INVITROGEN CORP
Form 10-K
February 15, 2008
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

[ ] **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 incorporation or organization)	*(I.R.S. Employer Identification No.)*
1600 Faraday Avenue	
Carlsbad, California	**92008**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:

760-603-7200

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value	Nasdaq Global Select Market
Preferred Stock Purchase Rights, $0.01 par value	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] or No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] or No [X]

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] or No [ ]

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

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]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2007 was $3,263,641,935.

The number of outstanding shares of the registrant s common stock as of February 12, 2008 was 46,753,887.

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INCORPORATION BY REFERENCE

Portions of the registrant s proxy statement to be filed with the SEC pursuant to Regulation 14A in connection with the registrant s 2008 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the SEC not later than 120 days after the conclusion of the registrant s fiscal year ended December 31, 2007.

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INVITROGEN CORPORATION

Annual Report on Form 10-K

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FORWARD-LOOKING STATEMENTS

Any statements in this Annual Report on Form 10-K about our expectations, beliefs, plans, objectives, prospects, financial condition, assumptions or future events or performance are not historical facts and are forward-looking statements. 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, project strategy, outlook and similar expressions. Additionally, statements concerning future matters, such as the development of new products, enhancements of technologies, sales levels and operating results and other statements regarding matters that are not historical are forward-looking statements. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from the results expressed in the statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Form 10-K. The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this Form 10-K. Among the key factors that have an impact on our results of operations are:

- the risks and other factors described under the caption Risk Factors under Item 1A of this Form 10-K;
- the integration of acquired businesses into our operations;
- general economic and business conditions;
- industry trends;
- our assumptions about customer acceptance, overall market penetration and competition from providers of alternative products and services;
- our funding requirements; and
- availability, terms and deployment of capital.

Because the factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, you should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and their emergence is impossible for us to predict. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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In this Annual Report on Form 10-K, unless the context requires otherwise, Invitrogen, Company, we, our, and us means Invitrogen Corpora and its subsidiaries.

PART I

ITEM 1. Business

General Development of Our Business

We began operations as a California partnership in 1987 and incorporated in California in 1989. In 1997 we reincorporated as a Delaware corporation. Our principal offices are in Carlsbad, California. Our website is http://www.invitrogen.com. This Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments thereto are made available without charge on our website.

We have made a number of significant acquisitions over the past several years that have expanded our overall size and the breadth of the products we offer, including the 2007 acquisition of Cascade Biologics, Inc. and Genomed GmbH, the 2006 acquisition of Sentigen Holding Corp. and the asset purchase of Xcyte Therapies, Inc. (Xcyte), and the 2005 acquisitions of Dynal Biotech Holding AS (Dynal), BioSource International, Inc. (BioSource), Caltag Laboratories (Caltag) and Zymed Laboratories, Inc. (Zymed). We have also acquired a number of other companies over the past several years. In 2007, we sold the BioReliance Corporation.

Financial Information About Our Segments and Geographic Areas

We focus our business on two principal business segments, BioDiscovery and Cell Systems. Financial information regarding these segments is included in the notes to our consolidated financial statements, which begin on page 44.

Financial information about our revenues from and assets located in foreign countries is also included in the notes to our consolidated financial statements.

Description of Our Business

Company Overview

We are a leading developer, manufacturer and marketer of research tools in reagent, kit and high-throughput applications 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 highly valued proteins.

Our research tools and reagents simplify and improve gene cloning, gene expression and gene analysis techniques. These techniques are used to study how a gene or cell is regulated by its genetic mechanisms, known as functional genomics, and to search for drugs that can treat diseases. In addition, we have a portfolio of products for proteomics applications, providing tools to help researchers understand the function of proteins, their roles in biological pathways, and importance in diseases such as cancer. Our leading products include gel-based separations technologies, antibodies, and transfection agents. Our goal is to provide tools, which allow researchers to perform this complex biological research more accurately, efficiently and with greater reproducibility compared to conventional research methods. Our scientific know-how is making biodiscovery research techniques more effective and efficient to pharmaceutical, biotechnology, agricultural, government and academic researchers with backgrounds in a wide range of scientific disciplines.

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We offer many different products and services, and are continually developing and/or acquiring others. Some of our specific product categories include the following:

- High-throughput gene cloning and expression technology, which allows customers to clone and expression-test genes on an industrial scale.
- Pre-cast electrophoresis products, which improve the speed, reliability and convenience of separating nucleic acids and proteins.
- Antibodies, which allow researchers to capture and label proteins, visualize their location through use of Molecular Probes dyes and discern their role in disease.
- Magnetic beads, which are used in a variety of settings, such as attachment of molecular labels, nucleic acid purification, and organ and bone marrow tissue type testing.
- Molecular Probes fluorescence-based technologies, which facilitate the labeling of molecules for biological research and drug discovery.
- Transfection reagents, which are widely used to transfer genetic elements into living cells enabling the study of protein function and gene regulation.

Target Markets

We divide our target customer base into principally two categories:

- Life science researchers; and
- Commercial producers of biopharmaceutical and other high valued proteins.

While we do not believe that any single customer or small group of customers is material to our business as a whole or to either of our product segments (described below), approximately 20% of our customers in our target markets receive funding for their research, either directly or indirectly from grants from the federal government of the United States.

Life Sciences Research

The life sciences research market consists of laboratories generally associated with universities, medical research centers, government institutions such as the United States National Institutes of Health (NIH), and other research institutions as well as biotechnology, pharmaceutical, energy, agricultural and chemical companies. Our products and services provide the special biochemical research tools capable of performing precise functions in a given experimental procedure that life science researchers require. We serve two principal disciplines of this market: molecular biology and cellular analysis.

The cellular biochemistry research market involves the study of the genetic functioning and biochemical composition of cells as well as their proliferation, differentiation, growth and death. The understanding gained from such study has broad application in the field of developmental biology and is important in the search for drugs or other techniques to combat a wide variety of diseases, such as cancer and viral and bacterial disease, as well as to assist in vaccine design, bioproduction and agriculture. To grow the cells required for research, researchers use our cell or tissue culture media to simulate under laboratory conditions (*in-vitro*) the environment in which cells live naturally (*in-vivo*) and to provide the required nutrients.

Genomics involves the study of the genetic information systems of living organisms. The genetic material of living organisms consists of molecules of DNA (deoxyribonucleic acid). DNA contains the information required for the organism s production of proteins. Proteins have many different functional properties and are a broad class of amino acid based molecules that include, among other things, antibodies, certain hormones and enzymes. Many researchers study the various steps of the organism s production of proteins and their impact on cellular function. Other researchers are interested in manipulating DNA to modify the production of proteins. Through techniques that are commonly termed genetic engineering or gene-splicing, a researcher can modify an

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organism s naturally occurring DNA to produce a desired protein not usually formed by the organism, or to produce a naturally formed protein at an increased rate.

Our products also serve customers who are engaged in drug discovery or the development of diagnostics for disease identification or for improving the efficacy of drugs to targeted patient groups. Traditional drug discovery using high throughput biochemical and cell-based assays allow pharmaceutical researchers to test targeted medicinal compounds against specific disease pathways to identify the potential compound to interrupt the disease process. By tagging compounds with various reporter technologies, scientists can measure the effectiveness of the compound at the cellular level, which assist the researcher in determination of drug candidates to advance to the next level. High valued protein targets such as kinases are attractive druggable candidates, and Invitrogen is one of the world s largest suppliers of these products.

In addition, Invitrogen s research tools are important in the development of diagnostics for disease determination as well as identification of patients for more targeted therapy. Our 2005 acquisition of Dynal, together with the purchase of Xcyte s T-cell expansion technology in 2006, provides a broad platform for diagnostic solutions that diagnostic customers can source from Invitrogen.

Commercial Production

We serve industries that apply genetic engineering to the commercial production of useful but otherwise rare or difficult to obtain substances, such as proteins, interferons, interleukins, t-PA and monoclonal antibodies. The manufacturers of these materials require larger quantities of the same sera and other cell growth media that we provide in smaller quantities to researchers. Other industries involved in the commercial production of genetically engineered products include the pharmaceutical, food processing and agricultural industries.

Our Products

We divide our products and services into two broad segments that are closely aligned with our target markets, as follows:

BioDiscovery (BD). Our BioDiscovery 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.

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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.

We plan to continue to introduce new research products and services, as we believe continued new product development and rapid product introduction is a critical competitive factor in the BioDiscovery and CS markets. We may continue to increase expenditures in sales and marketing, manufacturing and research and development to support increased levels of sales and to augment our long-term competitive position.

We principally purchase raw materials and components from third parties and use those ingredients to manufacture products for inventory. We typically ship those products shortly after the receipt of orders. Our oligonucleotide, genomic services, general services, RNAi (gene regulation), and some CS businesses, however, are all made to order, and certain of our products are made for us by third parties. Because we ship shortly after receipt of orders, make products to order or purchase from third parties, we do not have a significant backlog in either of our segments and do not anticipate we will develop a material backlog in the future. Most of our products and services are manufactured or provided from our facilities in Carlsbad and Camarillo, California; Eugene, Oregon; Frederick, Maryland; Grand Island, New York; Madison, Wisconsin; Auckland, New Zealand; Oslo, Norway; and Paisley, Scotland. We also have manufacturing facilities in Japan and Israel.

Research and Development

We believe that a strong research and product development effort is important to our future growth. We spent $115.8 million, $104.3 million, and $97.8 million on research and development activities in 2007, 2006 and, 2005, respectively. These research and development expenses were primarily directed toward developing innovative new products in areas where we have expertise and have identified substantial market needs, creating solutions for customers in the life sciences research and industrial bioprocessing areas and improving production processes.

We conduct research activities in the United States, the United Kingdom, Israel and New Zealand, using our own employees. At December 31, 2007, we had approximately 550 employees principally engaged in research and development. Our scientific staff is augmented by advisory and collaborative relationships with a number of scientists and customers.

Our research and development activity is aimed at maintaining a leadership position in providing research tools to the life sciences research market and enhancing our market position as a supplier of products and services used to manufacture genetically engineered pharmaceuticals and other materials.

Sales and Marketing

In 2007, our E-Business channel attributed 45% of total orders worldwide. We currently market our products directly or through distributors or agents in approximately 70 countries. These independent distributors may also market research products for other companies, including some products that are competitive with our offerings. As of December 31, 2007, we employed approximately 1350 people in our sales and marketing organization.

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Our sales strategy has been to employ scientists to work as our sales representatives. We have two types of direct sales personnel: generalists and technical sales specialists. Generalists are typically responsible for total customer account management. They work closely with the technical specialists who have an extensive background in biology or other scientific fields of study and who focus on specific product offerings. A thorough knowledge of biological techniques and an understanding of the research process allow our sales representatives to become advisors, acting in a consultative role with our customers. Our use of technical sales representatives also enables us to identify market needs and new technologies that we can license and develop into new products.

Our marketing departments located in the North American, European and Asia-Pacific regions use a variety of media communication vehicles and methods to keep our customers informed of new products and services, as well as enhancements to existing products and services. Among these are internally produced print catalogs, newsletters, magazines, brochures, direct mailers, product inserts, tradeshow posters and sourcebooks as well as web-based newsletters, email, seminars and forums. Our main website includes pages detailing our products and services, along with purchasing, technical and directional information. The technical information includes interactive online tools enabling customers to link to public research databases, download scientific analyses and search for project-specific data. We also advertise in numerous print and web-based publications related to science and industry, and we exhibit and present information at scientific events worldwide.

