swaps used by the Company in managing its foreign currency and interest rate exposures contain an element of risk that the counterparties may be unable to meet the terms of the agreements. However, the Company minimizes such risk by limiting the counterparties to a diverse group of highly rated major domestic and international financial institutions with which the Company has other financial relationships. The Company is exposed to potential losses in the event of non-performance by these counterparties; however, the Company does not expect to record any losses as a result of counterparty default. The Company does not require and is not required to place collateral for these financial instruments.

Fair Value

The fair value of foreign currency forward, option and synthetic forward contracts, as well as interest rate swaps, is estimated based on quoted market prices of comparable contracts and reflects the amounts the Company would receive (or pay) to terminate the contracts at the reporting date. The following table presents notional amounts and fair values of the Company's derivatives at June 30, 1999 and 1998:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999 Notional Amount	1999 Fair Value	1998 Notional Amount	1998 Fair Value
<S>	<C>	<C>	<C>	<C>
Forward contracts	$187.9	$ 2.6	$123.9	$2.1
Purchased options	$ 44.0	$ 3.4	$ 76.7	$1.3
Synthetic forwards	$101.4	$ 2.9	$ 41.5	$1.7
Interest rate swap	$ 31.5	$(1.0)	$ 27.0	$(.9)

</TABLE>

The fair value of other significant financial instruments held or owed by the Company is estimated using various methods. Cash and short-term investments approximate their carrying amount due to the duration of these instruments. Fair values of minority equity investments and notes receivable are estimated based on quoted market prices, if available, or quoted market prices of financial instruments with similar characteristics. The fair value of debt is based on the current rates offered to the Company for debt of similar remaining maturities. The following table presents the carrying amounts and fair values of the Company's other financial instruments at June 30, 1999 and 1998:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999 Carrying Amount	1999 Fair Value	1998 Carrying Amount	1998 Fair Value
<S>	<C>	<C>	<C>	<C>
Cash and short-term investments	$308.0	$308.0	$84.1	$84.1
Minority equity investments	$ 43.4	$ 43.4	$29.2	$29.2
Note receivable	$150.0	$150.0		
Short-term debt	$ 3.9	$ 3.9	$12.1	$12.1
Long-term debt	$ 31.5	$ 32.5	$33.7	$34.6

</TABLE>

Net unrealized gains and losses on minority equity investments are reported as a separate component of comprehensive income (loss).

Note 13--Quarterly Financial Information (Unaudited)

The following is a summary of quarterly financial results:

<TABLE>
<CAPTION>

(Dollar amounts in millions except per share amounts)	First Quarter 1999	First Quarter 1998	Second Quarter 1999	Second Quarter 1998	Third Quarter 1999	Third Quarter 1998	Fourth Quarter 1999	Fourth Quarter 1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	$254.7	$194.7	$288.5	$216.6	$325.8	$248.7	$347.8	$284.3
Gross margin	142.5	101.0	157.8	122.0	176.2	132.5	181.7	157.1
Income (loss) from continuing operations	17.9	17.5	18.2	(7.4)	31.3	(19.3)	29.4	24.9
Income (loss) from discontinued operations	(0.9)	3.9	(3.2)	13.4	5.2	12.3	77.9	11.1
Net income (loss)	17.0	21.4	15.0	6.0	36.5	(7.0)	107.3	36.0
Attributable to PE Corporation								
Dividends per share	$ .17	$ .17	$ .17	$ .17	$ .17	$ .17		$ .17
Income (loss) per share from continuing operations								
Basic	.36	.37	.36	(.15)	.62	(.40)		.51
Diluted	.36	.35	.36	(.15)	.60	(.40)		.49
Income (loss) per share from discontinued operations								
Basic	(.02)	.08	(.06)	.27	.10	.26		.22
Diluted	(.02)	.08	(.06)	.27	.10	.26		.22
Net income (loss) per share								
Basic	.34	.45	.30	.12	.72	(.14)		.73
Diluted	.34	.43	.30	.12	.70	(.14)		.71
Attributable to PE Biosystems Group								
Dividends per share							$ .085	
Income per share from continuing operations								
Basic							$ .52	
Diluted							$ .50	
Income per share from discontinued operations								
Basic							$ .76	
Diluted							$ .74	
Net income per share								
Basic							$ 1.28	
Diluted							$ 1.24	
Attributable to Celera Genomics Group								
Net loss per share:								
Basic							$ (.78)	
Diluted							$ (.78)	
Price range of common stock								
PE Corporation (through May 5, 1999)								
High	$70-15/16	$86-1/8	$100-11/16	$ 74	$110-1/2	$ 76	$117-1/2	$ 75-1/8
Low	$ 54-1/2	$72-1/8	$ 65	$59-1/4	$ 87-7/8	$55-13/16	$ 96-1/2	$58-11/16
PE Biosystems Group								
High							$ 60-5/8	
Low							$ 50	
Celera Genomics Group								
High							$ 22-1/2	
Low							$14-3/16	

