

APPLERA CORP  
Form DEF 14A  
September 17, 2004

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**APPLERA CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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***Internet Voting***

Most stockholders have a choice of voting over the Internet, by telephone, or by using a traditional proxy card. Please check your proxy card or the information forwarded by your bank, broker, or other holder of record to see which options are available to you.

***Electronic Access to Proxy Materials and Annual Report***

This Notice of Annual Meeting and Proxy Statement and the 2004 Annual Report are available on our web site at **<http://www.applera.com>**. If you are a stockholder of record and would like to view future proxy statements and annual reports over the Internet instead of receiving copies in the mail, follow the instructions provided when you vote over the Internet or call our toll-free stockholder services number at 800.730.4001. If you hold your shares through a bank, broker, or other holder, check the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports and vote your shares over the Internet. Opting to receive your proxy materials online saves us the cost of producing and mailing these materials to your home or office and gives you an automatic link to the proxy voting site.

***Householding of Annual Meeting Materials***

Some banks, brokers, and other nominee record holders may participate in the practice of "householding" proxy statements and annual reports. This means that only one copy of this Notice of Annual Meeting and Proxy Statement and the 2004 Annual Report may have been sent to multiple stockholders in your household. If you would like to obtain another copy of either document, please contact our Corporate Secretary at 301 Merritt 7, P.O. Box 5435, Norwalk, Connecticut 06856-5435, telephone 203.840.2000. If you want to receive separate copies of the proxy statement and annual report in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address or telephone number.

**Directions to the Meeting**

The meeting will be held at 301 Merritt 7, Main Avenue (old U.S. Route 7), Norwalk, Connecticut, approximately one-half mile north of Exit 40B (northbound or southbound) on the Merritt Parkway (Connecticut Route 15). Signs in the lobby will direct you to the meeting.

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301 Merritt 7  
P.O. Box 5435  
Norwalk, CT 06856-5435

**Notice of 2004 Annual Meeting of Stockholders**

**Time and Date:** 9:30 a.m. Eastern Time on Thursday, October 21, 2004

**Place:** 301 Merritt 7  
Main Avenue (old U.S. Route 7)  
Norwalk, Connecticut 06851

**Purposes:** Elect directors.

Ratify the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm for the fiscal year ending June 30, 2005.

Approve amendments to the Applera Corporation 1999 Employee Stock Purchase Plan.

Approve the Applera Corporation/Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan.

Approve the Applera Corporation/Celera Genomics Group Amended and Restated 1999 Stock Incentive Plan.

Transact such other business as may properly come before the meeting or any adjournment thereof.

**Record Date:** You can vote if you were a stockholder of record of Applera Corporation-Applied Biosystems Group Common Stock or Applera Corporation-Celera Genomics Group Common Stock at the close of business on August 30, 2004.

Thomas P. Livingston  
*Vice President and Secretary*

September 15, 2004

**Your vote is important.**

Whether or not you plan to attend the meeting, please vote as soon as possible. You may vote in person at the meeting even if you send in your proxy or vote over the Internet or by telephone.

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301 Merritt 7  
P.O. Box 5435  
Norwalk, CT 06856-5435

September 15, 2004

## Proxy Statement

### General Information

We are providing these proxy materials in connection with the solicitation of proxies by the Board of Directors of Applera Corporation for use at our 2004 Annual Meeting of Stockholders. Throughout this proxy statement, we refer to Applera Corporation as the "Company," "we," "us," or "our."

You are invited to attend our 2004 Annual Meeting of Stockholders on Thursday, October 21, 2004, at 9:30 a.m. Eastern Time. The meeting will be held at 301 Merritt 7, Main Avenue (old U.S. Route 7), Norwalk, Connecticut. See the inside front cover of this proxy statement for directions. The location is accessible to handicapped persons.

This proxy statement and the accompanying proxy card are being mailed starting on or about September 17, 2004.

### *Who May Vote at the Meeting*

We have two classes of voting stock: our Applied Biosystems Group Common Stock, which we refer to as "Applera-Applied Biosystems stock," and our Celera Genomics Group Common Stock, which we refer to as "Applera-Celera stock." We refer to the two classes collectively as "Applera common stock." Only holders of record of Applera common stock at the close of business on August 30, 2004, the record date for the meeting, are entitled to receive these proxy materials and vote their shares at the meeting.

As of the record date, there were 195,709,055 shares of Applera-Applied Biosystems stock and 73,031,206 shares of Applera-Celera stock outstanding and entitled to vote at the meeting.

At the meeting, each outstanding share of Applera-Applied Biosystems stock will be entitled to one vote, and each outstanding share of Applera-Celera stock will be entitled to 0.565 vote. The voting rights of the Applera-Celera stock were determined based on recent market values of each class of Applera common stock in accordance with a formula set forth in our Restated Certificate of Incorporation. Holders of Applera-Applied Biosystems stock and Applera-Celera stock will vote together as a single class at the meeting.

### *How to Vote*

Stockholders of record (that is, stockholders who hold shares of Applera common stock in their own names in our stock records maintained by our transfer agent, Equiserve Trust Company, N.A.) have the choice of voting by Internet, by telephone, or by completing and returning the accompanying proxy card. The shares represented by a properly signed proxy card or voted over the Internet or by telephone will be voted at the meeting as specified by the stockholder. If a proxy card is properly signed and returned but no specific choices are made, the shares represented by the proxy card will be voted in favor of the election of all of the nominees for director and each of the proposals set forth on the proxy card.

