

APPLERA CORP  
Form DEF 14A  
September 10, 2003

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**SCHEDULE 14A INFORMATION**

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

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Applera Corporation

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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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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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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 2003 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 1-800-730-4001. 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 2003 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, CT 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

September 5, 2003

**Notice of Annual Meeting  
of Stockholders**

The 2003 Annual Meeting of Stockholders of Applera Corporation will be held at 301 Merritt 7, Main Avenue (old U.S. Route 7), Norwalk, Connecticut, on Thursday, October 16, 2003, at 9:30 a.m. The meeting will be held for the following purposes:

1. To elect ten directors;
2. To ratify the selection of PricewaterhouseCoopers LLP as independent accountants for the fiscal year ending June 30, 2004; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only holders of record of shares of Applera Corporation-Applied Biosystems Group Common Stock and Applera Corporation-Celera Genomics Group Common Stock at the close of business on August 27, 2003, will be entitled to vote at the meeting.

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By Order of the Board of Directors,

Thomas P. Livingston

*Secretary*

## 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 5, 2003

## 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 2003 Annual Meeting of Stockholders. Throughout this proxy statement, we refer to Applera Corporation as the "Company," "we," "us," or "our." This proxy statement and the accompanying proxy card are being mailed starting on or about September 10, 2003.

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*The Annual Meeting.* The annual meeting will be held on Thursday, October 16, 2003, at 9:30 a.m. at 301 Merritt 7, Main Avenue (old U.S. Route 7), Norwalk, Connecticut. At this meeting, stockholders will be asked to elect ten directors and ratify the selection of independent accountants.

*Record Date; Stockholders Entitled to Vote.* 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 27, 2003, 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 208,130,179 shares of Applera-Applied Biosystems stock and 72,408,653 shares of Applera-Celera stock outstanding and entitled to vote at the meeting.

*Voting Rights.* 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 0.475 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.

*Quorum.* The presence at the meeting, either in person or by proxy, of a majority of the total votes entitled to be cast by the outstanding shares of Applera common stock is necessary to constitute a quorum to transact business at the meeting. Abstentions are counted as present and entitled to vote for purposes of determining a quorum. If a quorum is not present, we expect that the meeting would 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. 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 accountants. Abstentions will be counted for purposes of determining the number of shares present on this proposal but will not be counted as votes "for" the proposal. Therefore, abstentions will have the same effect as votes against this proposal.

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*Procedures for Voting.* 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 the ratification of the selection of independent accountants.

"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 will need to obtain a proxy form from the institution that holds their shares and follow the voting instructions on that form. 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 accountants even if the broker or other nominee does not receive voting instructions from the stockholder.

*Revocation of Proxies.* 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.

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

*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 \$7,500, 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.

### Governance of the Company

#### Board of Directors

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 the Chairman, officers, and other employees, by reviewing materials relating to the Company, and by participating in meetings of the Board and its committees.

During fiscal 2003, there were seven Board meetings and 22 committee meetings. Average attendance at these meetings was more than 95%, and each director attended at least 75% of the meetings of the Board and of the committees on which he or she served.

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#### Board Committees

The Board has established standing committees to assist it in carrying out its responsibilities. The current membership of each of these committees is provided below:

Name	Audit/ Finance	Executive	Management Resources	Nominating/ Corporate Governance	Technology Advisory
Richard H. Ayers	C	ý			
Jean-Luc Bélingard			ý	C	ý
Robert H. Hayes	ý	ý			ý
Arnold J. Levine			ý	ý	C
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, and oversight of the work of the independent accountants for the purpose of preparing or issuing an audit report or related work. 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 accountants; reviews with management and independent accountants 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. The Audit/Finance Committee met ten times during fiscal 2003. A report of the committee for fiscal 2003 is provided on page 4.

*Executive Committee.* The Executive Committee has the authority during the intervals between meetings of the Board to exercise the powers of the Board (except for some powers reserved solely for the Board) in situations, generally arising from unforeseen events, necessitating Board action before a meeting can be convened. The Executive Committee did not meet during fiscal 2003.

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*Management Resources Committee.* The Management Resources Committee is comprised of non-employee directors. The committee reviews and approves all forms of remuneration for senior management and administers our stock plans. It also reviews management development and succession programs. The Management Resources Committee met six times during fiscal 2003. The Committee's report on executive compensation starts on page 10.