Technology Licensing

Some of our existing products are manufactured or sold under the terms of license agreements that require us to pay royalties to the licensor based upon a percentage of the sales of products containing the licensed materials or technology. These licenses also typically impose obligations on us to market the licensed technology. Although we emphasize our own research and development, we believe our ability to in-license new technology from third parties is and will continue to be critical to our ability to offer competitive new products. Our ability to obtain these in-licenses depends in part on our ability to convince inventors that we will be successful in bringing new products incorporating their technology to market. Several significant licenses or exclusivity rights expire at various times during the next 15 years. There are certain risks associated with relying on third-party licensed technologies, including our ability to identify attractive technologies, license them on acceptable terms, meet our obligations under the licenses, renew those licenses should they expire before we retire the related product and the risk that the third party may lose patent protection. These risks are more fully described under the heading Risk Related to the Development and Manufacture of Products and Risks Related to Our Intellectual Property below.

Patents and Proprietary Technologies

We consider the protection of our proprietary technologies and products in both of our product segments to be important to the success of our business and rely on a combination of patents and exclusive licenses to protect these technologies and products. We currently own approximately 1,000 patents and have exclusive rights to another 150. Of this amount we control over 600 patents in the United States, and over 550 in other countries. We also have numerous pending patent applications both domestic and internationally. Our success depends, to a significant degree, upon our ability to develop proprietary products and technologies. It is important to our success that we protect the intellectual property associated with these products and technologies. We intend to continue to file patent applications as we develop new products and technologies. Patents provide some degree of, but not complete, protection for our intellectual property.

We also rely in part on trade secret, copyright and trademark protection of our intellectual property. We protect our trade secrets by entering into confidentiality agreements with third parties, employees and consultants. It is our policy to require employees and consultants to sign agreements to assign to us their interests in intellectual property arising from their work for us. There are risks related to our reliance on patents, trade secret, copyright and trademark protection laws, which are described in more detail under the heading Risks Related to Our Intellectual Property below.

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Competition

The markets for the products of both of our segments are competitive. There are numerous life science research and bioproduction product suppliers that compete with us which have significant financial, operational, sales and marketing resources, and experience in research and development, although many of these competitors only compete with us in a limited portion of our product line. These and other companies may have developed or could in the future develop new technologies that compete with our products or even render our products obsolete. Additionally, there are numerous scientists making materials themselves instead of using kits. We believe that a company s competitive position in our markets is determined by product function, product quality, speed of delivery, technical support, price, breadth of product line, and timely product development. Our customers are diverse and may place varying degrees of importance on the competitive attributes listed above. While it is difficult to rank these attributes for all our customers in the aggregate, we believe we are well positioned to compete in each category.

Suppliers

We buy materials for our products from many suppliers. While there are some raw materials that we obtain from a single supplier, we are not dependent on any one supplier or group of suppliers for our business as a whole, or for either of our BioDiscovery and CS segments. Raw materials, other than raw fetal bovine serum (FBS), are generally available from a number of suppliers.

Two of our subsidiaries provide secure collection and processing capacity for raw Australian and U.S.-sourced FBS, and we have long-term supply contracts in place for additional U.S. and South American sourced FBS. However, they may not provide us with a large enough source of FBS to satisfy all of our FBS needs. As a result, we may still acquire raw FBS from various third party suppliers on short-term contracts. None of these suppliers, however, individually or collectively provides a majority of the total FBS we purchase from third parties. In addition, the supply of raw FBS is sometimes limited because serum collection tends to be seasonal. This causes the price of raw FBS to fluctuate. Although there is a well-established market for finished FBS, which is one of our major CS products, the profit margins we achieve on finished FBS have varied significantly in the past because of the fluctuations in the price of raw FBS.

Through a combination of the FBS we receive from our third party suppliers, we believe we maintain a quantity of FBS inventory adequate to address reasonable customer service levels while guarding against normal volatility in the supply of FBS available to us from third party suppliers. FBS inventory quantities can fluctuate significantly as we balance varying customer demand for FBS against fluctuating supplies of FBS available to us; however, we believe that we will be able to continue to acquire FBS in quantities sufficient to meet our customers current requirements.

Government Regulation

Certain of our products and services, as well as the manufacturing process of the products, are subject to regulation under various portions of the U.S. Federal Food, Drug and Cosmetic Act. In addition, a number of our manufacturing facilities are subject to periodic inspection by the U.S. Food and Drug Administration (FDA), other product-oriented federal agencies and various state and local authorities in the U.S. We believe such facilities are in compliance in all material aspects with the requirements of the FDA s Quality System Regulation (formerly known as Good Manufacturing Practices), other federal, state and local regulations and other quality standards such as ISO 9001 or ISO 13485. Portions of our business subject to the Federal Food, Drug and Cosmetic Act include certain CS segment products (with respect to their testing, safety, efficacy, marketing, labeling and other matters).

Materials used in development and testing activities at several of our facilities are also subject to the Controlled Substances Act, administered by the Drug Enforcement Agency (DEA). Required procedures for control, use and inventory of these materials are in place at these facilities.

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We also voluntarily employ Centers for Disease Control/National Institutes of Health, Guidelines for Research Involving Recombinant DNA Molecules, Biosafety in Microbiological and Biomedical Laboratories and the hazard classification system recommendations for handling bacterial and viral agents, with capabilities through biosafety level three.

In addition to the foregoing, we are subject to other federal, state and local laws and ordinances applicable to our business, including environmental protection and radiation protection laws and regulations, the Occupational Safety and Health Act; the Toxic Substances Control Act; national restrictions on technology transfer, import, export and customs regulations; statutes and regulations relating to government contracting; and similar laws and regulations in foreign countries. In particular, we are subject to various foreign regulations sometimes restricting the importation or the exportation of animal-derived products such as FBS.

Employees

As of January 31, 2008, we had approximately 4,300 employees, approximately 1,600 of whom were employed outside the United States. Our success will depend in large part upon our ability to attract and retain employees. In addition, we employ a number of temporary and contract employees. We face competition in this regard from other companies, research and academic institutions, government entities and other organizations.

Executive Officers of the Registrant

The Board of Directors appoints executive officers of Invitrogen, and the Chief Executive Officer has authority to hire and terminate such officers. Each executive officer holds office until the earlier of his or her death, resignation, removal from office or the appointment of his or her successor. No family relationships exist among any of Invitrogen s executive officers, directors or persons nominated to serve in those positions. We have listed the ages, positions held and the periods during which our current executive officers have served in those positions below:

Gregory T. Lucier (age 43) has served as Chief Executive Officer of Invitrogen and member of its Board of Directors since May 2003. In April 2004 he was appointed Chairman of the Board of Directors. From June 2000 to May 2003, Mr. Lucier was the President and Chief Executive Officer of General Electric (GE) Medical Systems Information Technologies. Mr. Lucier was named a corporate officer of GE in 1999 by that company s board of directors and served in a variety of leadership roles during his career at GE, including Vice President of Global Services, GE Medical Systems. Mr. Lucier is currently a board member of the Biotechnology Industry Organization (BIO) and serves on BIO policy subcommittees. He is also a board member of the Burnham Research Institute, a director of BIOCOM and is actively involved at San Diego State University as a distinguished lecturer. He received his B.S. in Engineering from Pennsylvania State University and an M.B.A. from Harvard Business School.

Claude D. Benchimol, Ph.D. (age 57) has served as Senior Vice President of Research and Development of Invitrogen since September 2003. Prior to Invitrogen, Dr. Benchimol held a variety of technology leadership roles during his more than 15 years at General Electric (GE) Corporation. He was Vice President and General Manager of global technology for GE Medical Systems Information Technologies, serving in that position from January 2002 to August 2003. Prior to GE Dr. Benchimol was employed by Thomson-CGR, a medical imaging company. He served as Manager of Advanced Research Laboratory from 1981 to 1988 and Research Engineer from 1979 to 1980. Dr. Benchimol received an equivalent of an M.S. in Engineering from École Nationale Supérieure des Télécommunications in France, as well as an M.S. and Ph.D. in Systems Science from the University of California, Los Angeles. Dr. Benchimol is also a member of the French Academy of Technology.

Nicolas M. Barthelemy (age 42) has served as Senior Vice President of Invitrogen s Cell Systems Division since January 2006. Mr. Barthelemy served as Senior Vice President of Global Operations from March 2004 to January 2006. Prior to Invitrogen Mr. Barthelemy held several executive positions at Biogen Idec including

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Vice President of Manufacturing. Mr. Barthelemy is a recognized operations leader in large scale mammalian cell culture and purification. Mr. Barthelemy received his M.S. in Chemical Engineering from the University of California, Berkeley and the equivalent of an M.S. in Chemistry from École Supérieure de Physiques et Chimie Industrielles (Paris, France) and the equivalent of a B.S. in Mathematics, Physics and Chemistry from Ecole Sainte Geneviève (Versailles, France).

Bernd Brust (age 40) has served as Senior Vice President of Global Sales since November 2006. Mr. Brust joined Invitrogen in 2004 and previously served as General Manager and Vice President of European Operations. He has more than 15 years of sales, commercial operations and management experience. Prior to joining Invitrogen he served as General Manager of Sales & Marketing for GE Medical Systems Information Technologies, where he was awarded GE Medical Systems IT Commercial Leader of the Year. Brust holds a degree in Engineering from MTS in Amsterdam.

John A. Cottingham (age 53), has served as Senior Vice President, General Counsel and Secretary of Invitrogen since May 2004. He served as Vice President, General Counsel for Invitrogen from September 2000 until May 2004. Prior to the merger of Life Technologies with Invitrogen, Mr. Cottingham was the General Counsel and Assistant Secretary of Life Technologies from January 1996 to September 2000. From May 1988 through December 1995, he served as an international corporate attorney with the Washington, D.C. office of Fulbright and Jaworski L.L.P. Mr. Cottingham received his B.A. in Political Science from Furman University, his J.D. from the University of South Carolina, his LL.M. in Securities Regulation from Georgetown University and his M.S.E.L. from the University of San Diego.

Paul Grossman (age 47), serves as the Senior Vice President of Strategy and Corporate Development. Prior to Invitrogen, Dr. Grossman held a variety of leadership roles during his more than 20 years at Applied Biosystems (ABI). Dr. Grossman worked as a research scientist, patent attorney and as Vice President of Intellectual Property and Chief Group Counsel. Most recently, he served as ABI s Vice President of Strategy and Business Development. Dr. Grossman received B.S. and Ph.D. degrees in Chemical Engineering from the University of California at Berkeley, a M.S. in Chemical Engineering from the University of Virginia, and a J.D. from Santa Clara University School of Law. He has authored numerous scientific publications, was the co-editor of the book Capillary Electrophoresis: Theory and Practice, and holds more than 70 U.S. and foreign patents.

David F. Hoffmeister (age 53), has served as Chief Financial Officer, Senior Vice President, Finance at Invitrogen since October 2004. Mr. Hoffmeister held various positions over the course of 20 years with McKinsey & Company, most recently from 1997 to 2004 as a Director serving clients in the healthcare, private equity and specialty chemicals industries. Prior to joining McKinsey, Mr. Hoffmeister held financial positions at GTE and W.R.Grace. Mr. Hoffmeister is currently a board member of Celanese Corporation. Mr. Hoffmeister received his B.S. in Business, from the University of Minnesota and an M.B.A. from the University of Chicago.

