INVITROGEN CORP
Form 10-Q
November 14, 2003

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**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-Q

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003**

**OR**

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

**Commission file number: 0-25317**

## INVITROGEN CORPORATION

(Exact name of registrant as specified in its charter)

| Delaware | 33-0373077 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 1600 Faraday Avenue, Carlsbad, CA | 92008 |
| (Address of principal executive offices) | (Zip Code) |

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] or No [ ]

As of November 6, 2003, there were 54,287,531 shares of the registrant s Common Stock, par value $.01 per share, outstanding.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**INVITROGEN CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
*(Dollars in thousands, except par value data)*

| | September 30, 2003 (Unaudited) | December 31, 2002 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 563,856 | $ 537,817 |
| Short-term investments held-to-maturity | 306,050 | 184,188 |
| Restricted cash and investments | 6,941 | 9,370 |
| Trade accounts receivable, net of allowance for doubtful accounts of $4,987 and $4,431, respectively | 123,192 | 95,104 |
| Inventories | 131,037 | 85,531 |
| Deferred income taxes | 23,860 | 28,679 |
| Prepaid expenses and other current assets | 30,112 | 27,762 |
| Total current assets | 1,185,048 | 968,451 |
| Long-term investments held-to-maturity | 253,008 | 338,488 |
| Property and equipment, net | 169,864 | 136,151 |
| Goodwill | 974,706 | 768,459 |
| Intangible assets, net | 478,372 | 344,180 |
| Other assets | 67,475 | 59,237 |
| Total assets | $ 3,128,473 | $ 2,614,966 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current Liabilities: | | |
| Current portion of long-term obligations | $ 1,342 | $ 2,456 |
| Accounts payable | 29,205 | 20,430 |
| Accrued expenses and other current liabilities | 99,965 | 87,591 |
| Income taxes | 8,531 | 30,478 |
| Total current liabilities | 139,043 | 140,955 |
| Long-term obligations, deferred credits and reserves | 32,002 | 24,664 |
| Pension liabilities | 24,213 | 21,997 |
| Deferred income tax liabilities | 156,778 | 108,737 |
| 2% Convertible Senior Notes due 2023 | 350,000 | |

| | | |
|---|---|---|
| 21/4% Convertible Subordinated Notes due 2006 | 500,000 | 500,000 |
| 51/2% Convertible Subordinated Notes due 2007 | 172,500 | 172,500 |
| Total liabilities | 1,374,536 | 968,853 |
| Minority interest | | 3,503 |
| Commitments and contingencies | | |
| Stockholders Equity: | | |
| Preferred stock; $0.01 par value, 6,405,884 shares authorized; no shares issued or outstanding | | |
| Common stock; $0.01 par value, 125,000,000 shares authorized; 54,092,092 and 53,268,496 shares issued, respectively | 541 | 533 |
| Additional paid-in-capital | 1,919,146 | 1,871,795 |
| Deferred compensation | (8,861) | |
| Accumulated other comprehensive income | 36,693 | 14,906 |
| Accumulated deficit | (97,083) | (144,624) |
| Less cost of treasury stock; 3,196,009 shares and 3,296,009 shares, respectively | (96,499) | (100,000) |
| Total stockholders equity | 1,753,937 | 1,642,610 |
| Total liabilities and stockholders equity | $ 3,128,473 | $ 2,614,966 |

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

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**INVITROGEN CORPORATION**
**CONSOLIDATED STATEMENTS OF INCOME**
*(Amounts in thousands, except per share data)(Unaudited)*

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Revenues | $ 196,939 | $ 162,588 | $ 569,968 | $ 486,767 |
| Cost of revenues | 77,159 | 67,432 | 222,122 | 202,962 |
| Gross margin | 119,780 | 95,156 | 347,846 | 283,805 |
| Operating Expenses: | | | | |
| Sales and marketing | 38,457 | 30,783 | 113,325 | 90,420 |
| General and administrative | 22,722 | 18,347 | 65,383 | 50,657 |
| Research and development | 15,354 | 8,705 | 38,543 | 24,022 |
| Other purchased intangibles amortization | 20,736 | 16,071 | 56,243 | 48,214 |
| Purchased in-process research and development | 1,410 | | 1,410 | |
| Business integration costs | 925 | 223 | 1,318 | 16,113 |
| Total operating expenses | 99,604 | 74,129 | 276,222 | 229,426 |
| Income from operations | 20,176 | 21,027 | 71,624 | 54,379 |
| Other income (expense): | | | | |
| Interest income | 5,939 | 7,256 | 17,973 | 20,189 |
| Interest expense | (7,547) | (6,039) | (20,249) | (18,123) |
| Other income (expense), net | (103) | 460 | 233 | (347) |
| Total other income and expense, net | (1,711) | 1,677 | (2,043) | 1,719 |
| Income before provision for income taxes and minority interest | 18,465 | 22,704 | 69,581 | 56,098 |
| Provision for income taxes | (4,767) | (7,418) | (21,431) | (17,727) |
| Minority interest | | (351) | (609) | (854) |
| Net income | $ 13,698 | $ 14,935 | $ 47,541 | $ 37,517 |
| Earnings per common share: | | | | |
| Basic | $ 0.27 | $ 0.28 | $ 0.95 | $ 0.71 |
| Diluted | $ 0.26 | $ 0.28 | $ 0.94 | $ 0.70 |

| | | | | |
|---|---|---|---|---|
| Weighted average shares used in per share calculation: | | | | |
| Basic | *50,298* | *53,151* | *50,118* | *53,093* |
| Diluted | *51,762* | *53,448* | *50,822* | *53,446* |

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

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**INVITROGEN CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
*(Dollars in thousands)(Unaudited)*

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2003 | 2002 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 47,541 | $ 37,517 |
| Adjustments to reconcile net income to net cash provided by operating activities, net of effects of businesses acquired and divested: | | |
| Depreciation | 19,900 | 14,426 |
| Amortization of intangible assets | 58,569 | 50,603 |
| Deferred income taxes | (20,992) | (18,051) |
| Non-cash business integration and merger-related costs | 2,335 | 9,527 |
| Amortization of premiums on investments, net of accretion of discounts | 8,256 | 3,281 |
| Loss on disposal of assets | 3,151 | 1,582 |
| Other non-cash amortization and adjustments | 4,707 | 3,559 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | | 8,145 |
| Trade accounts receivable | (15,009) | (5,445) |
| Inventories | (1,946) | (2,338) |
| Prepaid expenses and other current assets | (1,764) | (783) |
| Other assets | 1,748 | (1,515) |
| Accounts payable | 2,569 | (279) |
| Accrued expenses and other current liabilities | 13,832 | (6,783) |
| Income taxes | 1,818 | 9,229 |
| Net cash provided by operating activities | 124,715 | 102,675 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Maturities of held-to-maturity securities | 235,539 | 291,904 |
| Purchases of held-to-maturity securities | (263,278) | (606,905) |
| Proceeds from sale of held-to-maturity securities | | 969 |
| Net proceeds from sale of business | | 1,145 |
| Cash paid for business combinations, net of cash acquired | (412,943) | |
| Payment received on note receivable | | 261 |
| Purchases of property and equipment | (19,893) | (43,006) |
| Proceeds from sale of property, plant and equipment | 2,716 | 795 |
| Payments for intangible assets | (478) | (2,250) |
| Net cash used in investing activities | (458,337) | (357,087) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Net principal payments on lines of credit | | (2,755) |
| Proceeds from long-term obligations | 340,877 | |

| | | |
|---|---|---|
| Principal payments on long-term obligations | (2,370) | (419) |
| Proceeds from sale of common stock | 18,922 | 3,892 |
| Repayment of minority interest capital | (4,127) | |
| Purchase of treasury stock | (5,354) | (9,467) |
| Net cash provided by (used in) financing activities | 347,948 | (8,749) |
| Effect of exchange rate changes on cash | 11,713 | 11,283 |
| Net increase (decrease) in cash and cash equivalents | 26,039 | (251,878) |
| Cash and cash equivalents, beginning of period | 537,817 | 878,214 |
| Cash and cash equivalents, end of period | $ 563,856 | $ 626,336 |

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

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**INVITROGEN CORPORATION**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## 1. Basis of Presentation

*Financial Statement Preparation*

The consolidated financial statements include the accounts of Invitrogen Corporation and its wholly-owned subsidiaries, collectively referred to as Invitrogen. All significant intercompany accounts and transactions have been eliminated in consolidation. The interim financial statements have been prepared, without audit, according to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the SEC s rules and regulations. In the opinion of management, the accompanying unaudited financial statements contain all adjustments, which include only normal recurring adjustments, necessary to state fairly the financial position, results of operations and cash flows as of and for the periods indicated.

These financial statements should be read in conjunction with the audited financial statements and the notes thereto included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 7, 2003.

*Inventories*

Inventories include material, labor and overhead costs in addition to purchase accounting adjustments to write-up acquired inventory to estimated selling prices less costs to complete, costs of disposal and a reasonable profit allowance. Inventories consist of the following:

| *(in thousands)* | **September 30, 2003 (Unaudited)** | **December 31, 2002** |
|---|---|---|
| Raw materials and components | $ 15,415 | $ 15,291 |
| Work in process (materials, labor and overhead) | 12,914 | 7,830 |
| Adjustment to write up acquired work in process inventory to fair value | 16,492 | |
| Total work in process | 29,406 | 7,830 |
| Finished goods (materials, labor and overhead) | 76,761 | 62,410 |
| Adjustment to write up acquired finished goods inventory to fair value | 9,455 | |
| Total finished goods | 86,216 | 62,410 |
| | $ 131,037 | $ 85,531 |

*Long-Lived Assets*

The Company periodically re-evaluates the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of its long-lived assets. The criteria used for these evaluations include management s estimate of the asset s continuing ability to generate income from operations and positive cash flow in future periods as well as the strategic significance of any intangible asset in the Company s business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets.

For the three and nine months ended September 30, 2003, research and development expenses in the Consolidated Statements of Income include accelerated amortization of purchased technology of $1.5 million for which management has determined that there is limited opportunity to develop commercial applications. For the three and nine months ended September 30, 2003, an additional impairment loss of $0.9 million was recognized in business integration costs in the Consolidated Statements of Income on assets held for sale in Huntsville, Alabama, related to the closure of our facilities located there. Other income and expense in the Consolidated Statements of Income includes a $0.6 million impairment loss for the three and nine months ended September 30, 2003, related to vacant land held for sale.

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*Accumulated Depreciation and Amortization*

Accumulated depreciation and amortization of property and equipment was $64.7 million and $44.0 million at September 30, 2003, and December 31, 2002, respectively. Accumulated amortization of intangible assets was $212.3 million and $154.4 million at September 30, 2003, and December 31, 2002, respectively.

*Computation of Earnings Per Common Share*

Basic earnings per share was computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if net income were divided by the weighted average number of common shares, plus potential common shares from outstanding stock options and contingently issuable restricted stock plus the conversion of the convertible subordinated notes where the effect of those securities is dilutive. Until such time that the restricted convertibility feature (see Note 5) of the 2% Notes is met, the 2% Notes are not considered in our diluted earnings per common share calculation. The computations for basic and diluted earnings per share are as follows:

| *(in thousands, except per share amounts)(unaudited)* | **Income (Numerator)** | **Shares (Denominator)** | **Earnings Per Share** |
|---|---|---|---|
| **Three Months Ended September 30, 2003** | | | |
| Basic earnings per share: | | | |
| Net income | $ 13,698 | 50,298 | $ 0.27 |
| Diluted earnings per share: | | | |
| Dilutive stock options | | 1,381 | |
| Contingently issuable restricted stock | | 83 | |
| Net income plus assumed conversions | $ 13,698 | 51,762 | $ 0.26 |
| Potentially dilutive securities not included above since they are antidilutive: | | | |
| Antidilutive stock options | | 2,599 | |
| 2 1/4% Convertible Subordinated Notes due 2006 | | 5,807 | |
| 5 1/2% Convertible Subordinated Notes due 2007 | | 2,025 | |
| **Three Months Ended September 30, 2002** | | | |
| Basic earnings per share: | | | |
| Net income | $ 14,935 | 53,151 | $ 0.28 |
| Diluted earnings per share: | | | |
| Dilutive stock options | | 297 | |
| Net income plus assumed conversions | $ 14,935 | 53,448 | $ 0.28 |
| Potentially dilutive securities not included above since they are antidilutive: | | | |
| Antidilutive stock options | | 4,191 | |
| 2 1/4% Convertible Subordinated Notes due 2006 | | 5,807 | |

| | | | | |
|---|---|---|---|---|
| 5 1/2% Convertible Subordinated Notes due 2007 | | | 2,025 | |
| | | | | |
| **Nine Months Ended September 30, 2003** | | | | |
| Basic earnings per share: | | | | |
| Net income | $ | 47,541 | 50,118 | $ 0.95 |
| | | | | |
| Diluted earnings per share: | | | | |
| Dilutive stock options | | | 667 | |
| Contingently issuable restricted stock | | | 37 | |
| | | | | |
| Net income plus assumed conversions | $ | 47,541 | 50,822 | $ 0.94 |
| | | | | |
| Potentially dilutive securities not included above since they are antidilutive: | | | | |
| Antidilutive stock options | | | 3,817 | |
| 2 1/4% Convertible Subordinated Notes due 2006 | | | 5,807 | |
| 5 1/2% Convertible Subordinated Notes due 2007 | | | 2,025 | |