"Street name" stockholders (that is, stockholders who hold shares of Applera common stock through a bank, broker, or other nominee) who want to vote at the meeting need to obtain a proxy form from the institution that holds their shares and follow the voting instructions on that form.

***How to Revoke a Proxy***

A stockholder of record may revoke a proxy, including a vote over the Internet or by telephone, at any time before it is voted at the meeting by:

submitting a properly completed proxy with a later date;

voting by telephone or over the Internet at a later time;

filing with the Secretary of the Company a written revocation of proxy; or

voting in person at the meeting.

Attendance at the meeting will not by itself constitute revocation of a proxy.

***Quorum***

We need a quorum to transact business at the meeting. This means that at least a majority of the total votes entitled to be cast by the outstanding shares of Applera common stock must be present at the meeting, either in person or by proxy. Abstentions and "broker non-votes" are counted as present and entitled to vote for purposes of determining whether a quorum exists. A "broker non-vote" occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because it does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. If a quorum is not present, we expect that the meeting will be adjourned or postponed to give us more time to solicit additional proxies.

***Vote Required***

A plurality of the votes cast at the meeting is required for the election of directors (Proposal 1). That is, the nominees receiving the greatest number of votes will be elected. Accordingly, abstentions will not affect the outcome of the election of directors.

The favorable vote of a majority of the votes present in person or by proxy and entitled to vote at the meeting is required to ratify the selection of independent registered public accounting firm (Proposal 2), to approve the amendments to our employee stock purchase plan (Proposal 3), and to approve our amended and restated stock incentive plans (Proposals 4 and 5). Abstentions on any of these proposals will be counted for purposes of determining the number of shares present on the proposal but will not be counted as votes "for" the proposal. Therefore, abstentions will have the same effect as votes against these proposals. Broker non-votes will have no effect on these proposals because they are not considered votes cast or votes entitled to vote at the meeting.

The rules of the New York Stock Exchange permit a broker or other nominee to vote on the election of directors and the ratification of the selection of independent registered public accounting firm even if the broker or other nominee does not receive voting instructions from the stockholder. These rules do not permit a broker or other nominee to vote on the proposals related to our employee stock purchase plan or our stock incentive plans absent instructions from the stockholder. Without voting instructions on these proposals, "broker non-votes" will occur.

***Voting on Other Matters***

If other matters are properly presented at the meeting for consideration, the persons named as proxies on the accompanying proxy card will have the discretion to vote for you on these matters in accordance with their best judgment. As of the date of this proxy statement, we do not know of any matters to be brought before the meeting other than those described in this proxy statement.



### *Costs of Proxy Solicitation*

We will bear the costs of soliciting proxies for the meeting. In addition to solicitation by mail, proxies may be solicited on our behalf by our directors, officers, or employees in person or by telephone, facsimile, or other electronic means. We have hired Morrow & Co., Inc., New York, New York, to assist in the distribution and solicitation of proxies for a fee of \$9,000, plus expenses.

We will also reimburse brokerage houses and other custodians, nominees, and fiduciaries holding shares of Applera common stock in their names or those of their nominees for expenses they incur in sending proxy materials to the beneficial owners of Applera common stock and obtaining their proxies.

## Corporate Governance

### *Corporate Governance Guidelines*

The Board has adopted Corporate Governance Guidelines to reflect the principles by which the Company operates. These Guidelines are available in the Corporate section of our website at [www.applera.com](http://www.applera.com) under the heading "Corporate Governance Corporate Governance Guidelines." Please note that none of the information contained on our websites is incorporated by reference into this proxy statement, and the website addresses are included as inactive textual references only.

### *Director Independence*

It is the objective of the Board that all non-employee directors meet the criteria for independence required by the New York Stock Exchange and the Securities and Exchange Commission absent unusual and compelling circumstances. Only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the Company) and who meet the additional qualifications prescribed under the New York Stock Exchange rules will be considered independent. In addition, our Corporate Governance Guidelines require that members of the Audit/Finance Committee also satisfy the independence requirements for members of audit committees prescribed under the Sarbanes-Oxley Act of 2002.

The Board has determined that relationships with charitable organizations are not material relationships that would impair a director's independence unless contributions by the Company to the organization in any single fiscal year within the preceding three years exceed the greater of \$1 million or 2% of such organization's consolidated gross revenues. The Company's automatic matching of employee charitable contributions are not included in the amount of the Company's contributions for this purpose. The Board considers any other relationships based on the relevant facts and circumstances.

The Board has reviewed the business and charitable relationships between the Company and each non-employee director and has determined that all of these directors are independent under all of the requirements described above.

### *Code of Conduct*

All of our directors and employees, including our Chief Executive Officer, Chief Financial Officer, and Controller (our principal accounting officer), are required to abide by our Code of Business Conduct and Ethics to ensure that our business is conducted in a legal and ethical manner. The Code is available in the Corporate section of our website at [www.applera.com](http://www.applera.com) under the heading "Corporate Governance Code of Business Conduct." The Code is also available to stockholders on request to: Secretary, Applera Corporation, 301 Merritt 7, P.O. Box 5435, Norwalk, Connecticut, 06856-5435.

**Communications with Directors**

The Board has approved a policy by which stockholders and other interested parties may communicate directly with the Board or the non-employee directors. All communications should be in writing and should be directed to the Company's Secretary at the address given above. The sender should indicate in the address whether it is intended for the entire Board, the non-employee directors as a group, or an individual director. Each communication intended for the Board or non-employee directors received by the Secretary will be forwarded to the intended recipients subject to compliance with instructions from the Board in effect from time to time concerning the treatment of inappropriate communications.