Peter M. Leddy (age 45), has served as Invitrogen s Senior Vice President of Human Resources since July 2005. Prior to Invitrogen, Dr. Leddy held several senior management positions with Dell Incorporated from 2000 to 2005 and was most recently, Vice President, Human Resources for Americas Operations. Prior to joining Dell Incorporated, Dr. Leddy served as the Executive Vice President for Human Resources at Promus Hotel Corporation (Doubletree, Embassy Suites). Dr. Leddy also served in a variety of executive and human resource positions at PepsiCo. Dr. Leddy received his B.A. in Psychology from Creighton University and his M.S. and Ph.D. in Industrial/Organizational Psychology from the Illinois Institute of Technology.

John Kip Miller (age 49) serves as Invitrogen s Senior Vice President of Biodiscovery. Mr. Miller has a strong background in general management, sales and marketing and extensive experience in Life Science, Research and Diagnostic markets. Prior to joining Invitrogen he was Vice President, General Manager Americas for BD Biosciences in San Diego with responsibility for US, Canada and Latin America. Prior to that he held positions as Vice President, General Manager for BD Biosciences Research Cell Analysis and BD Pharmingen, a division of BD Biosciences. Additionally, Mr. Miller has held a variety of leadership positions in the sales and service organizations for BD and for Leica Inc.

Mr. Miller has a BS in Engineering from Michigan State University.

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Kelli A. Richard (age 39) serves as Invitrogen s Vice President, Finance and Chief Accounting Officer. Ms. Richard joined Invitrogen in August 2005 with more than 14 years of accounting and financial reporting experience, previously serving as Vice President, Accounting & Reporting. Prior to joining Invitrogen, Ms. Richard held the position of Principal Accounting Officer at Gateway, Inc. Ms. Richard is a certified public accountant with a Bachelor of Business Administration degree from the University of Iowa.

ITEM 1A. Risk Factors

You should carefully consider the following risks, together with other matters described in this Annual Report on Form 10-K or incorporated herein by reference in evaluating our business and prospects. If any of the following risks occurs, our business, financial condition or operating results could be harmed. In such case, the trading price of our securities could decline, in some cases significantly. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Certain statements in this Form 10-K (including certain of the following factors) constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements on page 1 of this Form 10-K for important limitations on these forward-looking statements.

Risks Related to the Growth of Our Business

We must continually offer new products and technologies

Our success depends in large part on continuous, timely development and introduction of new products that address evolving market requirements and are attractive to customers. For example, if we do not appropriately innovate and invest in new technologies, then our technologies will become dated and our customers could move to new technologies offered by our competitors and we could lose our competitive position in the market.

These facts require us to make appropriate investments in the development and identification of new technologies and products. As a result, we are continually looking to develop, license or acquire new technologies and products to further broaden and deepen our already broad product line. If we fail to develop, license or otherwise acquire new technologies, our customers will likely purchase products from our competitors, significantly harming our business. Once we have developed or obtained a new technology, to the extent that we fail to introduce new and innovative products that are accepted by our markets, we may not obtain an adequate return on our research and development, licensing and acquisition investments and could lose market share to our competitors, which would be difficult to regain and could seriously damage our business. Some of the factors affecting market acceptance of our products include:

- availability, quality and price as compared to competitive products;
- the functionality of new and existing products;
- the timing of introduction of our products as compared to competitive products;
- scientists and customers opinions of the product s utility and our ability to incorporate their feedback into future products;
- citation of the products in published research; and
- general trends in life sciences research and life science informatics software development.

Failure to integrate acquired businesses into our operations successfully

As part of our strategy to develop and identify new products and technologies, we have made and continue to make acquisitions. Our integration of the operations of acquired businesses requires significant efforts, including the coordination of information technologies, research and development, sales and marketing, operations, manufacturing and finance. These efforts result in additional expenses and divert significant amounts of management s time from other projects. Our failure to manage successfully and coordinate the growth of the combined company could also have an adverse impact on our business. In addition, there is no guarantee that

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some of the businesses we acquire will become profitable or remain so. If our acquisitions do not reach our initial expectations, we may record unexpected impairment charges. Factors that will affect the success of our acquisitions include:

- presence or absence of adequate internal controls and/or significant fraud in the financial systems of acquired companies;
- any decrease in customer and distributor loyalty and product orders caused by dissatisfaction with the combined companies product lines and sales and marketing practices, including price increases;
- our ability to retain key employees of the acquired company;
- the ability of the combined company to achieve synergies among its constituent companies, such as increasing sales of the combined company s products, achieving expected cost savings and effectively combining technologies to develop new products; and
- disruption in order fulfillment due to integration processes and therefore loss of sales.

Risks Related to Our Sales

We face significant competition

The markets for our products are very competitive and price sensitive. Our competitors, which could include certain of our customers such as large pharmaceutical companies, have significant financial, operational, sales and marketing resources and experience in research and development. Our competitors could develop new technologies that compete with our products or even render our products obsolete. If a competitor develops superior technology or cost-effective alternatives to our kits and other products, our business could be seriously harmed.

The markets for certain of our products, such as electrophoresis products, custom primers, amplification products and fetal bovine serum, are also subject to specific competitive risks. These markets are highly price competitive. Our competitors have competed in the past by lowering prices on certain products. If they did so again we may be forced to respond by lowering our prices and thereby reduce our revenues and profits. Failure to anticipate and respond to price competition may hurt our market share.

We believe that customers in our markets display a significant amount of loyalty to their initial supplier of a particular product. Therefore, it may be difficult to generate sales to potential customers who have purchased products from competitors. Additionally, there are numerous scientists making materials themselves instead of using kits. To the extent we are unable to be the first to develop and supply new products; customers may buy from our competitors or make materials themselves, causing our competitive position to suffer.

There has been a trend toward industry consolidation in our markets for the past several years. We expect this trend toward industry consolidation to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. We believe that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in operating results and could have a material adverse effect on our business.

Reduction in research and development budgets and government funding

Our customers include researchers at pharmaceutical and biotechnology companies, academic institutions, government laboratories and private foundations. Fluctuations in the research and development budgets of these researchers and their organizations could have a significant effect on the demand for our products. Research and development budgets fluctuate due to changes in available resources, mergers of pharmaceutical and biotechnology companies, spending priorities, general economic conditions and institutional and governmental budgetary policies. Our business could be seriously damaged by any significant decrease in life sciences research

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and development expenditures by pharmaceutical and biotechnology companies, academic institutions, government laboratories or private foundations. In particular, approximately 20% of our sales have been to researchers whose funding is dependent upon grants from the NIH. Although the level of research funding increased significantly during the years of 1999 through 2003, increases for fiscal 2004 through 2007 were significantly lower. Government funding of research and development is subject to the political process, which is inherently fluid and unpredictable. Other programs, such as homeland security or defense, or general efforts to reduce the federal budget deficit could be viewed by the U.S. government as a higher priority. Past proposals to reduce budget deficits have included reduced NIH and other research and development allocations. Any shift away from the funding of life sciences research and development or delays surrounding the approval of government budget proposals may cause our customers to delay or forego purchases of our products, which could seriously damage our business.

Our U.S. customers generally receive funds from approved grants at particular times of the year, as determined by the U.S. federal government. In the past, such grants have been frozen for extended periods or have otherwise become unavailable to various institutions without advance notice. The timing of the receipt of grant funds affects the timing of purchase decisions by our customers and, as a result, can cause fluctuations in our sales and operating results.

In recent years, the pharmaceutical industry has undergone consolidation. Additional mergers or corporate consolidations in the pharmaceutical industry could cause us to lose customers, which could have a harmful effect on our business.

Changing purchasing arrangements with our customers

Certain of our customers have developed purchasing initiatives to reduce the number of vendors from which they purchase in order to lower their supply costs. In some cases these accounts have established agreements with large distributors, which include discounts and the distributors direct involvement with the purchasing process. These activities may force us to supply the large distributors with our products at a discount to reach those customers. For similar reasons many larger customers, including the U.S. government, have requested and may in the future request, special pricing arrangements, including blanket purchase agreements. These agreements may limit our pricing flexibility, which could have an adverse impact on our business, financial condition and results of operations. Our pricing flexibility could particularly be affected with respect to our price-sensitive products, such as electrophoresis products, custom oligonucleotides (primers), amplification products and fetal bovine serum. For a limited number of customers we have made sales, at the customer s request, through third-party online intermediaries, to whom we are required to pay commissions. If such intermediary sales grow, it could have a negative impact on our gross margins.

Sales of biological and chemical defense materials

Our biodefense initiative depends upon the acceptance of our products by the U.S. government and its defense contractors. We have developed products for use in detecting exposure to biological pathogens and have begun marketing those products to the U.S. government and several defense contractors. If our products do not perform well, or the U.S. government changes its priorities with respect to defense against biological and chemical weapons, our sales growth could be affected. In addition, some third parties could object to our development of biological defense products, which could have a negative impact on our company.

Risks Related to the Development and Manufacturing of Our Products

Failure to license new technologies

We believe our ability to in-license new technologies from third parties is and will continue to be critical to our ability to offer new products and therefore to our business. A significant portion of our current revenues is from products manufactured or sold under licenses from third parties. Our ability to gain access to technologies

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that we need for new products and services depends in part on our ability to convince inventors and their agents or assignees that we can successfully commercialize their inventions. We cannot guarantee that we will be able to continue to identify new technologies of interest to our customers, which are developed by others. Even if we are able to identify new technologies of interest, we may not be able to negotiate a license on acceptable terms, or at all.

Loss of licensed rights

Several of our licenses, such as licenses for biological materials, have finite terms. We may not be able to renew these existing licenses on favorable terms, or at all. Licenses for biological materials such as antibodies are of growing significance to our product offerings. If we lose the rights to a biological material or a patented technology, we may need to stop selling these products and possibly other products, redesign our products or lose a competitive advantage. While some of our licenses are exclusive to us in certain markets, potential competitors could also in-license technologies that we fail to license exclusively and potentially erode our market share for these and other products. Our licenses also typically subject us to various economic and commercialization obligations. If we fail to comply with these obligations we could lose important rights under a license, such as exclusivity. In some cases, we could lose all rights under a license. Loss of such rights could, in some cases, harm our business.

In addition, certain rights granted under the license could be lost for reasons outside of our control. For example, the licensor could lose patent protection for a number of reasons, including invalidity of the licensed patent, or a third party could obtain a patent that curtails our freedom to operate under one or more licenses. Changes in patent law could affect the value of the licensed technology. We may receive third-party claims of intellectual property infringement for which we may not be indemnified by the licensor.

Violation of government regulations or voluntary quality programs

Certain of our products and test services are regulated by the U.S. Food and Drug Administration (FDA) and comparable agencies in other countries as medical devices, pharmaceuticals, or biologics. As a result we must register with the state and federal FDA as both a medical device and diagnostic manufacturer and a manufacturer of drug products and comply with all required regulations. Failure to comply with these regulations can lead to sanctions by the FDA, such as written observations made following inspections, warning letters, product recalls, fines, product seizures and consent decrees. Test data for use in client submissions with the FDA could be disqualified. If the FDA were to take such actions, the FDA s sanctions would be available to the public. This publicity could adversely affect our ability to sell these regulated products globally.

Additionally, some of our customers use our products and services in the manufacturing process for their drug and medical device products, and such end products are regulated by the FDA under Quality System Regulations (QSR). Although the customer is ultimately responsible for QSR compliance for their products, it is also the customer s expectation that the materials sold to them will meet QSR requirements. We could lose sales and customers and be exposed to product liability claims, if our products do not meet QSR requirements.