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| *(in thousands, except per share amounts)(unaudited)* | Income (Numerator) | Shares (Denominator) | Earnings Per Share |
|---|---|---|---|
| **Nine Months Ended September 30, 2002** | | | |
| Basic earnings per share: | | | |
| Net income | $ 37,517 | 53,093 | $ 0.71 |
| Diluted earnings per share: | | | |
| Dilutive stock options | | 353 | |
| Net income plus assumed conversions | $ 37,517 | 53,446 | $ 0.70 |
| Potentially dilutive securities not included above since they are antidilutive: | | | |
| Antidilutive stock options | | 4,162 | |
| 21/4% Convertible Subordinated Notes due 2006 | | 5,807 | |
| 51/2 % Convertible Subordinated Notes due 2007 | | 2,025 | |

*Accounting for Stock-Based Compensation*

Invitrogen accounts for its employee stock option plans and employee stock purchase plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and has adopted the disclosure only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123). Accordingly, no compensation cost has been recognized for the fixed stock option plans or stock purchase plan under the fair value recognition provisions of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if Invitrogen had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation. Invitrogen has reevaluated the method by which the tax effect on pro-forma stock-based compensation is calculated for 2003. The 2002 comparative amounts have been adjusted to conform to the current year s methodology.

| *(in thousands, except per share amounts)(unaudited)* | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Net income, as reported | $ 13,698 | $ 14,935 | $ 47,541 | $ 37,517 |
| Add: Stock-based compensation expense included in reported net income, net of related tax effects | 409 | 14 | 449 | 130 |
| Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (7,486) | (6,556) | (25,368) | (22,159) |
| Pro forma net income | $ 6,621 | $ 8,393 | $ 22,622 | $ 15,488 |
| Earnings per share: | | | | |
| Basic as reported | $ 0.27 | $ 0.28 | $ 0.95 | $ 0.71 |

| | | | | | |
|---|---|---|---|---|---|
| Basic | pro forma | $ 0.13 | $ 0.16 | $ 0.45 | $ 0.29 |
| Diluted | as reported | $ 0.26 | $ 0.28 | $ 0.94 | $ 0.70 |
| Diluted | pro forma | $ 0.13 | $ 0.16 | $ 0.45 | $ 0.29 |

*Comprehensive Income*

Total comprehensive income is determined as follows:

| *(in thousands)(unaudited)* | **For the Three Months Ended September 30,** | | **For the Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2003** | **2002** | **2003** | **2002** |
| Net income | $ 13,698 | $ 14,935 | $ 47,541 | $ 37,517 |
| Unrealized gain (loss) on investments | (270) | | 3 | |
| Foreign currency translation adjustments | 6,045 | 1,252 | 21,784 | 17,560 |
| Total comprehensive income | $ 19,473 | $ 16,187 | $ 69,328 | $ 55,077 |

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*Recent Accounting Pronouncements*

In April 2002, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards Board Interpretation (FIN) No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, and Interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34. FIN No. 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to the guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. The disclosure provisions of FIN No. 45 are effective for annual periods ending after December 15, 2002. However, the provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002, irrespective of a guarantor s year end. The adoption of FIN No. 45 did not have a significant impact on the Company s consolidated financial statements.

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities. FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 applies immediately to variable interest entities (VIEs) created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company has not identified any VIEs for which it is the primary beneficiary or has significant involvement.

In May 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 149, Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities. The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. This statement amends Statement 133 for decisions made as part of the Derivatives Implementation Group process that effectively required amendments to Statement 133, in connection with other Board projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative. The adoption of this Statement did not have a significant impact on the Company s consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. The statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability. Many of those instruments were previously classified as equity. The Company does not believe that the adoption of this Statement will have a significant impact on the Company s consolidated financial statements. As a result of decision reached by the FASB at a meeting on October 29, 2003, companies are not required to recognize noncontrolling interests of a limited-life subsidiary as a liability in the consolidated financial statements. Companies should continue to account for these interests as minority interests.

**2. Business Combinations and Integrations**

*Molecular Probes Acquisition*

On August 20, 2003, Invitrogen acquired all of the outstanding shares of common stock of Molecular Probes, Inc. ( Molecular Probes ). Molecular Probes develops, manufactures and markets novel fluorescence-based technologies for labeling molecules used in disease research and biopharmaceutical development. The primary reason for the

acquisition is to broaden Invitrogen s technology base in proteomics, providing critical tools for discovery research and the accurate determination of protein function. Each option to purchase one share of Molecular Probes common stock was assumed by Invitrogen and exchanged for an option to purchase a common share of Invitrogen common stock using an exchange rate of 0.0756037. The exercise price of each option grant to purchase Molecular Probes common stock was divided by the exchange rate of 0.0756037. Invitrogen intends to continue Molecular Probes operations as part of its molecular biology business segment.

The transaction has been accounted for as a purchase, and, accordingly, the results of operations have been included in the accompanying consolidated financial statements from the date of acquisition. The total cost of the

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acquisition is estimated at $318.2 million and includes cash paid for common stock of $303.9 million, the fair value of assumed Molecular Probes stock options of $19.5 million, closing costs of $2.1 million, less cash acquired of $7.3 million. We are still completing the review of the purchase price allocation and, on a preliminary basis, the excess of purchase price over the acquired net tangible assets was $323.6 million at September 30, 2003, of which $113.6 million has been allocated to purchased intangibles which are amortized over a life of 8 years, $1.4 million which has been allocated to in-process research and development costs, which has been expensed in the Consolidated Statements of Income for the three and nine months ended September 30, 2003, and $208.6 million which has been allocated to goodwill in the Consolidated Balance Sheets. A consistent pattern of sales growth, a history of operating margins and profitability, a strong scientific employee base and operations in a specialized niche in our industry were among the factors that contributed to a purchase price resulting in the recognition of goodwill.

As a result of the integration of the two businesses, Invitrogen has terminated 5 employees. A total of $3.3 million was paid for severance related to these employees. As of September 30, 2003, Invitrogen had $0.1 million remaining in accrued merger related costs that are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets. Activity for accrued acquisition and business integration costs for the nine months ended September 30, 2003, is as follows:

| *(in thousands)(unaudited)* | **Opening Balance Sheet Accruals** | **Amounts Paid in Cash** | **Balance at September 30, 2003** |
|---|---|---|---|
| Severance and related employee charges | $ 3,324 | $ (3,324) | $ |
| Direct costs of the merger | 2,122 | (2,001) | 121 |
| | $ 5,446 | $ (5,325) | $ 121 |

*PanVera Asset Acquisition*

On March 28, 2003, Invitrogen completed its acquisition of products and technology rights from PanVera LLC, a wholly-owned subsidiary of Vertex Pharmaceuticals, Inc. The products and rights acquired include biochemical and cellular assay capabilities and PanVera s commercial portfolio of proprietary reagents, probes and proteins. As part of the transaction, Invitrogen also acquired PanVera s research, development and manufacturing facility in Madison, Wisconsin. The transaction has been accounted for as a purchase, and, accordingly, the results of operations have been included in the accompanying consolidated financial statements from the date of acquisition. Invitrogen paid $94.9 million in cash, $6.3 million into an escrow account that was used to pay off debt assumed, $1.3 million to acquire equipment under operating leases and incurred $1.8 million in closing costs for a total purchase price of $104.3 million. The excess of purchase price over the acquired net tangible assets was $75.9 million at September 30, 2003, of which $70.3 million has been allocated to purchased intangibles which are amortized over a weighted average life of 8 years and $5.6 million which has been allocated to goodwill in the Consolidated Balance Sheets.

As a result of the integration of the business, Invitrogen has terminated 18 employees. As of September 30, 2003, Invitrogen had $0.5 million remaining in accrued merger related costs that are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets. Activity for accrued acquisition and business integration costs for the nine months ended September 30, 2003, is as follows:

| *(in thousands)(unaudited)* | Opening Balance Sheet Accruals | Amounts Paid in Cash | Balance at September 30, 2003 |
|---|---|---|---|
| Severance and related employee charges | $ 231 | $ (81) | $ 150 |
| Direct costs of the acquisition | 1,832 | (1,531) | 301 |
| | $ 2,063 | $ (1,612) | $ 451 |

*Pro Forma Information*

The following unaudited pro forma information assumes that the acquisition of Molecular Probes occurred at the beginning of each of the respective periods presented and that the acquisition of the PanVera assets and underlying business occurred on January 1, 2003 and 2002, for each of the nine month periods, respectively. These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results

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of operations that would have actually resulted had the acquisitions been in effect as of the periods indicated above, or of future results of operations. The unaudited pro forma results for the three and nine months ended September 30, 2003 and 2002, are as follows:

| *(in thousands, except per share data (unaudited)* | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2003 | 2002[1] | 2003 | 2002[1] |
| Revenues | $ 207,012 | $ 181,354 | $ 617,725 | $ 559,772 |
| Net income[2] | 6,560 | 690 | 28,218 | 16,369 |
| Earnings per share: | | | | |
| Basic | $ 0.13 | $ 0.01 | $ 0.56 | $ 0.31 |
| Diluted | $ 0.13 | $ 0.01 | $ 0.55 | $ 0.31 |

(1) Included in revenues for the PanVera acquired business are $0.6 million and $11.1 million for the three and nine months ended September 30, 2002, respectively, for the sale of perpetual licenses. These revenues are not expected to recur in 2003.

(2) Includes $1.4 million for the write-off of purchased in-process research and development costs that is nonrecurring.

*InforMax Integration*

Invitrogen completed its review of acquired intangible assets related to its December 6, 2002, acquisition of InforMax, Inc., and has allocated $6.6 million to purchased intangibles as of September 30, 2003, which are amortized over three years. The excess of purchase price over the acquired net assets was $3.8 million at September 30, 2003, and has been recorded as goodwill in the Consolidated Balance Sheets, and is subject to change pending the outcome of negotiations on the current leases and negotiations to sublease those properties. At the time InforMax was acquired by Invitrogen, InforMax held nine leases in five cities, with future minimum lease commitments, net of sublease income that totaled $20.5 million. As of September 30, 2003, the Company has subleased four of the leases, partially terminated two leases, and reduced net future lease commitments for the remaining unused leases to $9.5 million.

Invitrogen s management has approved an integration plan which included the termination of 50 employees, the relocation or transfer to other sites of 104 employees mainly to our Frederick, Maryland facility and the closure of duplicate facilities in Maryland. Costs necessary to integrate the businesses of Invitrogen and InforMax that are expected to benefit future operations are expensed as business integration costs after management has completed and approved the restructuring plans and associated costs. There were no restructuring costs for the three months ended September 30, 2003, and $0.4 million for the nine months ended September 30, 2003, that have been recognized as expense in business integration costs in the Consolidated Statements of Income. As of September 30, 2003, the integration plan was essentially complete. As of September 30, 2003, Invitrogen had $0.5 million remaining in accrued merger related costs that are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets. Activity for accrued merger and business integration costs for the nine months ended September 30, 2003 is as follows:

| *(in thousands)(unaudited)* | Balance at December 31, 2002 | Net Amount Charged to Expense | Adjustments to Goodwill | Amounts Paid in Cash | Balance at September 30, 2003 |
|---|---|---|---|---|---|
| | $ 1,839 | $ 65 | $ 250 | $ (1,786) | $ 368 |

| | | | | | |
|---|---|---|---|---|---|
| Severance, retention and related employee charges | | | | | |
| Other costs to close facilities | 100 | 328 | | (329) | 99 |
| Direct costs of the merger | 221 | | 202 | (423) | |
| | $ 2,160 | $ 393 | $ 452 | $ (2,538) | $ 467 |

*Huntsville*

In April 2002, Invitrogen announced its plan to integrate its operations in Huntsville, Alabama with the rest of the Company. At December 31, 2002, Invitrogen had two facilities totaling $5.2 million in assets held for sale included in prepaid expenses and other current assets in the Consolidated Balance Sheets. In February 2003, Invitrogen sold one of the Huntsville facilities for $2.7 million, which approximated the carrying value of the facility at December 31, 2002. Invitrogen has recently received a valid offer on the remaining facility and has recognized an impairment loss of $0.9 million for the three and nine months ended September 30, 2003, which is included in

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business integration costs in the Consolidated Statements of Income. As of September 30, 2003, Invitrogen had $1.4 million remaining in assets held for sale.