**Board of Directors and Committees**

Our business is managed under the direction of our Board of Directors. Members of the Board are kept informed of our business through discussions with officers and other employees, by reviewing materials relating to the Company, and by participating in meetings of the Board and its committees.

There were six Board meetings and 21 committee meetings during fiscal 2004. Average attendance at these meetings was more than 96%, and each director attended at least 75% of the meetings of the Board and of the committees on which he or she served.

Non-employee directors of the Company meet in executive session without the Chief Executive Officer or any other member of management present at the end of each regularly scheduled Board meeting. The director then serving as chair of the Nominating/Corporate Governance Committee serves as presiding director of these sessions.

All directors are expected to attend the annual meeting of stockholders, and all directors were present at our 2003 annual meeting.

**Board Committees**

The Board has established standing committees to assist it in carrying out its responsibilities. Each of these committees operates under a written charter, copies of which are available in the Corporate section of our website at [www.applera.com](http://www.applera.com) under the heading "Corporate Governance Committee Charters." The current membership of each of these committees is provided below:

<b>Name</b>	<b>Audit/ Finance</b>	<b>Executive</b>	<b>Management Resources</b>	<b>Nominating/ Corporate Governance</b>	<b>Technology Advisory</b>
Richard H. Ayers	C	ý			
Jean-Luc Bélingard			C	C	ý
Robert H. Hayes	ý	ý			ý
Arnold J. Levine			ý	ý	C
William H. Longfield			ý	ý	
Theodore E. Martin	C				
Carolyn W. Slayman		ý	ý	C	C
Orin R. Smith			C	ý	
James R. Tobin	ý				
Tony L. White		C			
C = Chair/Co-Chair					

**Audit/Finance Committee.** The Audit/Finance Committee oversees accounting, finance, and internal control matters. The Committee is responsible for the appointment, compensation, evaluation, and oversight of the work of the independent auditors for the purpose of preparing or issuing an audit

report or performing other services. In addition, the Committee, among other things: reviews and approves the scope and plan of audit and non-audit services to be performed by the independent auditors; reviews with management and independent auditors our annual and quarterly consolidated financial statements; reviews internal accounting and auditing procedures; reviews and approves the scope and plan of audit services to be performed by our internal audit department; reviews our financial policies and strategies; and reviews policies and practices designed to assure compliance with legal and ethical standards. A report of the Committee for fiscal 2004 is provided on page 6.

The Audit/Finance Committee met eight times during fiscal 2004. The Board has determined that each member of the Audit/Finance Committee is "independent" as defined by the rules of the New York Stock Exchange. The Board has further determined that each member of the Committee meets the New York Stock Exchange requirement of having accounting or related financial management expertise and that each of Messrs. Ayers, Martin, and Tobin are "audit committee financial experts" as defined by the rules of the Securities and Exchange Commission. The designation of members of our Audit/Finance Committee as "audit committee financial experts" does not impose on those members any duties, obligations, or liabilities that are greater than are generally imposed on them as members of the Audit/Finance Committee and Board of Directors, and does not affect the duties, obligations, or liabilities of any other member of the Audit/Finance Committee or Board of Directors.

*Executive Committee.* The Executive Committee has the authority to act for the full Board in emergency situations requiring Board action where time constraints preclude a meeting of the Board. It is expected that meetings of the Committee should rarely, if ever, be required. The Executive Committee did not meet during fiscal 2004.

*Management Resources Committee.* The Management Resources Committee oversees compensation policies and practices for the Company's senior management, including salary, bonus, and incentive awards. The Committee also develops and reviews management development and succession plans for the Company's Chief Executive Officer and other executive officers. The Committee's report on executive compensation starts on page 12.

The Management Resources Committee met six times during fiscal 2004. The Board has determined that each member of the Management Resources Committee is independent as defined by the rules of the New York Stock Exchange.

*Nominating/Corporate Governance Committee.* The Nominating/Corporate Governance Committee evaluates Board and management effectiveness and generally takes a leadership role in shaping and advising the Board on corporate governance and related matters. In addition, the Committee recommends membership assignments and responsibilities for committees of the Board, recommends the compensation of non-employee directors, and develops and monitors our Corporate Governance Guidelines.

The Committee also assists the Board in identifying individuals qualified to serve as members of the Board. Under our Corporate Governance Guidelines, nominees for director will be selected based on their independence, character, judgment, business experience, diversity, and specific areas of expertise, among other relevant considerations. Final approval of the nomination of a new nominee will be determined by the full Board. The Committee will consider nominations for directors recommended by Board members, Company management, stockholders, and other sources. The Committee will evaluate director candidates proposed by stockholders in the same manner it evaluates other candidates, provided that the stockholders proposing a director candidate submit their proposal to the Company's Secretary prior to the deadlines generally applicable to the submission of stockholder proposals required under our By-laws described below under the heading "*Stockholder Proposals*." In addition, submissions of nominations should include a current resume and *curriculum vitae* of the nominee and statement describing the nominee's qualifications and contact information for personal and professional references. The submission should also include the name and address of the stockholder who is

submitting the nomination, the number of shares of Applera common stock which are owned of record or beneficially by the submitting stockholder, and a description of all arrangements or understandings between the submitting stockholder and the nominee.

The Nominating/Corporate Governance Committee met three times during fiscal 2004. The Board has determined that each member of the Nominating/Corporate Governance Committee is independent as defined by the rules of the New York Stock Exchange.