ISO is an internationally recognized voluntary quality standard that requires compliance with a variety of quality requirements somewhat similar to the QSR requirements. The operations of our CS segment, our Dynal business unit, our facilities in Carlsbad and Camarillo, California and our Molecular Probes business in Eugene, Oregon are each intended to comply with ISO 9001 or ISO 13485. Failure to comply with this voluntary standard can lead to observations of non-compliance or even suspension of ISO certification by the certifying unit. If we lose ISO certification, this loss could cause some customers to purchase products from other suppliers.

If we violate a government mandated or voluntary quality program, we may incur additional expense to come back into compliance with the government mandated or voluntary standards. That expense may be material and we may not have anticipated that expense in our financial forecasts. Our financial results could suffer as a result of these increased expenses.

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Fluctuation in the price and supply of raw FBS

The supply of raw fetal bovine serum (FBS) is sometimes limited because serum collection tends to be cyclical. Because we must purchase FBS in advance, an unanticipated decline in customer demand for serum could adversely affect our ability to sell the product at competitive prices. In addition, any additional discovery of bovine spongiform encephalopathy, or BSE (popularly referred to as mad cow disease) in the U.S. may cause a decline in the demand for FBS supplied from the United States. These factors can cause the price of raw FBS to fluctuate. The profit margins we achieve on finished FBS, one of our major products, have been unstable in the past because of the fluctuations in the price of raw FBS and any decrease in the price could adversely affect those profit margins. In addition, if we are unable to obtain an adequate supply of FBS, or if we are unable to meet demand for FBS from supplies outside the U.S., we may lose market share.

Risks Related to Our Operations

Loss of key personnel

Our products and services are highly technical in nature. In general, only highly qualified and trained scientists have the necessary skills to develop and market our products and provide our services. In addition, some of our manufacturing positions are highly technical as well. We face intense competition for these professionals from our competitors, customers, marketing partners and other companies throughout our industry. We do not generally enter into employment agreements requiring these employees to continue in our employment for any period of time. Any failure on our part to hire, train and retain a sufficient number of qualified professionals could seriously damage our business. Additionally, integration of acquired companies and businesses can be disruptive, causing key employees of the acquired business to leave. Further, we use stock options, restricted stock and restricted stock units/awards to provide incentive to these individuals to stay with us and to build long-term stockholder value. If our stock price fluctuates below the exercise price of these options or reduces the value of restricted stock and restricted stock units/awards, a key employee s incentive to stay is lessened. If we were to lose a sufficient number of our key employees and were unable to replace them or satisfy our needs for research and development through outsourcing, these losses could seriously damage our business.

Litigation

Substantial, complex or extended litigation could cause us to incur large expenditures and distract our management. For example, lawsuits by employees, stockholders, collaborators, distributors, customers, or end-users of our products or services could be very costly and substantially disrupt our business. Disputes from time to time with such companies or individuals are not uncommon and we cannot guarantee that we will prevail or always be able to resolve such disputes out of court or on terms favorable to us. Unexpected results could cause our financial exposure in these matters to exceed stated reserves and insurance, requiring us to allocate additional funds and other resources to address these liabilities.

Level of debt

We have $350.0 million of senior convertible notes that are due in 2023, $450.0 million of senior convertible notes due in 2024 and $350.0 million of senior convertible notes due in 2025. In addition, the holders of our $350.0 million of senior convertible notes due in 2023 have the option to require us to redeem the notes for cash at par value in August of 2010, 2013 or 2018. The holders of our $450.0 million senior convertible notes have the option to require us to redeem the notes for cash at par value in February of 2012, 2017 or 2022. The holders of our

$350.0 million senior convertible notes due in 2025 have the option to require us to redeem the notes for cash at par value in June of 2011, 2015 or 2020. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on these notes, we will be in default under the terms of the loan agreements or indentures, which could, in turn, cause defaults under the remainder of these existing and any future debt obligations.

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Even if we are able to meet our debt service obligations, the amount of debt we have could adversely affect us in a number of ways, including by:

- limiting our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements, or other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business;
- placing us at a competitive disadvantage relative to our competitors who have lower levels of debt;
- making us more vulnerable to a downturn in our business or the economy generally;
- subjecting us to the risk of being forced to refinance these amounts when due at higher interest rates; and
- requiring us to use a substantial portion of our cash to pay principal and interest on our debt, instead of contributing those funds to other purposes such as working capital and capital expenditures.

Loss of the tax deduction on our convertible senior notes due in 2023, the convertible senior notes due in 2024 and the convertible senior notes due in 2025

We could lose some or all of the tax deduction for interest expense associated with our convertible senior notes due in 2023, the convertible senior notes due in 2024 and the convertible senior notes due in 2025 if, under certain circumstances, the foregoing notes are not subject to the special Treasury Regulations governing contingent payment debt instruments or the exchange of these notes is deemed to be a taxable exchange. We also could lose the tax deduction for interest expense associated with the foregoing notes if we were to invest in non-taxable investments.

Increase in interest expense upon the adoption of FSP APB14-a

In August of 2007, FASB issued for comment a proposed FASB Staff Position No. APB 14-a, *Accounting for Convertible Debt Instruments that May be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-a) that would significantly impact the accounting for convertible debt. The FSP would require cash settled convertible debt, such as our $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 life of the bond. Although FSP APB 14-a would have no impact on our actual past or future cash flows, it would require us 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 our results of operations and earnings per share.

Our federal, state and local income tax returns may, from time to time be selected for audit by the taxing authorities which may result in tax assessments or penalties.

We are subject to federal, state and local taxes in the U.S and abroad. Significant judgment is required in determining the provision for taxes. Although we believe our tax estimates are reasonable, if the IRS or other taxing authority disagrees with the positions taken by the company on its tax returns, we could have additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on our results of operations and financial position.

Risks Related to Our International Operations

International unrest or foreign currency fluctuations

Our products are currently marketed in approximately 70 countries throughout the world. Our international revenues, which include revenues from our non-U.S. subsidiaries and export sales from the U.S., represented 45% of our product revenues in 2007, 45% of our product revenues in 2006 and 50% of our product revenues in

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2005. We expect that international revenues will continue to account for a significant percentage of our revenues for the foreseeable future. There are a number of risks arising from our international business, including those related to:

- foreign currency exchange rate fluctuations, potentially reducing the U.S. Dollars we receive for sales denominated in foreign currency;
- the possibility that unfriendly nations or groups could boycott our products;
- general economic and political conditions in the markets in which we operate;
- potential increased costs associated with overlapping tax structures;
- potential trade restrictions and exchange controls;
- more limited protection for intellectual property rights in some countries;
- difficulties and costs associated with staffing and managing foreign operations;
- unexpected changes in regulatory requirements;
- the difficulties of compliance with a wide variety of foreign laws and regulations;
- longer accounts receivable cycles in certain foreign countries, whether due to cultural differences, exchange rate fluctuation or other factors;
- import and export licensing requirements; and
- changes to our distribution networks.

A significant portion of our business is conducted in currencies other than the U.S. dollar, which is our reporting currency. While we have at times attempted to hedge cash flows in these currencies, this program relies in part on forecasts of these cash flows and the expected range of fluctuations. As a result, we cannot guarantee this program will adequately protect our operating results from the full effects of exchange rate fluctuations. We also continually evaluate the costs and benefits of our hedging program and cannot guarantee that we will continue to conduct hedging activities. As a result, fluctuations between the currencies in which we do business have caused and will continue to cause foreign currency transaction gains and losses. We cannot predict the effects of currency exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposures and the volatility of currency exchange rates.

Risks Related to Our Intellectual Property

Inability to protect our proprietary technology

Our success depends to a significant degree upon our ability to develop proprietary products and technologies. When we develop such technologies, we routinely seek patent protection in the United States and abroad to the extent permitted by law. However, we cannot assure you that patents will be granted on any of our patent applications or that the scope of any of our issued patents will be sufficiently broad to offer meaningful protection. We only seek to have patents issued in selected countries. Third parties can make, use and sell products covered by our patents in any country in which we do not have patent protection. In addition, our issued patents or patents we exclusively license could be successfully challenged, invalidated or circumvented so that our patent rights would not create an effective competitive barrier. We provide our customers the right to use our products under label licenses that are for research purposes only. The validity of the restrictions contained in these licenses could be contested and we cannot assure you that we would either be aware of an unauthorized use or be able to enforce the restrictions in a cost-effective manner. Additionally, judicial decisions and legislative changes could have a negative impact on the value of our patents and the effectiveness of our label licenses.

If a third party claimed an intellectual property right to technology we use, we might need to discontinue an important product or product line, alter our products and processes, defend our right to use such technology in court or pay license fees. Although we might under these

circumstances attempt to obtain a license to such intellectual property, we may not be able to do so on favorable terms, or at all. Additionally, if our products are found to infringe a third party s intellectual property, we may be required to pay damages for past infringement (which in some cases can be trebled by the court) and lose the ability to sell certain products or receive licensing revenues.

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Disclosure of trade secrets

We attempt to protect our trade secrets by entering into confidentiality agreements with third parties, our employees and consultants. However, these agreements can be breached and, if they are, there may not be an adequate remedy available to us. If our trade secrets become known, we may lose our competitive position.

Intellectual property litigation, changes in patent law and other litigation

Litigation regarding patents and other intellectual property rights is extensive in the biotechnology industry. We are aware that patents have been applied for and, in some cases, issued to others claiming technologies that are closely related to ours. We periodically receive notices of potential infringement of patents held by others and we are currently a defendant in at least one court action involving third party intellectual property rights. We may not be able to resolve these types of claims successfully in the future.

We have enforced our intellectual property rights through patent litigation in several court actions. We have incurred substantial costs and are currently incurring costs, in enforcing our intellectual property rights. In the event of additional intellectual property disputes, we may be involved in further litigation. In addition to court actions, patent litigation could involve proceedings before the U.S. Patent and Trademark Office or the International Trade Commission. Intellectual property litigation can be extremely expensive and such expense, as well as the consequences should we not prevail, could seriously harm our business.

The value of our intellectual property portfolio could also be negatively affected by decisions in third-party litigation and by congressional patent law reform.

Risks Related to Environmental and Product Liability Issues

Risks related to handling of hazardous materials and other regulations governing environmental safety

Our operations are subject to complex and stringent environmental, health, safety and other governmental laws and regulations that both public officials and private individuals may seek to enforce. Our activities that are subject to these regulations include, among other things, our use of hazardous and radioactive materials and the generation, transportation and storage of waste. While we believe we are in material compliance with these laws and regulations, we could discover that we or an acquired business is not in material compliance. Existing laws and regulations may also be revised or reinterpreted, or new laws and regulations may become applicable to us, whether retroactively or prospectively, that may have a negative effect on our business and results of operations. It is also impossible to eliminate completely the risk of accidental environmental contamination or injury to individuals. In such an event, we could be liable for any damages that result, which could adversely affect our business. Additionally, although unlikely, a natural disaster or other catastrophic incident could partially or completely shut down our research and manufacturing facilities and operations.

Furthermore, in acquiring Dexter in 2000, we assumed certain of Dexter s environmental liabilities, including clean-up of several hazardous waste sites listed on the National Priority List under federal Superfund law. Unexpected results related to the investigation and clean-up of these sites could cause our financial exposure in these matters to exceed stated reserves and insurance, requiring us to allocate additional funds and other resources to address our environmental liabilities, which could cause a material adverse effect on our business.

