INVITROGEN CORP
Form 10-Q
October 31, 2008

## SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number: 0-25317

# INVITROGEN CORPORATION

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **33-0373077** |
|---|---|
| **(State or other jurisdiction of** | **(I.R.S. Employer** |

| incorporation or organization) | Identification No.) |
|---|---|
| **5791 Van Allen Way, Carlsbad, CA** | **92008** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant s telephone number, including area code: (760) 603-7200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ or No x

As of October 28, 2008, 92,358,140 shares of the Registrant s Common Stock were outstanding.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

**INVITROGEN CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands, except par value and share data)**

| | September 30, 2008 (Unaudited) | December 31, 2007 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 673,080 | $ 606,145 |
| Short-term investments | | 60,703 |
| Restricted cash and investments | 2,766 | 4,445 |
| Trade accounts receivable, net of allowance for doubtful accounts of $7,907 and $8,211, respectively | 197,999 | 192,137 |
| Inventories, net | 206,581 | 172,692 |
| Deferred income tax assets | 30,285 | 20,699 |
| Prepaid expenses and other current assets | 37,371 | 33,663 |
| Total current assets | 1,148,082 | 1,090,484 |
| Long-term investments | 36,587 | 753 |
| Property and equipment, net | 344,094 | 319,653 |
| Goodwill | 1,543,167 | 1,528,779 |
| Intangible assets, net | 262,071 | 286,521 |
| Deferred income tax assets | 6,758 | 53,642 |
| Other assets | 55,314 | 49,915 |
| Total assets | $ 3,396,073 | $ 3,329,747 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Current portion of long-term debt | $ 2 | $ 124 |
| Accounts payable | 110,047 | 97,415 |
| Shut down accrual | 12,232 | 11,151 |
| Accrued expenses and other current liabilities | 121,425 | 116,652 |
| Income taxes payable | | 9,071 |
| Total current liabilities | 243,706 | 234,413 |
| Liabilities of discontinued operations | | 2,506 |
| Long-term debt | 1,150,962 | 1,150,700 |
| Pension liabilities | 21,620 | 28,428 |
| Deferred income tax liabilities | 84,571 | 102,373 |
| Income taxes payable | 32,875 | 27,093 |
| Other long-term obligations, deferred credits and reserves | 20,772 | 18,787 |
| Total liabilities | 1,554,506 | 1,564,300 |
| Commitments and contingencies (Note 8) | | |

| | | |
|---|---|---|
| Stockholders equity: | | |
| Preferred stock; $0.01 par value, 6,405,884 shares authorized; no shares issued or outstanding | | |
| Common stock; $0.01 par value, 200,000,000 shares authorized; 108,508,738 and 108,270,906* shares issued, respectively | 1,085 | 1,083 |
| Additional paid-in-capital | 2,503,229 | 2,424,154 |
| Accumulated other comprehensive income | 75,454 | 112,454 |
| Retained earnings | 225,174 | 86,992 |
| Less cost of treasury stock: 16,116,506 and 14,905,664, respectively | (963,375) | (859,236) |
| Total stockholders equity | 1,841,567 | 1,765,447 |
| Total liabilities and stockholders equity | $ 3,396,073 | $ 3,329,747 |

* Adjusted to reflect a two-for-one stock split effective May 27, 2008.

See accompanying notes to unaudited consolidated financial statements.

**INVITROGEN CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share data)**

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | (Unaudited) | | (Unaudited) | |
| Revenues | $ 361,696 | $ 314,959 | $ 1,079,705 | $ 945,302 |
| Cost of revenues | 125,865 | 113,875 | 365,688 | 341,799 |
| Purchased intangibles amortization | 17,677 | 26,294 | 51,995 | 81,837 |
| Gross profit | 218,154 | 174,790 | 662,022 | 521,666 |
| Operating expenses: | | | | |
| Sales and marketing | 71,678 | 63,864 | 215,315 | 183,515 |
| General and administrative | 46,623 | 40,430 | 132,247 | 125,742 |
| Research and development | 31,430 | 28,571 | 95,235 | 84,620 |
| Purchased in-process research and development | 18,901 | | 18,901 | |
| Business integration costs | 14,176 | 2,267 | 16,090 | 4,789 |
| Total operating expenses | 182,808 | 135,132 | 477,788 | 398,666 |
| Operating income | 35,346 | 39,658 | 184,234 | 123,000 |
| Other income (expense): | | | | |
| Interest income | 6,263 | 7,713 | 20,535 | 19,613 |
| Interest expense | (6,860) | (6,933) | (20,621) | (21,061) |
| Other income (expense) | (629) | 1,516 | 808 | 1,612 |
| Total other income (expense), net | (1,226) | 2,296 | 722 | 164 |
| Income from continuing operations, before provision for income taxes | 34,120 | 41,954 | 184,956 | 123,164 |
| Income tax provision | (8,892) | (11,464) | (48,132) | (33,385) |
| Net income from continuing operations | 25,228 | 30,490 | 136,824 | 89,779 |
| Net income from discontinued operations, net of tax | | 506 | 1,359 | 12,361 |
| Net income | $ 25,228 | $ 30,996 | $ 138,183 | $ 102,140 |
| Basic earnings per common share: | | | | |
| Net income from continuing operations | $ 0.27 | $ 0.33 | $ 1.48 | $ 0.96 |
| Net income from discontinued operations | | 0.01 | 0.01 | 0.13 |
| Net income | $ 0.27 | $ 0.34 | $ 1.49 | $ 1.09 |
| Weighted average shares outstanding* | 92,298 | 92,630 | 92,357 | 93,420 |
| Diluted earnings per common share: | | | | |
| Net income from continuing operations | $ 0.26 | $ 0.32 | $ 1.41 | $ 0.93 |
| Net income from discontinued operations | | 0.01 | 0.01 | 0.13 |
| Net income | $ 0.26 | $ 0.33 | $ 1.42 | $ 1.06 |

| | | | | |
|---|---|---|---|---|
| Weighted average shares outstanding* | 96,995 | 96,396 | 97,329 | 96,152 |

* Adjusted to reflect a two-for-one stock split effective May 27, 2008.

The accompanying notes are an integral part of these consolidated financial statements.

**INVITROGEN CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

| | For the nine months ended September 30, | |
|---|---|---|
| | 2008 | 2007 |
| | (Unaudited) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 138,183 | $ 102,140 |
| Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired and divested: | | |
| Depreciation | 30,387 | 27,745 |
| Amortization of intangible assets | 51,995 | 81,837 |
| Amortization of deferred debt issue costs | 1,104 | 1,081 |
| Amortization of premiums on investments, net of accretion of discounts | | 36 |
| Share-based compensation | 33,030 | 35,526 |
| Incremental tax benefits from stock options exercised | (16,972) | (5,191) |
| Deferred income taxes | 8,391 | 1,215 |
| Loss on disposal of assets | 1,194 | |
| Purchased in-process research and development | 18,901 | |
| Other non-cash adjustments | 1,678 | 8,622 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | (3,906) | (13,059) |
| Inventories | (21,660) | (17,811) |
| Prepaid expenses and other current assets | 10,539 | 22 |
| Other assets | (10,401) | 3,034 |
| Accounts payable | 11,752 | 2,227 |
| Accrued expenses and other liabilities | (8,055) | (189) |
| Income taxes | (11,619) | (2,227) |
| Net cash provided by operating activities | 234,541 | 225,008 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Maturities of available-for-sale securities | 24,930 | 8,878 |
| Purchases of available-for-sale securities | (3,397) | (50,064) |
| Net cash paid for business combinations | (77,971) | (17,754) |
| Net cash received for divestitures | | 209,901 |
| Purchases of property and equipment | (52,846) | (35,858) |
| Net cash (used in) provided by investing activities | (109,284) | 115,103 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Principal payments on long-term obligations | (142) | (3,587) |
| Principal payments on lines of credit | | |
| Purchase of treasury stock | (104,139) | (184,993) |
| Proceeds from issuance of common stock | 44,252 | 64,412 |
| Incremental tax benefits from stock options exercised | 16,972 | 5,191 |
| Net cash used in financing activities | (43,057) | (118,977) |
| Effect of exchange rate changes on cash | (15,265) | 6,902 |
| Net increase in cash and cash equivalents | 66,935 | 228,036 |
| Cash and cash equivalents, beginning of period | 606,145 | 366,893 |

| | | |
|---|---|---|
| Cash and cash equivalents, end of period | $ 673,080 | $ 594,929 |

See accompanying notes to unaudited consolidated financial statements.

**INVITROGEN CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**1. Basis of Presentation**

***Financial Statement Preparation***

The unaudited consolidated financial statements have been prepared by Invitrogen Corporation according to the rules and regulations of the Securities and Exchange Commission (SEC) and, therefore, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted.

In the opinion of management, the accompanying unaudited consolidated financial statements for the periods presented reflect all adjustments, which are normal and recurring, necessary to fairly state the financial position, results of operations and cash flows. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC on February 15, 2008.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Invitrogen Corporation and its majority owned or controlled subsidiaries collectively referred to as Invitrogen (the Company). All significant intercompany accounts and transactions have been eliminated in consolidation. For purposes of these Notes to Consolidated Financial Statements, gross profit is defined as revenues less cost of revenues including amortization of purchased intangibles and gross margin is defined as gross profit divided by revenues. Operating income is defined as gross profit less operating expenses, and operating margin is defined as operating income divided by revenues.

Discontinued operations relate to the sale of the Company s BioReliance business unit, which was sold in April 2007, to Avista Capital Partners and the sale of BioSource Europe, S.A., a diagnostic business located in Belgium, which was sold in February 2007 to a private investor group in Belgium. Unless otherwise indicated, all amounts in the prior period financial statements have been reclassified to conform to the current period presentation. (See Note 3).

***Reclassification***

The consolidated financial statements include a reclassification of segment costs to better align the segments with the way management views the business. Certain prior period figures totaling $3.0 million have been reclassified between segments to conform to the current period segment cost presentation.

***Long-Lived Assets***

The Company periodically re-evaluates the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of its long-lived assets. The criteria used for these evaluations include management s estimate of the asset s continuing ability to generate income from operations and positive cash flow in future periods as well as the strategic significance of any intangible asset to the Company s business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets, which is determined by applicable market prices, when available. The Company recognized no significant impairment during the period.

***Computation of Earnings Per Share***

On April 30, 2008, the Company announced a two-for-one stock split in the form of a 100% stock dividend with a record date of May 16, 2008, and a distribution date of May 27, 2008. Share and per share amounts have been restated to reflect the stock splits for all periods presented.

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur from the following items:

Convertible subordinated notes and contingently convertible notes where the effect of those securities is dilutive;

Dilutive stock options;

Dilutive restricted stock; and

Employee Stock Purchase Plan (ESPP)

Computations for basic and diluted earnings per share are as follows:

| (in thousands, except per share data) (unaudited) | Net Income (Numerator) | Shares (Denominator) | Earnings Per Share |
|---|---|---|---|
| **Three Months Ended September 30, 2008** | | | |
| Basic earnings per share: | | | |
| Net income from continuing operations | $ 25,228 | | |
| Net income from discontinued operations, net of tax | | | |
| Total basic earnings | $ 25,228 | 92,298 | $ 0.27 |
| Diluted earnings per share: | | | |
| Dilutive stock options | | 2,302 | |
| ESPP | | 13 | |
| Dilutive restricted stock | | 366 | |
| 2% Convertible Senior Notes due 2023 | 25 | 1,940 | |
| 1 1/2% Convertible Senior Notes due 2024 | 9 | 76 | |
| Net income from continuing operations plus assumed conversions | 25,262 | | |
| Net income from discontinued operations, net of tax, plus assumed conversions | | | |
| Total diluted earnings | $ 25,262 | 96,995 | $ 0.26 |
| Potentially dilutive securities not included above since they are antidilutive: | | | |
| Antidilutive stock options | | 4,415 | |
| 3 1/4% Convertible Senior Notes due 2025 | | 7,124 | |
| **Three Months Ended September 30, 2007** | | | |
| Basic earnings per share: | | | |
| Net income from continuing operations | $ 30,490 | | |
| Net income from discontinued operations, net of tax | 506 | | |
| Total basic earnings | $ 30,996 | 92,630 | $ 0.34 |
| Diluted earnings per share: | | | |
| Dilutive stock options | | 2,222 | |
| Dilutive restricted stock | | 46 | |
| 2% Convertible Senior Notes due 2023 | 24 | 1,422 | |
| 1 1/2% Convertible Senior Notes due 2024 | 9 | 76 | |
| Net income from continuing operations plus assumed conversions | $ 30,523 | | |
| Net income from discontinued operations, net of tax, plus assumed conversions | 506 | | |
| Total diluted earnings | $ 31,029 | 96,396 | $ 0.33 |
| Potentially dilutive securities not included above since they are antidilutive: | | | |
| Antidilutive stock options | | 6,316 | |
| 3 1/4% Convertible Senior Notes due 2025 | | 7,124 | |