</TABLE>

Fiscal 1999 price ranges for PE Biosystems group common stock and Celera Genomics group common stock are for the period from May 6, 1999 through June 30, 1999. On May 6, 1999, the Company recapitalized its former common stock into PE Biosystems group common stock and Celera Genomics group common stock. Therefore, neither the PE Biosystems group nor the Celera Genomics group had common stock issued or outstanding for periods prior to May 6, 1999.

On June 17, 1999, the Board of Directors announced a two-for-one split of PE Biosystems group common stock. The two-for-one stock split was effected in the form of a 100% stock dividend paid to stockholders of record as of the close of business on July 12, 1999. All PE Biosystems share and per share data reflect this split.

Events Impacting Comparability

Fiscal 1999 First, second, third, and fourth quarter results included before-tax costs of $.9 million, $1.1 million, $1.6 million, and $7.7 million,

respectively, related to acquisitions. The fourth quarter charge included a cost of sales write-off of $14.5 million for the impairment of assets associated with Molecular Informatics (see Note 1) and a $9.2 million reduction of liabilities in connection with the PerSeptive acquisition (see Note 10). Second, third, and fourth quarter results included before-tax costs of $1.1 million, $1.6 million, and $16.7 million, respectively, in connection with the recapitalization and transformation of the Company. Third and fourth quarter results included before-tax gains of $2.6 million and $5.8 million, respectively, related to the Company's investments. The fourth quarter included a before-tax gain of $2.3 million on foreign exchange contracts. Second and fourth quarter results included certain tax benefits of $4.8 million and $17.4 million, respectively. The tax benefit recorded in the fourth quarter reflects a reduction in the PE Biosystems' group tax valuation allowance (see Note 4). The aggregate after-tax effect of the above items reduced first and second quarter income from continuing operations by $.8 million and $2.0 million, respectively, and increased third and fourth quarter income from continuing operations by $4.1 million and $3.9 million, respectively. The aggregate net effect of the above items reduced first and second quarter income from continuing operations by $.01 and $.04 per diluted share, respectively, and increased third quarter income from continuing operations by $.08 per diluted share. The aggregate net effect of the above items for the fourth quarter increased income from continuing operations for the PE Biosystems group by $.08 per diluted share, and increased Celera Genomics group net loss by $.15 per diluted share.

Fiscal 1998 First and fourth quarter results included before-tax gains of $.8 million in each quarter, or $.02 and $.01 per diluted share after-tax, respectively, relating to the release of contingencies on minority equity investments (see Note 2). Second quarter results included a $28.9 million before-tax charge, or $.57 per diluted share after-tax, for acquired research and development (see Note 2). Third and fourth quarter results included before-tax charges for restructuring and other merger costs of $47.0 million and $1.1 million, respectively, or $.85 and $.02 per diluted share after-tax, respectively (see Note 10). The third quarter also included one-time royalty revenues and capitalized certain legal expenses relating to the successful defense of certain patents. The net effect of these items increased third quarter income from continuing operations by approximately $4.2 million, or $.08 per diluted share.

