



Q: Millipore's revenue growth accelerated significantly in 2005. What drove this improved performance?

A: Our revenue growth increased substantially this past year for a number of reasons. First, we extended our market leadership in faster growing market segments such as monoclonal antibody processing, vaccine processing and protein research. Second, we benefited from strong demand from biopharmaceutical customers worldwide. Third, we saw a contribution from several new product launches, including an innovative clarification filter for biotech drugs and a new series of laboratory water purification systems. Fourth, we acquired two companies that contributed to our growth in the second half of 2005. Finally, we improved our execution throughout the company on key projects, processes and tasks. We followed through on the strategy we launched in June 2005.

It was a good year for Millipore and everyone worked hard to achieve our improved performance. We are striving to repeat this performance in the future and achieve our strategic goals. We are focused on becoming a leader in the life science industry.

Q: What is the company's strategy and how will you execute it over the next five years?

A: In 2005, we set a new direction for Millipore. For most of its 50-year history, Millipore has been a company focused on filtration technology. We have changed. We are now a company dedicated to the life science markets. Our strategy is to leverage our core strengths, while acquiring or creating innovative new technologies that help to improve our customers' productivity

in laboratory research and in biopharmaceutical manufacturing, two markets where we see significant growth.

In the laboratory, we help scientists and technicians become more productive with innovative tools and services, helping to advance many different fields of science. In biopharmaceutical manufacturing, we help process engineers and quality experts improve manufacturing productivity and ensure quality for difficult-to-manufacture drugs and vaccines.

The Millipore brand is well recognized in our core markets, but we have the opportunity to leverage this brand awareness into new areas of innovation. During the next five years, we expect to substantially increase revenues in our targeted market segments by broadening our product offering through internal R&D, acquisitions and alliances. In August 2005, we began to execute this strategy when we acquired the Swedish company NovAseptic A.B. This acquisition brought us products that are growing rapidly, have attractive margins, and are complementary to our bioprocess product offering.

We are striving to double the value of the company by 2009. We will achieve this goal through continued revenue growth, a relentless drive to extract operational improvements, and our ability to drive higher returns on our assets.

Q: What specific initiatives has Millipore launched to improve its profitability?

A: While our new direction emphasizes revenue growth, we have also taken decisive steps to streamline our diverse network of manufacturing plants and improve the efficiency of our global supply chain.

Higher level of performance: 12 percent constant currency revenue growth compared with 6 percent each of the past three years.

New strategy launched in June 2005: clear opportunities and road map to strong, sustained growth.

New leadership: 7 of 10 top executives new to the company or in new roles; new CEO.

In 2005 we completed the second year of this five-year program. We announced the closure of four plants, transferred more than 12 product lines, and began producing standard bioprocess systems in India. The goal of our global supply chain initiative is to reduce annual operating expenses by \$40 million beginning in 2009. By that time, we will have expanded our three primary manufacturing sites in Jaffrey, New Hampshire; Molsheim, France; and Cork, Ireland. These “centers of excellence” will be organized around core technologies and processes. With these changes, we will make investments into new manufacturing technologies and process improvements to eliminate waste and ensure the highest levels of quality.

These initiatives will deliver significant savings and we are on track to achieve planned efficiency improvements. A more efficient global supply chain will make us more competitive and will allow us to make investments in new technologies that will sustain our growth.

Q: How are you accelerating innovation and R&D productivity at Millipore?

A: During the past year, we spent a lot of time assessing the level of R&D productivity and Millipore’s previous approach to innovation. Based on this assessment, we reorganized the R&D organizations in both our Bioscience and Bioprocess divisions, brought in new leadership, and established a technology scouting group.

Improving R&D productivity will take time, yet our pipeline of early stage projects has already increased and we launched 40 new products in 2005. The completion of our new \$50 million R&D center during 2006

will help to create the right facility and environment to make our people more productive and attract new scientific talent. A key focus of our entire organization will be to invest in R&D projects that drive higher returns and can be significant growth platforms for the company in the future.

Finally, acquisitions and alliances are an important part of our innovation strategy. The NovAseptic acquisition provides us with a product platform to increase our presence in the promising field of disposable manufacturing for biopharmaceuticals. The acquisition of MicroSafe B.V., a contract-testing laboratory in Europe, expands the scope of our service offering. We also established a very important alliance with Gen-Probe Incorporated to accelerate our ability to provide rapid process monitoring tests to biopharmaceutical manufacturers.

Q: Why is Millipore positioned better than its competitors to meet the needs of customers?

A: There are several things that make Millipore very competitive. We have a strong brand name and a reputation for outstanding quality and support. The knowledge and dedication of our worldwide field organization, which consists of approximately 1,100 sales, service and technical application experts, is also an important advantage. The breadth of our product offering and the performance of our products are key to the success of our customers. In many cases we optimize our products to meet very specific customer applications, creating added value. Finally, we have the financial resources to deliver on our customers’ expectations and invest for the future.