| (in thousands, except per share data) (unaudited) | Net Income (Numerator) | Shares (Denominator) | Earnings Per Share |
|---|---|---|---|
| **Nine Months Ended September 30, 2008** | | | |
| Basic earnings per share: | | | |
| Net income from continuing operations | $ 136,824 | | |
| Net income from discontinued operations, net of tax | 1,359 | | |
| Total basic earnings | $ 138,183 | 92,357 | $ 1.49 |
| Diluted earnings per share: | | | |
| Dilutive stock options | | 2,243 | |
| ESPP | | 28 | |
| Dilutive restricted stock | | 370 | |
| 2% Convertible Senior Notes due 2023 | 73 | 2,255 | |
| 1 1/2% Convertible Senior Notes due 2024 | 28 | 76 | |
| Net income from continuing operations plus assumed conversions | 136,925 | | |
| Net income from discontinued operations, net of tax, plus assumed conversions | 1,359 | | |
| Total diluted earnings | $ 138,284 | 97,329 | $ 1.42 |
| Potentially dilutive securities not included above since they are antidilutive: | | | |
| Antidilutive stock options | | 2,980 | |
| 3 1/4% Convertible Senior Notes due 2025 | | 7,124 | |
| **Nine Months Ended September 30, 2007** | | | |
| Basic earnings per share: | | | |
| Net income from continuing operations | $ 89,779 | | |
| Net income from discontinued operations, net of tax | 12,361 | | |
| Total basic earnings | $ 102,140 | 93,420 | $ 1.09 |
| Diluted earnings per share: | | | |
| Dilutive stock options | | 1,808 | |
| Dilutive restricted stock | | 94 | |
| 2% Convertible Senior Notes due 2023 | 85 | 754 | |
| 1 1/2% Convertible Senior Notes due 2024 | 28 | 76 | |
| Net income from continuing operations plus assumed conversions | $ 89,892 | | |
| Net income from discontinued operations, net of tax, plus assumed conversions | 12,361 | | |
| Total diluted earnings | $ 102,253 | 96,152 | $ 1.06 |
| Potentially dilutive securities not included above since they are antidilutive: | | | |
| Antidilutive stock options | | 8,748 | |
| 3 1/4% Convertible Senior Notes due 2025 | | 7,124 | |

***Share-Based Compensation***

The Company has several stock option plans: the 1995, 1997, 2000, 2001, 2002 and 2004 Invitrogen Corporation stock option plans, the 1996 and 1998 NOVEX Stock Option/Stock Issuance Plans, the Life Technologies 1995 and 1997 Long-Term Incentive Plans. During 2004, the Company s shareholders approved the 2004 Invitrogen Equity Incentive Plan (the 2004 Plan), which replaced the Company s 1995, 1997, 2000, 2001 and 2002 stock option plans (collectively, the Prior Plans). Upon approval of the 2004 Plan, all prior plans were frozen and a total of 11.4 million shares of the Company s common stock were reserved for granting of new awards under the 2004 Plan. The total shares reserved for issuance under the 2004 Plan includes all options and other awards that the Company has granted that are still outstanding under the prior plans as of September 30, 2008. Pursuant to an employment agreement entered in May 2003, the Company granted an option to purchase 1.3 million shares of the Company s common stock to its Chief Executive Officer, which was granted outside any of the Company s option plans discussed above.

The Company s 2004 Plan permits the granting of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards and deferred stock awards of up to 24.6 million shares of stock, which has been adjusted for the stock split which occurred in May 2008 and the additional authorized share issuance amount of 3.0 million shares approved in April 2008. Shares of the Company s common stock granted under the 2004 Plan in the form of stock options or stock appreciation rights are counted against the 2004 Plan share reserve on a one for one basis. Shares of the Company s common stock granted under the 2004 Plan as an award other than as an option or as a stock appreciation right are counted against the 2004 Plan share reserve on a basis of 1.6 shares for each share of common stock. Stock option awards are granted to eligible employees and directors at an exercise price equal to no less than the fair market value of such stock on the date of grant. These awards, which generally vest over a period of time ranging up to four years, are exercisable in whole or in installments and expire ten years from the date of grant. Restricted stock awards and restricted stock units are granted to eligible employees and directors and represent rights to receive shares of

common stock at a future date. In addition, the Company has a qualified employee stock purchase plan (purchase rights) whereby eligible employees may elect to withhold up to 15% of their compensation to purchase shares of the Company s stock on a quarterly basis at a discounted price equal to 85% of the lower of the employee s offering price or the closing price of the stock on the date of purchase.

The Company used the Black-Scholes option-pricing model to value share-based employee stock option and purchase right awards. The determination of fair value of stock-based payment awards using an option-pricing model requires the use of certain estimates and assumptions that affect the reported amount of share-based compensation cost recognized in the Consolidated Statements of Operations. The estimates and assumptions include the expected term of options, estimated forfeitures, expected volatility of the Company s stock price, expected dividends and risk-free interest rate.

***Stock Options and Purchase Rights***

The underlying assumptions used to value employee stock options and purchase rights granted during the nine months ended September 30, 2008 and 2007 were as follows:

| | Nine months ended September 30, | |
|---|---|---|
| **(unaudited)** | **2008** | **2007** |
| ***Stock Options*** | | |
| Weighted average risk free interest rate | 2.99% | 4.75% |
| Expected term of share-based awards | 4.9yrs | 4.5yrs |
| Expected stock price volatility | 31% | 28% |
| Expected dividend yield | 0% | 0% |
| Weighted average fair value of share-based awards granted | $ 15.00 | $ 11.48 |
| ***Purchase Rights*** | | |
| Weighted average risk free interest rate | 4.60% | 4.76% |
| Expected term of share-based awards | 1.7yrs | 1.1yrs |
| Expected stock price volatility | 32% | 28% |
| Expected dividend yield | 0% | 0% |
| Weighted average fair value of share-based awards granted | $ 10.32 | $ 9.39 |

The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods on a cumulative basis in the period the estimated forfeiture rate changes. The Company considered its historical experience of pre-vesting option forfeitures as the basis to arrive at its estimated annual pre-vesting option forfeiture rate of 6.7% and 9.9% per year for the nine months ended September 30, 2008 and 2007, respectively. All option awards, including those with graded vesting, were valued as a single award with a single average expected term and are amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. At September 30, 2008, there was $55.5 million remaining in unrecognized compensation cost related to employee stock options (including stock options assumed in business combinations), which is expected to be recognized over a weighted average period of two years. No compensation cost was capitalized during the nine months ended September 30, 2008 as the amounts involved were not material.

Total share-based compensation expense for employee stock options (including stock options assumed in business combinations) and purchase rights for the three and nine months ended September 30, 2008 and 2007 is comprised of the following:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **(in thousands, except per share amounts) (unaudited)** | **2008** | **2007** | **2008** | **2007** |
| Cost of revenues | $ 866 | $ 1,398 | $ 3,085 | $ 4,379 |
| Sales and marketing | 2,249 | 1,490 | 5,885 | 4,668 |
| General and administrative | 3,999 | 4,843 | 12,681 | 15,163 |
| Research and development | 918 | 1,006 | 2,803 | 3,150 |
| Share-based compensation expense before taxes | 8,032 | 8,737 | 24,454 | 27,360 |
| Related income tax benefits | 2,417 | 2,438 | 7,412 | 7,599 |
| Share-based compensation expense, net of taxes | $ 5,615 | $ 6,299 | $ 17,042 | $ 19,761 |

| | | | | |
|---|---|---|---|---|
| Net share-based compensation expense per common share: | | | | |
| Basic | $ 0.06 | $ 0.07 | $ 0.18 | $ 0.21 |
| Diluted | $ 0.06 | $ 0.07 | $ 0.18 | $ 0.21 |

***Restricted Stock Units***

Restricted stock units represent a right to receive shares of common stock at a future date determined in accordance with the participant s award agreement. An exercise price and monetary payment are not required for receipt of restricted stock units or the shares issued in settlement of the award. Instead, consideration is furnished in the form of the participant s services to the Company. Restricted stock units generally vest over two to three years. Compensation cost for these awards is based on the estimated fair value on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period. There were no pre-vesting forfeitures estimated for the nine months ended September 30, 2008 and 2007. For the three months ended September 30, 2008 and 2007, the Company recognized $1.8 million and $2.0 million, respectively, and the Company recognized $4.4 million and $5.3 million for the nine months ended September 30, 2008 and 2007, respectively, in share-based compensation cost related to these restricted stock unit awards. At September 30, 2008, there was $10.1 million remaining in unrecognized compensation cost related to these awards, which is expected to be recognized over a weighted average period of two years. The weighted average fair value of restricted stock units granted during the nine months ended September 30, 2008 and 2007 was $43.01 and $32.65, respectively.

The Company awarded performance share-based grants. For the three months ended September 30, 2008 and 2007, the Company recognized $1.5 million and $1.3 million, respectively, and the Company recognized $4.2 million and $3.0 million for the nine months ended September 30, 2008 and 2007, respectively, in performance share-based compensation cost. As of September 30, 2008, there was $7.4 million of total unrecognized compensation cost related to performance share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of two years.

***Restricted Stock Awards***

During 2004 and 2003, the Company issued 40,000 and 310,000 shares of restricted stock awards, respectively, with a weighted average grant date fair value of $36.39 for issuances during 2004 and $24.67 for issuances during 2003 to certain executive officers and key employees. The awards generally vested over four years. Compensation cost for these restricted stock awards is based on the estimated fair value on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period. There were no pre-vesting forfeitures estimated for the nine months ended September 30, 2008 and 2007. For the three months ended September 30, 2008 and 2007, the Company recognized zero and $0.2 million, respectively, and the Company recognized zero and $1.0 million for the nine months ended September 30, 2008 and 2007, respectively, in share-based compensation cost related to these restricted stock awards. The Company has completed its amortization of restricted stock awards.

***Recent Accounting Pronouncements***

In May 2008, FASB issued FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1) that significantly impacts the accounting for convertible debt. The FSP requires cash settled convertible debt, such as the Company s $1,150 million aggregate principal amount of convertible notes that are currently outstanding, to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component would be the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value would be recorded as a debt discount and amortized to interest expense over the expected life of the bond. Although FSP APB 14-1 has no impact on the Company s actual past or future cash flows, it requires the Company to record a significant amount of non-cash interest expense as the debt discount is amortized. As a result, there would be a material adverse impact on the results of operations and earnings per share. The Company is currently evaluating the impact on operations upon the adoption. In addition, if our convertible debt is redeemed or converted prior to maturity, any unamortized debt discount would result in a loss on extinguishment. FSP APB 14-1 will become effective for fiscal years beginning after December 15, 2008, and early adoption is not permitted. The adoption will require retrospective application.

In June of 2008, the FASB ratified EITF 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity s Own Stock*, which addresses the accounting for certain instruments as derivatives under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. The Company currently has outstanding convertible debt with embedded features which are considered indexed to the entity s own stock and as a stand alone instrument would have been included in stockholders equity, and therefore subject to a scope exception in SFAS 133. Under this new pronouncement, specific guidance is provided regarding requirements for an entity to consider embedded features as indexed to the entity s own stock. The guidance is effective for fiscal years beginning after December 15, 2008. Based on the Company s review of the pronouncement, the Company does not believe the guidance will have an impact on our financial statements.

In March 2008, FASB issued Statement of Financial Accounting Standard (SFAS) No. 161, *Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133,* which provides for additional disclosure and documentation surrounding derivative positions and hedging activity. The statement is applicable for all fiscal years beginning on or after November 15, 2008 and earlier adoption is encouraged. The Company does not believe that the adoption of this statement will have a material impact on our financial statements.

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In December 2007, FASB issued Statement of Financial Accounting Standard (SFAS) No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51,* which impacts the accounting for noncontrolling interest in the consolidated financial statements of filers. The statement requires the reclassification of noncontrolling interest from the liabilities section or the mezzanine section between liabilities and equity to the equity section of the balance sheet. The statement also requires that the results from operations attributed to the noncontrolling interest to be disclosed separately from those of the parent. In addition, the accounting for and reporting for deconsolidated subsidiaries will change as a result of adopting this statement. The statement which is applicable for all fiscal years beginning on or after December 15, 2008 and will require prospective treatment, early adoption is prohibited. The Company does not believe that the adoption of this statement will have a material impact on our financial statements.

