



# FORM 10-Q

**MILLIPORE CORP /MA – mil**

**Filed: November 05, 2004 (period: October 02, 2004)**

Quarterly report which provides a continuing view of a company's financial position

# Table of Contents

## PART I.

### FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Item 4. Controls and Procedures.

## PART II

Item 6. Exhibits

### SIGNATURES

Exhibit Index

EX-31.1

EX-31.2

EX-32.1

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

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**FORM 10-Q**

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(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended October 2, 2004 or

**Transition report pursuant to Section 13 or 15(d) of the Securities Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-09781 (0-1052)

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**MILLIPORE CORPORATION**

(Exact name of registrant as specified in its charter)

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**Massachusetts**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**04-2170233**  
(I.R.S. Employer  
Identification No.)

**290 Concord Road, Billerica, MA**  
(Address of principal executive offices)

**01821**  
(Zip Code)

**(978) 715-4321**  
(Registrant's telephone number, including area code)

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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  No

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

As of October 22, 2004, there were 49,730,078 shares of the registrant's Common Stock outstanding.

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MILLIPORE CORPORATION

INDEX TO FORM 10-Q

PART I. **FINANCIAL INFORMATION**

Item 1.	<b>Condensed Consolidated Financial Statements</b>	
	<a href="#">Condensed Consolidated Balance Sheets at October 2, 2004 and December 31, 2003</a>	3
	<a href="#">Condensed Consolidated Statements of Income for the three and nine months ended October 2, 2004 and September 27, 2003</a>	4
	<a href="#">Condensed Consolidated Statements of Cash Flows for the nine months ended October 2, 2004 and September 27, 2003</a>	5
	<a href="#">Notes to Condensed Consolidated Financial Statements</a>	6
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	11
Item 3.	<a href="#">Quantitative and Qualitative Disclosure about Market Risk</a>	22
Item 4.	<a href="#">Controls and Procedures</a>	22

PART II. **OTHER INFORMATION**

Item 6.	<a href="#">Exhibits</a>	22
	<a href="#">Signatures</a>	23
	<a href="#">Exhibits</a>	24

[Table of Contents](#)

**MILLIPORE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)  
(Unaudited)

	October 2, 2004	December 31, 2003
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 150,372	\$ 147,027
Accounts receivable, net	173,409	174,979
Inventories	138,808	137,757
Deferred income taxes	51,092	51,092
Other current assets	10,187	5,507
Total current assets	523,868	516,362
Property, plant and equipment, net	326,200	316,890
Deferred income taxes	77,226	77,226
Intangible assets, net	23,004	25,348
Goodwill	9,433	9,433
Other assets	6,736	6,014
Total assets	\$ 966,467	\$ 951,273
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ —	\$ 75,000
Accounts payable	52,642	60,836
Accrued expenses	72,131	69,819
Accrued retirement plan contributions	5,038	6,100
Accrued income taxes payable	12,716	7,294
Total current liabilities	142,527	219,049
Long-term debt	199,758	216,000
Other liabilities	57,691	55,183
Total liabilities	399,976	490,232
Shareholders' equity:		
Common stock	56,988	56,988
Additional paid-in capital	94,220	93,035
Retained earnings	616,385	532,872
Unearned compensation	(156)	(631)
Accumulated other comprehensive income	11,376	15,773
	778,813	698,037
Less: Treasury stock at cost	(212,322)	(236,996)
Total shareholders' equity	566,491	461,041
Total liabilities and shareholders' equity	\$ 966,467	\$ 951,273

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

[Table of Contents](#)

**MILLIPORE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Nine months Ended	
	Oct. 2, 2004	Sept. 27, 2003	Oct. 2, 2004	Sept. 27, 2003
Net sales	\$210,724	\$200,053	\$657,861	\$583,872
Cost of sales	97,405	91,563	301,556	262,423
Gross profit	113,319	108,490	356,305	321,449
Selling, general and administrative expenses	64,021	60,030	198,779	181,869
Research and development expenses	15,149	14,030	47,183	41,908
Restructuring and other	—	(796)	—	(1,400)
Operating income	34,149	35,226	110,343	99,072
Interest income	584	441	1,225	1,205
Interest expense	(2,437)	(3,980)	(7,416)	(12,317)
Income before income taxes	32,296	31,687	104,152	87,960
Provision for income taxes	7,267	7,130	23,434	19,791
Net income	\$ 25,029	\$ 24,557	\$ 80,718	\$ 68,169
Basic income per share	\$ 0.50	\$ 0.50	\$ 1.63	\$ 1.41
Diluted income per share	\$ 0.50	\$ 0.50	\$ 1.61	\$ 1.39
Weighted average shares outstanding:				
Basic	49,649	48,630	49,382	48,499
Diluted	50,392	49,356	50,192	48,899

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

[Table of Contents](#)

**MILLIPORE CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(In thousands)**  
**(Unaudited)**

	Nine months ended	
	Oct. 2, 2004	Sept. 27, 2003
Cash flows from operating activities:		
Net income	\$ 80,718	\$ 68,169
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,405	29,120
Gain on sale of property, plant and equipment	—	(796)
Compensation expense related to stock options	1,658	620
Change in operating assets and liabilities:		
Increase in accounts receivable	(601)	(8,701)
Increase in inventories	(1,909)	(14,759)
Increase in other current assets	(4,695)	(1,487)
(Increase) decrease in other assets	(954)	1,436
(Decrease) increase in accounts payable and accrued expenses	(4,908)	7,164
Decrease in accrued retirement plan contributions	(1,069)	(1,102)
Increase in accrued income taxes	5,453	5,737
Increase in other liabilities	1,771	2,820
Net cash provided by operating activities	<u>107,869</u>	<u>88,221</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(40,669)	(49,326)
Proceeds from sale of property, plant and equipment	—	1,250
Net cash used in investing activities	<u>(40,669)</u>	<u>(48,076)</u>
Cash flows from financing activities:		
Proceeds from issuance of treasury stock under stock plans	27,453	10,611
Repayment of debt	(75,000)	—
Net repayments of revolver borrowings	(16,242)	(5,500)
Net cash (used in) provided by financing activities	<u>(63,789)</u>	<u>5,111</u>
Effect of foreign exchange rates on cash and cash equivalents	(66)	6,606
Net increase in cash and cash equivalents	3,345	51,862
Cash and cash equivalents at beginning of period	<u>147,027</u>	<u>101,242</u>
Cash and cash equivalents at end of period	<u>\$150,372</u>	<u>\$153,104</u>