*Nominating/Corporate Governance Committee.* The Nominating/Corporate Governance Committee: recommends nominees to fill vacancies on the Board; reviews the functioning and effectiveness of the Board, its committees, and its individual members; and recommends the compensation of non-employee directors and membership assignments for committees of the Board. The Nominating/Corporate Governance Committee met four times during fiscal 2003.

The committee will consider recommendations by stockholders of candidates to be nominated as directors of the Company. All recommendations must be in writing and addressed to the Secretary of the Company and satisfy applicable requirements under our By-laws.

*Technology Advisory Committee.* The Technology Advisory Committee advises the Board and management concerning issues related to the development and implementation of our technological

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assets, including strategies for developing and expanding these assets and assisting management in assessing third party technology opportunities. The Technology Advisory Committee met two times during fiscal 2003.

### *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. The committee is comprised of four non-employee directors, all of whom are "independent" as defined by the rules of the New York Stock Exchange as in effect on the date of this report. In addition, the Board has determined that at least one member of the committee meets the New York Stock Exchange requirement of having accounting or related financial management expertise.

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, 2003, with management and PricewaterhouseCoopers LLP ("PwC"), the Company's independent accountants. 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, 2003, 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, 2004, 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

August 21, 2003

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### *Compensation of Directors*

*Annual Retainer.* Each non-employee director currently receives an annual retainer of \$40,000. No additional amounts are paid for participation on committees.

Each non-employee director is required to apply at least 50% of his or her annual 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 currently receives a grant of stock options to purchase 8,000 shares of Applera-Applied Biosystems stock and 2,000 shares of Applera-Celera stock upon his or her election or reelection to the Board. The exercise price of these options is 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.* Each non-employee director currently receives 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 his or her 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 \$163,350 for fiscal 2003, 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 2003.

*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. During fiscal 2003, the Nominating/Corporate Governance Committee approved an aggregate payment of \$10,000 to Dr. Levine for technical advice and assistance in the areas of proteomics, genomics, and small molecule optimization.

*Deferrals.* Non-employee directors may elect to 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 can not 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

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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 June 30, 2003, all of the non-employee directors had satisfied their individual investment goals.



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*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.

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### 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 22, 2003.

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	31,132,690 <sup>1</sup>	14.9		
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	30,101,300 <sup>2</sup>	14.4		
Primecap Management Company 225 South Lake Avenue, Suite 400 Pasadena, CA 91101	14,845,220 <sup>3</sup>	7.1		
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	14,408,964 <sup>4</sup>	6.9		
Wellington Management Company, LLP 75 State Street Boston, MA 02109			10,008,656 <sup>5</sup>	13.8
FMR Corp. 82 Devonshire Street Boston, MA 02109			7,306,416 <sup>6</sup>	10.1

<sup>1</sup> Based on an amendment to a Schedule 13G dated February 10, 2003, filed with the Securities and Exchange Commission (the "SEC"), Capital Group International, Inc., together with certain affiliates, has sole voting power with respect to 26,475,470 shares and sole dispositive power with respect to 31,132,690 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, 2003, 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 June 30, 2003, filed with the SEC, Primecap Management Company has sole voting power with respect to 3,061,970 shares and sole dispositive power with respect to 14,845,220 shares.

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Based on a Schedule 13G dated February 12, 2003, filed with the SEC, AXA Financial, Inc., together with certain affiliates, has sole voting power with respect to 8,755,096 shares, shared voting power with respect to 5,243,310 shares, sole dispositive power with respect to 14,405,854 shares, and shared dispositive power with respect to 3,110 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.

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Based on a Form 13F for the quarter ended June 30, 2003, filed with the SEC, Wellington Management Company, LLP, has sole investment discretion with respect to 8,385,195 shares, shared investment discretion (as defined) with respect to 1,623,461 shares, sole voting authority with respect to 5,915,880 shares, shared voting authority with respect to 1,490,017 shares, and no voting authority with respect to 2,602,759 shares.