In December 2007, FASB issued Statement of Financial Accounting Standard (SFAS) No. 141R, *Business Combinations*, which impacts the accounting for business combinations. The statement requires changes in the measurement of assets and liabilities required in favor of a fair value method consistent with the guidance provided in SFAS 157 (see below). Additionally, the statement requires a change in accounting for certain acquisition related expenses and business adjustments which no longer are considered part of the purchase price. Adoption of this standard is required for fiscal years beginning after December 15, 2008. Early adoption of this standard is not permitted. The statement requires prospective application for all acquisitions after the date of adoption. The statement will require changes in the accounting for acquisition costs, restructuring costs, in process research and development and the resolution of certain acquired tax items. As a result, the adoption of the statement could have a material impact on the future operations of the company based on future acquisitions.

In February 2007, FASB issued Statement of Financial Accounting Standards (SFAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* which allows entities to account for most financial instruments at fair value rather than under other applicable generally accepted accounting principles (GAAP), such as historical cost. The accounting results in the instrument being marked to fair value every reporting period with the gain/loss from a change in fair value recorded in the income statement. The Company adopted this standard in the current year without any material impact to the financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) 157, *Fair Value Measurements,* which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Adoption of this statement for non-financial assets and liabilities is required for an entity s first fiscal year that begins after November 15, 2008. The Company adopted this standard for financial assets and liabilities in the current year without any material impact to the financial statements.

## 2. Composition of Certain Financial Statement Items

***Investments***

Investments consisted of the following:

| (in thousands) | September 30, 2008 (unaudited) | December 31, 2007 |
|---|---|---|
| ***Short-term*** | | |
| Auction rate securities | $ | $ 60,703 |
| Total short-term investments | | 60,703 |
| ***Long-term*** | | |
| Auction rate securities | 32,293 | |
| Equity securities | 4,294 | 753 |
| Total long-term investments | 36,587 | 753 |
| Total investments | $ 36,587 | $ 61,456 |

The Company adopted SFAS 157, *Fair Value Measurements,* which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements for financial instruments effective January 1, 2008. The framework requires for the valuation of investments using a three tiered approach in the valuation of investments. The statement requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The following table represents the financial instruments on the financial statements of the Company subject to SFAS 157 and the valuation approach applied to each class of security:

| (in thousands)(unaudited) | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| Description | Balance at September 30, 2008 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Commercial paper | $ 39,952 | $ 39,952 | $ | $ |
| Auction rate securities | 32,293 | | | 32,293 |
| Total | $ 72,245 | $ 39,952 | $ | $ 32,293 |

The Company s commercial paper investments are valued using quoted active market prices.

At September 30, 2008 the Company holds $32.3 million in AAA rated auction rate securities. Auction rate securities are collateralized long-term debt instruments that provide liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined intervals, typically every 7 to 35 days. The underlying assets of the auction rate securities we hold, including the securities for which auctions have failed, are student loans which are guaranteed by the U.S. government under the Federal Education Loan Program. Beginning in February 2008, auctions failed for the Company s holdings because sell orders exceeded buy orders. As a result of the failed auctions, the Company is holding illiquid securities because the funds associated with these failed auctions will not be accessible until the issuer calls the security, a successful auction occurs, a buyer is found outside of the auction process, or the security matures.

On August 8, 2008, UBS announced that it has agreed to a settlement in principle with the Securities and Exchange Commission (SEC) and other state regulatory agencies represented by North American Securities Administrators Association to restore liquidity to all remaining clients who hold auction rate securities. Beginning in mid September 2008, all UBS clients holding auction rate securities who have immediate liquidity needs can obtain loans at no cost for the par value of their auction rate securities holdings. The Company believes it will be able to avail themselves of this relief beginning June 30, 2010, however, has not entered into a settlement agreement with UBS. As of September 30, 2008, the Company s par value of auction rate securities was $35.6 million.

The valuation of these securities is based on Level 3 unobservable inputs which consist of recommended fair values provided by our broker combined with internal analysis of interest rate spreads and credit quality. As a result of the estimated fair value, the Company has recorded a temporary impairment in the valuation of these securities of $3.3 million, a $0.9 million increase from the second quarter of 2008. These securities are considered available for sale in conformity with SFAS 115, *Accounting for Certain Investments in Debt and Equity*, and the unrealized loss is included in other comprehensive income in the current period. Due to the uncertainty related to the liquidity in the auction rate security market, the Company has classified these auction rate securities as long term assets on the balance sheet.

For those financial instruments with significant Level 3 inputs, the following table summarizes the activity for the nine months ended September 30, 2008 by investment type:

| (in thousands)(unaudited) | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | |
|---|---|---|
| Description | Auction Rate Securities | Total |
| Beginning Balance | $ | $ |
| Transfers in to Level 3 | 35,600 | 35,600 |
| Earned income | 29 | 29 |
| Total realized/unrealized losses | | |
| Included in earnings | | |
| Included in comprehensive income | (3,336) | (3,336) |
| Purchases, issuances and settlements | | |
| Ending Balance | $ 32,293 | $ 32,293 |

| | | |
|---|---|---|
| Total amount of unrealized losses for the period included in other comprehensive loss attributable to the change in fair market value of related assets still held at the reporting date | $ (3,336) | $ (3,336) |

All realized gains or losses related to financial instruments whose fair value is determined based on Level 3 inputs are included in other income. All unrealized gains or losses related to financial instruments whose fair value is determined based on Level 3 inputs are included in other comprehensive income.

***Inventories***

Inventories consisted of the following:

| (in thousands) | September 30, 2008 (unaudited) | December 31, 2007 |
|---|---|---|
| Raw materials and components | $ 45,430 | $ 34,106 |
| Work in process (materials, labor and overhead) | 42,974 | 35,067 |
| Finished goods (materials, labor and overhead) | 111,678 | 103,519 |
| Adjustment to write up acquired finished goods inventory to fair value | 6,499 | |
| Total inventories | $ 206,581 | $ 172,692 |

***Property and Equipment***

Property and equipment consisted of the following:

| (in thousands) | Estimated useful life (In years) | September 30, 2008 (unaudited) | December 31, 2007 |
|---|---|---|---|
| Land | | $ 19,472 | $ 19,623 |
| Building and improvements | 1-50 | 180,875 | 175,388 |
| Machinery and equipment | 1-10 | 189,048 | 164,318 |
| Internal use software | 1-10 | 107,415 | 92,771 |
| Construction in process | | 67,433 | 65,747 |
| Total property and equipment | | 564,243 | 517,847 |
| Accumulated depreciation and amortization | | (220,149) | (198,194) |
| Total property and equipment, net | | $ 344,094 | $ 319,653 |

***Goodwill and Other Intangible Assets***

The $14.4 million increase in goodwill on the consolidated balance sheet from December 31, 2007 to September 30, 2008 was the result of $28.0 million for the acquisition of CellzDirect, offset by a $13.6 million foreign currency translation during the first nine months of fiscal year 2008.

Intangible assets consisted of the following:

| | September 30, 2008 | | | December 31, 2007 | | |
|---|---|---|---|---|---|---|
| (in thousands) | Weighted average Life | Gross carrying amount (unaudited) | Accumulated amortization | Weighted average Life | Gross carrying amount | Accumulated amortization |
| Amortized intangible assets: | | | | | | |
| Purchased technology | 8 years | $ 771,655 | $ (600,205) | 7 years | $ 771,748 | $ (562,736) |
| Purchased tradenames and trademarks | 8 years | 82,029 | (54,577) | 8 years | 83,158 | (51,451) |
| Purchased customer base | 9 years | 75,145 | (36,583) | 5 years | 51,203 | (29,670) |
| Other intellectual property | 6 years | 49,760 | (32,604) | 6 years | 45,363 | (28,545) |

| | | | | |
|---|---|---|---|---|
| Total intangible assets | $ 978,589 | $ (723,969) | $ 951,472 | $ (672,402) |
| Intangible assets not subject to amortization: | | | | |
| Purchased tradenames and trademarks | $ 7,451 | | $ 7,451 | |

Amortization expense related to intangible assets for the three months ended September 30, 2008 and 2007 was $17.7 million and $26.3 million, respectively, and $52.0 million and $81.8 million for the nine months ended September 30, 2008 and 2007, respectively. Estimated aggregate amortization expense is expected to be $18.5 million for the remainder of fiscal year 2008. Estimated aggregate amortization expense for fiscal years 2009, 2010, 2011 and 2012 is $66.7 million, $54.7 million, $46.6 million and $30.2 million, respectively.

***Comprehensive Income (Loss)***

Total comprehensive income consisted of the following:

| (in thousands, unaudited) | Three months ended September 30, 2008 | 2007 | Nine months ended September 30, 2008 | 2007 |
|---|---|---|---|---|
| Net income, as reported | $ 25,228 | $ 30,996 | $ 138,183 | $ 102,140 |
| Unrealized (loss) on investments, net of related tax effects | (550) | | (2,019) | |
| Foreign currency translation adjustment | (83,018) | 37,798 | (34,981) | 63,034 |
| Total comprehensive income (loss) | $ (58,340) | $ 68,794 | $ 101,183 | $ 165,174 |

**3. Discontinued Operations**

In April 2007, Invitrogen completed the sale of its BioReliance subsidiary to Avista Capital Partners**.** Additionally, the Company finalized the sale of BioSource Europe, S.A., a diagnostic business located in Belgium, in February 2007.

We have reclassified the consolidated financial statements for all periods presented to reflect BioReliance and BioSource Europe, S.A. as discontinued operations as these businesses meet the criteria as a component of an entity under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, any operating results of these businesses are presented in the Company s Consolidated Statements of Operations as discontinued operations, net of income tax, and all prior periods have been reclassified. The components of discontinued operations for the periods presented were as follows:

| (in thousands, unaudited) | Three months ended September 30, 2008 | 2007 |
|---|---|---|
| Net revenues | $ | $ 15 |
| Cost of revenues | | 8 |
| Gross profit | | 7 |
| Operating expenses | | (2) |
| Non-operating income | | 501 |
| Net income from discontinued operations before income taxes | | 506 |
| Income tax benefit | | |
| Net income from discontinued operations | $ | $ 506 |

| (in thousands, unaudited) | Nine months ended September 30, 2008 | 2007 |
|---|---|---|
| Net revenues | $ | $ 29,962 |
| Cost of revenues | | 22,357 |
| Gross profit | | 7,605 |
| Operating expenses | | (6,309) |
| Non-operating income | 857 | 5,457 |
| Net income from discontinued operations before income taxes | 857 | 6,753 |
| Income tax benefit | 502 | 5,608 |

| | | |
|---|---|---|
| Net income from discontinued operations | $ 1,359 | $ 12,361 |

The net liabilities of discontinued operations include remaining legal and tax liabilities and consisted of the following:

| **(in thousands)** | **September 30, 2008 (unaudited)** | **December 31, 2007** |
|---|---|---|
| Accrued expenses and other current liabilities | $ | $ 2,506 |
| Total liabilities of discontinued operations | $ | $ 2,506 |

**4. Business Combinations and Consolidations Costs**

The Company continues to integrate recent and pending acquisitions into its operations and recorded approximately $14.2 million and $2.3 million for the three months ended September 30, 2008 and 2007, respectively, and $16.1 million and $4.8 million for the nine months ended September 30, 2008 and 2007, respectively, related to these efforts. These expenses relate primarily to integration efforts currently underway related to the Applied Biosystems (AB) acquisition, as well as severance and other costs associated with previous acquisitions and consolidations.

On January 31, 2008, the Company completed the acquisition of CellzDirect, Inc. (CellzDirect), a privately held company based in Research Triangle Park, North Carolina. CellzDirect, founded in 2001, provides hepatocyte-based cell products and related services used in the testing of new drugs. CellzDirect has approximately 99 employees at its sites located in North Carolina and Texas. The Company does not believe this to be a material acquisition. The Company paid cash of approximately $57.3 million to acquire all of the outstanding shares of CellzDirect. The purchase price paid was allocated to identifiable intangible assets of $26.8 million, fair market value adjustment of acquired inventory of $7.9 million and other net assets acquired of $ 4.7 million. As a result of acquired intangible and fair value adjustment of acquired inventory, deferred tax liabilities of $10.6 million and $3.1 million were recorded, respectively. In addition, the Company recorded $3.6 million of deferred tax assets during the first nine months of 2008 related to net operating loss benefit. The excess of the purchase price over the fair values of assets and liabilities acquired of approximately $28.0 million was assigned to goodwill. The intangible assets are being amortized over a period of five to seven years. The fair market value adjustment of acquired inventory will be amortized into the financial statements based on the sales of acquired inventory.