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

**MILLIPORE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands, except per share data)**

**1. General**

Millipore Corporation (“Millipore”, “our” or “we”) is a multinational bioscience company that provides technologies, tools and services for the discovery, development and production of therapeutic drugs and for other purposes. We serve customers in the worldwide biotechnology, life science research and other bioscience markets with a variety of products and services used in the purification, separation and analysis of fluids. Our products are based on a variety of enabling technologies, including membrane filtration and chromatography.

A variety of our products are used in the biotechnology market by biotechnology and pharmaceutical companies that manufacture therapeutic products based on recombinant proteins. A number of our products are used by our customers in the life science research market for drug discovery and drug development. A range of our products have general applications in the other bioscience market in non-biological pharmaceutical manufacturing, clinical and analytical laboratories, environmental monitoring and quality control.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, accordingly, these footnotes condense or omit information and disclosures which substantially duplicate information provided in our latest audited financial statements. These financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2003.

Certain reclassifications have been made to prior year’s financial statements to conform to the 2004 presentation.

Our interim fiscal quarter typically ends on the thirteenth Saturday of each quarter. Since our fiscal year-end is December 31, the first and fourth fiscal quarters may not consist of precisely thirteen weeks. The third fiscal quarters for 2004 and 2003 ended on October 2, 2004 and September 27, 2003, respectively.

In the opinion of our management, these financial statements reflect all adjustments necessary for a fair presentation of the results for the interim periods presented. The accompanying unaudited condensed consolidated financial statements are not necessarily indicative of future trends or our operations for the entire year.

**2. Stock-based Compensation**

At October 2, 2004, we have a stock-based employee compensation plan and a non-employee director stock option plan from which we currently grant stock options. We apply the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 (“APB 25”), “*Accounting for Stock Issued to Employees,*” and related interpretations in accounting for those plans. Stock-based employee compensation expense was recognized as an expense during the quarter ended October 2, 2004 in relation to the CEO separation agreement. Stock-based employee compensation expense related to vesting of shares of restricted stock is recognized as an expense. These shares of restricted stock were granted at no cost to employees in prior years.

[Table of Contents](#)

**MILLIPORE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(In thousands, except per share data)**

The following table illustrates the effect on net income and earnings per share as if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123, “Accounting for Stock-based Compensation,” to stock-based employee compensation for the three and nine months ended October 2, 2004 and September 27, 2003.

	Three Months Ended		Nine months ended	
	Oct. 2, 2004	Sept. 27, 2003	Oct. 2, 2004	Sept. 27, 2003
Net income, as reported	\$25,029	\$ 24,557	\$ 80,718	\$ 68,169
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	580	160	1,287	480
Deduct: Stock-based employee compensation expense determined under fair value based method, net of related tax effects, pro forma	(6,892)	(5,067)	(19,087)	(15,200)
Pro forma net income	\$18,717	\$ 19,650	\$ 62,918	\$ 53,449
Earnings per share:				
Basic, as reported	\$ 0.50	\$ 0.50	\$ 1.63	\$ 1.41
Basic, pro forma	\$ 0.38	\$ 0.40	\$ 1.27	\$ 1.10
Diluted, as reported	\$ 0.50	\$ 0.50	\$ 1.61	\$ 1.39
Diluted, pro forma	\$ 0.37	\$ 0.40	\$ 1.25	\$ 1.09

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes model. The assumptions used in the Black-Scholes calculation for the three and nine months ended October 2, 2004 and September 27, 2003 included an expected life of five years, a dividend rate of zero, expected volatility of 40%, and weighted average risk-free interest rates of 3.5% and 3.1% for the three and nine months ended October 2, 2004, respectively, and 4.2% for the three and nine months ended September 27, 2003.

### 3. Inventories

Inventories at October 2, 2004 and December 31, 2003, stated at the lower of first-in, first-out (“FIFO”) cost or market, consisted of the following:

	October 2, 2004	December 31, 2003
Raw materials	\$ 32,329	\$ 36,460
Work in process	41,802	40,034
Finished goods	64,677	61,263
	\$138,808	\$ 137,757

### 4. Property, Plant and Equipment

Accumulated depreciation on property, plant and equipment was \$247,863 at October 2, 2004 and \$222,911 at December 31, 2003.

[Table of Contents](#)

**MILLIPORE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
(In thousands, except per share data)

**5. Intangible Assets, net**

Intangible assets consisted of the following at October 2, 2004 and December 31, 2003:

	<u>Gross</u> <u>Intangible Assets</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u> <u>Intangible Assets</u>	<u>Estimated</u> <u>Useful Life</u>
<b><u>October 2, 2004</u></b>				
Patented and unpatented technology	\$ 22,399	\$ (13,594)	\$ 8,805	4 –20 years
Trade names	19,206	(7,256)	11,950	8 –20 years
Licenses and other	5,491	(3,242)	2,249	5 –10 years
<b>Total</b>	<b>\$ 47,096</b>	<b>\$ (24,092)</b>	<b>\$ 23,004</b>	
<b><u>December 31, 2003</u></b>				
Patented and unpatented technology	\$ 22,399	\$ (12,325)	\$ 10,074	4 –20 years
Trade names	18,995	(6,339)	12,656	8 –20 years
Licenses and other	5,539	(2,921)	2,618	5 –10 years
<b>Total</b>	<b>\$ 46,933</b>	<b>\$ (21,585)</b>	<b>\$ 25,348</b>	

Amortization expense for the nine months ended October 2, 2004 and September 27, 2003 was \$2,507 and \$2,550, respectively.