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Based on an amendment to a Schedule 13G dated February 14, 2003, filed with the SEC, FMR Corp. has sole voting power with respect to 31,568 shares and sole dispositive power with respect to 7,306,416 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 22, 2003, by (1) each director and nominee for 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 1.4% 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 3.7% 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/Nominee</b>			
Richard H. Ayers	50,792	13,889	64,681
	Applera-Applied Biosystems stock		
	54,339	3,386	57,725
Jean-Luc Bélingard	52,490	0	52,490
	Applera-Applied Biosystems stock		
	54,635	0	54,635
Robert H. Hayes	36,500	19,829	56,329
	Applera-Applied Biosystems stock		
	50,481	5,032	55,513
Arnold J. Levine	23,700	10,527	34,227
	Applera-Applied Biosystems stock		
	57,621	2,882	60,503
William H. Longfield	3,000	0	3,000
	Applera-Applied Biosystems stock		
	1,000	0	1,000
Theodore E. Martin	22,500	9,936	32,436
	Applera-Applied Biosystems stock		
	46,981	2,738	49,719
Carolyn W. Slayman	44,447	7,232	51,679
	Applera-Applied Biosystems stock		
	52,593	1,805	54,398
Orin R. Smith	36,800	17,119	53,919
	Applera-Applied Biosystems stock		
	49,481	4,489	53,970
James R. Tobin	22,500	9,121	31,621
	Applera-Applied Biosystems stock		
	46,981	2,539	49,520
	Applera-Celera stock		
Title of Class	Number of Shares Beneficially Owned <sup>4,5</sup>		
<b>Named Executive Officers</b>			
Tony L. White	Applera-Applied Biosystems stock	3,013,899	
	Applera-Celera stock	1,077,512	

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	<b>Title of Class</b>	<b>Number of Shares Beneficially Owned<sup>4,5</sup></b>
Michael W. Hunkapiller	Applera-Applied Biosystems stock	1,551,054 <sup>6</sup>
	Applera-Celera stock	669,141
Kathy P. Ordoñez	Applera-Applied Biosystems stock	83,750
	Applera-Celera stock	91,400
Dennis L. Winger	Applera-Applied Biosystems stock	980,520
	Applera-Celera stock	389,605
William B. Sawch	Applera-Applied Biosystems stock	850,065
	Applera-Celera stock	356,309
<b>All directors and executive officers as a group (23 persons)<sup>7</sup></b>	Applera-Applied Biosystems stock	7,753,274 <sup>6</sup>
	Applera-Celera stock	3,337,066

(Footnotes on following page)

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(Footnotes for preceding page)

<sup>1</sup> 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	34,500	49,981
Jean-Luc Bélingard	34,500	49,981
Robert H. Hayes	30,500	48,981
Arnold J. Levine	22,500	57,321
William H. Longfield	0	0
Theodore E. Martin	22,500	46,981
Carolyn W. Slayman	34,500	49,981
Orin R. Smith	32,800	49,481
James R. Tobin	22,500	46,981

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

<sup>2</sup> Includes for each of Mr. Ayers and Mr. Bélingard 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.

<sup>3</sup> 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.

<sup>4</sup> 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	2,350,843	892,287
Michael W. Hunkapiller	1,139,386	533,902
Kathy P. Ordoñez	83,750	51,400

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	Applera-Applied Biosystems Stock	Applera-Celera Stock
Dennis L. Winger	893,823	364,050
William B. Sawch	772,505	339,455

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

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Includes 208,494 restricted shares of Applera-Applied Biosystems stock and 69,498 restricted shares of Applera-Celera stock held by Mr. White, 30,000 restricted shares of Applera-Celera stock held by Ms. Ordoñez, and 34,752 restricted shares of Applera-Applied Biosystems stock and 11,586 restricted shares of Applera-Celera stock held by Mr. Winger. 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.

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Includes 650 shares held by Dr. Hunkapiller's son.

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Includes 6,459,431 shares of Applera-Applied Biosystems stock and 2,917,131 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 2003.

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## Executive Compensation

### ***Report of the Management Resources Committee***

The Management Resources Committee (the "MRC") of the Board of Directors is comprised of non-employee directors. 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;

Competitive advantage in attracting and retaining talent; and

Ownership and shared responsibility.

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

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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 majority of the Company's employees, including its executive officers, are:

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 performance unit bonus plan and 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.*

Each year, 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 graph set forth under that heading below.

### *Annual Incentive Compensation.*

Most employees not compensated on a commission basis participate in the Company's Incentive Compensation Program. The MRC uses specific performance objectives for each business unit as a

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basis on which to measure the performance of the Company's employees, including its executive officers, under this program.

For the Applied Biosystems group, the MRC uses EBIT (earnings before interest and taxes), revenue, and cash flow. These financial measures are well recognized throughout the investment community, and the MRC believes that achieving financial goals based upon 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

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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.