On June 11, 2008, the Company entered into a definitive merger agreement with AB (formerly Applera Corporation), under which the Company will acquire all outstanding shares of AB in a cash and stock transaction initially valued at approximately $6,778 million. On October 28, 2008, the shareholders of Invitrogen and AB approved the merger. The merger agreement provides that AB will merge with and into Atom Acquisition Corporation, an indirect wholly owned subsidiary of Invitrogen, with AB continuing as the surviving corporation and a direct wholly owned subsidiary of Atom Acquisition, LLC and, immediately thereafter, AB will merge into Atom Acquisition, LLC (Atom), as a direct wholly owned subsidary of Invitrogen. Atom will be the surviving corporation. As a result of the merger, AB shareholders will receive $38.00 for each share of AB stock they own in the form of the Company s stock and cash, with the expected split between cash and stock of 45% and 55%, respectively. The total value per share will depend on the 20 day volume-weighted average price of the Company s common stock, for a period ending three business days prior to the close of the transaction which is expected towards the end of 2008. AB shareholders will also have the option to require all cash or all stock, subject to possible proration. Consummation of the merger is subject to customary closing conditions and regulatory approval, including antitrust approval from the European Union. The Company filed the merger agreement with the Securities and Exchange Commission as an Exhibit to a Current Report on Form 8-K on June 16, 2008. For more details on the transaction, refer to this document. As of September 30, 2008, the Company incurred $11.5 million in direct costs such as accounting and legal fees associated with its pending merger with AB currently classified as a long term asset. The Company has also incurred $11.5 million in costs related to pre-merger integration and synergy target related expenses which are included in business combination costs.

On August 29, 2008, the Company completed a cash for stock acquisition of Visigen Biothechnologies, Inc. (Visigen) for a total cash consideration of $21.0 million. Visigen is considered a development stage enterprise, and therefore, the transaction has been accounted for as an asset purchase. For tax purposes, the transaction was treated as a taxable stock acquisition. The Company recorded net assets, including acquired intangibles, and in-process research and development (IPR&D) of $2.1 million and $18.9 million, respectively, in the third quarter of 2008.

**5. Segment Information**

The Company has two reportable segments: BioDiscovery and Cell Systems.

The BioDiscovery (BD) product segment includes molecular biology, cell biology and drug discovery product lines. Molecular biology encompasses products from the initial cloning and manipulation of DNA, to examining RNA levels and regulating gene expression in cells, to capturing, separating and analyzing proteins. These products include the research tools used in reagent and kit form that simplify and improve gene acquisition, gene cloning, gene expression and gene analysis techniques. This segment also includes a full range of enzymes, nucleic acids, other biochemicals and reagents. The Company also offers software that enables the analysis and interpretation of genomic, proteomic and other biomolecular data for application in pharmaceutical, therapeutic and diagnostic development.

The Cell Systems (CS) product segment includes all of our cell culture products and services business. Products include sera, growth factors, cell and tissue culture media used in both life sciences research and to produce biopharmaceuticals and other end products made through cultured cells. Cell System services include the creation of commercially viable stable cell lines and the optimization of production processes used for the production of therapeutic drugs.

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The Company does not have intersegment revenues that are material to the overall consolidated financial statements. In addition, the Company does not currently segregate assets by segment as a majority of the Company s total assets are shared or considered non-segment assets. As a result, the Company has determined it is not useful to assign its shared assets to individual segments.

Segment information was as follows:

| (dollars in thousands) (unaudited) | BioDiscovery | Cell Systems | Corporate and Unallocated [1] | Total |
|---|---|---|---|---|
| **Three Months Ended September 30, 2008** | | | | |
| Revenues from external customers | $ 249,391 | $ 112,305 | $ | $ 361,696 |
| Gross profit | 178,235 | 59,001 | (19,082) | 218,154 |
| Gross margin | 72% | 52% | | 60% |
| Selling and administrative | 80,177 | 31,876 | 6,248 | 118,301 |
| Research and development | 25,905 | 4,607 | 918 | 31,430 |
| Purchased in-process research and development | | | 18,901 | 18,901 |
| Business integration costs | | | 14,176 | 14,176 |
| Operating income (loss) | $ 72,153 | $ 22,518 | $ (59,325) | $ 35,346 |
| Operating margin | 29% | 20% | | 10% |
| **Three Months Ended September 30, 2007** | | | | |
| Revenues from external customers | $ 220,366 | $ 94,593 | $ | $ 314,959 |
| Gross profit | 152,383 | 50,567 | (28,160) | 174,790 |
| Gross margin | 69% | 53% | | 55% |
| Selling and administrative | 72,260 | 25,706 | 6,328 | 104,294 |
| Research and development | 24,141 | 3,424 | 1,006 | 28,571 |
| Purchased in-process research and development | | | | |
| Business integration costs | | | 2,267 | 2,267 |
| Operating income (loss) | $ 55,982 | $ 21,437 | $ (37,761) | $ 39,658 |
| Operating margin | 25% | 23% | | 13% |
| **Nine Months Ended September 30, 2008** | | | | |
| Revenues from external customers | $ 749,743 | $ 329,962 | $ | $ 1,079,705 |
| Gross profit | 541,817 | 176,695 | (56,490) | 662,022 |
| Gross margin | 72% | 54% | | 61% |
| Selling and administrative | 237,142 | 91,854 | 18,566 | 347,562 |
| Research and development | 79,887 | 12,545 | 2,803 | 95,235 |
| Purchased in-process research and development | | | 18,901 | 18,901 |
| Business integration costs | | | 16,090 | 16,090 |
| Operating income (loss) | $ 224,788 | $ 72,296 | (112,850) | $ 184,234 |
| Operating margin | 30% | 22% | | 17% |
| **Nine Months Ended September 30, 2007** | | | | |
| Revenues from external customers | $ 663,193 | $ 282,109 | $ | $ 945,302 |
| Gross profit | 465,866 | 142,483 | (86,683) | 521,666 |

| | | | | |
|---|---|---|---|---|
| Gross margin | 70% | 51% | | 55% |
| Selling and administrative | 215,255 | 74,178 | 19,824 | 309,257 |
| Research and development | 71,361 | 10,109 | 3,150 | 84,620 |
| Purchased in-process research and development | | | | |
| Business integration costs | | | 4,789 | 4,789 |
| Operating income (loss) | 179,250 | 58,196 | (114,446) | 123,000 |
| Operating margin | 27% | 21% | | 13% |

(1) Unallocated items for the three months ended September 30, 2008 and 2007 include noncash charges for purchase accounting inventory revaluations of $0.5 million and $0.5 million, amortization of purchased intangibles of $17.7 million and $26.3 million, purchased in-process research and development of $18.9 million and zero, business consolidation costs of $14.2 million and $2.3 million, and expenses related to share-based payments as a result of the adoption of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payments, of $8.0 million and $8.7 million, respectively. Unallocated items

for the nine months ended September 30, 2008 and 2007 include noncash charges for purchase accounting inventory revaluations of $1.4 million and $0.5 million, amortization of purchased intangibles of $52.0 million and $81.8 million, purchased in-process research and development of $18.9 million and zero, business consolidation costs of $16.1 million and $4.8 million, and expenses related to share-based payments as a result of the adoption of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payments, of $24.5 million and $27.4 million, respectively. These items are not allocated by management for purposes of analyzing the operations since they are principally non-cash or other costs resulting primarily from business restructuring or purchase accounting that are separate from ongoing operations.

**6. Long-Term Debt**

Long-term debt consisted of the following:

| (in thousands) | September 30, 2008 (unaudited) | December 31, 2007 |
|---|---|---|
| 3 1/4% Convertible Senior Notes (principal due 2025) | $ 350,000 | $ 350,000 |
| 1 1/2% Convertible Senior Notes (principal due 2024) | 450,000 | 450,000 |
| 2% Convertible Senior Notes (principal due 2023) | 349,981 | 350,000 |
| Capital leases | 283 | 12 |
| Other | 700 | 812 |
| Total debt | 1,150,964 | 1,150,824 |
| Less current portion | (2) | (124) |
| Total long-term debt | $ 1,150,962 | $ 1,150,700 |

**7. Lines of Credit**

On January 9, 2006, the Company entered into a syndicated $250.0 million senior secured credit facility (the Credit Facility) with Bank of America, N.A. Interest rates on outstanding borrowings are determined by reference to LIBOR or to an alternate base rate, with margins determined based on changes in the Company s leverage ratio. Under the terms of the Credit Facility, the Company may request that the aggregate amount available be increased by $100.0 million of additional financing, subject to certain conditions having been met, including the availability of additional lender commitments. The Credit Facility contains various representations, warranties and affirmative, negative and financial covenants and conditions of default customary for financings of this type. The Company currently anticipates using the proceeds of the Credit Facility for the purpose of general working capital, capital expenditures, acquisitions and/or other capital needs as they may arise. The Credit Facility will terminate and all amounts outstanding under it will be due and payable in full on January 6, 2011. As of September 30, 2008, the available credit is $243.0 million as the Company has issued $7.0 million in letters of credit through the facility.

At September 30, 2008, the Company s foreign subsidiaries in China, Japan, and India had available bank lines of credit denominated in local currency to meet short-term working capital requirements. The credit facilities bear interest at a fixed rate, the People s Bank of China rate, the TIBOR and Mizhuho prime rate. The U.S. dollar equivalent of these facilities totaled $11.9 million, $0.4 million of which was outstanding at September 30, 2008.

The weighted average interest rate of the Company s total lines of credit was 5.1% at September 30, 2008.

As part of the merger agreement entered into with Applied Biosystems in June of 2008, the Company has obtained a confirmed commitment for funding in an aggregate amount of $2.65 billion, consisting of a revolving credit facility of $250 million and term facilities of $2.4 billion. The expected interest rates on the borrowings are determined by reference to LIBOR. Borrowings made from the credit facilities will be used, in part, to fund the cash portion of the consideration paid to holders of Applied Biosystems stock. The remainder of the borrowing will be used to pay for merger transaction costs, to refinance current outstanding indebtedness and to facilitate normal operations. The credit facility contains various representations, warranties and affirmative, negative and financial covenants and conditions of default customary for financings of this type. The funding has been confirmed pending the approval and consummation of the merger agreement entered into with Applied Biosystems.

**8. Commitments and Contingencies**

***Letters of Credit***

The Company had outstanding letters of credit totaling $7.0 million at September 30, 2008, of which $5.0 million was to support liabilities associated with the Company s self-insured worker s compensation programs and $2.0 million was to support its building lease requirements. These liabilities are reflected in other current liabilities and long-term deferred credits and reserves in the consolidated balance sheets at September 30, 2008.

***Executive Employment Agreements***

The Company has employment contracts with key executives that provide for the continuation of salary if terminated for reasons other than cause, as defined in those agreements. At September 30, 2008, future employment contract commitments for such key executives were approximately $18.2 million for the remainder of fiscal year 2008.

***Contingent Acquisition Obligations***

As a result of prior year acquisitions, the Company may have payment obligations based on percentages of future sales of certain products and services through 2010; however, such amount could not be reasonably estimated as of September 30, 2008. The Company will account for any such contingent payments as an addition to the purchase price of the acquired company. The purchase agreements do not limit the payment to a maximum amount. For the nine months ended September 30, 2008, none of the contingent payments have been earned or paid.

***Environmental Liabilities***

The Company assumed certain environmental exposures as a result of the merger with Dexter Corporation in 2000 and recorded reserves to cover estimated environmental clean-up costs. The environmental reserves, which are not discounted, were $6.8 million at September 30, 2008, and include current reserves of $0.8 million, which are estimated to be paid during this fiscal year, and long-term reserves of $6.0 million. In addition, the Company has an insurance policy to cover these assumed environmental exposures. Based upon currently available information, the Company believes that it has adequately provided for these environmental exposures and that the outcome of these matters will not have a material adverse effect on its consolidated results of operations.

***Intellectual Properties***

The Company is involved in various claims and legal proceedings of a nature considered normal to its business, including protection of its owned and licensed intellectual property. The Company accrues for such contingencies when it is probable that a liability is incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or additional information becomes available. Specific royalty liabilities related to acquired businesses have been recorded on the consolidated financial statements at September 30, 2008.

***Litigation***

The Company is subject to potential liabilities under government regulations and various claims and legal actions that are pending or may be asserted. These matters have arisen in the ordinary course and conduct of the Company s business, as well as through acquisitions, and some are expected to be covered, at least partly, by insurance. Claim estimates that are probable and can be reasonably estimated are reflected as liabilities of the Company. The ultimate resolution of these matters is subject to many uncertainties. It is reasonably possible that some of the matters that are pending or may be asserted could be decided unfavorably to the Company. Although the amount of liability at September 30, 2008 with respect to these matters cannot be ascertained, the Company believes that any resulting liability should not materially affect its consolidated financial statements.

**9. Pension Plans and Postretirement Health and Benefit Program**

The Company has several defined benefit pension plans covering its U.S. employees and employees in several foreign countries.