The estimated aggregate amortization expense for intangible assets owned as of October 2, 2004 for each of the five succeeding years is as follows:

Remainder of 2004	\$ 829
2005	3,140
2006	3,026
2007	2,124
2008	1,900
Thereafter	11,985
<b>Total</b>	<b>\$23,004</b>

**6. Notes Payable**

We repaid the \$75,000, 7.23% note upon maturity on March 4, 2004.

**7. Employee Retirement Plans**

The following tables summarize the funded status of the U.S. Employee Retirement Plans at October 2, 2004 and September 27, 2003, based on SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits."

	<b>Pension Benefits</b>			
	<b>Three Months Ended</b>		<b>Nine months Ended</b>	
	<u>Oct. 2, 2004</u>	<u>Sept. 27, 2003</u>	<u>Oct. 2, 2004</u>	<u>Sept. 27, 2003</u>
<b>Components of net periodic benefit cost:</b>				
Service cost	\$(106)	\$ (69)	\$(318)	\$ (207)
Interest cost	320	243	960	729
Expected return on plan assets	(283)	(180)	(849)	(540)
Amortization of prior service cost	2	2	6	6
Amortization of net loss	192	154	576	462
<b>Net periodic benefit cost</b>	<b>\$ 125</b>	<b>\$ 150</b>	<b>\$ 375</b>	<b>\$ 450</b>

**MILLIPORE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
(In thousands, except per share data)

	Other Postretirement Benefits			
	Three Months Ended		Nine months Ended	
	Oct. 2, 2004	Sept. 27, 2003	Oct. 2, 2004	Sept. 27, 2003
<b>Components of net periodic benefit cost:</b>				
Service benefit	\$138	\$ 180	\$414	\$ 540
Interest cost	187	258	561	774
Net periodic benefit cost	<u>\$325</u>	<u>\$ 438</u>	<u>\$975</u>	<u>\$ 1,314</u>

We expect to contribute \$1,005 to our U.S. pension plan and \$481 to our other post-retirement medical and life insurance plan in 2004. As of October 2, 2004, \$780 of contributions have been made to our U.S. pension plan and \$380 of contributions have been made to our post-retirement medical and life insurance plan.

We sponsor various non-U.S. retirement plans. The accrued pension cost for these plans is included in other long-term liabilities in the consolidated balance sheets. We expect to record pension costs related to our German plan totaling \$1,560 for the full year of 2004 of which \$1,061 was recorded in the third quarter of 2004.

### 8. Basic and Diluted Earnings per Share

The following table presents share information used to calculate earnings per share ("EPS"):

	Three Months Ended		Nine months Ended	
	Oct. 2, 2004	Sept. 27, 2003	Oct. 2, 2004	Sept. 27, 2003
Weighted average common shares outstanding for basic EPS	49,649	48,630	49,382	48,499
Dilutive effect of stock options	716	704	783	382
Dilutive effect of restricted stock	27	22	27	18
Weighted average common shares outstanding for diluted EPS	<u>50,392</u>	<u>49,356</u>	<u>50,192</u>	<u>48,899</u>

For the three months ended October 2, 2004 and September 27, 2003, outstanding stock options of 2,953 and 1,817, respectively, with purchase prices in excess of our average common stock fair value for the related period, were excluded from the calculation of diluted earnings per share because their inclusion would have been antidilutive. For the nine months ended October 2, 2004 and September 27, 2003, outstanding stock options of 2,777 and 2,889, respectively, with purchase prices in excess of our average common stock fair value for the related period, were excluded from the calculation of diluted earnings per share because their inclusion would have been antidilutive. Antidilutive options could become dilutive in the future.

### 9. Comprehensive Income

The following table presents the components of comprehensive income, net of taxes:

	Three Months Ended		Nine months Ended	
	Oct. 2, 2004	Sept. 27, 2003	Oct. 2, 2004	Sept. 27, 2003
Net unrealized gain on securities available for sale	\$ 17	\$ 10	\$ 28	\$ 15
Minimum pension liability adjustment	(917)	—	(917)	—
Foreign currency translation adjustments	2,154	4,235	(3,508)	25,122
Other comprehensive income (loss)	1,254	4,245	(4,397)	25,137
Net income	25,029	24,557	80,718	68,169
Total comprehensive income	<u>\$26,283</u>	<u>\$ 28,802</u>	<u>\$76,321</u>	<u>\$ 93,306</u>

For the quarter ended October 2, 2004, we recorded a minimum pension liability of \$917 in the United Kingdom, as required by SFAS No. 87. The adjustment is reflected in other comprehensive income and other long-term liabilities.

**MILLIPORE CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(In thousands, except per share data)**

**10. Commitments and Contingencies**

During the first quarter of 2004, we entered into new long-term supply agreements with two of our vendors. These vendors supply us with certain of our critical raw materials. Both of these supply agreements expire in 2008. These supply agreements require us to purchase a minimum of \$9,830 during the period of October 2, 2004 through December 31, 2008.

Also during the first quarter of 2004, an issue arose under our tax sharing agreement relating to the inclusion of Mykrolis Corporation (“Mykrolis”), our former subsidiary, in our consolidated tax return for portions of 2001 and 2002. The agreement provides that if Millipore receives a tax benefit (as defined in the agreement) due to the inclusion of Mykrolis, Millipore is required to pay Mykrolis the amount of that benefit. During the first quarter of 2004, we made a payment to Mykrolis of \$1,255 pursuant to the tax sharing agreement. Mykrolis has questioned the sufficiency of the payment.