*Technology Advisory Committee.* The Technology Advisory Committee advises the Board and management concerning issues related to the development and implementation of our technological resources, including strategies for developing and expanding the Company's technology portfolio and assisting management in assessing third party technology opportunities. The Technology Advisory Committee met four times during fiscal 2004.

#### ***Report of the Audit/Finance Committee***

The Audit/Finance Committee assists the Board in its oversight of the quality and integrity of the accounting, auditing, and financial reporting practices of the Company. The Committee operates under a written charter adopted by the Board, a copy of which is attached to this proxy statement as Appendix A.

In performing its oversight responsibilities, the Committee reviewed and discussed the audited consolidated financial statements of the Company as of and for the fiscal year ended June 30, 2004, with management and PricewaterhouseCoopers LLP ("PwC"), the Company's independent registered public accounting firm. Management has the primary responsibility for the financial statements and the reporting process. PwC is responsible for expressing an opinion as to whether these financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States.

The Committee also discussed with PwC their judgment as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, "Communication with Audit Committees."

The Committee has received the written disclosures and the letter from PwC required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and has discussed with PwC their independence from the Company and its management. The Committee considered whether the provision of non-audit services by PwC to the Company is compatible with maintaining the independence of PwC and concluded that the independence of PwC is not compromised by the provision of such services.

Based on the reviews and discussions referred to above, the Committee recommended to the Board, and the Board has approved, the inclusion of the audited consolidated financial statements of the Company in its Annual Report on Form 10-K for the fiscal year ended June 30, 2004, for filing with the Securities and Exchange Commission.

The Committee has also appointed PwC to audit the Company's consolidated financial statements for the fiscal year ending June 30, 2005, subject to stockholder ratification of that appointment.

Audit/Finance Committee

Richard H. Ayers, Co-Chair  
Theodore E. Martin, Co-Chair  
Robert H. Hayes  
James R. Tobin

*Compensation of Directors*

During fiscal 2004, each non-employee director received:

an annual retainer of \$40,000;

a grant of stock options to purchase 7,500 shares of Applera-Applied Biosystems stock and 2,500 shares of Applera-Celera stock; and

a restricted stock award of 1,200 shares of Applera-Applied Biosystems stock and 300 shares of Applera-Celera stock.

The Company does not pay any additional amounts for participation on committees.

*Annual Retainer.* Each non-employee director currently receives an annual retainer of \$40,000. Each non-employee director is required to apply at least 50% of this retainer to the purchase of Applera-Applied Biosystems stock and Applera-Celera stock. Purchases of stock are made quarterly, and the number of shares of each class of stock purchased is based on the ratio of the number of shares of each class outstanding on the purchase date. The purchase price is the fair market value of a share of the applicable class of stock on the purchase date.

*Stock Options.* Each non-employee director received a grant of stock options to purchase 7,500 shares of Applera-Applied Biosystems stock and 2,500 shares of Applera-Celera stock on the day of the 2003 annual meeting of stockholders. The exercise price of these options was the fair market value of a share of the applicable class of stock on the date of grant. These options are exercisable in four equal annual installments and have a term of ten years.

*Restricted Stock.* Our stock incentive plans provide that each non-employee director will receive a restricted stock award of up to 1,200 shares of Applera-Applied Biosystems stock and up to 300 shares of Applera-Celera stock upon election or reelection to the Board. Directors elected other than at an annual meeting are granted a pro rata portion of these shares. The awards vest on the date immediately preceding the first annual meeting following the date of grant and will be forfeited, subject to certain exceptions, if the director ceases to serve as a member of the Board prior to that date. Prior to vesting, the director has the right to receive cash dividends and to vote but may not transfer or otherwise dispose of the shares.

In addition to the share limits noted above, the aggregate dollar value of the restricted stock award to each non-employee director is subject to a dollar limit. This limit was \$179,685 for fiscal 2004, and increases by 10% each subsequent fiscal year. The aggregate dollar value of an award is calculated by multiplying the number of shares included in the award by the fair market value of the applicable class of stock on the date of grant. To the extent that the aggregate dollar value of an award exceeds the dollar limit, the number of shares included in the award will be reduced based on the ratio of the number of shares of each class of stock outstanding on the date of grant. The dollar limit did not result in any reduction in the number of shares of restricted stock awarded to non-employee directors in fiscal 2004.

The stock options and restricted stock awards granted to non-employee directors have been granted under the terms of stock incentive plans previously approved by the stockholders. We are proposing to amend these plans at the meeting. Among other things, we are proposing to eliminate the requirement that the director restricted stock awards consist of a fixed number of shares as described above. Instead, the number of shares of each class of stock subject to restricted stock awards would be determined by the Management Resources Committee, subject to the dollar limit noted above. The purpose of this amendment is to provide the Committee with the flexibility to (1) change the overall composition of non-employee director compensation to reflect changes in board compensation practices and (2) vary the number of shares of each class granted to reflect the ratio of the number of shares of each class outstanding on the grant date. See "*Proposals 4 and 5 Approval of the Applera*

*Corporation/Applied Biosystems Group Amended and Restated 1999 Stock Incentive Plan and the Applera Corporation/Celera Genomics Group Amended and Restated 1999 Stock Incentive Plan" for a more detailed description of the these plans and the proposed amendments.*

*Special Assignments.* Recognizing that there may be occasions where we are best served by non-employee directors spending additional time in their capacities as directors, the Board has determined that it may be appropriate to provide additional compensation for these services. Specifically, the Nominating/Corporate Governance Committee will determine and approve a per diem payment where a non-employee director is requested to spend materially more time than would ordinarily be expected. Payment for these services will not exceed reasonable and customary rates for the type of services performed. The Company did not make any such payments during fiscal 2004.