### *Performance Units.*

During fiscal 2003, the MRC granted awards under the Company's Performance Unit Bonus Plan to members of senior management of the Applied Biosystems group and certain executive officers, including Mr. White. These awards, which are intended to convey the value targeted by a traditional restricted stock program, consisted of two series of performance units and corresponding stock options. The first series of performance units provides for vesting in two parts, half vesting upon a share of Applera-Applied Biosystems stock attaining and maintaining an average price target of \$18.54 or more for a period of 90 days and the other half vesting when the average price target of \$22.29 is similarly attained and maintained. The second series of performance units also provides for vesting in two parts, based upon a share of Applera-Applied Biosystems stock similarly attaining and maintaining price targets of \$26.79 and \$32.04. The performance units will be forfeited to the extent not vested by March 24, 2013. Upon vesting, the holder of the performance units becomes entitled to a pre-tax cash payment of \$15.54 for each vested unit. This grant is subject to a maximum aggregate quarterly payout to all participants of \$750,000 under this grant and under an August 2001 grant of performance units. The stock options corresponding to the first series of performance units vest three years from the date of grant, and the stock options corresponding to the second series of performance units vest on the earlier of (1) five years from the date of grant, or (2) two years after the stock price targets applicable to the second grant of performance units have been attained.

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### *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 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.

The MRC approves the number of options granted to each participant in the stock incentive plans during each fiscal year. Employees may be granted options for Applera-Applied Biosystems stock or Applera-Celera Genomics 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 is generally the fair market value of a share of the applicable class of stock on the date of grant. Stock options granted in fiscal year 2003 generally vest in equal installments over a period of four years. The MRC believes that the four-year vesting period serves to promote the retention of key employees. In general, options granted under the Company's stock incentive plans 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 June 30, 2003, 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).

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The MRC monitors on an annual basis the ownership of shares of Applera-Applied Biosystems stock and Applera-Celera Genomics 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, 2003, Mr. White's base annual salary was \$1,000,000. Mr. White did not receive an increase in his base salary during fiscal 2003.

*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 2003, Mr. White earned an incentive compensation award of \$1,300,000. This award was based on the financial performance of the Company and Mr. White's leadership during fiscal 2003.

*Restricted Stock.* Mr. White did not receive an award of restricted stock during fiscal 2003.

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*Performance Units.* As part of the March 2003 grant of performance units described above, Mr. White was granted a total of 80,000 performance units and an equal number of options to purchase shares of Applied Biosystems stock at an exercise price of \$15.54 per share.

*Stock Options.* Mr. White was granted options to purchase 255,000 shares of Applera-Applied Biosystems stock at an exercise price of \$15.54 per share and 85,000 shares of Applera-Celera Genomics stock at an exercise price of \$9.13 per share in March 2003 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

Orin R. Smith, Chair  
Jean-Luc Bélingard  
Arnold J. Levine  
Carolyn W. Slayman

August 21, 2003

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### *Performance Graph*

The following graph compares the yearly change in our cumulative total stockholder return for the last five fiscal years with the cumulative total return on the Standard & Poor's 500 Stock Index (the "S&P 500") and the Dow Jones Biotechnology Group Index (the "DJ BTC"), a published industry index that includes Applera-Applied Biosystems stock and Applera-Celera stock.

Cumulative total returns are calculated assuming that \$100 was invested on the last trading day of fiscal 1998 in each of the Applera common stock, the S&P 500, and the DJ BTC, and that all dividends were reinvested. On May 6, 1999, each share of common stock of The Perkin-Elmer Corporation, our predecessor, was converted into one share of Applera-Applied Biosystems stock and one-half share of

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Applera-Celera stock. As a result, the graph reflects a composite return for the two classes of Applera common stock after that date.

**Applera Corporation**

Comparison of 5 Year Cumulative Returns

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**Summary Compensation Table**

The following table shows the compensation provided to our Chief Executive Officer and four other most highly paid executive officers (the "Named Executive Officers").

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) <sup>1</sup>	Restricted Stock Awards (\$) <sup>2</sup>	Stock Options (#) <sup>3</sup>	LTIP Payouts (\$)	All Other Compensation (\$) <sup>4</sup>