The components of net periodic pension cost for the Company s pension plans and postretirement health and benefit program for the three and nine months ended September 30, 2008 and 2007 were as follows:

| | Domestic Plans | | | |
|---|---|---|---|---|
| | Three months ended September 30, | | Nine months ended September 30, | |
| **(in thousands) (unaudited)** | **2008** | **2007** | **2008** | **2007** |
| Service cost | $ | $ 20 | $ | $ 60 |
| Interest cost | 874 | 842 | 2,622 | 2,519 |
| Expected return on plan assets | (1,076) | (1,059) | (3,228) | (3,066) |

| | | | | |
|---|---|---|---|---|
| Amortization of prior service cost | 60 | 59 | 180 | 179 |
| Amortization of actuarial loss | 204 | 240 | 612 | 856 |
| Net periodic pension cost | $ 62 | $ 102 | $ 186 | $ 548 |

| | Foreign Plans | | | |
|---|---|---|---|---|
| | Three months ended September 30, | | Nine months ended September 30, | |
| (in thousands) (unaudited) | 2008 | 2007 | 2008 | 2007 |
| Service cost | $ 634 | $ 1,195 | $ 1,868 | $ 3,501 |
| Interest cost | 1,331 | 840 | 3,170 | 2,468 |
| Expected return on plan assets | (1,197) | (674) | (2,830) | (1,981) |
| Amortization of actuarial loss | 104 | 151 | 228 | 445 |
| Net periodic pension cost | $ 872 | $ 1,512 | $ 2,436 | $ 4,433 |

**10. Income Taxes**

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

As of September 30, 2008 and December 31, 2007, the total amount of gross unrecognized tax benefits was $33.3 million and $27.8 million, respectively. Of the $33.3 million in unrecognized tax benefits at September 30, 2008, $25.3 million of which would reduce our income tax expense and effective tax rate, if recognized.

In conjunction with the adoption of FIN 48, the Company has classified uncertain tax positions as non-current income tax liabilities unless expected to be paid in one year. The Company s continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company is subject to routine compliance reviews on various tax matters around the world in the ordinary course of business. Currently, audits are occurring in the United States.

**11. Stock Repurchase Program**

In July 2007, the Board approved a program authorizing management to repurchase up to $500 million of common stock over the next three years. Under this plan, the Company repurchased 1.2 million shares at a total cost of approximately $100.0 million during the first nine months of 2008. The amount of stock the company is able to repurchase is also limited by the covenants of the new debt financing associated with the Applied Biosystems merger. The cost of repurchased shares are included in treasury stock and reported as a reduction in stockholders equity.

**ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Unaudited Consolidated Financial Statements and Notes thereto included elsewhere in this report and the Consolidated Financial Statements and Notes thereto included in our annual report on Form 10-K.

**Forward-looking Statements**

Any statements in this Quarterly Report on Form 10-Q about our expectations, beliefs, plans, objectives, prospects, financial condition, assumptions or future events or performance are not historical facts and are forward-looking statements as that term is defined under the Federal Securities Laws. These statements are often, but not always, made through the use of words or phrases such as believe, anticipate, should, intend, plan, will , expects , estimates, projects, positioned, strategy, outlook, and similar words. You should read statements that types of words carefully. Such forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied in such forward-looking statements. There may be events in the future that we are not able to predict accurately or over which we have no control. Potential risks and uncertainties include, but are not limited to, those discussed below under Risk Factors and elsewhere in this Quarterly Report as well as other risks and uncertainties detailed in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 15, 2008. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or uncertainties after the date hereof or to reflect the occurrence of

unanticipated events.

**OVERVIEW**

Revenues for the three and nine months ended September 30, 2008 were $361.7 million and $1,079.7 million, respectively, with income from continuing operations of $25.2 million and $136.8 million, respectively, and net income of $25.2 million and $138.2 million, respectively.

**Our Business and Operating Segments**

We are a leading developer, manufacturer and marketer of research tools in reagent, kit and high throughput application forms to customers engaged in life sciences research, drug discovery, diagnostics and the commercial manufacture of biological products. Additionally, we are a leading supplier of sera, cell and tissue culture media and reagents used in life sciences research, as well as in processes to grow cells in the laboratory and produce pharmaceuticals and other high valued proteins.

We conduct our business through two principal segments:

**BioDiscovery (BD).** Our BD segment includes molecular biology, cell biology and drug discovery product lines. Molecular biology encompasses products from the initial cloning and manipulation of DNA, to examining RNA levels and regulating gene expression in cells, to capturing, separating and analyzing proteins. These include the research tools used in reagent and kit form that simplify and improve gene acquisition, gene cloning, gene expression and gene analysis techniques. This segment also includes a full range of enzymes, nucleic acids, other biochemicals and reagents. These biologics are manufactured to the highest research standards and are matched in a gene specific, validated manner (gene, ORF, RNAi, protein, antibodies, etc.) to ensure researchers the highest purity and scientific relevance for their experimentation. We also offer software through this segment that enables more efficient, accelerated analysis and interpretation of genomic, proteomic and other biomolecular data for application in pharmaceutical, therapeutic and diagnostic development. The acquisitions of Zymed, Caltag, Dynal and BioSource have enhanced our ability to offer new technology and products, such as antibodies and proteins (Zymed, Caltag and BioSource) and magnetic beads used for biological separation (Dynal), which is the first step in almost every biologic investigative or diagnostic process.

**Cell Systems (CS).** Our CS segment includes all of our GIBCO cell culture products and services. Products include sera, cell and tissue culture media, reagents used in both life sciences research and in processes to grow cells in the laboratory and to produce biopharmaceuticals and other end products made through cultured cells. CS services include the creation of commercially viable stable cell lines and the optimization of production processes used for the production of therapeutic drugs.

The principal markets for our products include the life sciences research market and the biopharmaceutical production market. The life sciences research market consists of laboratories generally associated with universities, medical research centers, government institutions and other research institutions as well as biotechnology, pharmaceutical, energy, agricultural and chemical companies. Life sciences researchers use our reagents and informatics to perform a broad range of experiments in the laboratory.

The biopharmaceutical production market consists of biotechnology and pharmaceutical companies that use sera and media for the production of clinical and commercial quantities of biopharmaceuticals and vaccines. The selection of sera and media generally occurs early in the clinical process and continues through commercialization. Other industries consume sera and media for the commercial production of genetically engineered products including food processing and agricultural industries.

**CRITICAL ACCOUNTING POLICIES**

There were no significant changes in critical accounting policies from those at December 31, 2007. The Company adopted SFAS 157, *Fair Value Measurements*, and SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* in the current fiscal year without material impact to the financial statements. For additional information on the recent accounting pronouncements impacting our business, see Note 1 of the Notes to Consolidated Financial Statements.

**Discontinued Operations**

We have classified the consolidated financial statements for all periods presented to reflect BioReliance and BioSource Europe, S.A. as discontinued operations as these businesses meet the criteria as a component of an entity under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Accordingly, any operating results of these businesses are presented in the Company s Consolidated Statements of Operations as discontinued operations, net of income tax, and all prior periods have been reclassified.

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**RESULTS OF OPERATIONS**

**Third Quarter of 2008 Compared to the Third Quarter of 2007**

The following table compares revenues and gross margin by segment for the third quarter of 2008 and 2007:

| (in millions)(unaudited) | Three months ended September 30, 2008 | 2007 | Increase | % Increase |
|---|---|---|---|---|
| BioDiscovery revenues | $ 249.4 | $ 220.4 | $ 29.0 | 13% |
| Cell Systems revenues | 112.3 | 94.6 | 17.7 | 19% |
| Total revenues | $ 361.7 | $ 315.0 | $ 46.7 | 15% |
| BioDiscovery gross margin | 72% | 69% | | |
| Cell Systems gross margin | 52% | 53% | | |
| Total gross margin | 60% | 55% | | |

***Revenues***

The Company s revenues increased by $46.7 million or 15% for the third quarter of 2008 compared to the third quarter of 2007. The increase in revenue was primarily driven by a $24.7 million increase in volume and pricing, $11.3 million of favorable currency impacts, $5.6 million increase in royalty revenue, and $3.8 million due to acquisitions. For details on segment performance, refer to the Segment Results section below.

***Gross Profit***

Gross profit increased $43.4 million or 25% in the third quarter of 2008 compared to the third quarter of 2007. The increase in gross profit was primarily due to a $17.5 million increase in volume and pricing, $8.6 million decrease in purchased intangible assets amortization, $7.9 million in favorable currency impacts, and $5.5 million increase in royalty revenue. Amortization expense related to purchased intangible assets acquired in our business combinations was $17.7 million for the third quarter of 2008 compared to $26.3 million for the third quarter of 2007.

***Operating Expenses***

The following table compares operating expenses by segment for the third quarter of 2008 and 2007:

| *(in millions)(unaudited)* | Three months ended September 30, 2008 Operating expense | 2008 As a percentage of segment revenues | 2007 Operating expense | 2007 As a percentage of segment revenues | $ Increase | % Increase |
|---|---|---|---|---|---|---|
| **BioDiscovery segment:** | | | | | | |
| Sales and marketing | $ 50.5 | 20% | $ 47.0 | 21% | $ 3.5 | 7% |
| General and administrative | 29.7 | 12% | 25.3 | 11% | 4.4 | 17% |
| Research and development | 25.9 | 10% | 24.1 | 11% | 1.8 | 7% |
| **Cell Systems segment:** | | | | | | |
| Sales and marketing | $ 19.0 | 17% | $ 15.5 | 16% | $ 3.5 | 23% |
| General and administrative | 12.9 | 11% | 10.2 | 11% | 2.7 | 26% |
| Research and development | 4.6 | 4% | 3.4 | 4% | 1.2 | 35% |
| **Unallocated[1]:** | | | | | | |
| Sales and marketing | $ 2.2 | | $ 1.4 | | | |
| General and administrative | 4.0 | | 4.9 | | | |
| Research and development | 0.9 | | 1.1 | | | |
| **Consolidated:** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Sales and marketing | $ 71.7 | 20% | $ 63.9 | 20% | $ 7.8 | 12% |
| General and administrative | 46.6 | 13% | 40.4 | 13% | 6.2 | 15% |
| Research and development | 31.4 | 9% | 28.6 | 9% | 2.8 | 10% |

(1) Consists primarily of shared-based compensation expense associated with SFAS 123R. See Note 1 of the Consolidated Financial Statements for additional information.

***Sales and Marketing*.** For the third quarter of 2008, sales and marketing expenses increased $7.8 million or 12% compared to the third quarter of 2007. This increase was driven primarily by increases of $3.6 million in compensation, bonus and benefits, $1.0 million in travel and entertainment expenses, $1.0 million in unfavorable foreign currency impacts, and $0.7 million in share-based compensation.

***General and Administrative.*** For the third quarter of 2008, general and administrative expenses increased $6.2 million or 15% compared to the third quarter of 2007. This increase was driven primarily by a $2.2 million increase in compensation, bonus and benefits and a $4.4 million increase in purchased services.

***Research and Development.*** Research and development expenses for the third quarter of 2008 increased $2.8 million or 10% compared to the third quarter of 2007. This increase was primarily due to a $2.7 million increase in compensation, bonus and benefits.

***In-Process Research and Development.*** In-process research and development expenses for the three months ended September 30, 2008 were $18.9 million compared to none in the third quarter of 2007. See Note 4 of the Consolidated Financial Statements for additional information.

***Business Consolidation Costs.*** These costs are associated with our efforts to acquire companies, realign our business and consolidation of certain facilities. Compared to the same period in prior year, business consolidation costs for the three months ended September 30, 2008, increased by $11.9 million of which $11.5 million was primarily attributable to third party costs associated with Applied Biosystems pre-merger integration efforts and developing synergy target plans. We expect to continue to incur business consolidation costs in 2008 from previous acquisitions and potential future acquisitions.

***Other Income (Expense)***

***Interest Income***

Interest income was $6.3 million for the third quarter of 2008 compared to $7.7 million for the third quarter of 2007. The decrease was due to lower interest rate in the third quarter of 2008, compared to interest rate in the third quarter of 2007.

Interest income in the future will be affected by changes in short-term interest rates and changes in cash balances, which may materially increase or decrease as a result of acquisitions and other financing activities.

***Interest Expense***

Interest expense remained constant at $6.9 million for the third quarter of 2008 and 2007. The majority of the Company s interest expense is derived from its convertible notes with fixed interest rates.

***Provision for Income Taxes***

The provision for income taxes as a percentage of pre-tax income from continuing operations was 26.1% for the third quarter of 2008 compared with 27.3% for the third quarter of 2007. The decrease in the effective tax rate was attributable to the increase in integration costs, release of a prior year valuation allowance, offset by the nondeductible write-off of in-process research and development related to the Visigen acquisition, and the loss of the federal research and development tax credit, which expired at the end of 2007. The federal research and development tax credit has since been re-enacted in October 2008 and the benefit will be realized in the fourth quarter.