### 3. Segment Information

Invitrogen operates in two business segments, a Molecular Biology segment and a Cell Culture segment. Unaudited segment information is as follows:

| *(dollars in thousands)(unaudited)* | Molecular Biology | Cell Culture | Corporate And Unallocated[1] | Total |
|---|---|---|---|---|
| **Three Months Ended September 30, 2003** | | | | |
| Revenues from external customers | $ 125,356 | $ 71,583 | $ | $ 196,939 |
| Gross margin | 86,058 | 38,893 | (5,171) | 119,780 |
| Gross margin as a percentage of revenues | *69%* | *54%* | | *61%* |
| Selling, administrative and R&D | 54,779 | 14,762 | 6,992 | 76,533 |
| Purchased intangibles amortization, business integration and merger-related costs | | | 23,071 | 23,071 |
| Income (loss) from operations | $ 31,279 | $ 24,131 | $ (35,234) | $ 20,176 |
| Operating margin as a percentage of revenues | *25%* | *34%* | | *10%* |
| **Three Months Ended September 30, 2002** | | | | |
| Revenues from external customers | $ 106,775 | $ 55,813 | $ | $ 162,588 |
| Gross margin | 66,207 | 28,957 | (8) | 95,156 |
| Gross margin as a percentage of revenues | *62%* | *52%* | | *59%* |
| Selling, administrative and R&D | 40,847 | 12,074 | 4,914 | 57,835 |
| Purchased intangibles amortization, business integration and merger-related costs | | | 16,294 | 16,294 |
| Income (loss) from operations | $ 25,360 | $ 16,883 | $ (21,216) | $ 21,027 |
| Operating margin as a percentage of revenues | *24%* | *30%* | | *13%* |
| **Nine Months Ended September 30, 2003** | | | | |
| Revenues from external customers | $ 361,508 | $ 208,460 | $ | $ 569,968 |
| Gross margin | 244,468 | 110,205 | (6,827) | 347,846 |
| Gross margin as a percentage of revenues | *68%* | *53%* | | *61%* |
| Selling, administrative and R&D | 152,678 | 44,435 | 20,138 | 217,251 |
| Purchased intangibles amortization, business integration and merger-related costs | | | 58,971 | 58,971 |

| | | | | |
|---|---|---|---|---|
| Income (loss) from operations | $ 91,790 | $ 65,770 | $ (85,936) | $ 71,624 |
| Operating margin as a percentage of revenues | *25%* | *32%* | | *13%* |
| **Nine Months Ended September 30, 2002** | | | | |
| Revenues from external customers | $ 323,068 | $ 163,699 | $ | $ 486,767 |
| Gross margin | 200,303 | 83,521 | (19) | 283,805 |
| Gross margin as a percentage of revenues | *62%* | *51%* | | *58%* |
| Selling, administrative and R&D | 116,038 | 35,651 | 13,410 | 165,099 |
| Purchased intangibles amortization, business integration and merger-related costs | | | 64,327 | 64,327 |
| Income (loss) from operations | $ 84,265 | $ 47,870 | $ (77,756) | $ 54,379 |
| Operating margin as a percentage of revenues | *26%* | *29%* | | *11%* |

(1) Unallocated items for the three months ended September 30, 2003 and 2002, include costs for purchase accounting inventory revaluations of $5.1 million and $0, amortization of purchased intangibles of $20.7 million and $16.1 million, amortization of deferred compensation of $0.4 million and $15,000, purchased in-process research and development costs of $1.4 million and $0, and business integration costs of $0.9 million and $0.2 million, respectively. Unallocated items for the nine months ended September 30, 2003 and 2002, include costs for purchase accounting inventory revaluations of $6.8 million and $0, amortization of purchased intangibles of $56.2 million and $48.2 million, amortization of deferred compensation of $0.4 million and $0.2 million, purchased in-process research and development costs of $1.4 million and $0, and business integration costs of $1.3 million and $16.1 million, respectively. These items are not allocated by management for purposes of analyzing the operations since they are principally non-cash or other costs resulting primarily from business restructuring or purchase accounting. Management assesses the profitability and cash flows of the segments apart from amortization expense and other costs arising from the initial cost of the acquisition.

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Invitrogen has no intersegment revenues. Also, Invitrogen does not currently segregate assets by segment as a significant portion of Invitrogen s total assets are shared or non-segment assets which Invitrogen does not assign to its two operating segments. Invitrogen has determined that it is not useful to assign its shared assets to its Molecular Biology and Cell Culture segments.

**4. Commitments and Contingencies**

*Letters of Credit*

Invitrogen had outstanding letters of credit at September 30, 2003, totaling $3.1 million to support liabilities associated with Invitrogen s self-insured workmen s compensation programs, which are reflected in other current liabilities and long-term deferred credits and reserves in the Consolidated Balance Sheet at September 30, 2003.

Invitrogen also had outstanding letters of credit at September 30, 2003, totaling $1.7 million to support its building lease requirements.

*Leases*

Invitrogen assumed an operating lease and a capital lease in conjunction with the acquisition of Molecular Probes. The operating lease relates to a building in Eugene, Oregon and includes rental commitments through 2012. Rent expense under the operating lease was $18,000 for the three and nine months ended September 30, 2003. Future minimum commitments on the operating lease are $41,000 for the remaining three months of 2003, $0.2 million each year from 2004 through 2007 and $0.9 million for all periods thereafter.

The capital lease is for another building in Eugene, Oregon and as of September 30, 2003, the total capital lease liability is $12.3 million, with $0.3 million allocated to the current portion of long-term obligations and $12.0 million allocated to long-term obligations, deferred credits and reserves in the Consolidated Balance Sheet at September 30, 2003. The lease expires in 2020 and has future minimum commitments of $0.4 million for the remaining three months of 2003, $1.4 million each year from 2004 through 2007 and $18.1 million thereafter.

*Environmental Liabilities*

Invitrogen assumed certain environmental exposures as a result of its merger with Dexter Corporation in 2000. Invitrogen recorded reserves to cover estimated environmental costs. The environmental reserves, which are not discounted, were $8.0 million at September 30, 2003, and included current reserves of $0.5 million, which are estimated to be paid during the next year, and long-term reserves of $7.5 million. In addition, Invitrogen has an insurance policy for these assumed environmental exposures. Based upon currently available information, Invitrogen believes that it has adequately provided for these environmental exposures and that the outcome of these matters will not have a material adverse effect upon the consolidated financial position, results of operations or cash flows of Invitrogen in the future.

*Litigation*

In September 1999, Life Technologies, Inc., which has now been merged into Invitrogen, submitted a report in connection with a voluntary disclosure to the Department of Veterans Affairs ( VA ) regarding matters involving the management of Life Technologies Federal Supply Schedule contract with the VA that had been in effect since April 1992. As part of the disclosure, Life Technologies offered to provide a refund to the government in the amount of $3.9 million. Life Technologies made a cash payment of $1.1 million to the VA and Invitrogen assumed an accrued liability of $2.8 million upon our merger with Life Technologies at September 14, 2000. In July 2001 the VA Office of Inspector General advised Invitrogen of its position that a refund of $10.8 million, in addition to the $3.9 million

refund previously offered, should be paid by Invitrogen to the government. In 2001, Invitrogen adjusted its accrued liability to reflect the full amount claimed by the VA, less payments already made. The government informed Invitrogen on February 25, 2002, that the VA had referred the matter to the Civil Division of the Department of Justice. Invitrogen entered into a tolling agreement dated March 15, 2002, that tolls certain claims to a defense based on the statute of limitations. This agreement has now been extended several times and will expire on January 14, 2004. The parties are actively involved in negotiations to settle the matter, but there can be no assurance that Invitrogen will prevail in contesting the government s determination or that a settlement will be finalized.

Apart from the matters above, Invitrogen is subject to other potential liabilities under government regulations and various claims and legal actions which are pending or may be asserted. These matters have arisen in the ordinary course and conduct of Invitrogen s business, as well as through acquisitions, and some are expected to be covered, at

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least partly, by insurance. Estimated amounts for claims that are probable and can be reasonably estimated are reflected as liabilities of Invitrogen. The ultimate resolution of these matters is subject to many uncertainties. It is reasonably possible that some of the matters which are pending or may be asserted could be decided unfavorably to Invitrogen. Although the amount of liability at September 30, 2003, with respect to these matters cannot be ascertained, Invitrogen believes that any resulting liability should not materially affect Invitrogen s consolidated financial statements.

**5. Issuance of 2% Convertible Senior Notes**

In August 2003, Invitrogen issued $350.0 million principal amount of 2% convertible senior notes (the 2% Notes ) due August 1, 2023 to certain qualified institutional buyers. Interest on the 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 notes may be required to be paid beginning August 1, 2010, if the market value of the notes during specified testing periods is 120% or more of the principle value. This contingent interest feature is an embedded derivative with a de minimis value, to which no value has been assigned at issuance and at September 30, 2003. The 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, subject to certain conditions described below, at a price of $68.24 per share. The 2% Notes may be redeemed, in whole or in part, at Invitrogen s option on or after August 1, 2010 at 100% of the principal amount. In addition, the holders of the 2% Notes may require Invitrogen to repurchase all or a portion of the 2% Notes for 100% of the principal amount, plus accrued interest, on August 1, 2010, August 1, 2013, and August 1, 2018.

The Notes also contain a restricted convertibility feature that does not affect the conversion price of the notes but, instead, places restrictions on a holder s ability to convert their notes into shares of our common stock ( conversion shares ). Holders may convert their notes into shares of our common stock prior to stated maturity under the following circumstances:

during any fiscal quarter (beginning with the quarter ending December 31, 2003) if the sale price of our common stock for at least 20 consecutive trading days in the 30 consecutive trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeds 120% of the conversion price on that 30th trading day;

during any five consecutive trading day period immediately following any five consecutive trading day period (the Note Measurement Period ) in which the average market price for the notes during that Note Measurement Period was less than 97% of the average conversion value for the notes during such period; provided, however, that if, at the time of conversion pursuant to this provision, the closing sale price of our common stock is greater than 100% of the conversion price but equal to or less than 120% of the conversion price, then the holders will receive, in lieu of common stock based on the applicable conversion rate, common stock, at our option, with a value equal to the principal amount of the notes on the conversion date, which we refer to as the value conversion;

upon the occurrence of specified corporate transactions; or

if we have called the notes for redemption.

After expenses, Invitrogen received net proceeds of $340.9 million. The costs incurred to issue the 2% Notes, which totaled $9.1 million, have been deferred and included in other assets in the Consolidated Balance Sheets and are amortized over the terms of the 2% Notes using the effective interest method. At September 30, 2003, the unamortized balance of the issuance costs was $9.1 million.

**6. Related Party Transactions**

In September 2003, Invitrogen purchased the former residence in Wisconsin of Invitrogen s new chief executive officer under the terms of his executive relocation agreement. The fair market value of the home was determined by two independent appraisals to be $0.9 million and has been recorded as an asset held for sale at September 30, 2003, in prepaid expenses and other current assets in the Consolidated Balance Sheets. Invitrogen paid the officer $0.4 million for his equity and assumed the mortgage of $0.5 million which is included in the current portion of long-term obligations at September 30, 2003, in the Consolidated Balance Sheets. Invitrogen expects to sell the property and liquidate the mortgage within one year.

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In May 2003, Invitrogen entered into a change-in-control agreement with its new chief executive officer. This agreement provides for accelerated vesting of stock options and a cash payment totaling two times his annual salary upon (i) a change in control of Invitrogen and (ii) certain negative employment actions that are specified in the agreement.

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

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

*Any statements in this Quarterly Report on Form 10-Q concerning Invitrogen s business outlook or future economic performance, anticipated profitability, revenues, expenses or other financial items, together with other statements that are not historical facts, are forward-looking statements as that term is defined under the Federal Securities Laws. You can identify these statements by forward-looking words such as may, will, expect, anticipat believe, should, intend, plan, positioned, strategy, outlook, estimate, project, and continue o should read statements that contain these types of words carefully. Such forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied in such forward-looking statements. There may be events in the future that we are not able to predict accurately or over which we have no control. Potential risks and uncertainties include, but are not limited to, those discussed below under Risk Factors That May Affect Future Results and elsewhere in this Quarterly Report as well as other risks and uncertainties detailed in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 7, 2003. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or uncertainties after the date hereof or to reflect the occurrence of unanticipated events.*

**OVERVIEW**

We develop, manufacture, and market products for the life sciences markets. We derive our revenue from the sale of our products, services and technology. We offer a full range of Molecular Biology products that enable researchers to understand the molecular basis of life and potential mechanisms of disease, as well as to identify attractive targets for drug development. Our Cell Culture products are used to support the research activities, clinical development and commercial production of biopharmaceuticals. We sell our products to corporate, government, and academic entities.

Our vision is to become the preeminent partner and supplier for organizations engaged in disease research, drug discovery and commercial bio-production. Our strategies to achieve this vision are focused on four principal areas: innovation and new product development; focused acquisitions; operational excellence; and sales and distribution.

Innovation and New Product Development

We place a great emphasis on the development of new products for the life sciences research and biopharmaceutical production markets. Historically, many of our new products have been based on technologies that we have in-licensed from academic institutions and other organizations, These technologies are transformed into products by our R&D team to create high value kits, reagents and other products, many of which address bottlenecks in research or drug discovery laboratories. We have a dedicated group of individuals focused on in-licensing technologies from academic and government institutions, as well as biotechnology and pharmaceutical companies. While we expect to continue the development of new products based on in-licensed technologies, we also plan to increase our own level of innovation through significant increases in our R&D investment. We plan to focus our technology and new product development efforts on the development of products that will continue to position Invitrogen as the preferred provider of the tools most needed to conduct

disease research, drug development, and the production of bio-engineered protein drugs.

Focused Acquisitions

We actively and selectively seek to acquire and integrate companies, technologies, or product lines that will move Invitrogen toward the attainment of our corporate vision. Generally, these acquisitions are focused on complementary products and technologies, trusted brand names, strong market positions, and strong intellectual property positions.

We have acquired ten companies since we became a public company in 1999. Our most significant acquisitions to date include Life Technologies, Molecular Probes, Inc., Research Genetics, NOVEX, and InforMax. We also recently purchased certain products and technology rights of PanVera and Genicon Sciences, which broadened our product offering for proteomics and cell biology research, as well as drug

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discovery. Our acquisitions of Molecular Probes and the products and technology of Pan Vera and Genicon Sciences allow us to participate more fully in the middle stages of the drug discovery process.

Operational Excellence

Invitrogen s growth to its industry leadership position has been based on excellence in many operational and technological areas. Generally, we believe our performance in these areas is equivalent or superior to the performance of companies offering competing products in our industry. However, we believe Invitrogen can extend its industry leadership position by implementing a program of continuous operational improvement.

Sales and Distribution

- Multi-national sales footprint. We have developed a world-class sales and distribution network with sales in approximately seventy countries throughout the world. The majority of our sales activities are conducted through a dedicated direct sales organization located in the United States and a number of foreign countries. Many of our sales people possess degrees in molecular biology, biochemistry or related fields. Our sales force has a proven track record for selling and distributing our products.