**11. Investment in Unconsolidated Affiliates**

Our investments in two affiliated companies are accounted for using the equity method. We recorded \$1,375 of undistributed earnings during the first nine months of 2004, all of which was recorded in the third quarter of 2004, and we received dividends from these unconsolidated affiliates totaling \$394 during the first nine months of 2004. During the first nine months of 2003, we recorded \$270 of undistributed earnings and we received dividends from these unconsolidated affiliates totaling \$253.

**12. Transactions with Related Parties**

On April 28, 2004, Francis J. Lunger announced that he will be stepping down as President and CEO of Millipore when his replacement has been appointed but before March 1, 2005. In connection with Mr. Lunger’s separation agreement, we expect to record expense of approximately \$3,000 relating to severance, bonus and related benefits which will be recognized over his remaining service period. We also expect to record additional compensation expense of approximately \$2,000 to \$4,000 relating to stock options, of which approximately \$2,000 will be recorded over his remaining service period and the remainder will be recorded upon his separation. The amount of expense, within the above range relating to stock options, will depend upon the timing of the exercise of his stock options. We have accrued a total of \$2,686 for the nine months ended October 2, 2004 related to this separation agreement.

**13. Subsequent Events**

On October 25, 2004, we announced that Dr. Martin D. Madaus had been appointed President and CEO of Millipore, effective no later than February 1, 2005. He will also be joining the Board of Directors.

On October 22, 2004, President Bush signed the American Jobs Creation Act of 2004 (the “AJCA”) into law. The AJCA contains a number of provisions which will affect Millipore in the future. We will be reviewing the AJCA over the next few months in order to determine its impact on Millipore.

**14. New Accounting Pronouncements**

In January 2004, the FASB issued FASB Staff Position (“FSP”) No. 106-1 and in May 2004 issued FSP No. 106-2, “*Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*” (the “Act”). The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-1 is effective for interim or annual financial statements of fiscal years ending after December 7, 2003 and FSP No. 106-2 is effective for interim or annual financial statements of fiscal years ending after June 15, 2004. We have elected to defer the accounting for the Act until authoritative guidance on the accounting for the federal subsidy is issued and are assessing the impact.

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[Table of Contents](#)

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

**Basis of Presentation**

In this Form 10-Q, unless the context otherwise requires, the terms "Millipore", "our", "us" and "we" shall mean Millipore Corporation and its subsidiaries.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Condensed Consolidated Financial Statements and related notes thereto and other financial information included elsewhere in this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2003. Throughout this discussion, reference will be made to "constant currencies", previously referred to as "local currencies" in our Annual Report on Form 10-K for the year ended December 31, 2003. Constant currency results represent the foreign currency balances translated to U.S. dollars, in all periods presented, at Millipore's predetermined budgeted exchange rates for 2004, thus excluding the impact of fluctuations in the actual foreign currency rates. In addition to analyzing financial results at actual rates of exchange, management uses this presentation because we believe that the constant currency results provide a clearer presentation of underlying business trends separate from the impact of foreign currency. The U.S. dollar results represent the foreign currency balances translated at actual exchange rates. Our interim fiscal quarter typically ends on the thirteenth Saturday of each quarter. Since our fiscal year-end is December 31, the first and fourth fiscal quarters may not consist of precisely thirteen weeks. The third fiscal quarters for 2004 and 2003 ended on October 2, 2004 and September 27, 2003, respectively.

**Executive Summary**

During the three months ended October 2, 2004 (the "third quarter of 2004") as compared with the three months ended September 27, 2003 (the "third quarter of 2003"), sales growth was 5%, comprised of 1% growth in constant currencies and a 4% foreign currency impact. In the third quarter of 2004, sales to the biotechnology market declined 1% in constant currencies. The decline was primarily due to a single \$6.4 million shipment in constant currencies (\$7.2 million at actual rates of exchange) of chromatography media to a European customer during the third quarter of 2003. In the life science research market our sales grew 7%. Growth in this market was principally a result of strength in North American pharmaceutical spending in drug discovery and drug development and partially offset by weakness in government and university spending in Europe and Japan. In the third quarter of 2004, sales to the other biosciences market grew 1% as compared with the third quarter of 2003 due primarily to flat sales of consumables used in the production of small and large volume parenteral drugs and nutritional products.

Operating income as a percent of sales was 16.2% in the third quarter of 2004 as compared with 17.6% in the third quarter of 2003. The third quarter of 2003 included a \$0.8 million gain on the sale of real estate. Selling, general and administrative ("SG&A") increased 6.6% in the third quarter of 2004 as compared with the prior year. The current quarter included \$1.3 million of expenses related to CEO accrued severance costs. Research and development ("R&D") expenses grew 8.0% as we continued to invest in new product development programs as planned. Cash flows from operations increased to \$107.9 million, a \$19.6 million improvement for the nine months of 2004 as compared to the nine months of 2003, as a result of increased net income combined with on-going programs to control working capital. We continue to invest in productive capacity and to reduce our debt.

During the nine months ended October 2, 2004 as compared with the nine months ended September 27, 2003, our sales growth was 13% comprised of 7% growth in constant currencies and a 6% foreign currency impact. Sales growth in the third quarter of 2004 was lower than the sales growth in the first half of 2004 where we achieved 16% growth comprised of 11% constant currency growth and 5% foreign currency impact. The major sources of growth, in constant currencies, for the first nine months of 2004 were in the biotechnology and life science research markets which grew 11% and 9%, respectively. In the biotechnology market, sales of process scale filtration and chromatography media were particularly strong driven by increased manufacturing campaigns of marketed biotechnology drugs, and start-up and validation of new customer production lines and their processes. In the life science research market, sales growth was favorably impacted by drug discovery and drug development spending, especially in the United States. Operating income as a percent of sales was 16.8% in the first nine months of 2004 as compared with 17.0% in the first nine months of 2003. The decline in profitability as a percent of sales was due principally to unfavorable foreign exchange related to products manufactured in Europe and higher depreciation charges related to our expansion and upgrade of existing manufacturing capacity.