**Segment Results for the Third Quarter of 2008 Compared to the Third Quarter of 2007**

**BioDiscovery Segment.** BioDiscovery revenues for the third quarter of 2008 increased by $29.0 million or 13% compared to the third quarter of 2007. The increase was primarily due to a $14.4 million increase in volume and pricing especially in drug discovery sciences, molecular biology and cellular analysis products, an $8.1 million favorable currency translation, and a $5.6 million increase in royalty revenue. BioDiscovery gross margin increased by 3 percentage points to 72% mainly due to product pricing and sales volume increases and higher royalty revenue. In line with the increase in gross margin, BioDiscovery operating margin as a percentage of sales for the third quarter of 2008 increased to 29% from 25% in the third quarter of 2007.

**Cell Systems Segment.** Cell Systems revenues for the third quarter of 2008 increased by $17.7 million or 19% compared to the third quarter of 2007. The increase was primarily due to a $9.8 million increase in volume and price, $3.8 million related to acquisitions, and $3.2 million in favorable currency translation. Cell Systems gross margin for the third quarter of 2008 declined 1% to 52% compared to the third quarter of 2007. This decrease was primarily attributable to higher revenue mix of lower margin product offset slightly by currency benefits. Cell Systems operating margin decreased by 3 percentage points to 20% for the third quarter of 2008 compared to the third quarter of 2007. Increases in selling and marketing expenses as a percentage of revenue contributed to the decrease in operating margin.

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**First Nine Months of 2008 compared to First Nine Months of 2007**

The following table compares revenues and gross margin by segment for the first nine months of 2008 and 2007:

| (in millions)(unaudited) | Nine months ended September 30, 2008 | 2007 | Increase | % Increase |
|---|---|---|---|---|
| BioDiscovery revenues | $ 749.7 | $ 663.2 | $ 86.5 | 13% |
| Cell Systems revenues | 330.0 | 282.1 | 47.9 | 17% |
| Total revenues | $ 1,079.7 | $ 945.3 | $ 134.4 | 14% |
| BioDiscovery gross margin | 72% | 70% | | |
| Cell Systems gross margin | 54% | 51% | | |
| Total gross margin | 61% | 55% | | |

***Revenues***

Revenues increased by $134.4 million or 14% for the first nine months of 2008 compared to the first nine months of 2007. Foreign currency translation increased revenues by $52.5 million. Increase in volume and price, acquisition, and royalty revenue accounted for $66.9 million, $11.6 million, and $3.4 million of the increase in revenue over the prior year, respectively. See Segment Results below for further information.

***Gross Profit***

Gross profit increased by $140.4 million or 27% for the first nine months of 2008 compared to the first nine months of 2007. The increase in gross profit was primarily driven by $51.2 million in increased volume and pricing, $36.7 million in favorable foreign currency impacts, $9.8 million in favorable product mix, $7.7 million as a result of acquisition, $3.6 million in increased royalty revenue and $29.8 million in decreased purchased intangible amortization, respectively. Amortization expense related to purchased intangible assets acquired in our business combinations was $52.0 million for the first nine months of 2008 compared to $81.8 million for the first nine months of 2007.

***Operating Expenses***

The following table compares operating expenses by segment for the first nine months of 2008 and 2007:

| | Nine months ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2008 | | 2007 | | | |
| *(in millions)(unaudited)* | Operating expense | As a percentage of segment revenues | Operating expense | As a percentage of segment revenues | $ Increase | % Increase |
| **BioDiscovery segment:** | | | | | | |
| Sales and marketing | $ 153.2 | 20% | $ 134.9 | 20% | $ 18.3 | 14% |
| General and administrative | 83.9 | 11% | 80.3 | 12% | 3.6 | 5% |
| Research and development | 79.9 | 11% | 71.4 | 11% | 8.5 | 12% |
| **Cell Systems segment:** | | | | | | |
| Sales and marketing | $ 56.2 | 17% | $ 44.0 | 16% | $ 12.2 | 28% |
| General and administrative | 35.6 | 11% | 30.2 | 11% | 5.4 | 18% |
| Research and development | 12.5 | 4% | 10.1 | 4% | 2.4 | 24% |
| **Unallocated[(1)]:** | | | | | | |
| Sales and marketing | $ 5.9 | | $ 4.6 | | | |
| General and administrative | 12.7 | | 15.2 | | | |
| Research and development | 2.8 | | 3.2 | | | |
| **Consolidated:** | | | | | | |
| Sales and marketing | $ 215.3 | 20% | $ 183.5 | 19% | $ 31.8 | 17% |
| General and administrative | 132.2 | 12% | 125.7 | 13% | 6.5 | 5% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Research and development | 95.2 | 9% | 84.7 | 9% | 10.5 | 12% |

(1) Consists primarily of shared-based compensation expense associated with FAS 123R. See Note 1 of the Condensed Consolidated Financial Statements for additional information.

***Sales and Marketing*.** For the first nine months of 2008, sales and marketing expenses increased by $31.8 million or 17% compared to the first nine months of 2007. This increase was primarily driven by a $13.6 million increase in compensation, bonus and commission expenses, $5.7 million due to unfavorable foreign currency impacts, a $3.4 million increase in travel and meetings expenses, $3.3 million of additional overhead expense, and a $2.0 million increase in recruitment and relocation expenses.

***General and Administrative*.** For the first nine months of 2008, general and administrative expenses increased by $6.5 million or 5% compared to the first nine months of 2007 primarily due to an $8.1 million increase in compensation and bonus expenses, offset by a decrease of $2.5 million in stock-based compensation.

***Research and Development*.** Research and development expenses for the first nine months of 2008 increased by $10.5 million or 12% compared to the first nine months of 2007. This increase was primarily driven by a $5.9 million increase in compensation and bonus, a $3.4 million increase in supplies expense, and a $1.0 million increase in recruitment and relocation expenses.

***In-Process Research and Development*.** In-process research and development expenses for the nine months ended September 30, 2008 were $18.9 million compared to none in the first nine months of 2007. See Note 4 of the Consolidated Financial Statements for additional information.

***Business Consolidation Costs*.** These costs are associated with our efforts to acquire companies, realign our business and consolidation of certain facilities. Compared to the same period in prior year, business consolidation costs for the nine months ended September 30, 2008, increased by $11.3 million was primarily attributable to $11.5 million in third party costs associated with Applied Biosystems pre-merger integration efforts and developing synergy target plans. We expect to continue to incur business consolidation costs in 2008 from previous acquisitions and potential future acquisitions.

***Other Income (Expense)***

***Interest Income*.** Interest income was $20.5 million for the first nine months of 2008, compared to $19.6 million for the first nine months of 2007. The increase in average cash balance year over year was the primary driver for the increase.

Interest income in the future will be affected by changes in short-term interest rates and changes in cash balances, which may materially increase or decrease as a result of acquisitions and other financing activities.

***Interest Expense*.** Interest expense was $20.6 million for the first nine months of 2008 compared to $21.1 million for the first nine months of 2007. The decrease in interest expense was primarily due to the decrease in fees related to the unused portion of the Company s revolving credit line.

***Provision for Income Taxes***

The provision for income taxes as a percentage of pre-tax income from continuing operations was 26.0% for the first nine months of 2008 compared with 27.1% for the first nine months of 2007. The decrease in the effective tax rate was attributable to the conclusion of the bilateral Advance Pricing Agreement between the United States and Japan, release of a prior year valuation allowance, and a reduction of employee stock options and purchase plans expenses that are treated as non-deductible under SFAS 123R, offset by the nondeductible write-off of in-process research and development related to the Visigen acquisition, and the loss of the federal research and development tax credit, which expired at the end of 2007. The federal research and development tax credit has since been re-enacted in October 2008 and the benefit will be realized in the fourth quarter.

**Segment Results for the First Nine months of 2008 Compared to the First Nine months of 2007**

**BioDiscovery Segment.** BioDiscovery revenues for the first nine months of 2008 increased by $86.5 million or 13% compared to the first nine months of 2007. This increase was primarily driven a by $47.0 million increase in volume and pricing, a $36.0 million in favorable foreign currency translation, and a $3.5 million increase in royalty revenue. BioDiscovery gross margin for the first nine months of 2008 increased by 2% to 72% compared to the first nine months of 2007. BioDiscovery operating margin was 30% for the first nine months of 2008 compared to 27% for the first nine months of 2007. BioDiscovery operating margin increased slightly higher than its gross margin as a result of a slight reduction in general and administration expenses as a percentage of revenue.

**Cell Systems Segment.** Cell Systems revenues for the first nine months of 2008 increased by $47.9 million or 17% compared to the first nine months of 2007. This increase was primarily driven by a $19.8 million increase in volume and pricing, favorable currency translation of $16.5 million, and $11.6 million due to acquisitions. Cell Systems gross margin for the first nine months of 2008 increased by 3% to 54% compared to the first nine months of 2007. The increase was mainly driven by increased sales volume, favorable foreign currency impacts, and increased

sales as a result of acquisitions. Cell Systems operating margin increased by 1% to 22% for the first nine months of 2008 compared to the first nine months of 2007. Cell Systems operating margin increased by a slower pace compared to gross margin due to an increase in selling and marketing expenses as a percentage of revenue.

**LIQUIDITY AND CAPITAL RESOURCES**

Cash and cash equivalents were $673.1 million at September 30, 2008, an increase of $66.9 million from December 31, 2007 primarily due to cash provided by operating activities of $234.5 million offset by cash used in investing activities of $109.3 million, cash used in financing activities of $43.1 million and a decline of $15.2 million in the US dollar value of cash at our foreign subsidiaries. Cash flow from discontinued operations is included in the Consolidated Statements of Cash Flows.

Operating activities provided net cash of $234.5 million through the third quarter of 2008 primarily from our net income of $138.2 million plus net noncash charges of $129.7 million, partially offset by a decrease in cash from operating assets and liabilities of $33.4 million. The decrease in cash within operating assets and liabilities was mainly due to a $21.7 million increase in inventories, an $11.6 million net decrease in income taxes liabilities, and an $8.1 million decrease in accrued expenses and other liabilities, partially offset by an $11.7 million increase in accounts payable.

As a result of working capital improvement programs, we expect to utilize our working capital more efficiently in the future resulting in higher inventory turnover and lower days sales outstanding. Our working capital factors, such as inventory turnover and days sales outstanding are seasonal, and on an interim basis during the year, may require an influx of short-term working capital.

On January 9, 2006, we entered into a syndicated $250.0 million senior secured credit facility (the Credit Facility) with Bank of America, N.A. Interest rates on outstanding borrowings are determined by reference to LIBOR or to an alternate base rate, with margins determined based on changes in our leverage ratio. Under the terms of the Credit Facility, we may request that the aggregate amount available be increased by $100.0 million of additional financing, subject to certain conditions having been met, including the availability of additional lender commitments. The Credit Facility contains various representations, warranties, affirmative, negative and financial covenants, and conditions of default customary for financings of this type. We currently anticipate using the proceeds of the Credit Facility for the purpose of general working capital and capital expenditures, and the Credit Facility will terminate and all amounts outstanding under it will be due and payable in full on January 6, 2011. As of September 30, 2008, the available credit was $243.0 million as the Company has issued $7.0 million in letters of credit through the facility. See Note 7 of the Notes to Consolidated Financial Statements.

As of September 30, 2008, several of the Company s foreign subsidiaries had available bank lines of credit denominated in local currency to meet short-term working capital requirements. The U.S. dollar equivalent of these facilities totaled $11.9 million, of which $0.4 million was outstanding at September 30, 2008.

At September 30, 2008 the Company held $32.3 million in AAA rated auction rate securities. Auction rate securities are collateralized long-term debt instruments that provide liquidity through a Dutch auction process that resets the applicable interest rate at pre-determined intervals, typically every 7 to 35 days. Beginning in February 2008, auctions failed for the Company s holdings because sell orders exceeded buy orders. The funds associated with these failed auctions will not be accessible until the issuer calls the security, a successful auction occurs, a buyer is found outside of the auction process, or the security matures. The underlying assets of the auction rate securities we hold, including the securities for which auctions have failed, are student loans which are guaranteed by the U.S. government under the Federal Education Loan Program. The Company does not believe the carrying values of these municipal auction rate securities are permanently impaired and believe the positions will be liquidated without any significant loss.

On August 8, 2008, UBS announced that it has agreed to a settlement in principle with the SEC and other state regulatory agencies represented by North American Securities Administrators Association to restore liquidity to all remaining clients who hold auction rate securities. At a future date, all UBS clients holding auction rate securities who have immediate liquidity needs and have entered into a settlement agreement with UBS can obtain loans at no cost for up to the par value of their auction rate securities holdings. The Company believes it will be able to avail themselves of this relief beginning June 30, 2010, however, but has not entered into a settlement agreement with UBS. As a result, the Company believes liquidity concerns associated with auction rate securities are not significant.

