# Merck Millipore

→ The *Merck Millipore* division is a leading supplier to the global life science industry, offering a broad range of innovative products and services used in the research, development and production of biotech and pharmaceutical drugs as well as general laboratory applications.

## Key product groups

- Products and services to support life science researchers in both industry and academia who are seeking to understand complex biological systems and identify new therapeutic targets. Examples include biomarker discovery assays, cell analysis tools and flow cytometry instrumentation.
- Laboratory instrumentation and services for a wide variety of life science research and industrial applications, including organic and inorganic chemistry, chromatographic analysis, and environmental monitoring in the pharmaceutical industry. Examples include laboratory chemicals, laboratory water purification systems, microbiology media, test kits and systems.
- Products and services that enable pharmaceutical and biopharmaceutical manufacturers to improve productivity, minimize complexity, reduce risk and lower cost – from scale-up to full-scale production. Examples include raw materials, active pharmaceutical ingredients (API), cell culture media, excipients and regulatory services, as well as products to support clarification, purification, viral clearance, sterile filtration and process development.

## Key developments in 2011

- Strong sales performance driven by growth in the Americas and Asia and demand from biopharma and laboratory customers
- BioScience, Lab Solutions and Process Solutions strengthen their offerings through acquisitions of Amnis Corporation, Biotest AG's microbiology business and Beijing Skywing Technology Co., Ltd.
- New, state-of-the-art Biopharmaceutical Technical and Training Center opened in Shanghai, China
- New Merck Millipore brand launched

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**Solid growth in a challenging market**
Despite a global economic downturn, the Merck Millipore division, which was formed after Merck's acquisition of Millipore in 2010, reported solid organic revenue growth in 2011. This was mainly achieved through new product launches and acquisitions. The division's three business units – BioScience, Lab Solutions and Process Solutions – all increased their sales in 2011.

Total revenues for 2011 were € 2,393 million, a 48% increase over 2010. Organic revenue growth was 4.3%. Foreign exchange rates reduced revenue growth by 1.2% and acquisitions added 45% growth for the year.

### Merck Millipore | Key figures

| € million | 2011 | 2010 | Δ in % |
|---|---|---|---|
| Total revenues | 2,393 | 1,613 | 48 |
| Gross margin | 1,387 | 845 | 64 |
| R&D | 135 | 74 | 80 |
| Operating result | 226 | 48 | – |
| Exceptional items | – | – | – |
| Free cash flow | 141 | –4,672 | |
| Underlying free cash flow | 309 | 263 | 17 |
| ROS in % | 9.4 | 3.0 | |

The gross margin of the division increased by 64% to € 1,387 million in 2011. Gross margin in 2010 included one-time charges of € 86 million for the step-up of inventories from Millipore as part of the purchase price allocation.

Higher spending on marketing and sales and R&D

To support future growth, the division continued to increase operational spending, making investments in marketing and selling as well as in R&D. The operating result totaled € 226 million in 2011 compared to € 48 million in 2010. The operating result includes € 190 million of amortization of intangible assets.

Merck Millipore's solid performance was led by sales growth in North America, Latin America and Asia. As a leader in the life science industry on the forefront of emerging technologies, all three business units of the Merck Millipore division continued to invest in innovation, which was reflected in R&D spending. The division's long-term growth is tied to its ability to bring new, value-added products and services to the marketplace – to develop better, simpler and more effective solutions to customers' productivity and safety challenges.

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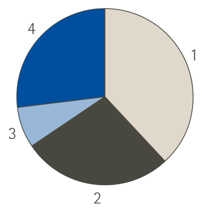
## Merck Millipore | Sales by region

*€ million / % of divisional sales*




| | | |
|---|---|---|
| 1 Europe | 906 | 38% |
| 2 North America | 648 | 27% |
| 3 Latin America | 183 | 8% |
| 4 Asia, Africa, Australasia | 646 | 27% |

### BioScience: Expanding its product portfolio

The BioScience business unit provides products and services to support life science researchers in both industry and academia. It consists of two business fields: Life Science and Discovery & Development Solutions.

Sales in Asia and Latin America rise sharply

BioScience reported sales of € 421 million in 2011. Growth was driven by a broad portfolio of products and services. Geographically, sales gains were primarily driven by Asian and Latin American markets. BioScience sales were fueled by strong growth in strategic market segments such as multiplexing and flow cytometry and hampered by a slowdown in academic and government funding. New BioScience product innovations, such as the Scepter™ handheld automated cell counter and the Samplicity™ filter system, continued to win industry accolades in 2011 and establish Merck Millipore as a life science leader.

In 2011, with the acquisition of Seattle-based Amnis Corporation, the BioScience business unit gained access to leading technology in high-speed cell imaging instrumentation used in flow cytometry applications. This acquisition, which complements the business unit's Guava product range, puts Merck Millipore at the forefront of cell analysis and helps the division address several unmet customer needs.

### Lab Solutions: Leveraging its global footprint

The Lab Solutions business unit supplies laboratory chemicals, instrumentation and services for a wide variety of life science research and industrial applications, most notably for the pharmaceutical industry. It comprises three business fields: Lab Essentials, Lab Water and BioMonitoring.

In 2011, Lab Solutions generated sales amounting to € 1,006 million. Growth was fueled by strong sales in Lab Water and BioMonitoring. Geographically, growth was strongest in the Asia, Africa, Australasia region as well as in North America and Latin America. In Europe, growth was slower due primarily to macroeconomic weakness.

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Innovation was a major driver for Lab Solutions. An example is a new collection and recycling program developed by Lab Water that addresses customer requests for sustainable solutions.

Acquisition of Biotest's microbiology business expands the product portfolio

In 2011 Lab Solutions expanded its product portfolio with the acquisition of Biotest AG's microbiology business, which includes the Hycon and heipha Dr. Müller GmbH product ranges. This acquisition has strengthened the BioMonitoring business field and the division's position in the fast-growing industrial microbiology testing market.

**Process Solutions: Delivering innovative products and services**

The Process Solutions business unit provides fully integrated solutions that enable pharmaceutical and biopharmaceutical manufacturers to develop and produce drugs safely and efficiently. It consists of two business fields: Pharm Chemicals Solutions and Biopharm Process Solutions.

Process Solutions sales totaled € 956 million in 2011. Growth was driven by strong performance in emerging markets and sales to global biotech customers, who increased their production of biologic drugs and vaccines in the second half of the year.

Larger range of products for upstream production of biopharmaceuticals

Process Solutions stepped up its new product launches in 2011 with the introduction of a number of new products, including high-quality customized cell culture media, the Mobius® CellReady 200 L bioreactor and Eshmuno® HCX chromatography media.

In 2011, Process Solutions also strengthened its upstream processing offerings to customers in China, through the acquisition of Beijing Skywing Technology Co., Ltd., a leading supplier of cell culture media, corresponding technical services and bioreactors for the biotech industry in China.