  In a number of foreign countries where we do not have a direct sales organization we sell our products via subsidiaries and distributors. These distributors are located primarily in selected territories in Europe, the Middle East, South America and Asia. We may choose in the future to establish a direct sales organization in these and additional territories.

- High customer satisfaction. Our sales, marketing, customer service and technical support staffs work well together to provide our customers exceptional service for our products, and we have been highly rated in customer satisfaction surveys. We expect that our reputation in this area will help us attract new customers and increase sales to existing customers.

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

We focus our business on two principal segments:

**Molecular Biology.** We are a leading supplier of biological discovery products that simplify and improve gene cloning, gene expression, and gene analysis techniques. We also supply a full range of related molecular biology products including enzymes, nucleic acids, other biochemicals and reagents, and informatics software.

**Cell Culture.** We are also a leading supplier of biological production products such as sera, cell and tissue culture media and reagents used in both life sciences research and in biological manufacturing processes that grow cells in order to produce biological therapeutic products.

Our Molecular Biology and Cell Culture 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 Cell Culture products and manufacturing sites are subject to FDA regulation and oversight and are required to comply with the Quality System Regulations, which was formerly known as current good manufacturing practice, or GMP, and is 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.

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

We conduct research activities in the United States 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.

Our revenues have increased significantly since our inception. The increase in our revenues has been due to several factors: acquisitions; the continued growth of the market for gene identification, cloning expression, and analysis kits, cell culture products and other products and related services; increasing market acceptance of these kits and products; our introduction of new research kits and products for gene identification, cloning, expression, and

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analysis; our ability to increase prices; and the expansion of our direct sales and marketing efforts. We plan to continue to introduce new research kits, as we believe continued new product development and rapid product introduction is a critical competitive factor in the market for molecular biology research kits. We also plan to continue to grow our business through acquisitions.

Except for our oligonucleotide, genomics services 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 have acquired a significant number of licenses to use patented technologies from third parties as part of our business activities. We use these licenses as a basis for the development of many of our research kits and other products. We pay royalties to third parties on sales of these research kits, other products and selected services. We recognize royalty expense as a cost of revenue as we incur the related royalties.

Our significant acquisitions of other businesses during the last year include:

Our August 20, 2003, acquisition of all outstanding shares of Molecular Probes, Inc., a privately-held corporation based in Eugene, Oregon. Molecular Probes is a provider of fluorescence-based technologies for use in labeling molecules for biological research and drug discovery. The transaction has been accounted for as a purchase, and, accordingly, the results of operations have been included in the accompanying consolidated financial statements in the Molecular Biology segment from the date of acquisition.

Our March 28, 2003, acquisition of products and technology rights from PanVera LLC, a wholly-owned subsidiary of Vertex Pharmaceuticals, Inc. Based in Madison, Wisconsin, our PanVera business provides products and services that are designed to accelerate the discovery of new medicines by the pharmaceutical and biopharmaceutical industries. Through this transaction, we have acquired PanVera s biochemical and cellular assay capabilities and its commercial portfolio of proprietary reagents, probes and proteins. As part of the transaction, we have also acquired PanVera s research, development and manufacturing facility in Madison. We plan to expand the sale of PanVera products to target a broader market, including academic and government researchers. The transaction has been accounted for as a purchase, and, accordingly, the results of operations have been included in the accompanying consolidated financial statements in the Molecular Biology segment from the date of acquisition.

Our December 6, 2002, acquisition of all outstanding shares of common stock of InforMax, Inc., a provider of a multi-application suite of data access, analysis and presentation software for life science applications. The transaction has been accounted for as a purchase, and, accordingly, the results of operations have been included in the accompanying consolidated financial statements in the Molecular Biology segment from the date of acquisition.

We conduct our operations through subsidiaries in Europe, Asia-Pacific and the Americas. 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 may 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 that may Affect Future Results. In addition, our results of operations could be affected by the timing of orders from distributors and the mix of sales between distributors and our direct sales force. Although we have experienced growth in recent years, we cannot assure you that we will be able to sustain revenue growth or maintain profitability on a quarterly or annual basis or that our growth will be consistent with predictions made by securities analysts.

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**RESULTS OF OPERATIONS**

***Revenues.*** Revenues for the three months ended September 30, 2003, increased $34.4 million, or 21%, from $162.6 million in 2002 to $196.9 million for 2003. Changes in foreign currency exchange rates, when comparing the three months ended September 30, 2003, with the same period in 2002, increased U.S. dollar-denominated revenues, accounting for $7.1 million of the $34.4 million increase. This increase from changes in foreign currency exchange rates increased our revenue growth rate by 4%. The increase in revenues also includes $13.9 million, or 9%, from our recent acquisitions: InforMax, which we acquired in December 2002; the PanVera business which we acquired at the end of March 2003; and Molecular Probes which we acquired in August 2003. Higher volume accounted for an additional 6% increase, while higher prices contributed another 3%.

Revenues for the nine months ended September 30, 2003 increased $83.2 million, or 17%, from $486.8 million in 2002 to $570.0 for 2003. Changes in foreign currency exchange rates, when comparing the nine months ended September 30, 2003, with the same period in 2002, increased U.S. dollar-denominated revenues, accounting for $28.7 million of the $83.2 million increase. This increase from changes in foreign currency exchange rates increased our revenue growth rate by 6%. The increase in revenues also includes $22.0 million, or 5%, from our recent acquisitions. Higher volume and higher prices each accounted for an additional 3.5% increase.

Changes in the value of certain currencies, including the Japanese Yen, the British Pound Sterling and the Euro, 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 foreign currency 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.

***Molecular Biology Segment Revenues.*** Revenues for the Molecular Biology segment increased $18.6 million, or 17%, from $106.8 million for the three months ended September 30, 2002, to $125.4 million in 2003. Changes in foreign currency exchange rates increased dollar-denominated Molecular Biology revenues by $4.2 million when comparing the three months ended September 30, 2003, with the same period in 2002 and accounted for 4% of the 17% increase in revenues. The increase in revenues also includes $13.9 million, or13%, from our recent acquisitions.

Revenues for the Molecular Biology segment increased $38.4 million, or 12%, from $323.1 million for the nine months ended September 30, 2002, to $361.5 million in 2003. Changes in foreign currency exchange rates increased dollar-denominated Molecular Biology revenues by $17.1 million when comparing the nine months ended September 30, 2003, with the same period in 2002 and accounted for 5% of the 12% increase in revenues. The increase in revenues also includes $22.0 million, or 7%, from our recent acquisitions. Higher prices accounted for an additional 1% increase, while lower volume reduced revenues by 1%.

Including the recent acquisitions of Molecular Probes, InforMax and PanVera, we currently expect our Molecular Biology growth rate to range from 25% to 30% for the remaining three-month period ending December 31, 2003, with favorable foreign currency rate benefits representing 4% to 6% of the growth. The growth rate in the fourth quarter of 2003 is expected to be substantially higher than the third quarter due to the inclusion of Molecular Probes for a full quarter.

***Cell Culture Segment Revenues.*** Revenues for the Cell Culture segment for the three months ended September 30, 2003, increased $15.8 million, or 28%, from $55.8 million in 2002 to $71.6 million in 2003. Changes in foreign currency exchange rates increased dollar-denominated Cell Culture revenues by $2.9 million when comparing the three months ended September 30, 2003, with the same period in 2002 and accounted for 5% of the 28% increase in revenues. The remainder of the increase includes volume growth of 16% primarily in our large-scale production

applications, as well as price increases, particularly for sera products, which accounted for 7%.

Revenues for the Cell Culture segment for the nine months ended September 30, 2003, increased $44.8 million, or 27%, from $163.7 million in 2002 to $208.5 million in 2003. Changes in foreign currency exchange rates increased dollar-denominated Cell Culture revenues by $11.6 million when comparing the nine months ended September 30, 2003, with the same period in 2002 and accounted for 7% of the 27% increase in revenues. The remainder of the increase reflects volume growth of 13% driven by our large-scale production applications, as well as price increases, particularly for sera products, which accounted for 7%.

Currently, we expect our Cell Culture growth rate to range from 13% to 17% for the remainder of the year, including the benefit from favorable foreign currency rates. Favorable foreign currency rates are expected to benefit the remaining year growth rate for Cell Culture by approximately 4% to 6%.

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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 Margin.*** Our gross margin for the three and nine months ended September 30, 2003, was 61% compared with 59% for the comparable three months in 2002 and 58% for the comparable nine months in 2002. The increase in gross margin during 2003 when compared to 2002 is principally driven by higher molecular biology gross margins. The addition of higher margin products from acquired businesses for the three and nine months ended September 30, 2003, accounted for improved margins of 2% and 1%, favorable changes in product mix accounted for improved margins of 2% and 2%, and higher prices accounted for improved margins of 1% and 1%, respectively. These margin improvements were offset by increased costs of $5.1 million, or 3%, and $6.8 million, or 1%, associated with the sale during the three and nine months of September 30, 2003, respectively, of products acquired in our business combinations that were previously written-up under purchase accounting rules.

Molecular biology gross margins were 69% and 68% for the three and nine months ended September 30, 2003, respectively, compared to 62% for both comparable periods last year. The increases during the three and nine months ended September 30, 2003, are due to favorable changes in product mix which improved margins by 4% and 3%, the addition of higher margin products from acquired businesses which accounted for improved margins of 3% and 1% and favorable changes in foreign currency rates which improved margins by 1% and 1%, and lower royalty expense which accounted for 1% and 1%, respectively.

Cell culture gross margins were 54% and 53% for the three and nine months ended September 30, 2003, compared to 52% and 51% for the three and nine months ended September 30, 2002, respectively. Higher average selling prices and favorable currency rates in our non-sera product line accounted for a 2% and 1% improvement in cell culture gross margins for the three and nine months ended September 30, 2003, respectively. Our sera product line accounted for an additional 1% increase in gross margins for the nine months ended September 30, 2003, driven by selling prices increasing at a faster rate than costs.

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, and foreign currency rates.

***Sales and Marketing.*** Sales and marketing expenses increased $7.7 million from $30.8 million for the three months ended September 30, 2002, to $38.5 million for the same period in 2003. As a percentage of revenues, sales and marketing expenses increased from 19% for the three months ended September 30, 2002, to 20% for the same period in 2003. For the nine months ended September 30, 2003, sales and marketing expenses increased $22.9 million from $90.4 million in 2002 to $113.3 million for the same period in 2003. As a percentage of revenues, sales and marketing expenses increased from 19% for the nine months ended September 30, 2002, to 20% for the same period in 2003.

The absolute increase in sales and marketing expenses for the three and nine months ended September 30, 2003 is primarily due to the acquired businesses of InforMax in December 2002, PanVera in March 2003, and Molecular Probes in August 2003, which accounted for $3.1 million and $7.3 million of the increase, increased headcount, compensation and selling activities which accounted for $2.6 million and $10.5 million of the increase, and changes in foreign currency rates that increased expense by $0.9 million and $3.8 million, respectively. Sales and marketing expenses for the three and nine months ended September 30, 2003, also include accelerated depreciation expense of $1.1 million for a portion of our e-commerce software that will be rendered obsolete by a new system in 2004.

Sales and marketing expenses for the three months ended September 30, 2003, for the Molecular Biology segment were $29.1 million, or 23% of segment revenues, compared to $23.6 million, or 22%, for the same period in 2002. For the nine months ended September 30, 2003, sales and marketing expenses for Molecular Biology were $85.1 million, or 24% of segment revenues, compared to $69.4 million, or 21%, for the same period in 2002.

Sales and marketing expenses for the Cell Culture segment were $9.3 million, or 13% of segment revenues, for the three months ended September 30, 2003, compared to $7.2 million, or 13% for the same period in 2002. For the nine months ended September 30, 2003, sales and marketing expenses for Cell Culture were $28.2 million, or 14% of segment revenues, compared to $21.0 million, or 13% of segment revenues for the same period in 2002.

In the future we expect to reduce our sales and marketing expenditures as a percent of revenues. In addition, we plan to use product specialists to support our existing customer account managers allowing us to maintain the effectiveness of our direct selling organization while offering an ever-increasing portfolio of products.

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***General and Administrative.*** General and administrative expenses for the three months ended September 30, 2003 increased $4.4 million from $18.3 million in 2002 to $22.7 million in 2003. As a percentage of revenues, general and administrative expenses increased from 11% for the three months ended September 30, 2002, to 12% for the same period in 2003. For the nine months ended September 30, 2003, general and administrative expenses increased $14.7 million from $50.7 million in 2002 to $65.4 million in 2003. As a percentage of revenues, general and administrative expenses increased from 10% for the nine months ended September 30, 2002, to 12% for the same period in 2003.

The absolute increase in general and administrative expenses for the three and nine months ended September 30, 2003, is due to costs associated with the acquired businesses of InforMax in December 2002, PanVera in March 2003 and Molecular Probes in August 2003 which accounted for $2.4 million and $4.5 million of the increase; higher legal costs of $1.1 and $5.9 million; costs associated with the transition in the chief executive officer position which accounted for $0.3 million and $2.8 million; higher incentive bonus accruals of $1.0 million and $1.4 million, and changes in foreign currency rates that increased expenses by $0.3 million and $1.7 million, respectively. These costs are partially offset by cost reductions for the three and nine months ended September 30, 2003, of $0.6 million and $2.3 million, respectively, from the closure of our operations in Alabama in April 2002 and the sale of our Serva entity in June 2002.

General and administrative expenses for the three months ended September 30, 2003, for the Molecular Biology segment were $12.3 million, or 10% of segment revenues, compared to $10.1 million, or 9%, for the same period in 2002. For the nine months ended September 30, 2003, general and administrative expenses for Molecular Biology were $34.8 million, or 10% of segment revenues, compared to $27.0 million, or 8%, for the same period in 2002.