As part of the merger agreement entered into with Applied Biosystems in June of 2008, the Company has obtained a confirmed commitment for funding in an aggregate amount of $2.65 billion, consisting of a revolving credit facility of $250 million and term facilities of $2.4 billion. The expected interest rates on the borrowings are determined by reference to LIBOR. Borrowings made from the credit facilities will be used, in part, to fund the cash portion of the consideration paid to holders of Applied Biosystems stock. The remainder of the borrowing will be used to pay for merger transaction costs, to refinance current outstanding indebtedness and to facilitate normal operations. The credit facility contains various representations, warranties and affirmative, negative and financial covenants and conditions of default customary for financings of this type. The financing commitment surrounding this debt financing has been confirmed and the ultimate funding is pending the approval and consummation of the merger agreement entered into with Applied Biosystems, which is expected to occur towards the end of 2008.

We believe our current cash and cash equivalents, investments, cash provided by operations and interest income earned thereon and cash available from bank loans and lines of credit will satisfy our working capital requirements for the foreseeable future. Our future capital requirements and the adequacy of our available funds will depend on many factors, including future business

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acquisitions, future stock or note repayment or repurchases, scientific progress in our research and development programs and the magnitude of those programs, our ability to establish collaborative and licensing arrangements, the cost involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and competing technological and market developments. In light of the current market conditions surrounding the credit market, the risk of the inability to obtain credit in the market is a potential risk. We believe that our positive cash flow generation and secured financing arrangements allow the company to mitigate this risk and ensures the company has the necessary working capital requirements to fund continued operations.

We intend to continue our strategic investment activities in new product development, in-licensing technologies and acquisitions that support our BioDiscovery and Cell Systems platforms. In the event additional funding needs arise, we may obtain cash through new debt or stock issuance, or a combination of sources.

**CONTRACTUAL OBLIGATIONS**

Except for Amendment No. 1 to the Agreement and Plan of Merger to acquire Applied Biosystems Inc., as disclosed in Note 4 and filed with the Securities and Exchange Commission as an Exhibit to a Current Report on Form 8-K on September 10, 2008, we did not enter into any material contractual obligations during the three months ended September 30, 2008. We have no material contractual obligations not fully recorded on our Consolidated Balance Sheets or fully disclosed in the Notes to our Consolidated Financial Statements. We have no off-balance sheet arrangements as defined in S-K 303(a)(4)(ii). See Note 8 to our Consolidated Financial Statements.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk related to changes in foreign currency exchange rates, commodity prices and interest rates, and we selectively use financial instruments to manage these risks. We do not enter into financial instruments for speculation or trading purposes. These financial exposures are monitored and managed by us as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce potentially adverse effects on our results.

**Foreign Currency Transactions**

We have operations in the Americas, Europe and Asia-Pacific. As a result, our financial position, results of operations and cash flows can be affected by fluctuations in foreign currency exchange rates. Many of our reporting entities conduct a portion of their business in currencies other than the entity s functional currency. These transactions give rise to receivables and payables that are denominated in currencies other than the entity s functional currency. The value of these receivables and payables is subject to changes in exchange rates because they may become worth more or less than they were worth at the time we entered into the transaction due to changes in exchange rates. Both realized and unrealized gains or losses on the value of these receivables and payables are included in the determination of net income. Realized and unrealized gains or losses on the value of financial contracts entered into to hedge the exchange rate exposure of these receivables and payables are also included in the determination of net income. The net currency exchange gain recognized on business transactions, net of hedging transactions, was $1.9 million for the nine months ended September 30, 2008 and is included in other income (expense) in the Consolidated Statements of Operations.

Our currency exposures vary, but are primarily concentrated in the euro, British pound sterling, Norwegian kroner and Japanese yen. Historically, we have used foreign currency forward contracts to mitigate foreign currency risk on foreign currency receivables and payables. At September 30, 2008, we had $63.6 million in foreign currency forward contracts outstanding to hedge currency risk on specific receivables and payables. These contracts, which all settle in October 2008, effectively fix the exchange rate at which these specific receivables and payables will be settled, so that gains or losses on the forward contracts offset the losses or gains from changes in the value of the underlying receivables and payables.

In addition to hedging the value of our foreign currency receivables and payables, our foreign currency-hedging program includes hedging of forecasted foreign currency cash flows. The increase or decrease in value of forward contracts to hedge forecasted foreign currency cash flows prior to their maturity are accounted for as cash flow hedges and recorded in other comprehensive income in the Consolidated Balance Sheets. To the extent any portion of the forward contracts is determined to not be an effective hedge, the increase or decrease in value prior to the maturity are recorded in other income (expense) in the Consolidated Statements of Operations. At September 30, 2008, we did not have any outstanding forward contracts to hedge forecasted foreign currency cash flows.

**Commodity Prices**

Our exposure to commodity price changes relates to certain manufacturing operations that utilize certain commodities as raw materials. We manage our exposure to changes in those prices primarily through our procurement and sales practices.

**Interest Rates**

Our investment portfolio is maintained in accordance with our investment policy that defines allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer. The fair value of our cash equivalents and marketable securities is subject to change as a result of changes in market interest rates and investment risk related to the issuers credit worthiness. We do not utilize financial contracts to manage our exposure in our investment portfolio to changes in interest rates. At September 30, 2008, we had $708.1 million in cash, cash equivalents, fixed income instruments and marketable securities, all of which are stated at fair value. Changes in market interest rates would not be expected to have a material impact on the fair value of $705.3 million of our cash, cash equivalents and auction rate securities at September 30, 2008, as these securities continually reset to market interest rates on a short term basis. A 100 basis point increase or decrease in interest rates would decrease or increase, respectively, the remaining $2.8 million of our investments by an immaterial amount. While changes in interest rates may affect the fair value of our investment portfolio, any gains or losses will not be recognized in our Statement of Operations until the investment is sold or if the reduction in fair value was determined to be an other than a temporary impairment.

**ITEM 4. Controls and Procedures**

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act in 1934, as amended (the Exchange Act) that are designed to ensure that information required to be disclosed in the Company s reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including the Company s Principal Executive Officer and Principal Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

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As of the end of the period covered by this report (the Evaluation Date), an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of the Evaluation Date was carried out under the supervision and with the participation of the Company s management, including the Company s Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that the Company s disclosure controls and procedures were effective at the reasonable assurance level as of the Evaluation Date.

In addition, the Principal Executive Officer and Principal Financial Officer have concluded that there have been no changes to the Company s internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

We are engaged in various legal actions arising in the ordinary course of our business and believe that the ultimate outcome of these actions will not have a material adverse effect on our business or financial condition.

**ITEM 1A. Risk Factors**

There are no material changes from risk factors disclosed in our Form 10-K for the year ended December 31, 2007, as filed on February 15, 2008, except as provided for below.

**Risks Related to the Merger with Applied Biosystems**

***We may not realize all of the anticipated benefits of the transaction.***

To be successful after the merger, Invitrogen and ABI will need to combine and integrate the operations of their separate companies. The combination of two independent companies is a complex, costly and time-consuming process. As a result, the combined company will be required to devote significant management attention and resources to integrating the diverse business practices and operations of Invitrogen and ABI. The integration process may divert the attention of Invitrogen s and ABI s executive officers and management from day-to-day operations and disrupt the business of either or both of the companies and, if implemented ineffectively, preclude realization of the full benefits of the transaction expected by Invitrogen and ABI. Invitrogen has not previously completed a merger or acquisition comparable in size or scope to the transaction. The failure of the combined company to meet the challenges involved in integrating successfully the operations of Invitrogen and ABI or otherwise to realize any of the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, the activities of the combined company and could seriously harm its results of operations. In addition, the overall integration of the two companies may result in unanticipated problems, expenses, liabilities, competitive responses, loss of customer relationships, and diversion of management s attention, and may cause the combined company s stock price to decline. The difficulties of combining the operations of the companies include, among others:

- maintaining employee morale and retaining key employees;
- preserving important strategic and customer relationships;
- unanticipated issues in integrating information, communications and other systems;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating marketing functions;

unanticipated incompatibility of logistics, marketing and administration methods;

integrating the business cultures of both companies;

the diversion of management s attention from ongoing business concerns; and

coordinating geographically separate organizations.

In addition, even if the operations of Invitrogen and ABI are integrated successfully, the combined company may not fully realize the expected benefits of the transaction, including the synergies, cost savings, or sales or growth opportunities. These benefits may not be achieved within the anticipated time frame, or at all. Further, because the businesses of Invitrogen and ABI differ, the results of operations of the combined company and the market price of Invitrogen common stock may be affected after the transaction by factors different from those affecting the shares of Invitrogen common stock and Applied Biosystems stock currently, and may suffer as a result of the transaction. As a result, Invitrogen and ABI cannot assure you that the combination of ABI with Invitrogen will result in the realization of the full benefits anticipated from the transaction.

***If we are unable to finance the merger through existing cash balances and borrowings from the proposed credit facilities, the completion of the merger will be jeopardized.***

Invitrogen intends to finance the cash portion of the merger consideration primarily with the Credit Facilities, existing cash balances of Invitrogen and ABI and cash flow from operations. Although Invitrogen has entered into a financing commitment letter with Bank of America, BAS, UBS Finance, UBS and MSSF, or the Commitment Parties, the financing commitment letter includes certain customary conditions to funding, including, without limitation, receipt of requisite approvals and satisfaction of the conditions to closing of the merger as set forth in the merger agreement. In the event that these conditions are not satisfied or the funding of the Credit Facilities does not occur for any other reason and Invitrogen is unable to finance the merger, but is still obligated to complete the merger, Invitrogen may have to adopt one or more alternatives, such as selling assets or restructuring debt, which may adversely affect Invitrogen s business, financial condition and results of operations. In addition, it may be difficult for Invitrogen to access existing cash balances at Invitrogen s or ABI s foreign subsidiaries because of regulatory restrictions under foreign law and adverse tax consequences. Financing alternatives may not be available on acceptable terms, in a timely manner or at all. If other financing becomes necessary and Invitrogen is unable to secure such additional financing, the completion of the merger will be jeopardized and Invitrogen could be in breach of the merger agreement.

***The issuance of shares of Invitrogen common stock to Applied Biosystems stockholders in the merger will substantially reduce the percentage ownership interests of current Invitrogen stockholders.***

If the transaction is completed, Invitrogen and ABI expect that, based on shares of Applied Biosystems stock and ABI s equity-based incentive awards outstanding as of June 11, 2008, and assuming merger consideration of $38.00 in value for each share of Applied Biosystems stock, Invitrogen will pay between $3.0 billion and $3.2 billion in cash and issue approximately 80 million shares of Invitrogen common stock in the merger. Holders of Applied Biosystems stock are expected to own approximately 45% of the shares of Invitrogen common stock outstanding after the merger. Invitrogen stockholders will continue to own their existing shares of Invitrogen common stock, which will not be affected by the merger, other than by the dilution resulting from the issuance of Invitrogen common stock in the merger. The issuance of approximately 80 million shares of Invitrogen common stock to holders of Applied Biosystems stock and holders of ABI s equity-based incentive awards will cause a significant reduction in the relative percentage interests of current Invitrogen stockholders in earnings, voting, liquidation value and book and market value.

***Some of the conditions to the merger may be waived by Invitrogen or ABI without resoliciting stockholder approval of the merger agreement.***

Some of the conditions set forth in the merger agreement may be waived by Invitrogen or ABI, subject to the agreement of the other party in specific cases. See The Merger Agreement Conditions to Completion of the Merger. If any conditions are waived, Invitrogen and ABI will evaluate whether amendment of this joint proxy statement/prospectus and resolicitation of proxies is warranted. In the event that the board of directors of Invitrogen or ABI determines that resolicitation of stockholders is not warranted, the applicable company will have the discretion to complete the transaction without seeking further stockholder approval.

***Provisions of the merger agreement may deter alternative business combinations.***

Restrictions in the merger agreement on solicitation generally prohibit Invitrogen and ABI from soliciting any acquisition proposal or offer for a merger or business combination with any other party, including a proposal that might be advantageous to the stockholders of Invitrogen or ABI when compared to the terms and conditions of the merger described in this joint proxy statement/prospectus. In addition, if the merger agreement is terminated, under certain specified circumstances, Invitrogen or ABI could be required to pay the other a termination fee of $150 million. These provisions may deter third parties from proposing or pursuing alternative business combinations that might result in greater value to holders of Invitrogen common stock or holders of Applied Biosystems stock than the transaction.