Potential product liability claims

We face a potential risk of liability claims based on our products or services. We carry product liability insurance coverage, which is limited in scope and amount. We cannot assure you, however, that we will be able to maintain this insurance at a reasonable cost and on reasonable terms. We also cannot assure you that this insurance will be adequate to protect us against a product liability claim, should one arise.

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Some of our services include the manufacture of biologic products to be tested in human clinical trials. We could be held liable for errors and omissions in connection with these services. In addition, we formulate, test and manufacture products intended for use by the public. These activities could expose us to risk of liability for personal injury or death to persons using such products. We seek to reduce our potential liability through measures such as contractual indemnification provisions with clients (the scope of which may vary from client-to-client and the performances of which are not secured), insurance maintained by clients and conducting certain of these businesses through subsidiaries. Nonetheless, we could be materially and adversely affected if we were required to pay damages or incur defense costs in connection with a claim that is outside the scope of the indemnification agreements, if the indemnity, although applicable, is not performed in accordance with its terms or if our liability exceeds the amount of applicable insurance or indemnity. In addition, we could be held liable for errors and omissions in connection with the services we perform. We currently maintain product liability and errors and omissions insurance with respect to these risks. There can be no assurance that our insurance coverage will be adequate or that insurance coverage will continue to be available on terms acceptable to us.

Risks Related to the Market for Our Securities

Operating results and the market price of our stock and convertible notes could be volatile

Our operating results and stock price have in the past been and will continue to be, subject to fluctuations as a result of a number of factors, including those listed in this section of this Annual Report and those we have failed to foresee. Our stock price and the price of our convertible notes could also be affected by any inability to meet analysts expectations, general fluctuations in the stock market or the stocks of companies in our industry or those of our customers. Such volatility has had a significant effect on the market prices of many companies securities for reasons unrelated to their operating performance and has in the past led to securities class action litigation. Securities litigation against us could result in substantial costs and a diversion of our management s attention and resources, which could have an adverse effect on our business.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

We own or lease approximately 1,600,000 square feet of property being used in current operations at the following principal locations within the United States, each of which contains office, manufacturing, storage and/or laboratory or office facilities used by our BioDiscovery and Cell Systems (CS) segments, as noted:

Carlsbad, California (owned (land only) and leased) used by BioDiscovery segment
Frederick, Maryland (owned and leased) used by BioDiscovery and CS segments
Grand Island, New York (owned and leased) used by CS segment
Madison, Wisconsin (owned and leased) used by BioDiscovery segment
Brown Deer, Wisconsin (leased) used by BioDiscovery segment

Eugene, Oregon (owned and leased) used by BioDiscovery segment
Branford, Connecticut (leased) used by BioDiscovery segment
Camarillo, California (leased) used by BioDiscovery segment

In addition, we own or lease approximately 600,000 square feet of property at locations outside the United States including these principal locations, each of which also contains office, manufacturing, storage and/or laboratory or office facilities:

Glasgow area, principally Paisley, Scotland (owned and leased) used by BioDiscovery and CS segments
Oslo, Norway (owned (land only) and leased) used by BioDiscovery segment

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Auckland and Christchurch, New Zealand (owned and leased)	used by BioDiscovery and CS segments
Shanghai and Beijing, China (leased)	used by BioDiscovery segment
Newcastle, Australia (owned and leased)	used by CS segment

In addition to the principal properties listed, we lease other properties in locations throughout the world, including India, Japan, Taiwan, Hong Kong, Singapore, Australia, Argentina, Brazil, Canada, Israel, Belgium, Denmark, France, Germany, Italy, the Netherlands and Spain. Many of our plants have been constructed, renovated, or expanded during the past ten years. We are currently using substantially all of our finished space, with some space available for expansion at some of our locations. We consider the facilities to be in a condition suitable for their current uses. Because of anticipated growth in the business and due to the increasing requirements of customers or regulatory agencies, we may need to acquire additional space or upgrade and enhance existing space during the next five years. We believe that adequate facilities will be available upon the conclusion of our leases.

We also have leases in Bethesda and Rockville, Maryland; Worcester, Massachusetts; South San Francisco, California; and Auckland, New Zealand; which are subleased or are being offered for sublease. These properties are not used in current operations and therefore are not included in the discussion above.

Additional information regarding our properties is contained in Notes 1 and 6 to the consolidated financial statements included in this Annual Report on Form 10-K.

ITEM 3. Legal Proceedings

We are 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 our business, as well as through acquisitions . Some are expected to be covered, at least partly, by insurance. Estimated amounts for claims that are probable and can be reasonably estimated are reflected as liabilities in the consolidated financial statements. 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 us. Although the amount of liability at December 31, 2007 with respect to these matters cannot be ascertained, we believe that any resulting liability should not materially affect our consolidated financial statements.

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

No matter was submitted to a vote of security holders during the fourth quarter of 2007. Our annual meeting of stockholders will be held in Carlsbad, California on April 30, 2008. Matters to be voted on will be included in our proxy statement to be filed with the SEC and distributed to our stockholders prior to the meeting.

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PART II

ITEM 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Prices

Our common stock trades on The Nasdaq Global Select Market® under the symbol IVGN. The table below provides the high and low sales prices of our common stock for the periods indicated, as reported by The Nasdaq Global Select Market.

	High	Low
Year ended December 31, 2007		
Fourth quarter	$ 98.43	$ 81.96
Third quarter	83.27	71.06
Second quarter	74.51	63.99
First quarter	67.26	56.50
Year ended December 31, 2006		
Fourth quarter	$ 57.13	$ 56.47
Third quarter	64.00	63.07
Second quarter	66.41	65.43
First quarter	71.11	69.90

On February 11, 2008, the last reported sale price of our common stock was $86.29. As of February 11, 2008, there were approximately 1,139 stockholders of record of our common stock.

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Price Performance Graph

Set forth below is a graph comparing the total return on an indexed basis of a $100 investment in the Company s common stock, the Nasdaq Composite® (US) Index and the Nasdaq Pharmaceutical Index. The measurement points utilized in the graph consist of the last trading day in each calendar year, which closely approximates the last day of the respective fiscal year of the Company. The historical stock performance presented below is not intended to and may not be indicative of future stock performance.

Dividends

We have never declared or paid any cash dividends on our common stock and currently do not anticipate paying such cash dividends. We currently anticipate that we will retain all of our future earnings for use in the development and expansion of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, tax laws and other factors as the Board of Directors, in its discretion, deems relevant. Additionally, in connection with a loan facility entered into in January 2006 with Bank of America, we agreed to certain financial covenants that may, in certain circumstances, restrict our ability to pay dividends.

Securities Purchased Under Invitrogen Stock Repurchase Program

In August 2006, the Company s Board of Directors authorized a $500 million share repurchase program of the Company s common stock. During the year ended December 31, 2007, under this plan the Company repurchased 2.2 million shares at a total cost of approximately $150.0 million. The cost of repurchased shares are included in treasury stock and reported as a reduction in stockholders equity. As of December 31, 2007, management has completed stock repurchases under the $500 million authorization.

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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 1.5 million shares at a total cost of approximately $135.0 million during the year ended December 31, 2007. The cost of repurchased shares are included in treasury stock and reported as a reduction in stockholders equity.

The following table represents stock purchases during the fourth quarter:

Period	(a) Total Number of Shares (or Units) purchased	(b) Average Price Paid per Share	(c) Total Dollar of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 October 31		$	$	$ 465,015,047
November 1 November 30	707,803	91.83	64,999,809	400,015,238
December 1 December 31	364,426	96.04	35,000,127	365,015,111
Total	1,072,229	$93.26	$ 99,999,936	$ 365,015,111

ITEM 6. Selected Financial Data

The following selected data should be read in conjunction with our financial statements located elsewhere in this Annual Report on Form 10-K and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

FIVE YEAR SELECTED FINANCIAL DATA

(in thousands, except per share data)	2007[1]	2006[1,2]	2005[1,3]	2004[1]	2003[1,4]
Revenues	$ 1,281,747	$ 1,151,175	$ 1,079,137	$ 911,558	$ 777,738
Gross profit	715,887	608,331	549,535	464,207	469,349
Net income from continuing operations	130,279	75,759	121,485	80,987	60,130
Net income (loss) from discontinued operations	12,911	(266,808)	10,561	7,838	
Net income (loss)	143,190	(191,049)	132,046	88,825	60,130
Earnings from continuing operations per common share:					
Basic	$ 2.79	$ 1.47	$ 2.33	$ 1.57	$ 1.19
Diluted	$ 2.69	$ 1.44	$ 2.15	$ 1.50	$ 1.17
Earnings (loss) from discontinued operations per common share:					
Basic	$ 0.28	$ (5.19)	$ 0.20	$ 0.15	$
Diluted	$ 0.26	$ (5.04)	$ 0.18	$ 0.13	$
Net income (loss) per share:					
Basic	$ 3.07	$ (3.72)	$ 2.53	$ 1.72	$ 1.19
Diluted	$ 2.95	$ (3.60)	$ 2.33	$ 1.63	$ 1.17

Current assets	$ 1,090,484	$ 740,604	$ 1,079,234	$ 1,265,104	$ 1,287,344
Noncurrent assets	2,239,263	2,179,696	2,241,376	1,794,370	1,878,345
Current liabilities (including convertible debt)	234,413	228,086	468,148	168,791	125,693
Noncurrent liabilities (including convertible debt)	1,327,381	1,296,191	1,310,941	1,476,523	1,233,149
Total stockholders equity	1,765,447	1,630,427	2,041,790	1,913,251	1,806,847

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(1) During 2007, 2006, 2005, 2004 and 2003, the Company completed acquisitions that were not material and their results of operations have been included in the accompanying consolidated financial statements from their respective dates of acquisition. See Note 2 to the Notes to Consolidated Financial Statements.

(2) In 2006, the FASB issued Financial Accounting Standard 123 revised Share Based Payments in which share based payment is included in the results of operations and impacts the net income as reported. This adoption affects comparability between the Selected Financial Data. See Note 1 in the Notes to Consolidated Financial Statements.

(3) 2005 includes the results of operations of Dynal Biotech Holding as of April 1, 2005, the date of acquisition, which affects the comparability of the Selected Financial Data.

(4) 2003 includes the results of operations of the PanVera business and Molecular Probes, Inc. as of March 28, 2003 and August 20, 2003, the respective dates of acquisitions, which affect the comparability of the Selected Financial Data.

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ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

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.** Our BioDiscovery 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. 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.

Our Strategy

Our objective is to provide essential life science technologies for disease research, drug discovery and commercial bio-production.

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Our strategies to achieve this objective include:

- **New Product Innovation and Development**

  - **Developing innovative new products.** We place a great emphasis on internally developing new technologies for the life sciences research and biopharmaceutical production markets. Additionally, we are looking to leverage the broad range of our technologies to create unique synergistic technology solutions across our internal and newly acquired research and development centers of excellence. A significant portion of our growth and current revenue base has been created by the application of technology to accelerate the drug discovery process of our customers. We expect to focus new product development on three critical technology areas:

    - Protein and antibody production, purification and characterization;
    - Biochemical and cell-based assays; and
    - Labeling and detection,.

  - **In-licensing technologies.** We actively and selectively in-license new technologies, which we modify to create high value kits, many of which address bottlenecks in the research or drug discovery laboratories. We have a dedicated group of individuals that is focused on in-licensing technologies from academic and government institutions, as well as biotechnology and pharmaceutical companies.