General and administrative expenses for the Cell Culture segment for the three months ended September 30, 2003, were $3.6 million, or 5% of segment revenues, compared to $3.3 million, or 6%, for the same period in 2002. For the nine months ended September 30, 2003, general and administrative expenses for Cell Culture were $10.6 million, or 5% of segment revenues, compared to $10.3 million, or 6%, for the same period in 2002.

In the future, we plan on implementing programs and actions to improve our efficiency in the general and administrative area. These programs will 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 increased $6.6 million from $8.7 million for the three months ended September 30, 2002, to $15.4 million for the same period in 2003. As a percentage of revenues, research and development expenses increased from 5% for the three months ended September 30, 2002, to 8% for the same period in 2003. Research and development expenses increased $14.5 million from $24.0 million for the nine months ended September 30, 2002, to $38.5 million for the same period in 2003. As a percentage of revenues, research and development expenses increased from 5% for the nine months ended September 30, 2002 to 7% for the same period in 2003.

The increase in research and development expenses during the three and nine months ended September 30, 2003, reflects: software development costs for the InforMax business, research and development costs associated with Molecular Probes acquisition in August 2003 and the PanVera business acquired in March 2003 which in total accounted for $3.7 million and $8.6 million of the increase and increased headcount and related spending as we continued to fill research and development positions in Carlsbad which accounted for $1.3 million and $4.1 million of the increase, respectively. Research and development expenses for the three and nine months ended September 30, 2003, also include accelerated amortization of purchased technology of $1.5 million for which management has determined that there is limited opportunity to develop commercial applications. Higher expense for grants and licenses accounted for another $0.9 million increase for the nine months ended September 30, 2003. These increases

were partially offset by the closure of our Alabama facility in April 2002 which reduced research and development costs by $1.6 million for the nine months ended September 30, 2003.

Research and development expenses for the three months ended September 30, 2003, for the Molecular Biology segment were $13.4 million, or 11% of segment revenues, compared to $7.2 million, or 7%, for the same period in 2002. For the nine months ended September 30, 2003, research and development expenses for Molecular Biology were $32.9 million, or 9% of segment revenues, compared to $19.7 million, or 6% of segment revenues, for the same period in 2002.

Research and development expenses for the Cell Culture segment for the three months ended September 30, 2003, were $1.9 million, or 3% of segment revenues, compared to $1.5 million, or 3%, for the same period in 2002. For the nine months ended September 30, 2003, research and development expenses for Cell Culture were $5.6 million, or 3% of segment revenues, compared to $4.3 million, or 3%, for the same period in 2002.

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We expect research and development expense as a percent of revenues will continue to increase as we expand our capabilities to accelerate innovation.

***Other Purchased Intangibles Amortization.*** Amortization expense for other purchased intangible assets acquired in our business combinations was $20.7 million for the three months ended September 30, 2003, and $16.1 million for the same period in 2002. For the nine months ended September 30, 2003, amortization expense for other purchased intangible assets acquired in our business combinations was $56.2 million and $48.2 million for the same period in 2002. The increase in 2003 is due to the amortization of purchased intangibles acquired in the InforMax, PanVera and Molecular Probes acquisitions.

***Purchased In-Process Research and Development Costs.*** Purchased in-process research and development costs of $1.4 million for the three and nine months ended September 30, 2003, resulted from the Molecular Probes acquisition and represent acquired current research and development projects in process.

***Business Integration Costs.*** Merger-related business integration costs for the three months ended September 30, 2003, were $0.9 million and represent an additional impairment loss on assets held for sale in Huntsville, Alabama, related to the closure of our facilities located there. Merger-related business integration costs for the nine months ended September 30, 2003, totaled $1.3 million, and include the $0.9 million third quarter impairment loss in addition to costs incurred for the integration of InforMax, acquired in December 2002. These costs were for the relocation of property, closure of facilities and retention of employees. We do not expect any future restructuring costs associated with InforMax or the Huntsville closure, unless actual proceeds from the sale of real estate in Huntsville are significantly different than our current estimates.

Business integration costs for the three and nine months ended September 30, 2002, totaled $0.2 million and $16.1 million, respectively, and were for the integration of our operations in Alabama with the rest of the company in addition to restructuring costs associated with the integration of the operations of Life Technologies into Invitrogen that were not part of the purchase price of the acquisition. These costs were mainly comprised of $9.3 million in impairment losses on facilities and equipment in Alabama, $4.6 million in severance and relocation costs for Alabama employees, $1.6 million for the retention of former Life Technologies employees in Maryland and $0.6 million to relocate property as we transitioned employees, functions and property from Maryland to California during the first half of 2002.

***Interest Income.*** Interest income decreased by $1.3 million from $7.3 million for the three months ended September 30, 2002, to $5.9 million for the same period in 2003. For the nine months ended September 30, interest income decreased by $2.2 million from $20.2 million in 2002, to $18.0 million in 2003. The reduction in interest income is due mainly to lower interest rates.

Interest income in the future will be affected by changes in short-term interest rates and changes in cash balances which could be materially reduced by acquisitions and other financing activities.

***Interest Expense.*** Interest expense increased $1.5 million from $6.0 million for the three months ended September 30, 2002, to $7.5 million for 2003. For the nine months ended September 30, interest expense increased by $2.1 million from $18.1 million in 2002 to $20.2 million in 2003. Our issuance of $350 million in principal amount of 2% convertible senior notes in August 2003 increased interest expense by $1.2 million for the three months ended September 30, 2003. The remainder of the increase in 2003 was due mainly to imputed interest on unfavorable lease obligations acquired in the InforMax acquisition. Our interest expense will increase during the remainder of the year for interest incurred on the newly issued 2% convertible notes.

***Other Income (Expense), Net.*** Other income (expense), net, for 2003 and 2002 includes net periodic pension income and expense from an overfunded defined benefit plan acquired in the merger with Dexter Corporation in 2000, as well as gains and losses on the sale or impairment of assets and foreign currency transactions. The net periodic pension income and expense is recognized as other non-operating income and expense since the plan provides benefits to participants who are not employees of Invitrogen. For the nine months ended September 30, 2003, other income, net, of $0.2 million includes a $0.9 million gain recognized in June 2003 on the sale of our Serva subsidiary, which was sold in 2002, resulting from the collection of cash on a note receivable from the sale that was fully reserved for at the time of the sale, a $0.3 million gain on the sale of an investment in the third quarter of 2003, partially offset by $0.3 million of net periodic pension expense, a $0.6 million impairment loss in the third quarter of 2003 on vacant land held for sale and net foreign currency exchange losses of $0.1 million.

For the nine months ended September 30, 2002, other expense, net, includes $1.0 million of net periodic pension income, a loss of $0.5 million on the sale of our Serva subsidiary, a loss of $0.3 million on the sale of our Indian subsidiary and net foreign currency exchange losses of $0.9 million.

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***Provision for Income Taxes.*** The provision for income taxes as a percentage of pre-tax income was 30.8% for the nine months ended September 30, 2003, compared with 31.2% for the year ended December 31, 2002. The decrease in the effective tax rate is due primarily to additional tax credits for research expenditures incurred in 2003 and an increase in the proportion of income earned in tax jurisdictions having lower tax rates. We reduced our estimated effective tax rate for 2003 during the third quarter of 2003 from 32.6% at June 30, 2003, to 30.8% at September 30, 2003, resulting in a change in estimate of $0.9 million recorded during the three months ended September 30, 2003, that effectively reduced the tax provision already recorded for the six months ended June 30, 2003.

## LIQUIDITY AND CAPITAL RESOURCES

***Operating Activities.*** Operating activities provided net cash of $124.7 million during the nine months ended September 30, 2003. Changes in operating assets and liabilities provided a net $1.2 million of cash during the period driven primarily by an increase in accounts receivable, partially offset by higher accrued liabilities for compensation related accruals, interest and legal accruals. The growth in accounts receivable resulted primarily from higher sales in the third quarter versus the fourth quarter of last year. Excluding the effect of business combinations, inventories at September 30, 2003, increased 2% from December 31, 2002, driven by growth in sera inventory.

As a result of working capital improvement programs currently being developed we expect to more efficiently utilize our working capital in future resulting in higher inventory turnover and lower days sales outstanding. Operating activities for the nine months ended September 30, 2003, include $4.1 million paid in cash for merger related accruals and as of September 30, 2003, we had $1.1 million in remaining in accrued merger related costs related to our InforMax, PanVera and Molecular Probes acquisitions, that are included in accrued expenses and other current liabilities in the Consolidated Balance Sheets, the majority of which we expect to pay during the remainder of this year.

***Investing Activities.*** Net cash used in investing activities during the nine months ended September 30, 2003, was $458.3 million, and reflects a net $412.9 million paid for our business acquisitions, a net $27.7 million invested longer term and payments for capital expenditures and intangible assets (primarily intellectual properties), which totaled $19.9 million and $0.5 million, respectively. These uses were offset by $2.7 million in cash received from the sale of one of our Huntsville facilities. For the year ending December 31, 2003, we expect spending for capital equipment and information technology to range from $25 million to $30 million.

On August 20, 2003, we completed our acquisition of the common stock of Molecular Probes, Inc., for cash of $303.9 million. We also paid $2.0 million in closing costs, $3.3 million in severance costs and acquired cash totaling $7.3 million.

On March 28, 2003, we completed our acquisition of products and technology rights of PanVera for $94.9 million in cash and the assumption of $6.3 million in debt. As part of the transaction, we have also acquired PanVera s R&D and manufacturing facility in Madison, Wisconsin. In March 2003, we paid $6.3 million into an escrow account which was used in May 2003 to pay off the debt acquired. Other cash costs in connection with this transaction include $1.3 million paid to buy out operating leases to acquire equipment and $1.5 million in closing costs.

In July 2003, we entered into two small business combinations, one of which included the acquisition of the remaining 60% ownership in a consolidated subsidiary. The purchases totaled $4.2 million in addition to the return of the selling partner s capital account for the 60% interest described above. Beginning in July 2003 we no longer report a minority interest adjustment in the Consolidated Statements of Income.

With the acquisition of the InforMax business in December 2002, we acquired certain leased properties which we are no longer using in our operations. We have included the full value of these lease obligations, net of sublease income, discounted at 8%, in the Consolidated Balance Sheets. As of September 30, 2003, $0.9 million is included in accrued expenses and other current liabilities and $6.1 million is included in long-term obligations, deferred credits and reserves. Our current annual obligation under these leases, before sublease income, is approximately $2.3 million. We are working to buy-out or otherwise reduce these lease obligations and may make payments of up to $4 million to terminate these lease obligations. For the nine months ended September 30, 2003, we have paid $2.8 million to terminate these lease obligations.

We are offering for sale certain facilities in Frederick, Maryland and Huntsville, Alabama which became idle or excess as we have consolidated our operations. At September 30, 2003, we have $11.8 million recorded as assets held for sale for these facilities, which we expect to sell within the next three to nine months and have included this amount in prepaid expenses and other current assets in the Consolidated Balance Sheets.

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***Financing Activities.*** Net cash provided by financing activities totaled $347.9 million for the nine months ended September 30, 2003, and includes $340.9 million in net proceeds from our issuance of convertible senior notes in August 2003 and $18.9 million in proceeds from stock issued under employee stock plans. This net cash provided was offset by $5.4 million used to pay off remaining accruals as trades settled on our common stock shares that were repurchased at the end of 2002, $4.1 million used to return a selling partner s capital account and $2.1 million used to pay off our bonds payable to the State Industrial Development Authority of Alabama.

Our board of directors has authorized the repurchase of up to $300 million of our common stock over a three-year period ending in 2005. We repurchased 3.3 million shares of common stock at a total cost, in cash and accruals, of $100.0 million during 2002, which has been reported as a reduction in stockholders equity as Treasury Stock. During the nine months ended September 30, 2003, no shares were repurchased. The timing and price of future repurchases will depend on market conditions and other factors. Funds for any future repurchases are expected to come primarily from cash generated from operations, or funds on hand.

We are continuing to seek additional corporate and technology acquisition opportunities that support our molecular biology and cell culture 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.

In August 2003, we issued $350 million principal amount of 2% Convertible Senior Notes, or 2% Notes, due August 1, 2023, to certain qualified institutional buyers. After expenses, we received net proceeds of approximately $340.9 million. Interest on the 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 notes may be required to be paid beginning August 1, 2010, if the market value of the notes during specified testing periods is 120% or more of the principal value. The 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 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 2% Notes may require Invitrogen to repurchase all or a portion of the 2% Notes for 100% of the principal amount, plus accrued interest, on August 1, 2010, August 1, 2013, and August 1, 2018.

We have $500 million principal amount of 21/4% Convertible Subordinated Notes, or 21/4% Notes, due 2006, outstanding at September 30, 2003. Interest on the 21/4% Notes is payable semi-annually on June 15th and December 15th. The 21/4% Notes were issued at 100% of principal value, and are convertible into 5.8 million shares of common stock at the option of any holder at any time at a price of $86.10 per share. The 21/4% Notes may be redeemed, in whole or in part, at our option on or after December 20, 2005 at 100% of the principal amount plus accrued interest.

We also have $172.5 million principal amount of 51/2% Convertible Subordinated Notes, or 51/2% Notes, due 2007, outstanding at September 30, 2003. Interest on the 51/2% Notes is payable semi-annually on March 1st and September 1st. The 51/2% Notes were issued at 100% of principal value and are convertible into 2.0 million shares of common stock at the option of the holder at any time at a price of $85.20 per share. The 51/2% Notes may be redeemed, in whole or in part, at our option at any time, and, through February 28, 2004, at an initial premium of 103.143% of the principal amount plus accrued interest. The premium declines annually each March 1st thereafter to 100% of the principal amount of the notes at March 1, 2007.