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Long-Term Compensation

Tony L. White	2003	1,000,000	1,300,000	102,977	0	420,000	0	282,308
Chairman, President and	2002	984,615	1,150,000	192,044	0	420,000	0	155,692
Chief Executive Officer	2001	889,227	646,834	170,014	24,094,125	337,500	0	28,285
Michael W. Hunkapiller	2003	560,504	517,104	2,457	0	175,000	0	141,958
Senior Vice President	2002	529,307	462,977	2,125	0	175,000	0	78,805
and President, Applied	2001	484,069	258,851	1,794	0	135,000	0	14,873
Biosystems Group								
Kathy P. Ordoñez <sup>5</sup>	2003	468,077	451,250	757	0	135,000	0	25,978
Senior Vice President	2002	374,424	420,325	0	774,800	213,000	0	16,185
and President, Celera	2001	196,548	167,712	0	0	218,500	0	11,916
Genomics Group and								
Celera Diagnostics								
Dennis L. Winger	2003	483,058	407,959	9,002	0	153,000	0	145,880
Senior Vice President	2002	463,846	341,996	2,125	0	153,000	0	95,114
and Chief Financial	2001	427,459	201,550	1,794	4,015,688	112,500	0	20,043
Officer								
William B. Sawch	2003	423,057	359,489	2,313	0	153,000	0	143,868
Senior Vice President	2002	405,231	298,337	2,125	0	153,000	0	81,725
and General Counsel	2001	376,739	177,645	1,794	0	112,500	0	18,328

1 Amount shown for fiscal 2003 for Mr. White includes: (a) the incremental cost to the Company of providing various reportable perquisites and personal benefits, including the personal use of Company aircraft of \$39,878 and a car allowance of \$20,000; (b) dividend equivalents paid in cash on performance units; and (c) amounts reimbursed during fiscal 2003 for the payment of taxes. Amounts shown for fiscal 2003 for the other officers represent dividend equivalents paid in cash on performance units and amounts reimbursed for the payment of taxes.

2 As of June 30, 2003, Mr. White held 48,000 restricted shares of Applera-Applied Biosystems stock and 12,000 restricted shares of Applera-Celera stock having an aggregate value of \$1,037,280, Mr. Winger held 12,000 restricted shares of Applera-Applied Biosystems stock and 3,000 restricted shares of Applera-Celera stock having an aggregate value of \$259,320, and Ms. Ordoñez held 30,000 restricted shares of Applera-Celera stock having an aggregate value of \$309,600. As of that date, none of the other Named Executive Officers held any shares of our restricted stock. 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.

3 A breakdown of the options set forth in the table, by class, is as follows:

		Applera-Applied Biosystems Stock	Applera-Celera Stock
Mr. White	2003	335,000	85,000
	2002	335,000	85,000
	2001	270,000	67,500
Dr. Hunkapiller	2003	141,000	34,000
	2002	141,000	34,000
	2001	108,000	27,000
Ms. Ordoñez	2003	40,000	95,000
	2002	85,000	128,000
	2001	167,200	51,300
Mr. Winger	2003	125,000	28,000
	2002	125,000	28,000
	2001	90,000	22,500
Mr. Sawch	2003	125,000	28,000
	2002	125,000	28,000
	2001	90,000	22,500

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The amounts shown for fiscal 2003 include: (a) payment of a portion of the cash value of vested performance units under our Performance Unit Bonus Plan for Mr. White, Dr. Hunkapiller, Ms. Ordoñez, Mr. Winger, and Mr. Sawch of \$250,000, \$125,000, \$0, \$125,000, and \$125,000, respectively; (b) contributions under our Employee Savings Plan for Mr. White, Dr. Hunkapiller, Ms. Ordoñez, Mr. Winger, and Mr. Sawch of \$12,000, \$9,025, \$16,000, \$12,000, and \$12,000, respectively; and (c) amounts accrued under the savings plan component of our Excess Benefit Plan for Mr. White, Dr. Hunkapiller, Ms. Ordoñez, Mr. Winger, and Mr. Sawch of \$20,308, \$7,210, \$9,978, \$8,880, and \$6,868, respectively. The fiscal 2003 amount for Dr. Hunkapiller also includes an inventor award of \$723.

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Ms. Ordoñez became an employee of the Company on December 1, 2000.

### *Option Grant Tables*

The table below provides information about options to purchase shares of Applera-Applied Biosystems stock granted to the Named Executive Officers during fiscal year 2003.

<b>Individual Grants</b>						<b>Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term<sup>2</sup></b>	
<b>Name</b>	<b>Number of Securities Underlying Options Granted (#)<sup>1</sup></b>	<b>Percent of Total Options Granted to Employees In Fiscal Year 2003</b>	<b>Exercise Price (\$/Sh)</b>	<b>Expiration Date</b>	<b>5%(\$)</b>	<b>10%(\$)</b>	
Tony L. White	255,000	2.83	15.54	3/24/13	2,492,121	6,315,523	
	40,000 <sup>3</sup>	0.44		3/24/13	390,921	990,670	
	40,000 <sup>4</sup>	0.44	15.54	3/24/13	390,921	990,670	
				15.54			