**Critical Accounting Policies and Estimates**

This discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Our most critical accounting policies had a significant impact on the preparation of these condensed consolidated financial statements. These policies include estimates and significant judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continue to have the same critical accounting policies and estimates as we described in Item 7, on page 14, in our Annual Report on Form 10-K for the year ended December 31, 2003. Those policies and estimates were identified as those relating to revenue recognition, allowance for doubtful accounts, inventory valuation analysis, valuation of long-lived assets, income tax provision, employee retirement plans and our intention to refinance short-term debt on a long-term basis. We continue to evaluate our estimates and judgments on an on-going basis. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. We base our estimates and judgments on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions.

**Results of Operations****Third Quarter of 2004 Compared to the Third Quarter of 2003***Net Sales*

The following discussion of net sales summarizes sales growth by the markets in which our products were used, by the geographies in which our products were sold, and by product types.

*Net Sales by Market*

We sell our products into the biotechnology, life science research and other bioscience markets. Net sales growth (third quarter of 2004 as compared with the third quarter of 2003) by market, is summarized in the table below.

	Constant currencies (in thousands)		Percent sales growth
	2004	2003	
Biotechnology	\$ 67,935	\$ 68,305	(1)%
Life Science Research	28,060	26,325	7%
Other Bioscience	99,058	98,028	1%
Total constant currency net sales	195,053	192,658	1%
Foreign exchange	15,671	7,395	
Total U.S. dollar net sales	\$210,724	\$200,053	5%

	% of sales in constant currency	
	2004	2003
Biotechnology	35%	35%
Life Science Research	14%	14%
Other Bioscience	51%	51%
Total	100%	100%

In the biotechnology market, constant currency sales declined 1% during the third quarter of 2004 as compared with the third quarter of 2003 consisting of a 3% growth in consumables sales offset by a 15% decline in hardware sales. The biotechnology consumable sales growth rate of 3% in the third quarter of 2004 compares to the 21% sales growth of consumables in the first half of 2004, as compared to 2003. The decline was primarily due to a single \$6.4 million shipment in constant currencies (\$7.2 million at actual rates of exchange) of chromatography media to a European customer during the third quarter of 2003. Sales of hardware to biotechnology customers can fluctuate significantly as they are driven by customer timing for capacity expansion.

In the life science research market, constant currency sales grew 7% during the third quarter of 2004 as compared with the third quarter of 2003. This is primarily the result of a stronger economic climate in North America supporting growth in

## [Table of Contents](#)

pharmaceutical spending for drug discovery and drug development, and a healthy research and government funding environment, especially for consumable supplies. In the life science research market, European growth was uneven as business reorganizations occurred at several large pharmaceutical customers. In addition, the French and German research market was sluggish with limited government funding. In Japan, we saw a decline in spending by university and other research laboratories related to changes in the government funding policies.

In the other bioscience market, constant currency sales grew 1% during the third quarter of 2004 as compared with the third quarter of 2003. This is primarily due to flat sales of consumables used in the production of small and large volume parenteral drugs and nutritional products.

### *Net Sales by Geography*

Sales growth by geography for the third quarter of 2004 as compared with the third quarter of 2003 is summarized in the table below.

	U.S. dollars (in thousands)		Percent sales growth
	2004	2003	
Americas	\$ 90,160	\$ 85,072	6%
Europe	83,497	81,525	2%
Asia/Pacific	37,067	33,456	11%
<b>Total U.S. dollar net sales</b>	<b>\$210,724</b>	<b>\$200,053</b>	<b>5%</b>

	Constant currencies (in thousands)		Percent sales growth
	2004	2003	
Americas	\$ 90,007	\$ 85,109	6%
Europe	69,946	74,173	(6)%
Asia/Pacific	35,100	33,376	5%
<b>Total constant currency net sales</b>	<b>195,053</b>	<b>192,658</b>	<b>1%</b>
Foreign exchange	15,671	7,395	
<b>Total U.S. dollar net sales</b>	<b>\$210,724</b>	<b>\$200,053</b>	<b>5%</b>

	% of total sales in U.S. dollars		% of total sales in constant currencies	
	2004	2003	2004	2003
Americas	43%	42%	46%	44%
Europe	40%	41%	36%	39%
Asia/Pacific	17%	17%	18%	17%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Americas achieved constant currency sales growth of 6%, driven by strong sales of process scale sterilizing consumable cartridges to our pharmaceutical and biotechnology customers. In addition, U.S. sales of life science research consumables benefited as pharmaceutical customers increased spending for drug discovery and research projects. The improving economy in the U.S. also helped stimulate growth in both private and publicly funded laboratories. In Europe, the 6% decline in customer sales, in constant currencies, was primarily due to a single \$6.4 million shipment in constant currencies (\$7.2 million at actual rates of exchange) of chromatography media to a biotechnology customer during the third quarter of 2003. While sales of laboratory water purification instruments and consumables, in general, remained strong in the European market, sales to government sponsored research laboratories in France and Germany slowed because of funding constraints. In addition, sales to large pharmaceutical customers in France have been sluggish due to several corporate reorganizations in progress. The growth in the Asia/Pacific region remained modest, particularly in the life science market as the Japanese government and universities adapted to new government policies involving the administration and utilization of research grants.