In the event of a change of control of Invitrogen, the holders of the 2% Notes, the 21/4% Notes and the 51/2% 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.

As of September 30, 2003, we had cash and cash equivalents of $563.9 million, short-term investments of $306.1 million, long-term investments of $253.0 million and working capital of $1.0 billion, which includes restricted cash and investments of $6.9 million. Our funds are currently invested in overnight money market accounts, time deposits, commercial paper, corporate notes, municipal notes and bonds, U.S. treasury obligations and government agency notes. As of September 30, 2003, foreign subsidiaries in Australia, Brazil, Japan and New Zealand 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 $5.7 million, of which none was outstanding at September 30, 2003.

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 for at least 12 months. 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

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cost involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and competing technological and market developments.

## CONTRACTUAL OBLIGATIONS

During the nine months ended September 30, 2003, significant additions to our contractual obligations as of December 31, 2002, included the issuance of $350 million in 2% Notes due 2023, and the assumption of $24.1 million in a capital lease obligation due through 2020 and $1.7 million in an operating lease obligation due through 2012 from our Molecular Probes acquisition.

## CRITICAL ACCOUNTING POLICIES

There were no significant changes in critical accounting policies or estimates from those at December 31, 2002.

## FOREIGN CURRENCY TRANSLATION

We translate the financial statements of our non-U.S. operations into U.S. dollars for consolidation using end-of-period exchange rates for assets and liabilities and average exchange rates during each reporting period for results of operations. Net gains or losses resulting from the translation of foreign financial statements, the effect of exchange rate changes on intercompany receivables and payables of a long-term investment nature, and net exchange rate gains and losses on the value of financial contracts entered into that hedge the value of these long-term intercompany receivables and payables are recorded as a separate component of stockholders equity. These adjustments will affect net income only upon sale or liquidation of the underlying non-U.S. investment.

Changes in foreign currency exchange rates can affect our reported results of operations, which are reported in U.S. dollars. Based on the foreign currency rate in effect at the time of the translation of our non-U.S. results of operations into U.S. dollars, reported results could be different from prior periods even if the same amount and mix of our products were sold at the same local prices during the two periods. This will affect our reported results of operations, and also makes the comparison of our business performance in two periods more difficult. For example, our revenues for the nine months ended September 30, 2003, were $570.0 million using applicable foreign currency exchange rates for that period. However, applying the foreign currency exchange rates in effect during the nine months ended September 30, 2002 to our non-U.S. revenues for 2003 would result in $28.7 million less revenue for that period. These changes in currency exchange rates have affected, and will continue to affect, our reported results, including our revenues, revenue growth rates, gross margins, income and losses as well as assets and liabilities.

## RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

You should carefully consider the following risks, together with other matters described in this Form 10-Q 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. 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-Q (including certain of the following factors) constitute forward-looking statements.

**RISKS RELATED TO OUR BUSINESS**

**Failure to manage growth could impair our business.**

Our business has grown rapidly. Our net revenues increased from $55.3 million in 1997 to $648.6 million in 2002. During that same period we significantly expanded our operations in the United States, Europe and Asia-Pacific. The number of our employees increased from 272 at December 31, 1996, to 2,744 at December 31, 2002.

It is difficult to manage this rapid growth, and our future success depends on our ability to implement:

research and product development programs;

sales and marketing programs;

manufacturing operations at an appropriate capacity;

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customer support programs;

operational and financial control systems; and

recruiting and training programs.

Our ability to offer products and services successfully and to implement our business plan in a rapidly evolving market requires an effective planning, reporting and management process. We expect that we will need to continue to improve our financial and managerial controls, reporting systems and procedures, and to expand and train our workforce worldwide. We also need to continue to manufacture our products efficiently and to control or adjust the expenses related to research and development, marketing, sales and general and administrative activities in response to changes in revenues. If we are not successful in efficiently manufacturing our products or managing such expenses there could be an adverse impact on our earnings and the growth of our business.

Our merger with Life Technologies and other businesses has required substantial investments in operations, product research and development, administration and sales and marketing. These are significant expenses. Our failure to manage successfully and coordinate the growth of the combined company could have an adverse impact on our revenues and profits. In addition, there is no guarantee that some of the businesses we have acquired will become profitable. Our subsidiary, InforMax, has incurred operating losses in most periods since its inception. We cannot be certain that InforMax will be able to generate sufficient revenues from sales of existing and new products to achieve or maintain profitability. Even if InforMax is able to achieve profitability, it may not be able to sustain profitability on a quarterly or annual basis. In addition, we previously have not been involved in the informatics software business, and there is no guarantee we will be successful in this industry through our subsidiary, InforMax.

**Failure to integrate acquired businesses into our operations successfully could reduce our revenues and profits.**

We completed our merger with Molecular Probes on August 20, 2003. In addition, since the beginning of 2000, we have acquired Research Genetics, Inc., Ethrog Biotechnologies, Ltd., Dexter Corporation, Life Technologies and InforMax, Inc., and we acquired substantially all of the assets of PanVera LLC earlier in 2003. Our integration of the operations of InforMax, the PanVera business, Molecular Probes and other acquired companies and businesses will continue to require significant efforts, including the coordination of information technologies, research and development, sales and marketing, and manufacturing. We may find it difficult to integrate fully the operations of these acquired companies and businesses.

Our U.S. headquarters are located in Carlsbad, California. As a result of our acquisitions, we have operations in Frederick, Maryland, Grand Island, New York, Eugene, Oregon, and Madison, Wisconsin as well as locations throughout Europe, Asia-Pacific and the Americas. Because our facilities are physically separated, it may be difficult for us to communicate effectively with, manage and integrate these employees and operations with the rest of Invitrogen. Such difficulties could seriously damage our operations and consequently our financial results.

Management may have its attention diverted while trying to continue to integrate companies and businesses that we have acquired including our acquisition of PanVera LLC s assets, and the acquisition of Molecular Probes. Such diversion of management s attention or difficulties in the transition process could have a harmful effect on our revenues and profits. If we are not able to integrate the operations of all these companies and businesses successfully, we may not be able to meet our expectations of future results of operations.

Factors that will affect the success of our acquisitions include:

decrease in customer loyalty and product orders caused by dissatisfaction with the combined companies product lines and sales and marketing practices, including price increases;

competitive factors, including technological advances attained by competitors and patents granted to, or contested by competitors, which would result in increased efficiency in their ability to compete against us;

the ability of the combined company to increase sales of all such companies products; and

the ability of the combined company to operate efficiently and achieve cost savings.

Even if we are able to integrate our acquired operations, we cannot assure you that we will achieve synergies. Our failure to achieve synergies could have a material adverse effect on the business, results of operations and financial condition of the combined company.

**Industry consolidation may lead to increased competition and may harm our operating results.**

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There has been a trend toward industry consolidation in our markets for the past several quarters. 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, operating results, and financial condition. Furthermore, particularly in the drug discovery market, consolidation could lead to fewer customers, with the effect that the loss of a major customer could have a material impact on results anticipated in a customer marketplace comprised of more numerous participants.

## RISKS RELATED TO OUR SALES

### Competition in the life sciences research market, and/or a reduction in demand for our products, could reduce sales.

The markets for our products are very competitive and price sensitive. Other life science research product suppliers, as well as certain customers, such as large pharmaceutical companies, have significant financial, operational, sales and marketing resources, and experience in research and development. 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. If a competitor develops superior technology or cost-effective alternatives to our kits and other products, our business, operating results, and financial condition could be seriously harmed. In addition, demand for our products may weaken due to reduction in research and development budgets, loss of distributors and other factors identified in this memorandum, which would have an adverse effect on our financial condition.

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. Our competitors may lower prices on these or other products in the future and we may, in certain cases, respond by lowering our prices. This would reduce revenues and profits. Conversely, 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. To the extent we are unable to be the first to develop and supply new products, our competitive position will suffer.

### Reduction in research and development budgets and government funding may affect sales.

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 and institutional budgetary policies. Our business could be seriously damaged by any significant decrease in life sciences research and development expenditures by pharmaceutical and biotechnology companies, academic institutions, government laboratories or private foundations.

In recent years, the pharmaceutical industry has undergone substantial downsizing and consolidation. Additional mergers or corporate consolidations in the pharmaceutical industry could cause us to lose existing customers and potential future customers, which could have a harmful effect on our business, financial condition and results of

operations.

A significant portion of our sales have been to researchers at academic institutions, government laboratories and private foundations whose funding is dependent upon grants from government agencies such as the U.S. National Institutes of Health (NIH) and similar domestic and international agencies. Although the level of research funding has increased during the past several years, we cannot assure you that this trend will continue. The NIH budget has increased on average in excess of 10% in each of the past five years through fiscal 2003. Initial proposed increases for fiscal 2004 are significantly less than this amount. Government funding of research and development is subject to the political process, which is inherently fluid and unpredictable. Additionally, as the U.S. government continues to address program funding requirements in the current period of global unrest, including homeland security, any shift away from the funding of life sciences research and development may cause our customers to delay or forego purchases of our products. Our revenues may be adversely affected if our customers delay or cancel purchases as a result of these and other uncertainties or delays surrounding the approval of government budget proposals. Also,

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government proposals to reduce or eliminate budgetary deficits have sometimes included reduced allocations to the NIH and other government agencies that fund research and development activities. A reduction in government funding for the NIH or other government research agencies could seriously damage our business.

Our customers generally receive funds from approved grants at particular times of the year, for example 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.

**Loss of customers may hurt our sales, and customers may force us to use more expensive distribution channels.**

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 electrophoresis products, custom oligonucleotides, amplification products, and fetal bovine serum. For a limited number of customers we have made sales, at the customer s request, through third-party Internet vendors. Although Internet sales through third parties have not had a significant impact to date, it is possible that this method of distribution could have a negative impact on our gross margins, because any commission paid on Internet sales would be an additional cost not incurred through the use of non-Internet vendors.

## RISKS RELATED TO THE DEVELOPMENT AND MANUFACTURING OF OUR PRODUCTS

**Our market share depends on new product introductions and acceptance.**

Rapid technological change and frequent new product introductions are typical for the market for certain of our products and services. For example, prepackaged kits to perform research in particular cell lines and already-isolated genetic material only recently have come into widespread use among researchers. In addition, the market for the life science informatics products of our subsidiary, InforMax, is also in the midst of rapid technological change. Our future success will depend in part on continuous, timely development and introduction of new products that address evolving market requirements and are attractive to customers. We believe successful new product introductions provide a significant competitive advantage because customers make an investment of time in selecting and learning to use a new product, and are reluctant to switch thereafter. We spend significant resources on internal research and development as well as on technology developed elsewhere to support our effort to develop and introduce new products. To the extent that we fail to introduce new and innovative products, we could fail to obtain an adequate return on these investments and could lose market share to our competitors, which would be difficult or impossible to regain. An inability, for technological or other reasons, to develop successfully and introduce new products could reduce our growth rate or otherwise damage our business.

In the past we have experienced, and we are likely to experience in the future, delays in the development and introduction of products. We cannot assure you that we will keep pace with the rapid rate of change in life sciences research and life science informatics software development, or that our new products will adequately meet the

requirements of the marketplace or achieve market acceptance. 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.

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The expenses or losses associated with unsuccessful product development activities or lack of market acceptance of our new products could seriously harm our business, financial condition and results of operations.

**Failure to license new technologies could impair our new product development.**

Our business model of providing products to researchers working on a variety of genetic and related projects requires us to develop a wide spectrum of products. To generate broad product lines it is sometimes advantageous to license technologies from the scientific community at large rather than depending exclusively on the inventions of our own employees. As a result, 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. A significant portion of our current revenues are from products manufactured or sold under licenses from third parties.

From time to time we are notified or become aware of patents held by third parties which are related to technologies we are selling or may sell in the future. After a review of these patents, we may decide to obtain a license for these technologies from such third parties. We are currently in the process of negotiating several such licenses and expect that we will also negotiate these types of licenses in the future. We cannot assure you that we will be able to negotiate such licenses on favorable terms, or at all.

Our ability to gain access to technologies 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 assure you 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 licenses could hurt our performance.**

A small number of our licenses do not run for the length of the underlying patent. We may not be able to renew our existing licenses on favorable terms, or at all. If we lose the rights to a patented technology, we may need to stop selling these products and possibly other products, redesign our products or lose a competitive advantage. Potential competitors could in-license technologies that we fail to license and potentially erode our market share for these and other products.

Our licenses 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 the right to exclusivity in a certain market. In some cases, we could lose all rights under a license. In addition, certain rights granted under the license could be lost for reasons out 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. We do not receive indemnification from a licensor against third-party claims of intellectual property infringement.

**Failure to obtain products and components from third-party manufacturers could affect our ability to manufacture and deliver our products.**

We rely on third-party manufacturers to supply many of our raw materials, product components, and in some cases, entire products, none of which are material to our business. In addition, we have a single source for supplies of some raw materials and components to our products. Manufacturing problems may occur with these and other outside sources. If such problems occur, we cannot assure you that we will be able to manufacture our products profitably or on time.

**Fluctuation in the price and supply of raw FBS could affect our business.**

The supply of raw fetal bovine serum (FBS) is sometimes limited because serum collection tends to be cyclical. This causes 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 increase in the price could adversely affect those profit margins. In addition, if we are unable to obtain an adequate supply of FBS, we may lose market share.