Note 14--Accumulated Other Comprehensive Income (Loss)

During fiscal 1999, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." The provisions of this statement require disclosure of total comprehensive income. Total comprehensive income includes net income, foreign currency translation adjustments, unrealized gains and losses on available-for-sale investments, and minimum pension liability adjustments.

Accumulated other comprehensive income (loss) for fiscal 1999, 1998, and 1997 was as follows:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Investments	Minimum Pension Liability Adjustment
<S>	<C>	<C>	<C>
Balance at June 30, 1996	$ (.9)	$ 23.2	$(29.4)
Activity	(4.2)	(20.1)	28.7
Balance at June 30, 1997	(5.1)	3.1	(.7)
Activity	(2.7)	(4.5)	.3
Balance at June 30, 1998	(7.8)	(1.4)	(.4)
Activity	(5.4)	11.9	(1.7)
Balance at June 30, 1999	$(13.2)	$ 10.5	$ (2.1)

</TABLE>

Note 15--Discontinued Operations

Effective May 28, 1999, the Company completed the sale of its Analytical Instruments business to EG&G, Inc. Analytical Instruments, formerly a unit of the Company's PE Biosystems group, develops, manufactures, markets, sells, and services analytical instruments used in a variety of markets. As part of the sale, the rights to the "Perkin-Elmer" name were transferred to EG&G.

The aggregate consideration received by the Company was $425 million, consisting of $275 million in cash and one-year secured promissory notes in the aggregate principal amount of $150 million which bear interest at a rate of 5% per annum.

The Company recognized a net gain on disposal of discontinued operations of $100.2 million, net of $87.8 million of income taxes. The transaction is subject to post-closing adjustments pursuant to the terms of the agreement with EG&G.

Summary results prior to discontinuance were as follows:

(Dollar amounts in millions)	For the Eleven Months Ended May 28, 1999	For the Years Ended June 30, 1998	1997
Net revenues	$479.4	$586.8	$604.9
Restructuring charges			13.0
Total costs and expenses	509.7	532.6	570.2
(Benefit) provision for income taxes	(9.2)	13.5	6.8
(Loss) income from discontinued operations	$(21.1)	$ 40.7	$ 27.9

There were no remaining assets and liabilities within discontinued operations at June 30, 1999. The components of net assets of discontinued operations included in the Consolidated Statements of Financial Position at June 30, 1998 were as follows:

(Dollar amounts in millions)	1998
Current Assets	
Accounts receivable, net	$ 145.9
Inventories	103.0
Prepaid expenses and other current assets	35.2
Current Liabilities	
Accounts payable	45.7
Accrued expenses	98.4
Current net assets	140.0
Long-term Assets	
Property, plant and equipment, net	73.3
Other long-term assets	37.7
Long-term Liabilities	
Other long-term liabilities	55.1
Long-term net assets	55.9
Net assets of discontinued operations	$195.9

Income Taxes

(Loss) income before income taxes of discontinued operations for the eleven months ended May 28, 1999, and fiscal 1998 and 1997 is summarized below:

(Dollar amounts in millions)	1999	1998	1997
United States	$(36.2)	$34.1	$22.7
Foreign	5.9	20.1	12.0
Total	$(30.3)	$54.2	$34.7

The components of the (benefit) provision for income taxes of discontinued operations for the eleven months ended May 28, 1999 and fiscal 1998 and 1997, consisted of the following:

<TABLE>
<CAPTION>

(Dollar amounts in millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Currently Payable			
Domestic	$(13.7)	$(3.7)	$(1.0)
Foreign	4.5	7.8	5.1
Total currently (receivable) payable	(9.2)	4.1	4.1
Deferred			
Domestic		4.9	4.8
Foreign		4.5	(2.1)
Total deferred		9.4	2.7
(Benefit) provision for income taxes from discontinued operations	$ (9.2)	$13.5	$ 6.8

</TABLE>

For the eleven months ended May 28, 1999, and fiscal 1998 and 1997, the effective tax rates for discontinued operations were 30%, 25%, and 20%, respectively. The difference between the effective tax rate and the statutory tax rate of 35% was mainly attributed to benefits from the use of U.S. alternative minimum tax credit carryforwards, the benefits from the use of a foreign sales corporation and federal research tax credits, and restructuring charges.