New talent: talent from acquisitions; new employees in key roles throughout the company.

New organization: two divisions, not three; new technology scouting group, new corporate and business development functions.

New acquisitions and alliances: acquired NovAseptic A.B. in August, and MicroSafe B.V. in July; formed important alliance with Gen-Probe Incorporated in August.

Q: What is Millipore doing to address the rapidly growing opportunities in India and China?

A: Last year was a good year for both markets, driven by the growth of new laboratories and biopharmaceutical manufacturing plants. Our strategy for these emerging economies is to expand our local presence. In each market, we have had a strong presence for many years and have a direct field force and a distributor network. In China, in 2005, we expanded our sales channels, added field talent and targeted laboratory products to meet the country's emerging needs. We recently opened a new, larger office in Beijing to support our growth. In India, we are expanding operations in Bangalore to manufacture hardware systems for biopharmaceutical applications, and execute R&D projects.

We recently hired a new executive to lead our international efforts. Our investment in people, training and infrastructure in both India and China continues, underscoring our commitment to these markets.

Q: What steps are you taking to sustain your growth rate?

A: Building a sustainable competitive advantage and targeting attractive growth segments of our industry will be the key to our long-term success. As I said earlier, our competitive advantage is based on our brand, our people, our products and the financial strength of the company. It is the well-orchestrated combination of these four ingredients that will determine our future success, not one factor alone.

Today, with 60 percent of our business coming from our Bioprocess Division, our ability to grow depends

on the success of our customers to bring new biologics to market and the overall demand for these new drugs. The pipeline for these products looks extremely encouraging, which makes us optimistic about our growth prospects.

We have projected that Millipore will grow revenues organically between 8 and 10 percent over the next four years, which is above the expected market growth rate. Our optimism is based on the fact that we are entrenched in very attractive, faster-growing market segments. For example, we have a great position in monoclonal antibodies, a market that is growing nearly 20 percent annually. We are also implementing a range of initiatives to drive a higher level of marketing and sales execution in both of our divisions. Our acquired products will also contribute to our organic growth over time.

Although revenue growth is the most important metric for a healthy, dynamic company, we are also focused on continuing to grow our earnings and cash flow faster than we grow our top line. In 2005, we delivered non-GAAP earnings per share growth of 18 percent, above our revenue growth of 12 percent for the year. Projects such as the global supply chain initiative are good examples of the steps we are taking to ensure that we continue to generate attractive earnings growth in the future.

Q: What are your top priorities for 2006?

A: There are five priorities: execute our new strategy, relentlessly; add new platforms for growth; improve the performance of our global supply chain; accelerate innovation and R&D productivity; and, finally, drive cultural and organizational change. These priorities will sustain our momentum.

New R&D approach: revamped R&D functions; launched 40 new products; focused resources on high-return projects.

New strength in emerging economies: China and India growing rapidly; added people, functions and targeted products to meet specific needs.

Not new: strong brand, outstanding customer support, strong customer relationships, high levels of quality.

Q: Over the next five years, what changes do you see in the life science industry and in the biotechnology sector in particular?

A: In the life science tools industry, the consolidation of smaller companies will continue to be a key trend reshaping the industry. Large customers have streamlined their purchasing processes and are reducing their number of suppliers. This trend is making it more difficult for small companies to gain access. I am convinced that companies with innovative new products that solve customer problems in a better way will have a good future in this industry. Therefore, the trend of consolidation will be tempered by the strong customer demand for innovation. The implication for Millipore is that we must use new models to improve R&D productivity and innovation. This means we need to leverage our access to customers, and be very open and active in pursuing partnerships and alliances.

In biotechnology, more biopharmaceuticals will be approved for patient use, and the product development pipeline for this class of drugs will increase. Both trends are good for Millipore. The manufacturers of these drugs are seeking to improve the way they standardize and characterize the entire production process. This effort will reduce variability and waste, particularly when scaling up production.

Biopharmaceutical manufacturing is a strong market for us today, and we have many opportunities to participate in more steps of the entire production process through new products, new applications and new services. At the same time, customers are focusing on finding the best performing products available to improve their productivity in discovery, development and manufacturing.

Only a small number of very competitive strategic suppliers will be able to meet their demands as they continue to raise their expectations. Our focus is to provide customers a broader range of innovative products, combined with our well-known applications expertise.

Q: What are the key takeaway messages from your first year as the new CEO of Millipore?

A: I joined a great company serving great customers, a company with a strong brand and employees who are committed to what they are doing. I am enjoying the challenges of driving transformational change, and when you look at Millipore's 2005 performance, this "transformation" is not just a CEO cliché. We have re-energized segments of our business that were previously characterized as "mature". The market has rewarded us for our top-tier performance and the consistency of our results. The expectations for the coming years are much higher than they were 12 months ago, and we will do our best to meet or exceed them.



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