**Violation of government regulations or voluntary quality programs could result in loss of sales and customers and additional expense to attain compliance.**

Certain cell culture products that our cell culture segment manufactures are labeled for in-vitro diagnostic use, or for human ex vivo tissue and cell culture processing applications, and as such are regulated by the U.S. Food and Drug Administration (FDA) as medical devices. As such, we must register with the FDA as a medical device manufacturer and comply with the Quality System Regulation (formerly known as current good manufacturing practice, or GMP ). As a registered medical device manufacturer, we must also comply with other regulations such

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as regulations relating to Medical Device Reporting and Labeling. 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. If the FDA were to take such actions, the FDA s observations, warnings, etc. would be available to the public. Such publicity could affect our ability to sell products labeled for in-vitro diagnostic use and our ability to sell products to industrial customers engaged in the manufacture of pharmaceuticals.

Additionally, some of our customers use our products in the manufacturing process for their drug and medical device products, and such end products are regulated by the FDA under GMP. Although the customer is ultimately responsible for GMP compliance for their products, it is also the customers expectation that the materials sold to them will meet GMP requirements. We could lose sales and customers, and incur products liability claims, if these products do not meet GMP requirements.

ISO 9001 is an internationally recognized voluntary quality standard that requires compliance with a variety of quality requirements somewhat similar to the GMP requirements. The operations of our cell culture segment manufacturing facilities are intended to comply with ISO 9001. 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 comply 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.

## RISKS RELATED TO OUR INTELLECTUAL PROPERTY

### Inability to protect our technologies could affect our ability to compete.

Our success depends to a significant degree upon our ability to develop proprietary products and technologies. However, we cannot assure you that patents will be granted on any of our patent applications. We also cannot assure you that the scope of any of our issued patents will be sufficiently broad to offer meaningful protection. We only have patents issued in selected countries. Therefore, 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 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. 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.

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, and lose the ability to sell certain products or receive licensing revenues.

### Disclosure of trade secrets could aid our competitors.

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 and other litigation could harm our business.**

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 are currently a defendant in several court actions involving our intellectual property. As a result, and in part due to the ambiguities and evolving nature of intellectual property law, we periodically receive notices of potential infringement of patents held by others. We may not be able to resolve these types of claims successfully in the future.

We are currently enforcing our intellectual property rights through patent litigation in several court actions. We have incurred substantial costs, and are currently incurring substantial costs, in enforcing our intellectual property rights, primarily relating to H minus reverse transcriptase, which is the basis for our Superscript and related product lines, and we expect to incur such costs in the future for Superscript and other technologies. In the event of

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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. If we do not prevail in our pending patent litigation relating to H minus reverse transcriptase, we may be unable to prevent third parties from using this technology in the commercial marketplace. This could have a seriously harmful effect on our business.

## RISKS RELATED TO OUR OPERATIONS

### Litigation may harm our business or otherwise distract our management.

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 assure you that we will always be able to resolve such disputes out of court or on terms favorable to us.

In particular, in acquiring Dexter, we assumed certain of Dexter s liabilities, ongoing disputes and litigation. These include environmental and warranty claims, among others. 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.

### Loss of key personnel could hurt our business.

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 would seriously damage our business. Additionally, some measures that we implement during the course of integrating acquired companies and businesses into our operations may be disruptive to some of our key personnel, including those in research and development, and cause them to leave us. If we were to lose a sufficient number of our key employees, including research and development scientists, and were unable to replace them or satisfy our needs for research and development through outsourcing, it could seriously damage our business.

### We have a significant amount of debt which could adversely affect our financial condition.

We have $500 million of subordinated convertible notes that are due in 2006, $172.5 million of subordinated convertible notes that are due in 2007, and $350 million in senior convertible notes that are due in 2023, which is a significant amount of debt and debt service obligations if we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on our remaining notes, including from cash and cash equivalents on hand, we will be in default under the terms of the loan agreements, or indentures, which could, in turn, cause defaults under our other existing and future debt obligations. These notes also could have a negative effect on our earnings per share, depending on the rate of interest we earn on cash balances, and on our ability to make favorable acquisitions using the proceeds from the notes.

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; 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;

**Absence of dividends could reduce our attractiveness to investors.**

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Some investors favor companies that pay dividends, particularly in market downturns. We have never declared or paid any cash dividends on our common stock, although some of the companies that we have acquired, including Life Technologies and Dexter, declared and paid dividends prior to the acquisitions. We currently intend to retain any future earnings for funding growth and, therefore, we do not currently anticipate paying cash dividends on our common stock.

**Our anti-takeover defense provisions may deter potential acquirers and may depress our stock price.**

Certain provisions of our certificate of incorporation, by-laws and Delaware law, as well as certain agreements we have with our executives, could be used by our incumbent management to make it substantially more difficult for a third party to acquire control of us. These provisions include the following:

- we may issue preferred stock with rights senior to those of our common stock;
- we have adopted a stock purchase rights plan;
- we have a classified Board of Directors;
- our by-laws prohibit action by written consent by stockholders;
- our Board of Directors has the exclusive right to fill vacancies and set the number of directors;
- cumulative voting is not allowed;
- we require advance notice for nomination of directors and for stockholder proposals; and
- a number of our executives have agreements with us that entitle them to payments in certain circumstances following a change in control.

These provisions may discourage certain types of transactions involving an actual or potential change in control. These provisions may also limit our stockholders ability to approve transactions that they may deem to be in their best interests and discourage transactions in which our stockholders might otherwise receive a premium for their shares over the then current market price.

**RISKS RELATED TO OUR INTERNATIONAL OPERATIONS**

**International unrest or foreign currency fluctuations could adversely affect our results.**

Including subsidiaries and distributors, 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 44% of our product revenues in 2002, 45% of our product revenues in 2001 and 39% in 2000. 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:

foreign currencies we receive for sales outside the U.S. could be subject to unfavorable exchange rates with the U.S. Dollar and reduce the amount of revenue that we recognize;

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; and

import and export licensing requirements.

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A significant portion of our business is conducted in currencies other than the U.S. Dollar, which is our reporting currency. We recognize foreign currency gains or losses arising from our operations in the period incurred. As a result, currency 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 exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposures, and the potential volatility of currency exchange rates. We engage in limited foreign exchange hedging transactions to manage our foreign currency exposure, but we cannot assure you that our strategies will adequately protect our operating results from the full effects of exchange rate fluctuations.

Several foreign countries in which we generate revenue have experienced somewhat unsteady economic conditions and significant devaluation in currencies. The economic situation in these regions may result in slower payments of outstanding receivable balances or even defaults. Our business could be damaged by weakness in the economies and currencies in these regions.

## RISKS RELATED TO THE MARKET FOR OUR SECURITIES

### The market price of our stock and convertible notes could be volatile.

The market price of our common stock and convertible notes has been subject to volatility and, in the future, the market price of our common stock and convertible notes may fluctuate substantially due to a variety of factors, including:

- quarterly fluctuations in our operating income and earnings per share results;
- technological innovations or new product introductions by us or our competitors;
- economic conditions;
- disputes concerning patents or proprietary rights;
- changes in earnings estimates and market growth rate projections by market research analysts;
- sales of common stock by existing holders;
- loss of key personnel;
- securities class actions or other litigation; and
- changes to NIH budget, and the research and development budgets of our customers.

The market price for our common stock and the convertible notes may also be affected by our ability to meet analysts expectations. Any failure to meet such expectations, even slightly, could have an adverse effect on the market price of our common stock and the convertible notes. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. In the past, following periods of

volatility in the market price of a company s securities, securities class action litigation has often been instituted against that company. If similar litigation were instituted against us, it could result in substantial costs and a diversion of our management s attention and resources, which could have an adverse effect on our business, results of operations and financial condition.

**Our operating results may fluctuate in future periods.**

The results of operations for any quarter are not necessarily indicative of results to be expected in future periods. Our operating results have in the past been, and will continue to be, subject to quarterly fluctuations as a result of a number of factors. These factors include, but are not limited to:

- the integration of people, operations and products from acquired businesses and technologies;
- our ability to introduce new products successfully;
- market acceptance of existing or new products and prices;
- competitive product introductions;
- currency rate fluctuations;

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changes in customer research budgets which are influenced by the timing of their research and commercialization efforts and their receipt of government grants;

our ability to manufacture our products efficiently;

our ability to control or adjust research and development, marketing, sales and general and administrative expenses in response to changes in revenues; and

the timing of orders from distributors and mix of sales among distributors and our direct sales force.

**RISKS RELATED TO ENVIRONMENTAL ISSUES**

**Incidents related to hazardous materials could adversely affect our business.**

Portions of our operations require the controlled use of hazardous and radioactive materials. Although we are diligent in designing and implementing safety procedures to comply with the standards prescribed by federal, state, and local regulations, the risk of accidental contamination of property or injury to individuals from these materials cannot be completely eliminated. In the event of such an incident, we could be liable for any damages that result, which could adversely affect our business.

Additionally, any incident could partially or completely shut down our research and manufacturing facilities and operations.

We generate waste that must be transported to approved storage, treatment and disposal facilities. The transportation and disposal of such waste are required to meet applicable state and federal statutes and regulations. The storage, treatment and disposal of such waste potentially exposes us to environmental liability if, in the future, such transportation and disposal is deemed to have violated such statutes and/or regulations or if the storage, treatment and disposal facilities are inadequate and are proved to have damaged the environment.

Furthermore, in acquiring Dexter, 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.

**Environmental, health and safety regulation by the government could adversely affect our operations.**

Our operations are subject to complex and stringent environmental, health, safety and other governmental laws and regulations. While we believe that we have obtained the requisite approvals and permits for our existing operations, and that our business is operated in accordance with applicable laws in all material respects, we remain subject to a varied and complex body of laws and regulations that both public officials and private individuals may seek to enforce. Existing laws and regulations may be revised or reinterpreted, or new laws and regulations may become applicable to us that may have a negative effect on our business and results of operations.

**Potential product liability claims could affect our earnings and financial condition.**

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.

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

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

**Foreign Currency Transactions.** We are exposed to market risk related to changes in foreign currency exchange rates, commodity prices, and interest rates, and we selectively use financial instruments to manage these risks. We do not enter into financial instruments for speculation or trading purposes. These financial exposures are

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monitored and managed by us as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce potentially adverse effects on our results.

Our currency exposures vary, but are primarily concentrated in the Euro, British Pound Sterling and Japanese Yen. We currently use foreign currency forward contracts to mitigate foreign currency risk on non-functional currency receivables and payables. At September 30, 2003, we had $32.6 million in foreign currency forward contracts outstanding to hedge currency risk on specific receivables and payables. These contracts, which all settled on various dates through October 2003, effectively fixed the exchange rate at which these specific receivables and payables were to be settled, so that gains or losses on the forward contracts offset the losses or gains from changes in the value of the underlying receivables and payables. We currently do not enter into financial contracts to hedge foreign currency exchange risk on transactions forecasted to arise beyond 30 days, but we may choose to do so in the future.

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

**Interest Rates.** Our investment portfolio is maintained in accordance with our investment policy that defines allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer. The fair value of our cash equivalents and marketable securities are subject to change as a result of potential changes in market interest rates and investment risk related to the issuers credit worthiness. We do not utilize financial contracts to manage our exposure to changes in interest rates. As of September 30, 2003, our cash equivalents and short-term investments were invested primarily in securities with maturities of less than three months and, as a result, the fair value of these securities approximated carrying value due to their short-term nature. The fair value of our long-term investments, however, is subject to change as a result of potential changes in market interest rates. At September 30, 2003, the fair value of our long-term investments did not differ materially from carrying value.

It is currently our intent to hold all of our cash equivalents and marketable securities until maturity, and, accordingly, their carrying values are not adjusted for changes in fair value. Thus, any potential changes in fair value due to changes in interest rates would not affect our financial position or results of operations. We would, however, be at risk for lower earnings should interest rates decline.

## Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

A review of certain litigation matters to which Invitrogen is a party is disclosed in the Notes to Consolidated Financial Statements. See Notes to Consolidated Financial Statements Note 4. Commitments and Contingencies. We are also engaged in other legal actions arising in the ordinary course of our business and believe that the ultimate outcome of these actions will not have a material adverse effect on our business or financial condition.

### Item 2. Changes in Securities and Use of Proceeds

(a) None.

(b) None.

(c) On August 1, 2003, we issued $325 million principal amount of 2% Convertible Senior Notes, or 2% Notes, due August 1, 2023, to certain qualified institutional buyers. We issued an additional $25 million principal amount of 2% Notes on August 14, 2003, to certain qualified institutional buyers. The 2% Notes were sold without registration, pursuant to the exemption provided by Rule 144A promulgated by the Securities and Exchange Commission under the Securities Act of 1933. The 2% Notes were offered only to qualified institutional buyers, and in compliance with the other provisions of Rule 144A. After expenses, we received net proceeds of $340.9 million. Interest on the 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 notes may be required to be paid beginning August 1, 2010, if the market value of the notes during specified testing periods is 120% or more of the principal value. The 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 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 2% Notes may require Invitrogen to repurchase all or a portion of the 2% Notes for 100% of the principal amount, plus accrued interest, on August 1, 2010, August 1, 2013, and August 1, 2018.

(d) None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Submission of Matters to a Vote of Security Holders

None.

### Item 5. Other Information

None.

### Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: For a list of exhibits filed with this report, refer to the Index to Exhibits beginning on page 38.

(b) The following reports on Forms 8-K were filed during the quarter ended September 30, 2003:

1) A Report on Form 8-K was filed on July 3, 2003, reporting under Item 5 the announcement that the Company had signed on July 2, 2003 a definitive agreement to acquire Molecular Probes, Inc. in exchange for approximately $325,000,000 in cash.

2) A Report on Form 8-K was filed on July 24, 2003, reporting under Item 9 the announcement of the Company s second quarter 2003 financial results via a press release and conference call on July 24, 2003.

