

shortening the distance between

# TODAY & TOMORROW

## 2006 was a year of transformational change for Millipore.

We generated industry-leading financial performance while completing two acquisitions, driving a large number of improvement initiatives, and making important investments for the future. We reported organic revenue growth of nine percent in 2006 which resulted in an eighteen percent increase in non-GAAP earnings per share. We are sustaining the high level of performance we established in 2005 and we are capitalizing on new opportunities to further increase our growth and profitability.

Two years ago I laid out a new direction for the company and articulated five strategic goals:

- To become a strategic supplier to our bioscience research customers
- To strengthen our leadership position with our biopharmaceutical customers
- To lead the industry in product quality and manufacturing effectiveness
- To become a magnet for talent
- To double the value of the company by 2009

Our progress toward achieving these goals has been excellent. We are effectively executing our strategy as we transform Millipore from a good company known for filtration products to a leading life science company. During 2006, our acquisition of Serologicals helped to



**Martin D. Madaus**  
Chairman, President and CEO

accelerate Millipore's transformation by enabling both of our divisions to significantly expand their product portfolios and addressable markets.

### **Bioscience Division**

The Serologicals transaction added important new capabilities and products to the company, which is making our Bioscience Division more competitive in attractive life science research markets. Today, we are able to offer our customers more differentiated product offerings in fast growing markets such as stem cell research, drug discovery products and services, and cell biology reagents. New product combinations are being created between "classic" Millipore products and the products we acquired. Our combined global sales organization has grown significantly, which will enable us to leverage a broader product portfolio, particularly in emerging international markets.

The addition of Serologicals comes at a time when the Bioscience Division is already generating strong results. Over the past two years, Bioscience has significantly accelerated its performance. In 2006, the division generated ten percent organic revenue growth, its highest growth in the past five years. The main drivers for this improvement were better execution of sales and marketing strategies, new product introductions, and investments in international markets such as China and India. With the addition of the products we acquired from Serologicals, we have expanded our growth opportunities and we can leverage Millipore's brand in new markets.

As a result of our larger business portfolio in Bioscience, we have structured the division around four key business units.

- *Laboratory Water* – We provide the most complete range of point-of-use laboratory water purification systems that remove contaminants and ensure water purity for laboratory researchers.
- *Biotoools* – We sell a broad range of high-quality products that separate, isolate, and purify biological samples in order to ensure the integrity of scientific experiments.
- *Research Reagents* – We help life science researchers study the structure and function of cells and proteins by providing antibodies and reagents that help identify and measure cellular interactions and functions.
- *Drug Discovery* – We offer products and services that enable biotechnology and pharmaceutical companies to evaluate which drug candidates are most likely to function effectively and safely in the human body.

The future prospects of the Bioscience business continue to be attractive. We have revamped our approach to the market, built scale and capabilities, and added key new product lines through acquisitions and internal R&D. Our Bioscience management team will implement the same sales and marketing strategies in our research reagents and drug discovery businesses that have worked exceptionally well for our laboratory water and biotoools businesses in 2006. We have high expectations and we are confident that the Bioscience Division will continue to deliver strong results in the future.

### Bioprocess Division

In our Bioprocess Division, we have added four businesses through acquisition over the past two years to expand our product offering beyond our core technologies. Millipore is the premier brand in our industry. We have the opportunity to leverage it in new markets, while strengthening our competitive position. Our largest acquisition, Serologicals, provides us with a strategic offering in the upstream biopharmaceutical market where we did not compete before. As customers seek to enhance manufacturing efficiency in the biopharmaceutical production process, Millipore has the know-how, credibility, and broad product portfolio to address this complex challenge in a comprehensive and innovative way.

While integrating our acquired businesses, we continued to advance several important initiatives in 2006. We restructured our R&D organization and moved into a new R&D Center in Bedford, Massachusetts. This state-of-the-art building will enable us to upgrade our capabilities and increase the productivity of our R&D organization. We also expanded the use of our products in important classes of biologic drugs, such as monoclonal antibodies and bioengineered vaccines. Excluding changes in foreign currency, the division generated eight percent organic revenue growth, its second straight year of strong growth. This growth was driven by the healthy fundamentals of the biotech industry, which we expect will continue to be strong in the future.