## [Table of Contents](#)

During the third quarter of 2004, the U.S. dollar remained weaker on average as compared to the prior year. A weaker U.S. dollar positively impacts U.S. dollar sales growth because approximately 60% of our revenue is outside the U.S. The impact of translating foreign currency sales to the U.S. dollar improved the reported sales growth rate by approximately 410 basis points in the third quarter of 2004. Since we have a higher percentage of our sales in Europe than Asia, the impact of translating sales denominated in European currencies will have a greater impact on our U.S. dollar sales than the impact of translating sales denominated in Asian currencies. The U.S. dollar weakened against the Euro on average by approximately 8% and against the Japanese Yen by approximately 7% during the third quarter of 2004 as compared with the third quarter of 2003.

### *Net Sales by Product Type*

Net sales growth by product type, for the third quarter of 2004 as compared with the third quarter of 2003, is summarized in the table below.

	Constant currencies (in thousands)		Percent sales growth
	2004	2003	
Consumables	\$153,937	\$151,484	2%
Hardware	33,481	34,609	(3)%
Services	7,635	6,565	16%
Total constant currency net sales by product type	195,053	192,658	1%
Foreign exchange	15,671	7,395	
Total U.S. dollar net sales by product type	\$210,724	\$200,053	5%

	% of sales in constant currency	
	2004	2003
Consumables	79%	79%
Hardware	17%	18%
Services	4%	3%
Total	100%	100%

Our mix of revenue by product type has stayed relatively consistent over the last several quarters. The growth rate of our consumables weakened to 2% as the third quarter of 2003 included a single \$6.4 million shipment in constant currencies (\$7.2 million at actual rates of exchange) of chromatography media to a biotechnology customer during the third quarter of 2003. Sales of hardware products declined 3%, primarily due to a 15% decline in sales of process scale hardware used principally in the biotechnology market. Sales of hardware can fluctuate significantly as they are driven by customer timing for capacity expansion. The growth in service revenues in the third quarter of 2004 was achieved across all markets.

### *Gross Profit Margins*

Gross profit margin percentages were 53.8% in the third quarter of 2004 as compared with 54.2% in the third quarter of 2003. The decrease in our gross profit margin percentage for the third quarter of 2004 as compared with the third quarter of 2003 was primarily due to underutilized manufacturing capacity and higher depreciation expense. Over the past year we have focused on expanding and upgrading our production facilities as we prepare to meet the future needs of our customers. In addition, the decline in profit margin is the result of the Euro and the British Pound strengthening against the U.S. dollar, which increases the average cost of products manufactured in our European plants.

### *Operating Expenses*

SG&A expenses increased \$4.0 million, or 6.6%, in the third quarter of 2004 as compared with the third quarter of 2003. As a percentage of sales, SG&A expenses increased from 30.0% to 30.4%. The increase during the third quarter of 2004 was the result of \$2.0 million of unfavorable foreign exchange translation, \$1.1 million incremental pension expense for our German pension plan, and \$1.3 million for incremental compensation cost for the CEO transition. These SG&A increases were partially offset by the \$1.4 million of undistributed earnings recorded for our investments in two affiliated companies during the third quarter of 2004.

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## [Table of Contents](#)

During the second quarter of 2004, Francis J. Lunger announced that he would be stepping down as President and CEO of Millipore when his replacement has been appointed but before March 1, 2005. In connection with Mr. Lunger's separation agreement, we accrued \$1.3 million which related to severance, bonus, stock options and related benefits during the third quarter of 2004.

R&D expenses increased \$1.1 million, or 8.0%, in the third quarter of 2004 as compared with the third quarter of 2003. The increase during the third quarter of 2004 was due to continued investment in research and development programs aimed at introducing new products to our markets. As a percentage of sales, R&D expenses increased from 7.0% to 7.2%.

### *Restructuring and Other*

During the third quarter of 2003, we received proceeds of \$1.3 million and realized a gain of \$0.8 million in connection with a sale of real estate.

### *Net Interest Expense*

Net interest expense decreased \$1.7 million in the third quarter of 2004 as compared with the third quarter of 2003. The lower net interest expense was principally a result of lower average debt outstanding. On March 4, 2004, we repaid our \$75.0 million, 7.23% note with cash. Our net debt (total short and long term debt less cash and cash equivalents) as of October 2, 2004 was \$49.4 million as compared to \$176.9 million as of September 27, 2003. During the third quarter of 2004, the weighted average interest rate on our revolving credit agreement was approximately 2.6%.

### *Provision for Income Taxes*

Our effective tax rate on net income for the third quarter of 2004 was 22.5%, the same as the third quarter of 2003. The effective annual tax rate for the full year of 2004 is also expected to be 22.5%.

[Table of Contents](#)**Nine Months Ended October 2, 2004 Compared to the Nine Months Ended September 27, 2003***Net Sales*

The following discussion of net sales summarizes sales growth by the markets in which our products were used, by the geographies in which our products were sold, and by product types.

*Net Sales by Market*

We sell our products into the biotechnology, life science research and other bioscience markets. Net sales growth by market for the nine months ended October 2, 2004 as compared with the nine months ended September 27, 2003 is summarized in the table below.

	Constant currencies (in thousands)		Percent sales growth
	2004	2003	
Biotechnology	\$214,577	\$192,940	11%
Life Science Research	86,676	79,182	9%
Other Bioscience	305,629	292,868	4%
Total constant currency net sales	606,882	564,990	7%
Foreign exchange	50,979	18,882	
Total U.S. dollar net sales	\$657,861	\$583,872	13%

	% of sales in constant currency	
	2004	2003
Biotechnology	35%	34%
Life Science Research	14%	14%
Other Bioscience	51%	52%
Total	100%	100%

In the biotechnology market, constant currency sales grew 11% during the first nine months of 2004 as compared with the first nine months of 2003. This growth was primarily due to a 14% increase in sales of process scale consumables. This demand was driven by increased manufacturing campaigns of marketed biotechnology drugs, and start-up and validation of new customer production lines and their processes. Sales of hardware declined 4% throughout the first nine months of 2004 versus the first nine months of 2003. Hardware sales can fluctuate significantly as they are driven by customer timing for capacity expansion.