  - **Acquisitions.** We actively and selectively seek to acquire and integrate companies with complementary products and technologies, trusted brand names, strong market positions and strong intellectual property positions. We have acquired numerous companies since we became a public company in 1999. On April 1, 2005, we acquired all of the outstanding shares of Dynal Biotech Holding AS, a privately held corporation based in Oslo, Norway for cash of $402.6 million. Dynal is the industry leader in magnetic bead technologies that are used in cell separation and purification, cell stimulation, protein research, nucleic acid research and microbiology. The results of operations of Dynal are included in the accompanying consolidated financial statements in the BioDiscovery segment from the date of acquisition. Additionally we have entered into other immaterial acquisitions which are further discussed in the notes to the consolidated financial statements.

  - **Divestitures.** In April 2007, Invitrogen completed the sale of its BioReliance subsidiary to Avista Capital Partners and received net cash proceeds of approximately $209.0 million**.** No loss on the sale was recorded in 2007. The results of operations for BioReliance for the period from January through April 2007 and the results for all prior periods are reported as discontinued operations. The Company finalized the sale of BioSource Europe, S.A., a diagnostic business located in Belgium, in April of, 2007, to a private investor group in Belgium for proceeds of $5.5 million. Net proceeds from both acquisitions less cash spent as part of the disposal process were $209.9 million.

- **Leverage Existing Sales, Distribution and Manufacturing Infrastructure**

  - **Multi-national sales footprint.** We have developed a sales and distribution network with sales in approximately 70 countries throughout the world. Our sales force is highly trained, with many of our sales people possessing degrees in molecular biology, biochemistry or related fields. We believe our sales force has a proven track record for selling and distributing our products and we expect to leverage this capacity to increase sales of our existing, newly developed and acquired products.

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High degree of customer satisfaction. Our sales, marketing, customer service and technical support staff work well together to provide our customers exceptional service for our products and we have been highly rated in customer satisfaction surveys. We use this strength to attract new customers and maintain existing customers.

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- **Rapid product delivery.** We have the ability to ship typical orders on a same-day or next-day basis. We use this ability to provide convenient service to our customers to generate additional sales.

Our BioDiscovery and CS products are used for research purposes and their use by our customers generally is not regulated by the United States Food and Drug Administration, or FDA, or by any comparable international organization, with several limited exceptions. Some of our CS and antibody products and manufacturing sites are subject to FDA regulation and oversight and are required to comply with the Quality System Regulations described in 21 CFR part 820. Additionally, some of these same sites and products are intended to comply with certain voluntary quality programs such as ISO 9001 and ISO 13458.

We conduct research activities in the United States, the United Kingdom, Israel and New Zealand and business development activities around the world. As part of these activities we actively seek to license intellectual property from academic, government and commercial institutions.

We manufacture the majority of our products in our manufacturing facilities located in Carlsbad and Camarillo, California; Eugene, Oregon; Frederick, Maryland; Grand Island, New York; Madison, Wisconsin; Auckland, New Zealand; Oslo, Norway; and Paisley, Scotland. We also have manufacturing facilities in Japan and Israel. In addition, we purchase products from third-party manufacturers for resale.

Except for our oligonucleotide (custom primers), genomic services, biologics testing, specialized manufacturing and cell culture production businesses, which are make-to-order businesses, we principally manufacture products for inventory and ship products shortly after the receipt of orders and anticipate that we will continue to do so in the future. We do not currently have a significant backlog and do not anticipate we will develop a material backlog in the future. In addition, we rely on third-party manufacturers to supply many of our raw materials, product components and in some cases, entire products.

We conduct our operations through subsidiaries in the Americas, Europe and Asia-Pacific. Each subsidiary records its income and expenses using the functional currency of the country in which the subsidiary resides. To consolidate the income and expenses of all of our subsidiaries, we translate each subsidiary s results into U.S. dollars using average exchange rates during the period. Changes in currency exchange rates have affected and will continue to affect our consolidated revenues, revenue growth rates, gross margins and net income. In addition, many of our subsidiaries conduct a portion of their business in currencies other than the subsidiary s functional currency, which can result in foreign currency transaction gains or losses. Exchange gains and losses arising from transactions denominated in these currencies are recorded in the Consolidated Statements of Income using the actual exchange rate differences on the date of the transaction.

We anticipate that our results of operations may fluctuate on a quarterly and annual basis and will be difficult to predict. The timing and degree of fluctuation will depend upon several factors, including those discussed under Risk Factors Related to Our Operations.

RESULTS OF OPERATIONS

Comparison of Years Ended December 31, 2007 and 2006

(in millions)	2007	2006	$ Increase/ (Decrease)	% Increase/ (Decrease)

BioDiscovery revenues	$ 902.2	$ 814.7	$ 87.5	11%
Cell Systems revenues	379.5	336.5	43.0	13%
Total revenues	$ 1,281.7	$ 1,151.2	$ 130.5	11%
BioDiscovery gross margin	70%	68%		
Cell Systems gross margin	50%	52%		
Total gross margin	56%	53%		

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Revenues

Revenues increased $130.5 million or 11% for 2007 compared to 2006. The increase was primarily a result of $59.7 million of increased volume and new product revenue, $40.6 million in foreign currency translation, and $29.8 million of price increases.

Changes in the value of certain currencies, including the Japanese yen, the British pound sterling, the euro and the Norwegian kroner, can significantly increase or decrease our reported revenue on sales made in these currencies and could result in a material positive or negative impact on our reported results. In addition to currency exchange rates, we expect that future revenues will be affected by, among other things, new product introductions, competitive conditions, customer research budgets, government research funding, the rate of expansion of our customer base, price increases, product discontinuations and acquisitions or dispositions of businesses or product lines.

BioDiscovery (BD). BioDiscovery revenues increased $87.5 million or 11% for 2007 compared to 2006. The increase was primarily driven by $29.4 million in increased volume and new product revenue, $28.6 million in increased prices and a favorable impact of $28.9 million in foreign currency translation.

Cell Systems (CS). CS revenues increased $43.0 million or 13% for 2007 compared to 2006. The increase was primarily a result of increased volume and new product revenue of $30.3 million along with favorable impact of $11.7 million in foreign currency translation.

Sales of cell culture products for large-scale production applications can vary significantly due to customer demand. In addition, cell culture revenues include sales of sera products whose price has historically been volatile. As a result, cell culture revenue growth rates can vary significantly.

Gross Profit

Gross profit increased $107.6 million or 18% for 2007 compared to 2006. Gross profit for 2007 and 2006 included approximately $0.5 million and $4.4 million, respectively, of costs associated with the write-up of acquired inventory to fair market value as a result of a business combination. In accordance with purchase accounting rules, this acquired inventory was written-up to fair market value and subsequently expensed as the inventory was sold. Amortization expense related to purchased intangible assets acquired in our business combinations was $98.7 million for 2007 compared to $110.7 million for 2006. The $12.0 million decrease was mainly due to intangible assets acquired in prior periods being fully amortized during the year. The primary drivers for the increase in gross margin is related to $47.5 million in pricing and volume increases, $22.1 million in productivity increases and $26.4 million in favorable foreign currency impacts.

We believe that gross margin for future periods will be affected by, among other things, the integration of acquired businesses in addition to sales volumes, competitive conditions, royalty payments on licensed technologies, the cost of raw materials, changes in average selling prices, our ability to make productivity improvements and foreign currency rates.

BioDiscovery (BD). BioDiscovery gross margin increased 2% to 70% for 2007 compared to 68% in 2006 primarily due to lower operating costs, improved pricing and increased sales volume.

Cell Systems (CS). CS gross margin decreased 2% to 50% for 2007 compared to 52% in 2006. Declines in gross margin were primarily the result of higher operating expenses and declines in sera pricing.

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Operating Expenses

(in millions)	For the Years Ended December 31, 2007 Operating Expense	2007 As a Percentage of Segment Revenues	2006 Operating Expense	2006 As a Percentage of Segment Revenues	$ Increase (Decrease)	% Increase (Decrease)
BioDiscovery Segment:						
Sales and marketing	$ 185.1	21%	$ 172.8	21%	$ 12.3	7%
General and administrative	105.2	12%	93.2	11%	12.0	13%
Research and development	97.2	11%	89.7	11%	7.5	8%
Cell Systems Segment:						
Sales and marketing	$ 60.9	16%	$ 54.5	16%	$ 6.4	12%
General and administrative	39.2	10%	30.2	9%	9.0	30%
Research and development	14.5	4%	10.4	3%	4.1	39%
Unallocated:						
Sales and marketing	$ 6.0		$ 5.1		$ 0.9	
General and administrative	19.7		26.7		(7.0)	
Research and development	4.1		4.2		(0.1)	
Consolidated:						
Sales and marketing	$ 252.0	20%	$ 232.4	20%	$ 19.6	8%
General and administrative	164.1	13%	150.1	13%	14.0	9%
Research and development	115.8	9%	104.3	9%	11.5	11%

Sales and Marketing. For 2007, sales and marketing expenses increased $19.6 million or 8% compared to 2006. The increase resulted primarily from increased salaries and bonuses of $13.2 million, $4.5 million of additional purchased services expenses and $6.0 million of foreign currency translation impacts. This was partially offset by a decrease in travel expenses of $3.9 million as well as a decrease in supplies expenses of $1.4 million.

General and Administrative. For 2007, general and administrative expenses increased $14.0 million or 9% compared to 2006. The increase resulted primarily from increases salaries and bonuses of $23.1 million, additional depreciation expense of $4.7 million which was driven by increased capital expenditures, $1.6 million in increases of travel expenses and $2.1 million of foreign currency translation impacts. This was partially offset by a decrease of $7.0 in stock based compensation expense, $5.8 million in purchased services expenses, $1.4 million in bad debt expenses and $4.3 million in other expenses.

We continue to pursue programs and initiatives to improve our efficiency in the general and administrative area. These programs focus in the areas of process improvement and automation. We expect over time that these actions will result in a decline in our general and administrative expenses as a percent of sales.

Research and Development. Research and development expenses for 2007 increased $11.5 million or 11% compared to 2006. The increase resulted primarily from $5.4 million of salaries and bonus expenses, $1.4 million in increased purchase services expenses, $1.4 million in other expenses and $1.5 million in foreign currency translation expenses. The increases were partially offset by a decrease of $0.9 million in supplies expense. Overall, gross research and development expenses increased 11 percent year over year as a result of our continued efforts to drive growth through new product development projects. We expect research and development expenses to remain at this level as a percentage of sales as we continue efforts to drive growth through new product development.

Business Consolidation Costs. Business consolidation costs for 2007 were $5.6 million, compared to $12.5 million in 2006, and represent costs associated with our efforts to realign our business and consolidation of certain facilities. These costs consisted mainly of termination benefits of certain employees involuntarily terminated. We expect to continue to incur business consolidation costs in 2008 as we further consolidate operations and facilities.

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Other Income (Expense)

Interest Income. Interest income was $28.0 million in 2007 compared to $26.7 million in 2006. The $1.3 million increase resulted primarily from an increase in the average yield of our investments in 2007, partially offset by the effect of lower investment balances due to the payoff of the 2006 2 1/4% Convertible Notes and the share repurchase program.

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, stock repurchase programs and other financing activities.