*Deferrals.* Non-employee directors may defer receipt of the cash or stock portion of their annual retainer and their restricted stock award. Stock is credited to a deferral account of a director in units, each unit representing one share of the applicable class of Applera common stock. Directors cannot vote the shares represented by these units. The stock portion of a director's deferral account is adjusted to take into account dividends paid on Applera common stock, and the cash portion of a director's deferral account is credited quarterly with interest at the prevailing prime rate of Citibank, N.A.

*Stock Ownership Policy.* In order to encourage non-employee directors to retain a financial investment in the Company, the Nominating/Corporate Governance Committee has established a requirement that each non-employee director retain a personal investment in Applera common stock or stock equivalents equal to four times the annual retainer. Stock equivalents that qualify under the policy include deferred shares, restricted stock subject to time-based vesting, and vested, in-the-money stock options. Non-employee directors have a period of four years from the date of initial election to achieve this ownership level. As of the end of the Company's 2004 fiscal year, all of the non-employee directors, other than Mr. Longfield (who was elected to the Board at the 2003 annual meeting), had satisfied their individual investment goals.

*Miscellaneous.* As part of our overall program to promote charitable giving, the Board has established a Director's Charitable Award Program. Under the Program, following the death of a participating director, we will donate \$1,000,000 to the educational or charitable organizations selected by the director and approved by us. In order to fund the donations, we have acquired joint life insurance contracts on the lives of participating directors. Each policy insures two directors with the death benefit payable on the death of the second director. Individual directors will derive no financial benefit from the Program since all insurance proceeds accrue solely to us.

All directors are reimbursed for expenses incurred in attending Board and committee meetings. Non-employee directors are provided business travel accident insurance when traveling on behalf of the Company and personal excess liability insurance. Directors are also eligible to participate in our matching gifts program on the same basis as our employees.

Employee directors receive no additional compensation for service on the Board or its committees.

## Ownership of Company Stock

**Greater than 5% Beneficial Owners**

The table below provides information about the only persons known by us to beneficially own more than 5% of the outstanding shares of either class of Applera common stock as of August 19, 2004.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Applera-Applied Biosystems Stock	Percent of Class	Amount and Nature of Beneficial Ownership of Applera-Celera Stock	Percent of Class
Capital Group International, Inc. 11100 Santa Monica Blvd. Los Angeles, CA 90025	30,409,930 <sup>1</sup>	15.5		
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	22,264,800 <sup>2</sup>	11.4		
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	21,433,181 <sup>3</sup>	11.0		
Primecap Management Company 225 South Lake Avenue, Suite 400 Pasadena, CA 91101	20,775,128 <sup>4</sup>	10.6		
Wellington Management Company, LLP 75 State Street Boston, MA 02109			7,699,786 <sup>5</sup>	10.5
Iridian Asset Management LLC 276 Post Road West Westport, CT 06880			7,632,069 <sup>6</sup>	10.5
FMR Corp. 82 Devonshire Street Boston, MA 02109			7,275,398 <sup>7</sup>	10.0
Barclays Global Investors, NA Barclays Global Fund Advisors 45 Fremont Street San Francisco, CA 94105			3,670,280 <sup>8</sup>	5.0

<sup>1</sup> Based on an amendment to a Schedule 13G dated February 10, 2004, filed with the Securities and Exchange Commission (the "SEC"), Capital Group International, Inc., together with certain affiliates, has sole voting power with respect to 26,065,520 shares and sole dispositive power with respect to 30,409,930 shares. Capital Group International disclaims beneficial ownership of all such shares.

<sup>2</sup> Based on a Form 13F for the quarter ended June 30, 2004, filed with the SEC, Capital Research and Management Company has shared investment discretion (as defined) and no voting authority with respect to these shares.

<sup>3</sup> Based on an amendment to a Schedule 13G dated May 10, 2004, filed with the SEC, AXA Financial, Inc., together with certain affiliates, has sole voting power with respect to 9,715,622 shares, shared voting power with respect to 9,142,385 shares, sole dispositive power with respect to 21,399,321 shares, and shared dispositive power with respect to 33,860 shares. According to the Schedule 13G, a majority of the shares reported are held by unaffiliated third-party client accounts managed by Alliance Capital Management L.P., as investment adviser, which is a majority-owned subsidiary of AXA Financial, Inc.

<sup>4</sup> Based on a Form 13F for the quarter ended June 30, 2004, filed with the SEC, Primecap Management Company has sole investment discretion with respect to all such shares, sole voting power with respect to 3,221,678 shares, and no voting power with respect to 17,553,450 shares.

<sup>5</sup> Based on a Form 13F for the quarter ended June 30, 2004, filed with the SEC, Wellington Management Company, LLP, has sole investment discretion with respect to 6,648,932 shares, shared investment discretion (as defined) with respect to 1,050,854 shares, sole voting authority with respect to 5,462,773 shares, shared voting authority with respect to 885,554 shares, and no voting authority with respect to 1,351,459 shares.

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Based on a Schedule 13G dated July 8, 2004, filed with the SEC, Iridian Asset Management LLC, together with certain affiliates, has shared voting and dispositive power with respect to all these shares.

7

Based on an amendment to a Schedule 13G dated February 17, 2004, filed with the SEC, FMR Corp. has sole voting power with respect to 550 shares and sole dispositive power with respect to 7,275,398 shares.