PE Corporation
Report of Management

To the Stockholders of
PE Corporation

Management is responsible for the accompanying consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, it is necessary for management to make informed judgments and estimates which it believes are in accordance with generally accepted accounting principles appropriate in the circumstances. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

In meeting its responsibility for preparing reliable financial statements, the Company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with corporate policy and management authorization. The Company believes its accounting controls provide reasonable assurance that errors or irregularities which could be material to the financial statements are prevented or would be detected within a timely period. In designing such control procedures, management recognizes judgements are required to assess and balance the costs and expected benefits of a system of internal accounting controls. Adherence to these polices and procedures is reviewed through a coordinated audit effort of the Company's internal audit staff and independent accountants.

The Audit Committee of the Board of Directors is comprised solely of outside directors and is responsible for overseeing and monitoring the quality of the Company's accounting and auditing practices. The independent accountants and internal auditors have full and free access to the Audit Committee and meet periodically with the committee to discuss accounting, auditing, and financial reporting matters.

/s/ Dennis L. Winger

Dennis L. Winger
Senior Vice President and
Chief Financial Officer

/s/ Tony L. White

Tony L. White
Chairman, President, and
Chief Executive Officer

Report of Independent Accountants

To the Stockholders and Board of Directors of
PE Corporation

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of operations, of stockholders' equity and comprehensive income (loss), and of cash flows present fairly, in all material respects, the financial position of PE Corporation and its subsidiaries at June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three fiscal years in the period ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Stamford, Connecticut
July 30, 1999

SUBSIDIARIES OF THE PE CORPORATION

EXHIBIT 21
LIST OF SUBSIDIARIES

<TABLE>
<CAPTION>

Name	State or Jurisdiction of Incorporation or Organization
<S>	<C>
PE Overseas Corporation	(New York, USA)
PE Biosystems Pty Limited	(Australia)
PE (Canada) Limited	(Canada)
PE Sciex*	(Canada)
PE Taiwan Corporation	(Delaware, USA)
PE Biosystems (Thailand) Limited	(Thailand)
PE AG	(Switzerland)
PE Biosystems Japan, Ltd.	(Japan)
PE France S.A.	(France)
Perkin-Elmer (Sweden) AB	(Sweden)
Perkin-Elmer AB	(Sweden)
Perkin-Elmer OY	(Finland)
PE Holding BV	(The Netherlands)
PE Holdings Limited	(UK)
Perkin-Elmer (UK) Pension Trustees Limited	(UK)
Perkin-Elmer Limited	(UK)
Spartan Ltd.	(Channel Isles)
Listronagh Company	(Ireland)
Applied Biosystems Ltd.	(UK)
Perkin-Elmer BV	(The Netherlands)
Perkin-Elmer Europe BV	(The Netherlands)
Perkin-Elmer Belgium NV	(Belgium)
PE Czech Republic s.r.o	(Czech Republic)
PE Hungary Kft	(Hungary)
PE Genscope GmbH	(Switzerland)
Perkin-Elmer GenScope Belgium BVBA	(Belgium)
Perkin-Elmer Instruments Asia Pte. Ltd.	(Singapore)
Perkin-Elmer Instruments (Malaysia) SDN. BHD.	(Malaysia)
Perkin-Elmer Holding GmbH	(Germany)
Perkin-Elmer South Africa (PTY) Limited	(South Africa)
Bodenseewerk Perkin-Elmer GmbH	(Germany)
Perkin-Elmer GmbH	(Austria)
Perkin-Elmer Hong Kong, Ltd.	(Hong Kong)
Perkin-Elmer Analytical and Biochemical Instruments (Beijing) Co., Ltd.	(China)
PE do Brasil Ltda.	(Brazil)

