

# MERCK MILLIPORE

## MERCK MILLIPORE →

### KEY FIGURES

€ million	2014	2013	Change in %
Total revenues	2,696.5	2,645.3	1.9
Sales	2,682.5	2,627.5	2.1
Operating result (EBIT)	289.2	262.0	10.4
Margin (% of sales)	10.8	10.0	
EBITDA	598.9	589.8	1.5
Margin (% of sales)	22.3	22.4	
EBITDA pre one-time items	658.6	642.8	2.5
Margin (% of sales)	24.6	24.5	
Business free cash flow	419.0	493.8	-15.2

### Development of sales and results of operations

In 2014, the Merck Millipore division posted solid organic sales growth of 4.5%, which was driven by Process Solutions. The organic increase was countered by negative foreign exchange effects of -1.7%. In addition, the division's sales declined by -0.7% in comparison with 2013 owing to the divestment of the

Discovery and Development Solutions business field as of March 31, 2014. Including these effects, sales rose overall by 2.1% to € 2,682 million (2013: € 2,628 million). The development of sales in the individual quarters in comparison with 2013 as well as the respective organic growth rates are presented in the following overview:

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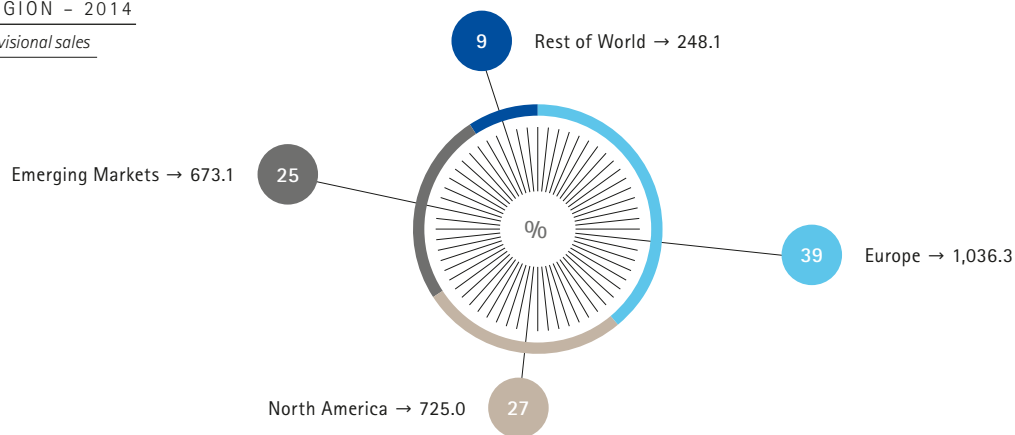
### SALES AND ORGANIC GROWTH BY QUARTER<sup>1</sup>

€ million / organic growth in %



<sup>1</sup> Quarterly breakdown unaudited.

**MERCK MILLIPORE →**  
**SALES BY REGION - 2014**  
 € million / % of divisional sales



In 2014, the Merck Millipore division achieved organic growth in all regions. Accounting for an unchanged 39% of divisional sales, Europe remained the division's largest geographic market, delivering organic growth of 2.7% and sales of € 1,036 million (2013: € 1,010 million). In this region, the strong sales increases achieved by the Process Solutions business area more than offset the slightly weaker business of the Lab Solutions and Bioscience business areas.

In North America, the division achieved organic sales growth of 3.7%, which was mainly driven by the Process Solutions business area and its products for biopharmaceutical manufacturing, supported by the solid sales performance of the Lab Solutions business area. Sales in North America rose to € 725 million (2013: € 711 million), which represented an unchanged share of 27% of Merck Millipore's global sales in 2014.

Sales developed very positively in the Emerging Markets region, which delivered organic sales growth of 9.1%. Despite currency headwinds of -4.2%, sales rose to € 673 million (2013: € 642 million). The strong organic sales development was fueled by good demand for products from all the division's business areas, with Process Solutions delivering double-digit growth rates in particular. The share of divisional sales generated by the Emerging Markets region therefore increased by one percentage point to 25%.

As a result of significant currency headwinds of -7.8%, especially relative to the Japanese yen, sales in the Rest of World region declined to € 248 million (2013: € 263 million). With slight organic growth of 2.5%, this region's share of divisional sales declined to 9% (2013: 10%).