8

Based on a Schedule 13G dated February 13, 2004, filed with the SEC, Barclays Global Investors, NA has sole voting and dispositive power with respect to 2,590,640 shares, and Barclays Global Fund Advisors has sole voting and dispositive power with respect to 703,755 shares.

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*Directors and Executive Officers*

The table below shows the number of shares of each class of Applera common stock beneficially owned as of August 19, 2004, by (1) each non-employee director, (2) each of the persons named in the Summary Compensation Table below under "*Executive Compensation*," and (3) all directors and executive officers of the Company as a group. None of these persons, other than Mr. White, beneficially owned more than one percent of the outstanding shares of either class of Applera common stock. Mr. White beneficially owned approximately 1.6% of the outstanding shares of Applera-Applied Biosystems stock and 1.5% of the outstanding shares of Applera-Celera stock. All directors and executive officers as a group beneficially owned approximately 3.8% of the outstanding shares of Applera-Applied Biosystems stock and approximately 4.6% of the outstanding shares of Applera-Celera stock. Except as otherwise noted, voting and investment power is exercised solely by the beneficial owner or is shared by the owner with his or her spouse.

Title of Class	Number of Shares Beneficially Owned <sup>1,2</sup>	Number of Deferred Shares Beneficially Owned <sup>3</sup>	Total	
<b>Non-employee Directors</b>				
Richard H. Ayers	Applera-Applied Biosystems stock	59,407	14,001	73,408
	Applera-Celera stock	56,817	3,386	60,203
Jean-Luc Bélingard	Applera-Applied Biosystems stock	60,334	0	60,334
	Applera-Celera stock	56,835	0	56,835
Robert H. Hayes	Applera-Applied Biosystems stock	44,020	20,425	64,445
	Applera-Celera stock	52,568	5,186	57,754
Arnold J. Levine	Applera-Applied Biosystems stock	29,575	13,369	42,944
	Applera-Celera stock	59,246	3,737	62,983
William H. Longfield	Applera-Applied Biosystems stock	4,875	2,366	7,241
	Applera-Celera stock	1,625	719	2,344
Theodore E. Martin	Applera-Applied Biosystems stock	28,375	12,772	41,147
	Applera-Celera stock	48,606	3,593	52,199
Carolyn W. Slayman	Applera-Applied Biosystems stock	51,091	8,498	59,589
	Applera-Celera stock	54,493	2,105	56,598
Orin R. Smith	Applera-Applied Biosystems stock	42,675	20,014	62,689
	Applera-Celera stock	51,106	5,344	56,450
James R. Tobin	Applera-Applied Biosystems stock	28,375	11,951	40,326
	Applera-Celera stock	48,606	3,394	52,000

Title of Class	Number of Shares Beneficially Owned <sup>4,5</sup>	
<b>Named Executive Officers</b>		
Tony L. White	Applera-Applied Biosystems stock	3,097,582 <sup>6</sup>
	Applera-Celera stock	1,080,835 <sup>6</sup>
Michael W. Hunkapiller <sup>7</sup>	Applera-Applied Biosystems stock	1,556,554 <sup>8</sup>
	Applera-Celera stock	671,286
Dennis L. Winger	Applera-Applied Biosystems stock	1,085,544
	Applera-Celera stock	413,813
Kathy P. Ordoñez	Applera-Applied Biosystems stock	188,450
	Applera-Celera stock	153,725
William B. Sawch	Applera-Applied Biosystems stock	921,697
	Applera-Celera stock	372,557
<b>All directors and executive officers as a group (20 persons)<sup>9</sup></b>	Applera-Applied Biosystems stock	7,683,839
	Applera-Celera stock	3,475,196

(Footnotes on following page)

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(Footnotes for preceding page)

1 Includes the following number of presently exercisable stock options and stock options that will become exercisable within 60 days:

	<b>Applera-Applied Biosystems Stock</b>	<b>Applera-Celera Stock</b>
Richard H. Ayers	40,375	51,606
Jean-Luc Bélingard	40,375	51,606
Robert H. Hayes	36,375	50,606
Arnold J. Levine	28,375	58,946
William H. Longfield	1,875	625
Theodore E. Martin	28,375	48,606
Carolyn W. Slayman	40,375	51,606
Orin R. Smith	38,675	51,106
James R. Tobin	28,375	48,606

No voting or investment power exists with respect to these shares prior to exercise of the stock options.

2 Includes for each of Messrs. Ayers, Bélingard, and Hayes 1,200 restricted shares of Applera-Applied Biosystems stock and 300 restricted shares of Applera-Celera stock, as to which the holder has sole voting but no investment power prior to the lapse of restrictions.

3 Consists of units representing full shares of stock deferred by non-employee directors (see "*Compensation of Directors*" above). No voting power exists with respect to any deferred share units.

4 Includes the following number of presently exercisable stock options and stock options that will become exercisable within 60 days:

	<b>Applera-Applied Biosystems Stock</b>	<b>Applera-Celera Stock</b>
Tony L. White	2,660,843	970,412
Michael W. Hunkapiller	1,146,886	535,150
Dennis L. Winger	1,003,823	389,925
Kathy P. Ordoñez	188,450	113,725
William B. Sawch	844,450	354,653

No voting or investment power exists with respect to these shares prior to exercise of the stock options.