Like the Bioscience Division, we have structured the Bioprocess Division around four key business units.

- *Filtration & Chromatography* – We offer the broadest range of filtration, purification and chromatography technologies to separate and purify drugs so that they are potent, safe, and efficiently manufactured.
- *Advanced Manufacturing Solutions* – We sell a broad range of disposable manufacturing components that can be configured and validated for biologic drug production.

Additionally, we offer stainless steel equipment, such as chromatography columns, manufacturing skids, mixers, and valves.

- *Process Monitoring Tools* – We provide products that enable the sampling and testing of drugs throughout the manufacturing process and in a drug's final form.
- *Bio-Products & Technologies* – The process of manufacturing biologic drugs begins with growing cells in a bioreactor to produce proteins. We sell fatty acid supplements, recombinant insulin, bovine serum albumin, and other growth factors that improve the ability of cells to efficiently produce proteins.

The execution of our strategy has balanced the growth profile between both our Bioscience and Bioprocess divisions. This balance is important as we execute on our long-term goal of doubling the value of the company. By expanding into new markets, we now have attractive growth opportunities in both divisions.

### Global Supply Chain and Quality Initiatives

During 2006, we made significant progress on our strategic objective to lead the industry in product quality and manufacturing effectiveness. We invested in two new quality systems, which will help us to raise our quality standards even higher. We are also more than halfway complete with our global supply chain initiatives. These initiatives are focused on consolidating our manufacturing sites, implementing new procurement practices, and streamlining our manufacturing processes by using Lean Manufacturing and Six Sigma methodologies. Our execution of this project has been excellent and has resulted in higher gross margins for the company. Over the next two years, we expect that our margins will continue to increase as these investments generate significant savings for the company. Our supply chain and quality initiatives are creating significant value for our shareholders and are differentiating us from our competitors.

### Becoming a Magnet for Talent

Millipore is a growth company that offers rewarding career opportunities. We are a re-energized organization with a strong core, a proud tradition, and a great future. Our people are the heart of our business. Therefore, our ability to retain and attract the best people is critical to our future success. Over the past two years, we added more than 2,000 employees through acquisitions and internal growth. During 2006, we hired new human resources leadership, built new skills within the organization, and launched a leadership development program. We also changed our incentive structure to create better rewards for our best performing employees. In the coming year, we will continue to make investments in training and workforce development to make Millipore one of the most desirable companies to work for in the life science tools industry.

In summary, we are meeting the revenue and profitability goals we shared with investors. We are building new capabilities and we are making the investments necessary to drive growth in the future. After significant growth in 2005, we generated another strong year of financial performance. The results from our efforts in 2006 are clear.

- We are successfully implementing our strategy
- We are on track to meet our long-term goals
- We are delivering consistent and industry-leading financial performance

### 2007: Driving Value from our Investments

I am excited about the changes we have made and the results these changes have generated. Our journey continues with the completion of the Serologicals integration by the middle of 2007 and the execution of several key initiatives. In 2007, we will be focused on driving value from the acquisitions and other investments we have made over the past two years. Millipore employees are energized by our new set of

opportunities, our new products, and the new markets we have entered. The transformation of Millipore is not complete, we still have much more to accomplish, but we are a much stronger company today than we were just two years ago.

During 2007, we will continue to strengthen the company by driving R&D productivity to higher levels. A dual focus on innovation and the effectiveness of our product development will help us to deliver sustainable revenue and earnings growth in the future. I am working with our R&D and product management teams to create a better pipeline of products and services that address larger markets and have a more meaningful impact on our performance.

From a financial standpoint, we will be focused on sustaining attractive earnings and revenue growth, as well as generating a significant amount of cash flow to reduce our debt. With higher margin products, lower inventory, and lower capital spending, we expect to strengthen our balance sheet in the coming year.

I would like to thank our employees for their outstanding effort and dedication, our customers for their loyalty, and our shareholders for their support. With the substantial improvement we have made and our bright future, I believe Millipore offers long-term investors a very compelling opportunity to create value.

Sincerely,



**Martin D. Madaus**

Chairman, President and CEO