Interest Expense. Interest expense was $28.0 million for 2007 compared to $32.2 million for 2006. The primary reason for the $4.2 million reduction in interest expense was the maturity of the 2006 2 1/4% Convertible Notes in the prior year which were not part of the 2007 expense.

Other Income (Expense), Net. Other income (expense), net, for 2007 and 2006 was comparable at $0.3 million and $0.5 million, respectively.

Provision for Income Taxes. The provision for income taxes as a percentage of our pre-tax income was 27.1% for 2007 compared with 27.2% of our pre-tax income for 2006. The decline in the effective tax rate was primarily attributable to an increase in income earned in jurisdictions having lower tax rates.

Comparison of Years Ended December 31, 2006 and 2005

(in millions)	2006	2005	$ Increase/ (Decrease)	% Increase/ (Decrease)
BioDiscovery revenues	$ 814.7	$ 732.0	$ 82.7	11%
Cell Systems revenues	336.5	347.1	(10.6)	(3%)
Total revenues	$ 1,151.2	$ 1,079.1	$ 72.1	7%
BioDiscovery gross margin	68%	70%		
Cell Systems gross margin	52%	50%		
Total gross margin	53%	51%		

Revenues

Revenues increased $72.1 million or 7% for 2006 compared to 2005. The increase was primarily a result of $61.7 million of increased volume and acquisition related revenue, $28.0 million of price and royalty revenue increases and $2.4 million in foreign currency translation. The increases were partially offset by declines of $21.7 million due to sera products.

Changes in the value of certain currencies, including the Japanese yen, the British pound sterling, the euro and the Norwegian kroner, can significantly increase or decrease our reported revenue on sales made in these currencies and could result in a material positive or negative impact on our reported results. In addition to currency exchange rates, we expect that future revenues will be affected by, among other things, new product introductions, competitive conditions, customer research budgets, government research funding, the rate of expansion of our customer base, price increases, product discontinuations and acquisitions or dispositions of businesses or product lines.

BioDiscovery (BD). BioDiscovery revenues increased $82.7 million or 11% for 2006 compared to 2005. The increase was primarily driven by $56.9 million in increased volume and acquisition related revenue and $26.0 million in increased prices and higher royalty revenue.

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Cell Systems (CS). CS revenues decreased $10.6 million or 3% for 2006 compared to 2005. The decline was primarily a result of $21.7 million of decreased volume and pricing within the sera business, partially offset by $6.9 million of pricing and volume increases in cell culture research.

Sales of cell culture products for large-scale production applications can vary significantly due to customer demand. In addition, cell culture revenues include sales of sera products whose price has historically been volatile. As a result, cell culture revenue growth rates can vary significantly.

Gross Profit

Gross profit increased $58.8 million or 11% for 2006 compared to 2005. Gross profit for 2006 and 2005 included approximately $4.4 million and $30.0 million, respectively, of costs associated with the write-up of acquired inventory to fair market value as a result of a business combination. In accordance with purchase accounting rules, this acquired inventory was written-up to fair market value and subsequently expensed as the inventory was sold. The impact of these inventory revaluations had a neutral impact on our overall gross profit when comparing 2006 to 2005. Amortization expense related to purchased intangible assets acquired in our business combinations was $110.7 million for 2006 compared to $110.4 million for 2005. The $0.3 million increase was mainly due to intangible assets acquired through our acquisitions, partially offset by certain intangible assets being fully amortized during 2006.

BioDiscovery (BD). BioDiscovery gross margin decreased 2% to 68% for 2006 compared to 70% in 2005. The decrease is primarily due to lower margin products being sold in connection with acquired companies and collaborations and decreased manufacturing efficiencies.

Cell Systems (CS). CS gross margin increased 2% to 52% for 2006 compared to 50% in 2005. Increased pricing in cell culture research was the primary driver for the increase in the margins.

Operating Expenses

	For the Years Ended December 31,					
	2006		2005			
(in millions)	Operating Expense	As a Percentage of Segment Revenues	Operating Expense	As a Percentage of Segment Revenues	$ Increase (Decrease)	% Increase (Decrease)
BioDiscovery Segment:						
Sales and marketing	$ 172.8	21%	$ 150.9	21%	$ 21.9	15%
General and administrative	93.2	11%	89.3	12%	3.9	4%
Research and development	89.7	11%	86.5	12%	3.2	4%
Cell Systems Segment:						
Sales and marketing	$ 54.5	16%	$ 52.8	15%	$ 1.7	3%
General and administrative	30.2	9%	28.5	8%	1.7	6%
Research and development	10.4	3%	10.4	3%	0.0	0%

Unallocated:						
Sales and marketing	$ 5.1		$ 0.3		$ 4.8	
General and administrative	26.7				26.7	
Research and development	4.2		0.9		3.3	
Consolidated:						
Sales and marketing	$ 232.4	20%	$ 204.0	19%	$ 28.4	14%
General and administrative	150.1	13%	117.8	11%	32.3	27%
Research and development	104.3	9%	97.8	9%	6.5	7%

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Sales and Marketing. For 2006, sales and marketing expenses increased $28.4 million or 14% compared to 2005. The increase resulted primarily from increased salaries and commissions of $13.8 million, $10.9 million of incremental expenses related to acquisitions, $5.1 million from share-based compensation due to the adoption of SFAS 123R, foreign currency translation of $1.9 million and travel expenses of $3.4 million, partially offset by a $6.4 million reduction in incentive compensation.

General and Administrative. For 2006, general and administrative expenses increased $32.3 million or 27% compared to 2005. The increase resulted primarily from $8.0 million of incremental expenses related to acquisitions, increased salaries and other expenses of $5.9 million and $26.6 million from share-based compensation due to the adoption of SFAS 123R, partially offset by a $8.8 million reduction in incentive compensation.

Research and Development. Research and development expenses for 2006 increased $6.5 million or 7% compared to 2005. The increase resulted primarily from $8.4 million of incremental expenses related to acquisitions, share-based compensation due to the adoption of SFAS 123R of $3.8 million partially offset by a decrease in incentive compensation of $4.7 million. Overall, research and development expenses as a percentage of revenues was comparable to the prior year.

Purchased In-Process Research and Development Costs. In conjunction with our acquisitions in 2005, we purchased in-process research and development projects valued at $17.0 million that were expensed upon their respective acquisition dates. There was no expense related to in-process research and development in 2006.

Business Consolidation Costs. Business consolidation costs for 2006 were $12.5 million and represent costs associated with our efforts to realign our business and consolidation of certain facilities. These costs consisted mainly of termination benefits of certain employees involuntarily terminated.

Other Income (Expense)

Interest Income. Interest income was $26.7 million in 2006 compared to $24.6 million in 2005. The $2.1 million increase resulted primarily from an increase in the average yield of our investments in 2006, partially offset by the effect of lower investment balances.

Interest Expense. Interest expense was $32.2 million for 2006 compared to $34.0 million for 2005. The primary reason for the $1.8 million reduction in interest expense was open market repurchases of our 2 1/4% senior convertible notes, which reduced the average balance of our debt in 2006 compared to 2005.

Other Income (Expense), Net. Other income (expense), net, for 2006 and 2005, is composed of the following:

(in millions)	For the Years Ended December 31, 2006	2005

Net periodic pension (expense) income[1]	$ (0.7)	$ 0.9
Gain (loss) on asset disposals	2.3	(0.1)
Gain on forward contract[2]		21.0
Recognition of cumulative translation gains[3]		25.5
Gain on sale of an equity investment		2.8
Foreign currency gain on short-term intercompany loan		2.2
Net foreign currency exchange (losses) gains	(1.6)	0.3
Other	0.5	4.9
Total other income, net	$ 0.5	$ 57.5

(1) The net periodic pension income is from a defined benefit plan acquired in the merger with Dexter Corporation in 2000 and is recognized as other non-operating income and expense since the plan provides benefits to participants who were not continuing employees of Invitrogen following the merger.

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(2) The gain was recognized in March 2005 on the settlement of a forward contract related to the acquisition of Dynal.
(3) Relates to the repatriation of $119.0 million of undistributed earnings from and substantial liquidation of certain foreign subsidiaries which resulted in the recognition of $25.5 million of cumulative translation gains.

Provision for Income Taxes. The provision for income taxes as a percentage of our pre-tax income was 27.2% for 2006 compared with 23.9% of our pre-tax income for 2005. The effective tax rate in 2006 was higher primarily because tax expense in 2005 included the effect of a repatriation of foreign earnings that qualified for the reduced rate of tax as provided in The American Jobs Creation Act of 2004 (the AJCA). The tax incurred in 2005 included a benefit upon the repatriation of those foreign earnings that was lower than the tax liability recorded prior to the enactment of the AJCA.

Discontinued Operations.

In April 2007, we completed the sale of our BioReliance business unit, a component of the CS reporting unit, to Avista Capital Partners for approximately $210.0 million. In addition, in February 2007, we finalized the sale of BioSource Europe S.A., a diagnostic business in our BioDiscovery reporting unit. These operations were deemed to be discontinued operations and the results from these business divisions have been excluded from our continuing operations financial statements. Discontinued operations results for 2006 were a loss of $266.8 million compared to net income in the prior year of $10.6 million. The change year over year is primarily attributable to goodwill impairment of $270.4 million in 2006 as indicators determined the value of goodwill to be less than the carrying value.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. Operating activities provided net cash of $323.6 million during 2007 primarily from our net income of $143.2 million plus net non-cash charges of $179.4 million. Changes in operating assets and liabilities provided a net increase of $0.9 million in cash during the period. Within the non-cash charges which provided cash, the primary drivers were amortization of intangible assets of $98.7 million, share based compensation of $42.5 million and depreciation charges of $37.4 million. The primary drivers of cash proceeds from changes in operating assets and liabilities were an increase in income taxes payable of $14.6 million, increases in accounts payable and accrued expenses of $20.5 million which were partially offset by increases in inventories of $19.8 million and increases in prepaid and other assets of $11.4 million.

As a result of working capital improvement programs, we expect to utilize our working capital more effectively 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.

Investing Activities. Net cash provided by investing activities during 2007 was $48.5 million. The primary increase was related to cash proceeds from the sale of our BioReliance and BioSource Europe divisions which increased cash by $209.9 million. This increase in cash was offset by net purchases of securities of $51.8 million, purchases of property plant and equipment of $78.3 million and cash paid for business combinations of $31.3 million.

For 2008, we expect spending for capital equipment and information technology to approximate 2007 spending.

In 2007, we completed two acquisitions immaterial to our overall consolidated financial statements. The net cash purchase price of acquisitions in 2007 was $31.2 million, of which $23.1 million related to acquisitions completed in 2007. The results of operations were included from the date of acquisition and were not material to our consolidated financial results. See Note 2 to the Notes to Consolidated Financial Statements.

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In late 2006, we completed an acquisition immaterial to our overall consolidated financial statements. The net cash purchase price of acquisitions in 2006 was $44.0 million, of which $15.1 million was related to the acquisition completed in 2006. The results of operations were included from the date of acquisition and were not material to our consolidated financial results.

In April 2005, we acquired all of the outstanding shares of common stock of Dynal for a total cash purchase price of $347.3 million. We also paid cash to extinguish $53.1 million of debt following completion of the acquisition and transaction costs of $2.2 million and acquired cash of $1.1 million. The purchase price was paid from existing cash and investments.

In 2005, we completed several other acquisitions that were not material to our overall consolidated financial statements. The aggregate cash purchase price of these acquisitions was $256.5 million and acquired cash totaling $18.1 million. The results of operations were included from the respective dates of acquisition.