**MERCK MILLIPORE →****SALES COMPONENTS BY REGION - 2014**

€ million/change in %	Sales	Organic growth	Exchange rate effects	Acquisitions/ divestments	Total change
Europe	1,036.3	2.7	0.3	-0.4	2.6
North America	725.0	3.7	0.2	-2.0	1.9
Emerging Markets	673.1	9.1	-4.2	-0.1	4.8
Rest of World	248.1	2.5	-7.8	-0.4	-5.7
<b>Merck Millipore</b>	<b>2,682.5</b>	<b>4.5</b>	<b>-1.7</b>	<b>-0.7</b>	<b>2.1</b>

The sales performance of each of the division's three business areas varied in 2014. Whereas the two top-selling business areas, Lab Solutions and Process Solutions, generated higher sales due to price and volume increases, sales of the Bioscience business area nearly remained stable.

The Process Solutions business area, which markets products and services for the pharmaceutical production value chain, generated sales organic growth of 8.9%, which was the highest rate within the Merck Millipore division. This increase resulted mainly from higher demand from the biotech industry for purification and sterilization products as well as filtration systems. Taking into account negative foreign exchange effects of -1.1% as well as the -1.8% decrease in sales due to the divestment of the Discovery and Development Solutions business field, sales amounted to € 1,187 million in 2014 (2013<sup>1</sup>: € 1,121 million). Process Solutions thus accounted for 44% of divisional sales (2013: 43%).

Sales by Lab Solutions, which accounted for a 41% share (2013: 42%) of divisional sales, generated organic sales growth of 1.9% with its broad range of products for researchers and scientific laboratories. Currency headwinds of -2.4% led to slightly lower sales of € 1,093 million (2013<sup>1</sup>: € 1,099 million) for the business area. Higher sales were primarily achieved by the Lab Water and Bio-monitoring business fields.

The Bioscience business area, which primarily markets products and services for academic and pharmaceutical research laboratories, recorded a slight organic sales decline of -0.5%. Including adverse foreign exchange effects of -0.9%, sales amounted to € 402 million (2013<sup>1</sup>: € 408 million). Here, for instance, lower demand for antibodies dampened sales. However, this was largely mitigated by higher demand from diagnostic laboratories for cell analysis products. At 15%, the business area's share of divisional sales was unchanged in 2014.

<sup>1</sup> Previous year's figures have been adjusted owing to an internal reorganization.

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**SALES COMPONENTS BY BUSINESS AREA - 2014**

€ million / change in %	Sales	Organic growth	Exchange rate effects	Acquisitions / divestments	Total change
Bioscience	402.5	-0.5	-0.9	-	-1.4
Lab Solutions	1,092.6	1.9	-2.4	-	-0.5
Process Solutions	1,187.4	8.9	-1.1	-1.8	6.0

The results of operations developed as follows:

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**RESULTS OF OPERATIONS**

	2014		2013 <sup>1</sup>		Change	
	€ million	in %	€ million	in %	€ million	in %
Sales	2,682.5	100.0	2,627.5	100.0	55.0	2.1
Royalty, license and commission income	14.0	0.5	17.8	0.7	-3.8	-21.4
<b>Total revenues</b>	<b>2,696.5</b>	<b>100.5</b>	<b>2,645.3</b>	<b>100.7</b>	<b>51.2</b>	<b>1.9</b>
Cost of sales <sup>1</sup>	-1,168.7	-43.6	-1,152.3	-43.9	-16.4	1.4
<i>(of which: amortization of intangible assets)<sup>1</sup></i>	<i>(-47.6)</i>		<i>(-48.0)</i>		<i>(0.4)</i>	<i>(-0.8)</i>
<b>Gross profit<sup>1</sup></b>	<b>1,527.8</b>	<b>57.0</b>	<b>1,493.0</b>	<b>56.8</b>	<b>34.8</b>	<b>2.3</b>
Marketing and selling expenses <sup>1</sup>	-844.1	-31.5	-835.2	-31.8	-8.9	1.1
<i>(of which: amortization of intangible assets)<sup>1</sup></i>	<i>(-151.8)</i>		<i>(-151.9)</i>		<i>(0.1)</i>	<i>(-0.1)</i>
Royalty, license and commission expenses	-15.6	-0.6	-16.1	-0.6	0.5	-3.1
Administration expenses	-110.4	-4.1	-99.2	-3.8	-11.2	11.3
Research and development costs <sup>1</sup>	-162.6	-6.1	-159.8	-6.1	-2.8	1.8
<i>(of which: amortization of intangible assets)<sup>1</sup></i>	<i>(-)</i>		<i>(-)</i>		<i>(-)</i>	<i>(-)</i>
Other operating expenses and income	-105.9	-3.9	-120.7	-4.6	14.8	-12.3
<b>Operating result (EBIT)</b>	<b>289.2</b>	<b>10.8</b>	<b>262.0</b>	<b>10.0</b>	<b>27.2</b>	<b>10.4</b>
Depreciation / Amortization / Reversals of impairments	309.7	11.5	327.8	12.5	-18.1	-5.6
<i>(of which: one-time items)</i>	<i>(-)</i>		<i>(17.3)</i>		<i>(-17.3)</i>	<i>(-)</i>
<b>EBITDA</b>	<b>598.9</b>	<b>22.3</b>	<b>589.8</b>	<b>22.4</b>	<b>9.1</b>	<b>1.5</b>
Restructuring costs	11.9		25.4		-13.5	-53.2
Integration costs / IT costs	31.6		23.9		7.7	32.5
Gains / losses on the divestment of businesses	-0.4		0.5		-0.9	-
Acquisition-related one-time items	16.6		-		16.6	-
Other one-time items	-		3.2		-3.2	-
<b>EBITDA pre one-time items</b>	<b>658.6</b>	<b>24.6</b>	<b>642.8</b>	<b>24.5</b>	<b>15.8</b>	<b>2.5</b>