5 Includes 138,996 restricted shares of Applera-Applied Biosystems stock and 46,332 restricted shares of Applera-Celera stock held by Mr. White, 23,168 restricted shares of Applera-Applied Biosystems stock and 7,724 restricted shares of Applera-Celera stock held by Mr. Winger, and 20,000 restricted shares of Applera-Celera stock held by Ms. Ordoñez. Prior to vesting, Messrs. White and Winger and Ms. Ordoñez have the right to receive dividends, if any, on and to vote the restricted shares, but they may not sell or otherwise dispose of these shares.

6 Excludes: (a) 30,000 shares of Applera-Applied Biosystems stock and 10,000 shares of Applera-Celera stock held by Mr. White's daughter; (b) 75,000 shares of Applera-Applied Biosystems stock and 25,000 shares of Applera-Celera stock held by the Elizabeth Ann White Business Interests, LLLP, a family limited partnership of which Mr. White's daughter is the sole general partner and Mr. White's wife and a grantor retained annuity trust established by Mr. White are currently the sole limited partners; and (c) 90,000 shares of Applera-Applied Biosystems stock and 30,000 shares of Applera-Celera stock held by the Tony Lee White 2004 Two Year Grantor Retained Annuity Trust, of which Mr. White's wife is the sole trustee. Mr. White disclaims beneficial ownership of all of these shares.

7 Dr. Hunkapiller retired from the Company effective August 20, 2004.

8 Excludes 2,250 shares held by Dr. Hunkapiller's son, as to which Dr. Hunkapiller disclaims beneficial ownership.

9 Includes 6,573,523 shares of Applera-Applied Biosystems stock and 3,102,618 shares of Applera-Celera stock which all directors and executive officers as a group have the right to acquire through the exercise of stock options that are presently exercisable or will become exercisable within 60 days. No voting or investment power exists with respect to these shares prior to exercise of the stock options.

*Section 16(a) Beneficial Ownership Reporting Compliance*

We are required to identify any officer, director, or beneficial owner of more than 10% of either class of Applera common stock who failed to timely file with the SEC and the New York Stock Exchange a required report relating to beneficial ownership of stock under Section 16(a) of the Securities Exchange Act of 1934. Based solely on a review of information provided to us, all persons subject to these reporting requirements filed the required reports on a timely basis for fiscal 2004.

## Executive Compensation

### *Report of the Management Resources Committee*

The Management Resources Committee (the "MRC") of the Board of Directors is comprised entirely of independent directors who are not officers or employees of the Company. The MRC assures that objectives for corporate and individual performance are established and measured. More specifically, the MRC reviews and approves all elements of remuneration for senior management, including the Chief Executive Officer (the "CEO"). The MRC also approves equity awards and annual incentive compensation targets for employees.

#### *Overview and Philosophy.*

The Company's general compensation guiding principles are:

Alignment of rewards with business results and differentiation based on individual performance;

Competitiveness within appropriate industries; and

Competitive advantage in attracting and retaining talent.

The overall objectives of the Company's executive compensation plans are to:

Attract and retain the highest quality talent to lead the Company;

Reward key executives based on business performance; and

Provide incentives designed to maximize stockholder value.

The components of the compensation package for the Company's executive officers during fiscal 2004 were:

Base salary;

Annual incentive compensation provided through a cash bonus based on Company and individual performance; and

Long-term incentive compensation provided through (1) a broad-based stock option plan, and (2) a restricted stock plan for selected executives.

The MRC's goal is to provide a competitive compensation package to senior management. Competitiveness is determined based on professionally compiled studies of the Company's peer group and other comparable companies. The MRC particularly focuses on competitive compensation practices for companies engaged in biotechnology, instrument development and manufacturing, and life sciences.

#### *Base Salary.*

Periodically, the MRC is provided a study of compensation trends and practices in order to determine the competitiveness of the pay structure for its senior managers. Within the broad comparative group of companies surveyed, the MRC has identified a group of companies which compete in similar markets and which approximate the size of the Company in terms of employees and revenue. These companies include five of the companies contained in the industry index selected by the Company for purposes of the performance graphs set forth under that heading below.

#### *Annual Incentive Compensation.*

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Most employees not compensated on a commission basis, including the Company's executive officers, participate in the Company's Incentive Compensation Program. The MRC uses specific

performance objectives for each business unit as a basis on which to measure the performance of its employees under this program.

For the Applied Biosystems group, the MRC uses EBIT (earnings before interest and taxes), revenue, cash flow, and EPS (earnings per share). These financial measures are well recognized throughout the investment community, and the MRC believes that achieving financial goals based on these measures should help maximize stockholder return.

For the Celera Genomics group and Celera Diagnostics, a joint venture between the Applied Biosystems and Celera Genomics groups, the MRC considers the achievement of specific business and financial milestones set for each business unit.

For corporate employees, including Mr. White and certain other executive officers, the MRC uses a combination of the performance results for the Applied Biosystems group and the Celera Genomics group.

The MRC uses survey information from comparable companies in reviewing and approving annual incentive plan participation and targets for each executive officer. In determining annual incentive compensation awards for each executive officer, the MRC also considers other business actions taken during the fiscal year that contribute to the strategic growth and competitiveness of the Company. Additionally, Mr. White, based on his review of the performance of each executive officer (other than himself) throughout the year, may propose modifications to reflect each officer's personal performance. These modifications may result in an incentive compensation recommendation between 0 and 150% of target for a particular executive officer. The MRC is responsible for final approval of all incentive compensation awards for executive officers.

#### *Restricted Stock.*

From time to time, the MRC grants restricted stock awards to selected members of senior management in connection with their employment with the Company or key strategic initiatives at the Company or one of its business units. These awards are intended to further align management and stockholder interests.