In the life science research market, constant currency sales growth was 9% during the first nine months of 2004 as compared with the first nine months of 2003. Throughout 2004, we have seen an increase in drug discovery and drug development spending by pharmaceutical companies especially in the United States and select western European countries. In addition, this market is sensitive to worldwide economic conditions as well as funding for life science research in both public and private institutions. The improvement of those conditions in 2004 as compared with the first nine months of 2003 has further contributed to the positive growth.

In the other bioscience market, constant currency sales grew 4% during the first nine months of 2004 as compared with the first nine months of 2003. This result was a combination of strong sales to laboratories for water purification, quality control and analytical applications, especially in North America, flat sales of consumables used in the production of small and large volume parenteral drugs and nutritional products, and declines in sales of non-strategic filtration devices. Improving worldwide economic conditions have also contributed to our sales growth.

[Table of Contents](#)

*Net Sales by Geography*

Sales growth by geography for the first nine months of 2004 as compared with the first nine months of 2003 is summarized in the table below.

	U.S. dollars (in thousands)		Percent sales growth
	2004	2003	
Americas	\$276,169	\$247,504	12%
Europe	261,225	231,975	13%
Asia/Pacific	120,467	104,393	15%
<b>Total U.S. dollar net sales</b>	<b>\$657,861</b>	<b>\$583,872</b>	<b>13%</b>

	Constant currencies (in thousands)		Percent sales growth
	2004	2003	
Americas	\$275,540	\$247,745	11%
Europe	218,249	212,022	3%
Asia/Pacific	113,093	105,223	7%
<b>Total constant currency net sales</b>	<b>606,882</b>	<b>564,990</b>	<b>7%</b>
Foreign exchange	50,979	18,882	
<b>Total U.S. dollar net sales</b>	<b>\$657,861</b>	<b>\$583,872</b>	<b>13%</b>

	% of total sales in U.S. dollars		% of total sales in constant currencies	
	2004	2003	2004	2003
Americas	42%	42%	45%	44%
Europe	40%	40%	36%	37%
Asia/Pacific	18%	18%	19%	19%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Americas achieved constant currency sales growth of 11% driven by strong sales of process and laboratory scale consumables. Sales in the U.S. benefited from the improving economic environment, improved capital markets for life science and biotechnology start-ups, increased pharmaceutical and biotechnology spending on drug discovery research, and continued growth in bio-defense related research. The increase in sales, in constant currencies, to customers in Europe was due to a slowly improving European economy and increased laboratory activities by customers within the other bioscience market that are in environmental, public health, clinical and university sectors. However, the European growth rate was unfavorably impacted by a single \$6.4 million shipment in constant currencies (\$7.2 million at actual rates of exchange) of chromatography media to a biotechnology customer during the third quarter of 2003. The increase in sales within the Asia/Pacific region was due to an improving economy. Although, this region's growth remained modest particularly in the life science market as the Japanese government and universities adapted to new government policies involving the administration and utilization of research grants.

During the first nine months of 2004, the U.S. dollar remained weaker on average as compared to the prior year. A weaker U.S. dollar will positively impact U.S. dollar sales growth. The impact of translating foreign currency sales to the U.S. dollar, improved the reported sales growth rate by approximately 530 basis points in the first nine months of 2004. Since we have a higher percentage of our sales in Europe than Asia, the impact of translating sales denominated in European currencies will have a greater impact on our sales than the impact of translating sales denominated in Asian currencies. The U.S. dollar weakened against the Euro on average by approximately 9% and against the Japanese Yen by approximately 8% during the first nine months of 2004 as compared with the first nine months of 2003.

## [Table of Contents](#)

### *Net Sales by Product Type*

Net sales growth by product type, for the first nine months of 2004 as compared with the first nine months of 2003, is summarized in the table below.

	Constant currencies (in thousands)		Percent sales growth
	2004	2003	
Consumables	\$480,360	\$443,819	8%
Hardware	103,095	101,017	2%
Services	23,427	20,154	16%
Total constant currency net sales by product type	606,882	564,990	7%
Foreign exchange	50,979	18,882	
Total U.S. dollar net sales by product type	\$657,861	\$583,872	13%

	% of sales in constant currency	
	2004	2003
Consumables	79%	79%
Hardware	17%	18%
Services	4%	3%
Total	100%	100%

Sales of our consumables have remained strong in all markets during the first nine months of 2004 as compared with the first nine months of 2003. Biotechnology consumable sales growth has been particularly robust in the first nine months of 2004 as compared to the first nine months of 2003, growing 14%. This is primarily due to the sales of chromatography media and filter consumables driven by increased manufacturing campaigns of marketed biotechnology drugs, manufacturing campaigns of drugs approved for market in the first nine months of 2004, and start-up and validation of new customer production lines. The strong growth in the sales of services in the first nine months of 2004 was achieved across all markets.

### *Gross Profit Margins*

Gross profit margin percentages were 54.2% in the first nine months of 2004 as compared with 55.1% in the first nine months of 2003. The decrease in our gross profit margin percentage for the first nine months of 2004 as compared with the first nine months of 2003 was primarily due to the strengthening of the Euro against the U.S. dollar, which increased the average cost of products manufactured in our European plants. Also contributing to our lower gross profit margin percentage for the first nine months of 2004 as compared with the first nine months of 2003 was the incremental depreciation expense related to our expansion and upgrade of existing manufacturing capacity as we prepare to meet the future needs of our customers.