3) A Report on Form 8-K was filed on July 29, 2003, reporting under Item 5 that the Company had issued two press releases on July 28, 2003 regarding its offering of $325 million aggregate principal amount of 2%

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Convertible Senior Notes due 2023 plus a 13 day over-allotment option to purchase up to an additional $48.25 million of 2% Convertible Senior Notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

4) A Report on Form 8-K was filed on August 6, 2003, reporting under Item 5 that the Company had issued a press release on August 1, 2003 regarding the closing of its offering of $325 million aggregate principal amount of 2% Convertible Senior Notes due 2023 to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

5) A Report on Form 8-K was filed on August 18, 2003, reporting under Item 5 that the Company had issued a press release on August 14, 2003 regarding the closing of its offering of an additional $25 million aggregate principal amount of 2% Convertible Senior Notes due 2023 pursuant to a 13 day over-allotment option to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

6) A Report on Form 8-K was filed on September 4, 2003, reporting under Item 2 the announcement on August 22, 2003 that the Company had completed its acquisition of Molecular Probes, Inc.

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**SIGNATURES**

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

**INVITROGEN CORPORATION**

Date: November 11, 2003

By: /s/ C. Eric Winzer
C. Eric Winzer
Chief Financial Officer
(Principal Financial Officer and
Authorized Signatory)

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## INDEX TO EXHIBITS

*(In our Annual Report on Form 10-K for the Year Ended December 31, 2001, we numbered sequentially all of the material contracts that we had filed as of March 31,2002. Since that time, we have continued to number sequentially any additional material contracts that we file for ease of reference.)*

| EXHIBIT NUMBER | DESCRIPTION OF DOCUMENT |
|---|---|
| 2.1 | Agreement and Plan of Merger, by and between Invitrogen and Life Technologies, Inc., dated July 7, 2000.(1) |
| 2.2 | Agreement and Plan of Merger, by and between Invitrogen and Dexter Corporation, dated July 7, 2000.(1) |
| 2.3 | Agreement and Plan of Merger, by and between Invitrogen, Babcock, Inc. and InforMax, Inc., dated October 15, 2002.(2) |
| 2.4 | Agreement and Plan of Merger, by and among Invitrogen, INVO Merger Corporation, and NOVEX, dated June 14, 1999.(3) |
| 2.5 | Agreement and Plan of Merger, by and among Invitrogen, RG Merger Corporation, and Research Genetics, Inc., dated February 1, 2000.(4) |
| 2.6 | Asset Purchase Agreement by and among Vertex Pharmaceuticals Incorporated, PanVera LLC and Invitrogen Corporation, dated February 4, 2003.(5) |
| 3.1 | Restated Certificate of Incorporation of Invitrogen, as amended.(6) |
| 3.2 | Amended and Restated Bylaws of Invitrogen.(7) |
| 3.3 | Certificate of Correction to the Restated Certificate of Incorporation of Invitrogen, dated February 21, 2001.(8) |
| 3.4 | Certificate of Designation, Preferences and Rights of the Terms of the Series B Preferred Stock, dated March 27, 2001.(8) |
| 4.1 | Specimen Common Stock Certificate.(9) |
| 4.2 | 5 1/2% Convertible Subordinated Notes Due 2007, Registration Rights Agreement, by and among Invitrogen, and Donaldson, Lufkin & Jenrette Securities Corporation et al., as Initial Purchasers, dated March 1, 2000.(10) |
| 4.3 | Indenture, by and between Invitrogen and State Street Bank and Trust Company of California, N.A., dated March 1, 2000.(10) |
| 4.4 | 2 1/4% Convertible Subordinated Notes due 2006, Registration Rights Agreement, by and among Invitrogen and Credit Suisse First Boston Corporation et al., as Initial Purchasers, dated December 11, 2001.(11) |
| 4.5 | Indenture, by and between Invitrogen and State Street Bank and Trust Company of California, N.A. and Table of Contents of Indenture, including Cross-Reference Table to the Trust Indenture Act of 1989, dated December 11, 2001.(11) |

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| 10.1 | License Agreement, by and between Molecular Chimerics Corporation and Invitrogen, dated May 10, 1990.(9) |
| 10.2 | Purchase Agreement, by and between Cayla and Invitrogen, as amended, effective as of July 1, 1994.(9) |
| 10.3 | 1995 Invitrogen Stock Option Plan.(9) |
| 10.4 | 1996 Novel Experimental Technology Stock Option/Stock Issuance Plan.(12) |
| 10.5 | 1997 Invitrogen Stock Option Plan, as amended, and forms of Incentive Stock Option Agreement and Nonstatutory Stock Option Agreement thereunder.(13) |
| 10.6 | License Agreement, by and between Sloan-Kettering Institute for Cancer Research and Invitrogen, dated January 22, 1997.(9) |
| 10.8 | Novel Experimental Technology Employee Stock Ownership Plan and Trust Agreement, as amended, effective as of April 1, 1997.(14) |
| 10.10 | Stock Purchase Agreement, by and among Invitrogen and MorphaGen, Inc., a Delaware Corporation, dated November 3, 1998.(9) |

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| EXHIBIT NUMBER | DESCRIPTION OF DOCUMENT |
|---|---|
| 10.11 | 1998 Novel Experimental Technology Stock Option/Stock Issuance Plan.(12) |
| 10.12 | 1998 Invitrogen Employee Stock Purchase Plan, as amended, and form of subscription agreement thereunder.(2) |
| 10.13 | Patent License Agreement, by and among F. Hoffmann-La Roche Ltd., Roche Molecular Systems, Inc. and Invitrogen, effective as of July 1, 1998.(9) |
| 10.14 | Assignment of Intellectual Property Conditional On Payment, by and between Molecular Biology Resources and Invitrogen, dated May 31, 1999.(15) |
| 10.16 | Lease, by and between CalWest Industrial Properties, LLC, a California limited liability company, and Invitrogen, dated as of May 31, 2001.(11) |
| 10.17 | Lease, by and between Blackmore Signal Hill, a California Limited Partnership, and Invitrogen, dated October 7, 1999.(16) |
| 10.18 | Lease, by and between Blackmore Lot 99 Investment, a California Limited Partnership, and Invitrogen, dated December 20, 1999.(16) |
| 10.21 | 5 1/2% Convertible Subordinated Note Due 2007.(16) |
| 10.22 | 5 1/2% Convertible Subordinated Notes due 2007, Purchase Agreement, dated February 25, 2000.(16) |
| 10.24 | Contract of Sale, by and between Invitrogen and Human Genome Sciences, Inc., dated March 7, 2001.(8) |
| 10.26 | 2 1/4% Convertible Subordinated Notes due 2006.(11) |
| 10.27 | 2 1/4% Convertible Subordinated Notes due 2006, Purchase Agreement, dated December 11, 2001.(11) |
| 10.31 | Change in Control Agreement, by and between Invitrogen and Victor N. Nole, Jr., dated June 1, 2001.(17) |
| 10.32 | Change in Control Agreement, by and between Invitrogen and John D. Thompson, dated June 1, 2001.(17) |
| 10.34 | Rights Agreement, by and between Invitrogen and Fleet National Bank Rights Agent, dated February 27, 2001.(18) |
| 10.35 | 2000 Nonstatutory Stock Option Plan, as amended and restated on July 19, 2001.(19) |
| 10.36 | Letter to Mr. Raymond Dittamore, regarding Non-Employee Director Compensation, dated November 5, 2001.(19) |
| 10.37 | Invitrogen 401(k), as amended and restated, effective as of January 1, 2002.(11) |
| 10.38 | Settlement and Retention Agreement, by and between Invitrogen and C. Eric Winzer, dated as of May 31, 2002.(20) |
| 10.39 | |

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|---|---|
| | Settlement and Retention Agreement, by and between Invitrogen and Daryl J. Faulkner, dated as of May 31, 2002.(20) |
| 10.40 | Change in Control Agreement, by and between Invitrogen and Daryl J. Faulkner, dated as of May 31, 2002.(20) |
| 10.41 | Change in Control Agreement, by and between Invitrogen and C. Eric Winzer, dated as of May 31, 2002.(20) |
| 10.42 | Promotion and Relocation Letter, by and between Invitrogen and Daryl J. Faulkner, dated May 31, 2002.(20) |
| 10.43 | Promotion and Relocation Letter, by and between Invitrogen and C. Eric Winzer, dated May 31, 2002.(20) |
| 10.44 | Settlement and Retention Agreement, by and between Invitrogen and John A. Cottingham, dated as of June 7, 2002.(20) |
| 10.45 | Change in Control Agreement, by and between Invitrogen and John A. Cottingham, dated as of June 7, 2002.(20) |
| 10.46 | Form of Secured Promissory Note under Invitrogen s Employee Relocation Guidelines.(20) |
| 10.47 | Form of Deed of Trust with Assignment of Rents under Invitrogen s Employee Relocation Guidelines.(20) |
| 10.48 | Form of Addendum to Deed of Trust with Assignment of Rents under Invitrogen s Employee Relocation Guidelines.(20) |

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| EXHIBIT NUMBER | DESCRIPTION OF DOCUMENT |
|---|---|
| 10.49 | Form of Employee Relocation Guidelines under Invitrogen s Employee Relocation Guidelines.(20) |
| 10.50 | Settlement Agreement between Invitrogen and Daryl J. Faulkner dated September 9, 2002.(21) |
| 10.51 | Executive Employment and Severance Agreement, by and between Invitrogen and James R. Glynn, effective as of December 5, 2002.(22) |
| 10.52 | Confidential Separation Agreement and General Release of All Claims, by and between Invitrogen and Lyle C. Turner, dated December 13, 2002. (22) |
| 10.53 | Independent Contractor Services Agreement, by and between Invitrogen and Lyle C. Turner dated December 13, 2002. (22) |
| 10.54 | University Research Park Ground Lease, by and between University Research Park I and PanVera Corporation, dated as of October 1, 1978. (23) |
| 10.55 | Asset Purchase Agreement by and between Genicon Sciences Corporation and Invitrogen Corporation, dated as of June 27, 2003. (24) |
| 10.56 | Amendment to Executive Employment and Severance Agreement by and between Invitrogen Corporation and James R. Glynn, dated as of June 27, 2003. (24) |
| 10.57 | Employment Agreement by and between Invitrogen Corporation and Gregory T. Lucier, to be effective as of May 26, 2003. (24) |
| 10.58 | Change-In-Control Agreement by and between Invitrogen Corporation and Gregory T. Lucier, dated as of May 26, 2003. (24) |
| 10.59 | Indemnification Agreement by and between Invitrogen Corporation and Gregory T. Lucier, dated as of May 26, 2003. (24) |
| 10.60 | Restricted Stock Agreement by and between Invitrogen Corporation and Claude D. Benchimol, dated as of September 4, 2003. (25) |
| 10.61 | Restricted Stock Agreement by and between Invitrogen Corporation and Gregory T. Lucier, dated as of May 30, 2003. (26) |
| 10.62 | NSO Agreement by and between Invitrogen Corporation and Gregory T. Lucier, dated as of May 30, 2003. (26) |
| 31.1 | Certification of Chief Executive Officer |
| 31.2 | Certification of Chief Financial Officer |
| 32.1 | Certification of Chief Executive Officer |
| 32.2 | Certification of Chief Financial Officer |

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(1) Incorporated by reference to the Registrant s Registration Statement on Form S-4 (File No. 333-43674). Original 1998 Invitrogen Employee Stock Purchase Plan ( Plan ) and form of subscription agreement thereunder are

incorporated by reference to the Registrant s Registration Statement on Form S-1 (File No. 333-68665) and amendment to Plan is incorporated by reference to the Registrant s Registration Statement on Form S-4 (File No. 333-43674).

(2) Incorporated by reference to the Registrant s Report on Schedule TO filed on October 25, 2002.

(3) Incorporated by reference to Registrant s Registration Statement on Form S-4 (File No. 333-82593).

(4) Incorporated by reference to Registrant s Current Report on Form 8-K, filed on March 30, 2001 (File No. 000-25317)

(5) Incorporated by reference to Registrant s Current Report on Form 8-K, filed on April 11, 2003 (File No. 000-25317)

(6) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period Ended September 30, 2000 (File No. 000-25317).

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

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

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

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

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

(12) Incorporated by reference to Registrant s Registration Statement on Form S-1 (File No. 333-87085).

(13) The 1997 Stock Option Plan, as amended and restated, is attached to Registrant s Quarterly Report on Form 10-Q for the Quarterly period ended September 30, 2002 (File No. 000-25317). The forms of Incentive Stock Option Agreement and Nonstatutory Stock Option Agreement under the 1997 Stock Option Plan incorporated by reference to the Registrant s Registration Statement on Form S-4 (File No. 333-43674).

(14) Incorporated by reference to Registrant s Registration Statement on Form S-1/A (File No. 333-87085).

(15) Incorporated by reference to the Registrant s Registration Statement on Form S-4 (File No. 333-82593).

(16) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the Year Ended December 31, 2000, (File No. 000-25317).

(17) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2001 (File No. 000-25317).

(18) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed on March 30, 2001 (File No. 000-25317).

(19) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period Ended September 30, 2001 (File No. 000-25317).

(20) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2002 (File No. 000-25317).

(21) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period ended September 30, 2002 (File No. 000-25317).

(22) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the Year Ended December 31, 2002 (File No. 000-25317).

(23) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period ended March 31, 2003 (File No. 000-25317).

(24) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the Quarterly Period ended June 30, 2003 (File No. 000-25317).

(25) Incorporated by reference to the Registrant s Registration Statement on Form S-8 (File No. 333-108442).

(26) Incorporated by reference to the Registrant s Registration Statement on Form S-8 (File No. 333-105730).