<sup>1</sup>The disclosure of amortization of intangible assets (excluding software) has been changed. See "Accounting and measurement principles" in the Notes to the Group accounts.

Despite higher production costs and slightly lower royalty, license and commission income, gross profit rose by 2.3% in 2014 to € 1,528 million, leading to a higher gross margin of 57.0% (2013: 56.8%). In comparison with the previous year, Merck Millipore increased its operating result (EBIT) by 10.4% to € 289 million. After eliminating depreciation and amortization, and adjusted for one-time items, EBITDA pre one-time items, the most important

performance indicator, climbed 2.5% to € 659 million, which was mainly due to an increase in gross profit. This resulted in a stable EBITDA margin pre one-time items rise of 24.6%. (2013: 24.5%).

The development of EBITDA pre one-time items in the individual quarters in comparison with 2013 is presented in the following overview:

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##### EBITDA PRE ONE-TIME ITEMS AND CHANGES BY QUARTER<sup>1</sup>

€ million/change in %



<sup>1</sup> Quarterly breakdown unaudited.

#### Development of business free cash flow

Despite higher EBITDA pre one-time items, business free cash flow of the Merck Millipore division decreased to € 419 million in 2014 (2013: € 494 million). The decline of -15.2% was largely due to the increase in trade accounts receivable in 2014. Higher capital

spending as well as an increase in inventories as of December 31, 2014 also lowered this key performance indicator. The increase in the two balance sheet items inventories and receivables as of December 31, 2014 was especially due to foreign exchange effects.

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##### BUSINESS FREE CASH FLOW

€ million	2014	2013	Change in %
EBITDA pre one-time items	658.6	642.8	2.5
Investments in property, plant and equipment, software as well as advance payments for intangible assets	-141.0	-121.7	15.9
Changes in inventories	-44.2	-21.3	107.8
Changes in trade accounts receivable	-54.4	-6.0	-
<b>Business free cash flow</b>	<b>419.0</b>	<b>493.8</b>	<b>-15.2</b>

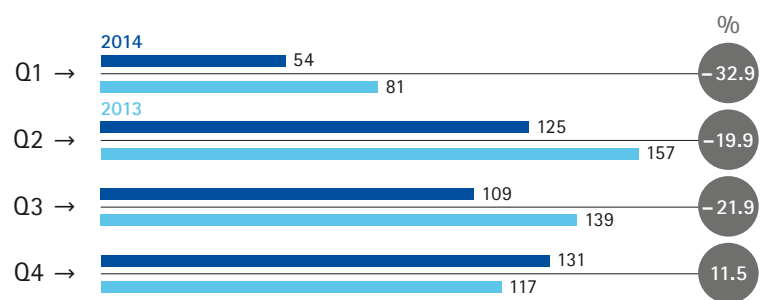
The development of business free cash flow in the individual quarters in comparison with 2013 is presented in the following overview:

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**BUSINESS FREE CASH FLOW AND CHANGE BY QUARTER<sup>1</sup>**

*€ million/change in %*




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<sup>1</sup>Quarterly breakdown unaudited.