SUBSIDIARIES OF THE PE CORPORATION

EXHIBIT 21
LIST OF SUBSIDIARIES

State or Jurisdiction

Name	of Incorporation or Organization
PE International, Inc.	(Delaware, USA)
PE Korea Corporation	(Delaware, USA)
PE de Mexico SA	(Mexico)
Perkin-Elmer Overseas Ltd.	(Cayman Islands)
PECO Insurance Company Limited	(Bermuda)
PE China, Inc.	(Delaware, USA)
Perkin-Elmer FSC, Inc.	(U.S.Virgin Islands)
PE Biosystems Hispania SA	(Spain)
Hitachi Perkin-Elmer, Ltd. (Inactive)**	(Japan)
Tropix, Inc.	(Delaware, USA)
GenScope, Inc.	(Delaware, USA)
PE AgGen, Inc.	(Utah, USA)
Applied Biosystems GmbH	(Germany)
PerSeptive Biosystems, Inc.	(Delaware, USA)
PerSeptive Biosystems GmbH	(Germany)
Nihon PerSeptive KK	(Japan)
PerSeptive International Holdings	(Delaware, USA)
PerSeptive Biosystems (France) Ltd.	(Delaware, USA)
PerSeptive Biosystems (UK) Ltd.	(UK)
PerSeptive Biosystems (Canada) Ltd.	(Canada)
PerSeptive Technologies II Corporation	(Delaware, USA)
GC Biotechnologies LLC+	(Delaware, USA)
Agrogene S.A.**	(France)

</TABLE>

Note: Persons directly owned by subsidiaries of PE Corporation are indented and listed below their immediate parent.

* 50% ownership
** 49% ownership
\+ 47.5% ownership

EXHIBIT 23
CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-39549 and 333-67797) and Form S-8 (Nos. 2-95451, 33-25218, 33-44191, 33-50847, 33-50849, 33-58778, 333-15189, 333-152259, 333-38713, 333-38881, 333-42683, 333-45187, 333-82679, 333-82677, and 333-71419) of PE Corporation of our reports dated July 30, 1999 on the combined financial statements of PE Biosystems Group, the combined financial statements of Celera Genomics Group and the consolidated financial statements of PE Corporation, which appear in the Annual Report to Stockholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our reports dated July 30, 1999 relating to the Financial Statement Schedules, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Stamford, Connecticut
September 23, 1999

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Consolidated Statement of Operations for the Twelve Months Ended June 30, 1999 and the Consolidated Statement of Financial Position at June 30, 1999 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1,000

<S> <C>
<PERIOD-TYPE> 12-MOS
<FISCAL-YEAR-END> JUN-30-1999
<PERIOD-END> JUN-30-1999
<CASH> 308,021
<SECURITIES> 0
<RECEIVABLES> 311,574
<ALLOWANCES> (4,518)
<INVENTORY> 149,670
<CURRENT-ASSETS> 994,002
<PP&E> 407,471
<DEPRECIATION> 131,679
<TOTAL-ASSETS> 1,519,307
<CURRENT-LIABILITIES> 522,652
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 1,284
<OTHER-SE> 820,241
<TOTAL-LIABILITY-AND-EQUITY> 1,519,307
<SALES> 1,216,897
<TOTAL-REVENUES> 1,216,897
<CGS> 558,813
<TOTAL-COSTS> 558,813
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 2,101
<INTEREST-EXPENSE> 3,783
<INCOME-PRETAX> 114,299
<INCOME-TAX> 4,140
<INCOME-CONTINUING> 96,797
<DISCONTINUED> 79,058
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 175,855
<EPS-BASIC> 0<F1>
<EPS-DILUTED> 0<F2>
<FN>
<F1>Basic earnings per share - PE Biosystems Group 2.27