***Provisions of the merger agreement for the payment of a termination fee could negatively affect the stock prices of Invitrogen common stock and Applied Biosystems stock if the merger agreement is terminated in certain circumstances.***

In the event the merger is terminated by Invitrogen or ABI in circumstances that obligate either party to pay the termination fee to the other party, including if either party terminates the merger agreement because the other party s board of directors withdraws its support of the merger, the trading price of Invitrogen s common stock and/or Applied Biosystems stock may decline.

***Directors and executive officers of ABI have interests in the transaction that may be different from, or in addition to, the interests of Applied Biosystems stockholders.***

In considering the recommendation of ABI s board of directors, Applied Biosystems stockholders should be aware that ABI s directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Applied Biosystems stockholders generally. These interests and arrangements may create potential conflicts of interest.

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These interests and arrangements include:

- change-in-control severance agreements with ABI s current executive officers that provide for, among other things, severance benefits in the event of certain qualifying terminations of employment in connection with or following the merger;
- vesting of all unvested equity awards, including those held by ABI s directors and executive officers;
- vesting and conversion into Applied Biosystems stock of all unvested restricted stock units;
- accelerated payment of awards under ABI s Performance Unit Bonus Plan;
- continued service on Invitrogen s board of directors by three of ABI s directors and the appointment of Mark. P. Stevenson as President and Chief Operating Officer of Invitrogen; and
- continued indemnification and insurance coverage as required under the merger agreement.

As a result of these interests, directors and officers of ABI could be more likely to vote, and, in the case of directors, recommend to stockholders that they vote, to adopt the merger agreement and approve the merger than if they did not hold these interests and may have reasons for doing so that are not the same as the interests of other Applied Biosystems stockholders. For a full description of the interests of directors and executive officers of ABI in the merger, see The Merger Interests of ABI s Directors and Executive Officers in the Merger.

***The merger is subject to waiting periods and the receipt of consents and approvals from, or challenge by, various governmental entities that may impose conditions on, jeopardize or delay consummation of, or reduce the anticipated benefits of, the merger.***

Completion of the merger is conditioned upon the receipt of any material governmental consents and approvals, including (1) the review of transactions related to the merger by the DOJ and the FTC, and the expiration or termination of the applicable statutory waiting period, and any extension thereof, under the HSR Act, which expired at 11:59 p.m. on July 28, 2008, and (2) the expiration or termination of the applicable waiting period under the ECMR, as well as the approval of competition regulatory authorities in several other countries.

At any time before or after the effective time of the merger, the DOJ, the FTC or others (including states and private parties) could take action under the applicable antitrust laws, including seeking to prevent the merger, to rescind the merger or to conditionally approve the merger upon the divestiture of assets. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if a challenge is made, that it would not be successful.

These consents and approvals may impose conditions on, or require divestitures relating to, the divisions, operations or assets of Invitrogen or ABI that could have an adverse effect on Invitrogen, ABI or the combined company. These conditions or divestitures may jeopardize or delay completion of the merger or may reduce the anticipated benefits of the merger. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to closing will be satisfied. In addition, if all required consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the approvals or that they will satisfy the terms of the merger agreement.

***Whether or not the merger is consummated, the announcement and pendency of the merger could cause disruptions in the businesses of Invitrogen and ABI, which could have an adverse effect on their businesses and financial results.***

Whether or not the merger is consummated, the announcement and pendency of the merger could cause disruptions in or otherwise negatively affect the businesses of Invitrogen and ABI. Among other things:

- the business combination of Invitrogen and ABI may disrupt the respective companies business relationships with current customers, who may delay or defer decisions about current and future agreements with Invitrogen and ABI because of the pending merger;

- current and prospective employees of Invitrogen and ABI may experience uncertainty about their future roles with the combined company, which might adversely affect Invitrogen s and ABI s ability to retain key managers and other employees; and

- the attention of management of each of Invitrogen and ABI may be directed from business operations toward the consummation of the merger.

These disruptions could be exacerbated by a delay in the consummation of the merger or termination of the merger agreement and could have an adverse effect on the respective businesses and financial results of Invitrogen and ABI if the merger is not consummated or of the combined company if the merger is consummated.

***If the merger is not consummated, Invitrogen and ABI will have incurred substantial costs that may adversely affect Invitrogen s and ABI s financial results and operations and the market price of Invitrogen common stock and Applied Biosystems stock.***

Invitrogen and ABI have incurred and will continue to incur substantial costs in connection with the proposed merger. These costs are primarily associated with the fees of their respective financial advisors, accountants and attorneys. In addition, Invitrogen and ABI have each diverted significant management resources in an effort to consummate the merger and are each subject to restrictions contained in the merger agreement on the conduct of their businesses. If the merger is not consummated, Invitrogen and ABI will have incurred significant costs, including the diversion of management resources, from which they will have received little or no benefit. Also, if the merger is not consummated under certain circumstances specified in the merger agreement, Invitrogen or ABI may be required to pay the other party a termination fee of $150 million.

In addition, if the merger is not consummated, Invitrogen and ABI may experience negative reactions from the financial markets and Invitrogen s and ABI s collaborative partners, customers and employees. Each of these factors may adversely affect the trading price of Invitrogen s common stock and Applied Biosystems stock and/or Invitrogen s and ABI s financial results and operations.

***If the merger does not qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the receipt of Invitrogen common stock as consideration for the merger may be taxable to holders of Applied Biosystems stock.***

If the merger does not qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, each U.S. holder of Applied Biosystems stock will recognize gain or loss with respect to each share of Applied Biosystems stock that it exchanges in the merger equal to the difference, if any, between (1) the sum of any cash received (including cash received in lieu of a fractional share of Invitrogen common stock) and the fair market value, as of the effective time of the merger, of the shares of Invitrogen common stock received by such holder in the exchange and (2) such holder s tax basis in the shares of Applied Biosystems stock exchanged for shares of Invitrogen common stock. In such event, the U.S. holder s aggregate tax basis in the shares of Invitrogen common stock so received will equal their fair market value as of the effective time of the merger, and such holder s holding period for such shares will begin the day after the merger. The merger may not qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code depending on the trading price of Invitrogen common stock at the time of the merger. On June 10, 2008, the last trading day before the execution date of the merger agreement, Invitrogen common stock closed at $43.69 per share, as reported on NASDAQ. From June 12, 2008, the day of the announcement of the proposed merger, through September 5, 2008, the last date for which share price information was included in the joint proxy statement/prospectus, the trading price of Invitrogen common stock ranged from a closing high of $44.35 per share to a closing low of $36.73 per share. From September 8, 2008 through October 28, 2008, the trading price of Invitrogen Common stock ranged from a closing high of $41.53 per share to a closing low of $23.26 per share. We believe the recent prices for Invitrogen common stock have been significantly affected by the overall conditions in the stock market and the decline in stock prices generally.

***Adverse conditions in the global economy and disruption of financial markets could negatively impact our customers and therefore our results of operations.***

An economic downturn in the businesses or geographic areas in which we sell our products could reduce demand for these products and result in a decrease in sales volume that could have a negative impact on our results of operations. Volatility and disruption of financial markets could limit our customers ability to obtain adequate financing or credit to purchase and pay for our products in a timely manner, or to maintain operations, and result in a decrease in sales volume that could have a negative impact on our results of operations. Additionally, economic conditions and market turbulence may also impact our suppliers causing them to be unable to supply in a timely manner sufficient quantities of product components, thereby impairing our ability to manufacture on schedule and at commercially reasonable costs.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

a) None.

b) None.

c) None.

| Period | Total Number of Shares (or Units) purchased | Average Price Paid per Share | Approximate Dollar Value of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| July 1 July 31 | | $ | $ | $ 265,015,297 |
| August 1 August 31 | | $ | $ | $ 265,015,297 |
| September 1 September 30 | | $ | $ | $ 265,015,297 |
| Total | | $ | $ | $ 265,015,297 |

**ITEM 3. Defaults Upon Senior Securities**

None.

**ITEM 4. Submission of Matters to a Vote of Security Holders**

a) None.

b) None.

c) None.

d) None.

**ITEM 5. Other Information**
None.

**ITEM 6. Exhibits and Reports on Form 8-K**
Exhibits: For a list of exhibits filed with this report, refer to the Index to Exhibits.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**INVITROGEN CORPORATION**

Date: October 30, 2008

By: /s/ David F. Hoffmeister
David F. Hoffmeister

Chief Financial Officer

(Principal Financial Officer and Authorized Signatory)

**INDEX TO EXHIBITS**

| EXHIBIT NUMBER | DESCRIPTION OF DOCUMENT |
|---|---|
| 3.1 | Restated Certificate of Incorporation of Invitrogen, as amended.(1) |
| 3.2 | Amended and Restated Bylaws of Invitrogen.(2) |
| 3.3 | Certificate of Correction to the Restated Certificate of Incorporation of Invitrogen, dated February 21, 2001.(3) |
| 4.1 | Specimen Common Stock Certificate.(4) |
| 4.2 | 5 1/2% Convertible Subordinated Notes Due 2007, Registration Rights Agreement, by and among Invitrogen, and Donaldson, Lufkin & Jenrette Securities Corporation et al., as Initial Purchasers, dated March 1, 2000.(5) |
| 4.3 | Indenture, by and between Invitrogen and State Street Bank and Trust Company of California, N.A., dated March 1, 2000.(5) |
| 4.4 | 2 1/4% Convertible Subordinated Notes due 2006, Registration Rights Agreement, by and among Invitrogen and Credit Suisse First Boston Corporation et al., as Initial Purchasers, dated December 11, 2001.(6) |
| 4.5 | Indenture, by and between Invitrogen and State Street Bank and Trust Company of California, N.A. and Table of Contents of Indenture, including Cross-Reference Table to the Trust Indenture Act of 1989, dated December 11, 2001.(6) |
| 4.6 | 2% Convertible Senior Notes Due 2023, Registration Rights Agreement, by and among Invitrogen, and UBS Securities LLC and Credit Suisse First Boston LLC, as Initial Purchasers, dated August 1, 2003.(7) |
| 4.7 | Indenture, by and between Invitrogen and U.S. Bank National Association, dated August 1, 2003.(7) |
| 4.8 | 1 1/2% Convertible Senior Notes Due 2024, Registration Rights Agreement, by and among Invitrogen, and UBS Securities LLC and Bear Stearns & Co Inc., as Initial Purchasers, dated February 19, 2004.(8) |
| 4.9 | Indenture, by and between Invitrogen and U.S. Bank National Association, dated February 19, 2004.(8) |
| 4.10 | Indenture, by and between Invitrogen and U.S. Bank National Association, dated as of December 14, 2004.(9) |
| 4.11 | Indenture, by and between Invitrogen and U.S. Bank National Association, dated as of December 14, 2004.(9) |
| 4.12 | 3 1/4% Convertible Senior Notes Due 2025, Registration Rights Agreement, by and among Invitrogen, and UBS Securities LLC and Banc of America Securities LLC., as Initial Purchasers, dated June 20, 2005.(10) |
| 4.13 | 3 1/4% Convertible Senior Notes Due 2025, Indenture, by and between Invitrogen and U.S. Bank National Association, dated June 20, 2005.(10) |
| 10.93 | Amendment No. 1 to Agreement and Plan of Merger, by and among Invitrogen, Atom Acquisition, LLC and Applied Biosystems Inc., dated September 9, 2008.(11) |
| 31.1 | Certification of Chief Executive Officer |
| 31.2 | Certification of Chief Financial Officer |
| 32.1 | Certification of Chief Executive Officer |
| 32.2 | Certification of Chief Financial Officer |

(1) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the Year Ended December 31, 2007 (File No. 000-25317).

(2) The Amended and Restated Bylaws are incorporated by reference to the Registrant s Registration Statement on Form S-1 (File No. 333-68665). A further amendment to the Bylaws adopted by a Resolution of the Board of Directors dated July 19, 2001 is incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2001 (File No. 000-25317).

(3) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period Ended March 31, 2001 (File No. 000-25317).

(4) Incorporated by reference to Registrant s Registration Statement on Form S-1 (File No. 333-68665).

(5) Incorporated by reference to the Registrant s Registration Statement on Form S-3 (File No. 333-37964).

(6) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the Year Ended December 31, 2001 (File No. 000-25317), as amended.

(7) Incorporated by reference to Registrant s Registration Statement on Form S-3 (File No. 333-110060).

(8) Incorporated by reference to Registrant s Quarterly Report on Form 10-Q for the Quarterly Period ended March 31, 2004 (File No. 000-25317).

(9) Incorporated by reference to Registrant s Quarterly Report on Form 10-K for the year period ended December 31, 2004. (File No. 000-25317).

(10) Incorporated by reference to Registrant s Current Report on Form 8-K, filed on June 24, 2005 (File No. 000-25317).

(11) Incorporated by reference to Registrant s Current Report on Form 8-K, filed on September 10, 2008 (File No. 000-25317).