Pursuant to the purchase agreements for certain prior year and current year acquisitions, we could be required to make additional contingent cash payments based on the achievement of future gross sales of the acquired companies through 2010. The agreements do not limit the payment to a maximum amount. The Company will account for such contingent payments as an addition to the purchase price of the acquired company.

Payments aggregating a maximum of $5.0 million based upon certain research and development milestones of the acquired companies could be required through 2008. In 2007, $2.0 million of contingent payments were earned and paid for the achievement of operating results. In 2006, $8.4 million and $21.9 million of contingent payments have been earned and paid, respectively, for research and development milestones; and no contingent payments have been earned or paid for operating results. During the years ended 2007 and 2006, $51.5 million and $35.0 million, respectively, of contingent payments for operating results have expired.

Financing Activities. Net cash used in financing activities totaled $143.2 million for 2007 and includes $285.0 million used to repurchase shares of our common stock. These cash outflows were offset by $138.4 million in proceeds from stock issued under employee stock plans and $5.4 million related to excess tax benefits related to share-based payments.

On June 20, 2005, we issued 3 1/4% Convertible Senior Notes due 2025 (the 3 1/4% Notes) to certain qualified institutional investors at par value. Including the exercise of the over-allotment option, the total size of the offering was $350.0 million. After expenses, the net proceeds we received were $343.0 million. Interest is payable on the Notes semi-annually in arrears beginning December 15, 2005. In addition to the coupon interest of 3.25%, additional interest of 0.225% of the market value of the Notes may be required to be paid per six month period beginning June 15, 2011, if the market value of the 3 1/4% Notes during a specified period is 120% or more of the 3 1/4% Notes principal value. The 3 1/4% Notes may be redeemed, in whole or in part, at the Company s option on or after June 15, 2011, at 100% of the principal amount plus any accrued and unpaid interest. In addition, the holders of the 3 1/4% Notes may require us to repurchase all or a portion of the 3 1/4% Notes for 100% of the principal amount, plus any accrued and unpaid interest, on June 15, 2011, 2015 and 2020 or upon the occurrence of certain fundamental changes. Prepayment of amounts due under the 3 1/4% Notes will be accelerated in the event of bankruptcy or insolvency and may be accelerated by the trustee or holders of 25% of the 3 1/4% Notes principal value upon default of payment of principal or interest when due for over thirty days, our default on its conversion or repurchase obligations, failure of us to comply with any of its other agreements in the 3 1/4% Notes or indenture, or upon cross-default by us or a significant subsidiary for failure to make a payment at maturity or the acceleration of our other debt or a significant subsidiary, in either case exceeding $50.0 million. The terms of the 3 1/4% Notes require us to settle the par value of such 3 1/4% Notes in cash and deliver shares only for the differential between the stock price on the date of conversion and the base conversion price (initially approximately $98.25 per share).

On April 27, 2005, we entered into a secured line of credit that provides up to $250.0 million in borrowings at LIBOR plus 0.15%. On April 28, 2005 we borrowed $124.0 million to repurchase $125.0 million of its 2 1/4% convertible subordinated notes due December 15, 2006, for less than par value. A portion of the proceeds from the 3 1/4% Notes was used to pay down the secured line of credit. The secured credit facility was collateralized by investments and expired on September 30, 2005.

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On February 19, 2004, we issued $450.0 million in principal amount of 1 1/2% Convertible Senior Notes (Old 1 1/2% Notes) due 2024, to certain qualified institutional buyers. Interest on the Old 1 1/2% Notes is payable semi-annually on February 15th and August 15th. In addition to the coupon interest of 1 1/2%, additional interest of 0.35% of the market value of the Old 1 1/2% Notes may be required to be paid beginning February 15, 2012, if the market value of the Old 1 1/2% Notes during specified testing periods is 120% or more of the principal value. The Old 1 1/2% Notes were issued at 100% of principal value and are convertible into 4.4 million shares of common stock at the option of the holder upon the occurrence of certain events at a price of $102.03 per share. The Old 1 1/2% Notes may be redeemed, in whole or in part, at our option on or after February 15, 2012, at 100% of the principal amount plus accrued interest. In addition, the holders of the Old 1 1/2% Notes may require us to repurchase all or a portion of the Old 1 1/2% Notes for 100% of the principal amount, plus accrued interest, on February 15, 2012, 2017 and 2022.

We have $350.0 million in principal amount of 2% Convertible Senior Notes (Old 2% Notes) due August 1, 2023. Interest on the Old 2% Notes is payable semi-annually on February 1st and August 1st. In addition to the coupon interest of 2%, additional interest of 0.35% of the market value of the Old 2% Notes may be required to be paid beginning August 1, 2010, if the market value of the Old 2% Notes during specified testing periods is 120% or more of the principal value. The Old 2% Notes were issued at 100% of principal value and are convertible into 5.1 million shares of common stock at the option of the holder upon the occurrence of certain events at a price of $68.24 per share. The Old 2% Notes may be redeemed, in whole or in part, at our option on or after August 1, 2010, at 100% of the principal amount plus accrued interest. In addition, the holders of the Old 2% Notes may require us to repurchase all or a portion of the Old 2% Notes for 100% of the principal amount, plus accrued interest, on August 1, 2010, August 1, 2013 and August 1, 2018.

In December 2004, we offered up to $350.0 million in principal amount of 2% Convertible Senior Notes due 2023 (the New 2% Notes) in a non-cash exchange for any and all outstanding Old 2% Notes, that were validly tendered on that date. Approximately 83% of the Old 2% Notes were exchanged by their holders for the New 2% Notes. In 2005, we completed the additional exchange of approximately $22.6 million of the Old 2% Notes with their holders for the New 2% Notes. In December 2004, we offered up to $450.0 million in principal amount of 1 1/2% Convertible Senior Notes due 2024 (the New 1 1/2% Notes) in a non-cash exchange for any and all outstanding Old 1 1/2% Notes, that were validly tendered on that date. Approximately 91% of the Old 1 1/2% Notes were exchanged by their holders for the New 1 1/2% Notes. In 2005, we completed the additional exchange of approximately $1.0 million of the Old 1 1/2% Notes with their holders for the New 1 1/2% Notes. The New 2% Notes and New 1 1/2% Notes (collectively the New Notes) carry the same rights and attributes as the Old 2% Notes and Old 1 1/2% Notes (collectively the Old Notes) except for the following; the terms of the New Notes require us to settle the par value of such notes in cash and deliver shares only for the differential between the stock price on the date of conversion and the base conversion price (initially approximately $68.24 for New 2% Notes and $102.03 for the New 1 1/2% Notes).

In the event of a change of control of Invitrogen, the holders of the 3 1/4% Notes, Old 1 1/2% Notes, Old 2% Notes, New 2% Notes and the 2 1/4% Notes each have the right to require us to repurchase all or a portion of their notes at a purchase price equal to 100% of the principal amount of the notes plus all accrued and unpaid interest.

In August 2006, the Company s Board of Directors authorized a $500 million share repurchase program of the Company s common stock. During the year ended December 31, 2007, under this plan the Company repurchased 2.2 million shares, respectively, at a total cost of approximately $150.0 million. The cost of repurchased shares are included in treasury stock and reported as a reduction in stockholders equity. As of December 31, 2007, management had completed stock repurchases up to this $500 million authorization.

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 1.5 million shares at a total cost of approximately $135.0 million during the year ended December 31, 2007. The cost of repurchased shares are included in treasury stock and reported as a reduction in stockholders equity.

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We are continuing to seek additional corporate and technology acquisition opportunities that support our BioDiscovery and Cell Systems platforms. While we cannot predict the timing or size of any future acquisitions, or if any will occur at all, a significant amount of our cash and/or stock may be used to acquire companies, assets or technologies. We could also choose to fund any acquisitions, at least partly, with new debt or stock.

As of December 31, 2007, we had cash and cash equivalents of $606.1 million, short-term investments of $60.7 million and long-term investments of $0.7 million. Our working capital was $856.1 million as of December 31, 2007 and includes restricted cash and investments of $4.4 million. Our funds are currently invested in overnight money market accounts, time deposits, commercial paper, demand notes and municipal notes and bonds with maturities of less than three months. As of December 31, 2007, foreign subsidiaries in China, Japan and Norway 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 $21.4 million, of which $0.9 million was outstanding at December 31, 2007.

On January 9, 2006, the Company completed entering 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 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 December 31, 2007 the available credit is $243.3 million as the Company has issued $6.7 million in letters of credit through the facility. See Note 4 to the Notes to Consolidated Financial Statements.

We expect that our current cash and cash equivalents, short-term and long-term investments, funds from operations and interest income earned thereon will be sufficient to fund our current operations through at least the first quarter of 2009. Our future capital requirements and the adequacy of our available funds will depend on many factors, including future business acquisitions, future stock or note 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.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations at December 31, 2007 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

		Payments Due by Period[1]				
(in thousands)	**Total**	**Less than 1 Year**	**Years 2-3**	**Years 4-5**	**More than 5 Years**	**All Other[2]**
Long-term debt	$ 1,566,612	$ 25,237	$ 50,950	$ 50,250	$ 1,440,175	
Capital lease obligations	12	12				
Operating lease obligations	125,475	19,354	28,154	20,705	57,262	
Licensing and purchase obligations	115,944	33,244	46,578	32,076	4,096	
FIN 48 liability and interest[2]	28,104	4,388				23,716
Other obligations	1,277		98	100	1,079	

Total	$ 1,837,424	$ 82,235	$ 125,780	$ 103,131	$ 1,502,612	$ 23,716

(1) Pursuant to one of our 2005 and 2007 acquisitions, we could be required to make additional contingent cash payments based on percentages of future gross sales of the acquired company through 2010. The purchase agreement does not limit the payment to a maximum amount.

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(2) As of December 31, 2007, the Company s unrecognized tax benefits were $28.1 million. We were unable to reasonably estimate the timing of FIN 48 liability and interest payments in individual periods beyond twelve months due to uncertainties in the timing of the effective settlement of tax positions.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition. We derive our revenue from the sale of our products, services and technology. We recognize revenue from product sales upon transfer of title of the product, which generally occurs upon shipment to the customer. We generally ship to our customers FOB shipping point. If our shipping policies, including the point of title transfer, were to change, materially different reported results would be likely. In cases where customers order and pay for products and request that we store a portion of their order for them at our cost, we record any material up-front payments as deferred revenue in accrued expenses and other current liabilities in the Consolidated Balance Sheets and recognize revenue upon shipment of the product to the customer. Deferred revenue totaled $10.4 million at December 31, 2007.

We recognize royalty revenue (including upfront licensing fees) when the amounts are earned and determinable, which is generally when we receive the cash payment. We are able to recognize minimum required payments on an accrual basis, as they are determinable under contract. However, since we are not able to forecast product sales by licensees, royalty payments that are based on product sales by the licensees are not determinable until the licensee has completed their computation of the royalties due and/or remitted their cash payment to us. Should information on licensee product sales become available so as to enable us to recognize royalty revenue on an accrual basis, materially different revenues and results of operations could occur. Royalty revenue totaled $39.9 million, $26.8 million and $23.5 million for 2007, 2006 and 2005, respectively.

In our BioReliance business, we recognized revenue from commercial contracts, which were principally fixed-price or fixed-rate, using the proportional performance method, except for services that were generally completed within three days, which are accounted for using the completed-contract method. Proportional performance was determined using expected output milestones.