Basic loss per share - Celera Genomics Group (1.79)
<F2>Diluted earnings per share - PE Biosystems Group 2.21
Diluted loss per share - Celera Genomics Group (1.79)
</FN>

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Operations for the Three Months Ended September 30, 1998 and the Condensed Consolidated Statement of Financial Position at September 30, 1998 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<RESTATED>

<MULTIPLIER>	1,000	
<S>	<C>	
<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		JUN-30-1999
<PERIOD-END>		SEP-30-1998
<CASH>		71,848
<SECURITIES>		0
<RECEIVABLES>		244,916
<ALLOWANCES>		(4,922)
<INVENTORY>		159,122
<CURRENT-ASSETS>		681,775
<PP&E>		300,042
<DEPRECIATION>		127,251
<TOTAL-ASSETS>		1,180,286
<CURRENT-LIABILITIES>		389,830
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		50,148
<OTHER-SE>		529,840
<TOTAL-LIABILITY-AND-EQUITY>		1,180,286
<SALES>		254,720
<TOTAL-REVENUES>		254,720
<CGS>		112,229
<TOTAL-COSTS>		112,229
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		142
<INTEREST-EXPENSE>		802
<INCOME-PRETAX>		28,894
<INCOME-TAX>		7,898
<INCOME-CONTINUING>		17,888
<DISCONTINUED>		(879)
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		17,009
<EPS-BASIC>		.34
<EPS-DILUTED>		.34

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Consolidated Statement of Operations for the Twelve Months Ended June 30, 1998 and the Consolidated Statement of Financial Position at June 30, 1998 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<RESTATED>

<MULTIPLIER>	1,000	
<S>	<C>	
<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		JUN-30-1998
<PERIOD-END>		JUN-30-1998
<CASH>		82,865
<SECURITIES>		0
<RECEIVABLES>		233,768
<ALLOWANCES>		(4,783)
<INVENTORY>		137,015
<CURRENT-ASSETS>		652,023
<PP&E>		282,884
<DEPRECIATION>		119,559
<TOTAL-ASSETS>		1,135,276
<CURRENT-LIABILITIES>		364,032
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		50,148
<OTHER-SE>		514,100
<TOTAL-LIABILITY-AND-EQUITY>		1,135,276
<SALES>		944,306
<TOTAL-REVENUES>		944,306
<CGS>		431,738
<TOTAL-COSTS>		431,738
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		1,518
<INTEREST-EXPENSE>		4,905
<INCOME-PRETAX>		46,360
<INCOME-TAX>		25,069
<INCOME-CONTINUING>		15,694
<DISCONTINUED>		40,694
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		56,388
<EPS-BASIC>		1.16
<EPS-DILUTED>		1.12

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Operations for the Nine Months Ended March 31, 1998 and the Condensed Consolidated Statement of Financial Position at March 31, 1998 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000

<S> <C>
<PERIOD-TYPE> 9-MOS
<FISCAL-YEAR-END> JUN-30-1998
<PERIOD-END> MAR-31-1998
<CASH> 84,946
<SECURITIES> 0
<RECEIVABLES> 209,631
<ALLOWANCES> (5,325)
<INVENTORY> 129,515
<CURRENT-ASSETS> 654,229
<PP&E> 288,706
<DEPRECIATION> 120,471
<TOTAL-ASSETS> 1,109,740
<CURRENT-LIABILITIES> 376,339
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 50,148
<OTHER-SE> 479,754
<TOTAL-LIABILITY-AND-EQUITY> 1,109,740
<SALES> 659,959
<TOTAL-REVENUES> 659,959
<CGS> 304,505
<TOTAL-COSTS> 304,505
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 1,099
<INTEREST-EXPENSE> 3,940
<INCOME-PRETAX> 9,382
<INCOME-TAX> 15,612
<INCOME-CONTINUING> (9,164)
<DISCONTINUED> 29,589
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 20,425
<EPS-BASIC> .42
<EPS-DILUTED> .42