#### *Stock Options.*

The MRC currently believes that in order to achieve the Company's long-term growth objectives and to align employee and stockholder interests, it is in the Company's best interest to grant stock options to both management and non-management employees. The MRC approves each grant of options under the Company's stock incentive plans. The number of stock options granted to each employee depends on the employee's level in the Company and the potential impact of his or her position on the overall success of the Company. During fiscal 2004, the MRC determined that it was in the best interest of the Company and its stockholders to reduce the aggregate annual share dilution associated with the grant of stock options to no more than 2% of the issued and outstanding shares of each class of Applera common stock. This reduction resulted in a decrease in the number of employees receiving grants of stock options as well as in the average size of such grants during fiscal 2004.

Employees, including the Company's executive officers, may be granted options for Applera-Applied Biosystems stock or Applera-Celera stock or both stocks. Certain officers and employees who have responsibilities involving both the Applied Biosystems group and the Celera Genomics group will be granted awards in both stocks in a manner that reflects their job responsibilities. The MRC believes that granting participants awards tied to the 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.

The exercise price of each option granted to the Company's executive officers in fiscal 2004 was the fair market value of a share of the applicable class of stock on the date of grant. These stock options vest in equal installments over a period of four years and are exercisable for a period of ten years from the date of grant.

*Stock Ownership.*

In order to reinforce the linkage of an executive's financial gain with stockholder performance, the MRC has established a requirement that each executive officer of the Company retain an investment in Applera common stock or stock equivalents equaling between one and five times the individual's annual base salary (depending upon the individual's management level). Mr. White is required to retain a personal investment equal to five times his annual base salary. Executives are given a period of five years to achieve these levels. As of the end of the Company's 2004 fiscal year, all of the Named Executive Officers except Ms. Ordoñez had satisfied their individual investment goals. Ms. Ordoñez joined the Company in December 2000.

In addition to encouraging stock ownership by granting stock options, the Company further encourages its employees to own Applera common stock through a tax-qualified employee stock purchase plan, which is generally available to all domestic and certain foreign employees. This plan generally allows participants to buy both classes of Applera common stock with up to 10% of their salary (subject to certain limits).

The MRC monitors on an annual basis the ownership of shares of Applera-Applied Biosystems stock and Applera-Celera stock by senior officers as well as their option holdings and other benefits so that their interests are not misaligned with the two classes of Applera common stock and with their duty to act in the best interests of the Company and its stockholders as a whole.

*CEO Remuneration.*

*Base Salary.* During fiscal 2004, Mr. White's base annual salary was \$1,000,000. Mr. White did not receive an increase in his base salary during fiscal 2004.

*Annual Incentive Compensation.* Mr. White's incentive compensation formula is based entirely on the achievement of the Company's business and financial goals. For fiscal 2004, Mr. White earned an incentive compensation award of \$1,202,500. This award was based on the level of achievement of the Company's goals.

*Restricted Stock.* In fiscal year 2004, the MRC granted restricted stock awards to Mr. White of 208,494 shares of Applera-Applied Biosystems stock and 69,498 shares of Applera-Celera stock. These awards were consistent with the terms of Mr. White's employment agreement and awards previously made to him, all of which have now vested, and were made to further align Mr. White's interests with those of the stockholders. Of these shares, 23,166 shares of Applera-Applied Biosystems stock and 7,722 shares of Applera-Celera stock vested on June 30, 2004, and 23,166 shares of Applera-Applied Biosystems stock and 7,722 shares of Applera-Celera stock will vest on each of June 30, 2005 and June 30, 2006, subject in each case to Mr. White being an employee of the Company as of the vesting date. An additional 46,332 shares of Applera-Applied Biosystems stock and 15,444 shares of Applera-Celera stock vested on August 19, 2004, and up to 46,332 shares of Applera-Applied Biosystems stock and 15,444 shares of Applera-Celera stock will vest following the end of fiscal 2005 and 2006, based on the attainment of performance goals relating to cumulative after-tax operating cash flows for these years. The maximum annual cost to the Company of restricted stock awards granted to Mr. White and to the Company's Chief Financial Officer during fiscal 2004 was limited to \$7.2 million for fiscal year 2004, increasing by 10% each year thereafter. Any shares not issued because of this dollar limit will be carried over and available for issuance in the next succeeding

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fiscal year. The dollar limit did not result in any reduction in the number of shares of restricted stock issued for fiscal 2004.

*Stock Options.* Mr. White was granted options to purchase 204,000 shares of Applera-Applied Biosystems stock at an exercise price of \$20.185 per share and 68,000 shares of Applera-Celera stock at an exercise price of \$10.785 per share in June 2004 in connection with the Company's customary annual grant of options to employees.

*Conclusion.*

The Company has designed its executive compensation plans, as described above, to link the compensation of senior management with the achievement of corporate and individual performance goals. These goals have been established at levels that the MRC believes necessary to achieve above average performance within the Company's industry.

The MRC intends to continue its policy of linking executive compensation with corporate and group performance and stockholder returns to the extent possible through the measurement procedures described in this report. Section 162(m) of the Internal Revenue Code generally limits the tax deductibility of certain compensation in excess of one million dollars paid to a company's chief executive officer and the four other most highly compensated executives. While the Company generally seeks to maximize the deductibility of compensation paid to its executive officers, it will maintain flexibility to take actions that may be based on considerations other than tax deductibility.

Management Resources  
Committee  
Jean-Luc Bélingard, Co-Chair  
Orin R. Smith, Co-Chair  
Arnold J. Levine  
William H. Longfield  
Carolyn W. Slayman