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Operations for the Six Months Ended December 31, 1997 and the Condensed Consolidated Statement of Financial Position at December 31, 1997 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000

<S> <C>
<PERIOD-TYPE> 6-MOS
<FISCAL-YEAR-END> JUN-30-1998
<PERIOD-END> DEC-31-1997
<CASH> 93,787
<SECURITIES> 0
<RECEIVABLES> 214,246
<ALLOWANCES> (4,960)
<INVENTORY> 129,635
<CURRENT-ASSETS> 647,149
<PP&E> 267,830
<DEPRECIATION> 99,905
<TOTAL-ASSETS> 1,084,661
<CURRENT-LIABILITIES> 342,425
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 50,149
<OTHER-SE> 468,757
<TOTAL-LIABILITY-AND-EQUITY> 1,084,661
<SALES> 411,246
<TOTAL-REVENUES> 411,246
<CGS> 188,313
<TOTAL-COSTS> 188,313
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 417
<INTEREST-EXPENSE> 2,701
<INCOME-PRETAX> 21,036
<INCOME-TAX> 10,923
<INCOME-CONTINUING> 10,113
<DISCONTINUED> 17,278
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 27,391
<EPS-BASIC> .57
<EPS-DILUTED> .55

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Operations for the Three Months Ended September 30, 1997 and the Condensed Consolidated Statement of Financial Position at September 30, 1997 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000

<S> <C>
<PERIOD-TYPE> 3-MOS
<FISCAL-YEAR-END> JUN-30-1998
<PERIOD-END> SEP-30-1997
<CASH> 171,489
<SECURITIES> 0
<RECEIVABLES> 183,703
<ALLOWANCES> (4,165)
<INVENTORY> 115,146
<CURRENT-ASSETS> 652,086
<PP&E> 246,089
<DEPRECIATION> 94,920
<TOTAL-ASSETS> 1,006,229
<CURRENT-LIABILITIES> 307,020
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 50,122
<OTHER-SE> 469,522
<TOTAL-LIABILITY-AND-EQUITY> 1,006,229
<SALES> 194,696
<TOTAL-REVENUES> 194,696
<CGS> 93,714
<TOTAL-COSTS> 93,714
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 124
<INTEREST-EXPENSE> 1,275
<INCOME-PRETAX> 21,334
<INCOME-TAX> 3,785
<INCOME-CONTINUING> 17,549
<DISCONTINUED> 3,872
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 21,421
<EPS-BASIC> .45
<EPS-DILUTED> .43

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Consolidated Statement of Operations for the Twelve Months Ended June 30, 1997 and the Consolidated Statement of Financial Position at June 30, 1997 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<RESTATED>
<MULTIPLIER> 1,000

<S> <C>
<PERIOD-TYPE> 12-MOS
<FISCAL-YEAR-END> JUN-30-1997
<PERIOD-END> JUN-30-1997
<CASH> 213,028
<SECURITIES> 0
<RECEIVABLES> 182,725
<ALLOWANCES> (3,840)
<INVENTORY> 111,069
<CURRENT-ASSETS> 673,581
<PP&E> 223,145
<DEPRECIATION> 94,782
<TOTAL-ASSETS> 1,006,793
<CURRENT-LIABILITIES> 318,839
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 50,122
<OTHER-SE> 454,148
<TOTAL-LIABILITY-AND-EQUITY> 1,006,793
<SALES> 768,368
<TOTAL-REVENUES> 768,368
<CGS> 361,315
<TOTAL-COSTS> 361,315
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 655
<INTEREST-EXPENSE> 5,859
<INCOME-PRETAX> 137,918
<INCOME-TAX> 35,426
<INCOME-CONTINUING> 102,492
<DISCONTINUED> 27,906
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 130,398
<EPS-BASIC> 2.74
<EPS-DILUTED> 2.63

</TABLE>