### *Operating Expenses*

Selling, general and administrative (“SG&A”) expenses increased \$16.9 million, or 9.3%, in the first nine months of 2004 as compared with the first nine months of 2003. As a percentage of sales, SG&A expenses decreased from 31.1% to 30.2%. The expense increase during the first nine months of 2004 was the result of \$9.7 million of unfavorable foreign exchange translation, \$1.1 million of incremental pension expense for our German pension plan and increased employee compensation costs including \$2.7 million for the CEO transition. These SG&A increases were partially offset by the \$1.4 million of undistributed earnings recorded for our investments in two affiliated companies during the third quarter of 2004.

During the second quarter of 2004, Francis J. Lunger announced that he would be stepping down as President and CEO of Millipore when his replacement has been appointed but before March 1, 2005. In connection with Mr. Lunger’s separation agreement, we accrued \$2.7 million which related to severance, bonus, stock options and related benefits. In addition, \$0.4 million was spent during the second quarter of 2004 to recruit a replacement for Mr. Lunger.

Research and development (“R&D”) expenses increased \$5.3 million, or 12.6%, in the first nine months of 2004 as compared with the first nine months of 2003. As a percentage of sales, R&D expenses are 7.2%, the same as the first nine months of 2003. The increased spending during the first nine months of 2004 was due to continued investment in research and development programs aimed at introducing new products to our markets and \$1.6 million of unfavorable foreign exchange translation.

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[Table of Contents](#)

*Restructuring and Other*

During the second quarter of 2003, we completed the restructuring program that we had initiated during 2001 and recovered approximately \$0.2 million in assets that we had originally written-off and deemed uncollectible. Upon completion of this restructuring program, we reversed \$0.6 million of the original \$18.0 million estimated reserve which included the \$0.2 million recovered during this quarter and \$0.4 million of previously estimated lease and severance payments, as these amounts were no longer required.

During the third quarter of 2003, we received proceeds of \$1.3 million and realized a gain of \$0.8 million in connection with a sale of real estate.

*Net Interest Expense*

Net interest expense decreased \$4.9 million in the first nine months of 2004 as compared with the first nine months of 2003. Our lower net interest expense was principally a result of lower average debt outstanding. On March 4, 2004, we repaid our \$75.0 million, 7.23% note with cash. During the first nine months of 2004, the weighted average interest rate on our revolving credit agreement was approximately 2.3%.

*Provision for Income Taxes*

Our effective tax rate on net income for the first nine months of 2004 and 2003 was 22.5%.

## Market Risk

We are exposed to market risks, which include changes in foreign currency exchange rates and credit risk. We manage these market risks through our normal financing and operating activities and, when appropriate, through the use of derivative financial instruments.

### *Foreign Currency Exchange Rate Risk*

We are exposed to foreign currency exchange rate risk inherent in sales, net income and assets and liabilities denominated in currencies other than the U.S. dollar. The potential change in foreign currency exchange rates offers a substantial risk to us, as approximately 60% of our business is conducted outside of the United States, generally in foreign currencies. Most of our products are manufactured in the U.S., France, Ireland and the United Kingdom and then sold to other countries. Our primary foreign currency exposures relate to adverse changes in the relationships between the U.S. dollar, the Euro, the British Pound and the Japanese Yen. Exposure exists when the functional currency of a buying entity weakens against the functional currency of the selling entity, thus causing an increase of the product cost to the buying entity. This adversely affects our consolidated gross profit and net income. The effect of this exposure is mitigated by the significant level of manufacturing done in France, Ireland and the United Kingdom. The deterioration of the Japanese Yen against the U.S. dollar could have a greater effect on the consolidated earnings because minimal manufacturing is done in Japan as the majority of products purchased by our Japanese subsidiary are sourced from other Millipore sites and administrative costs in that country are not substantial.

Our risk management strategy currently uses forward contracts to mitigate certain foreign currency exposures. The intent is to offset gains and losses that occur on the underlying exposures, with gains and losses resulting from the forward contracts that hedge these exposures. Principal hedged currencies include the Euro, Japanese Yen and British Pound. The periods of these forward contracts typically span less than three months. We held forward foreign exchange contracts with U.S. equivalent notional amounts totaling \$139.3 million at October 2, 2004. The fair value of these contracts was a gain of \$0.9 million at October 2, 2004. We do not enter into derivatives for trading or other speculative purposes, nor do we use leveraged financial instruments. Although we attempt to manage our foreign currency exchange risk through the above activities, when the U.S. dollar weakens against other currencies in which we transact business, generally sales and net income will be positively but not proportionately impacted.

### *Credit Risk*

We are exposed to concentrations of credit risk in cash and cash equivalents and trade receivables. Cash and cash equivalents are placed with major financial institutions with high quality credit ratings. Trade receivables credit risk exposure is limited due to the large number of established customers and their dispersion across different geographies.

## Capital Resources and Liquidity

Cash flow provided from operations was \$107.9 million in the first nine months of 2004 as compared with \$88.2 million in the first nine months of 2003. The increase in cash flow from operations in the first nine months of 2004 compared with the first nine months of 2003 was primarily the result of increased net income partially offset by increases in other current assets, a lower rate of inventory growth and decreases in accounts payable and accrued expenses.

Accounts receivable increased \$0.6 million at October 2, 2004 as compared with December 31, 2003. The increase in accounts receivable resulted in an increase in days sales outstanding ("DSO") of 2 days, as DSO increased from 71 days at December 31, 2003 to 73 days at October 2, 2004, as measured in constant currency. Generally, DSO is lower at December 31 than at the end of other quarters as collection efforts are traditionally strongest during the fourth quarter in foreign locations. The increase in accounts receivable was primarily in the Americas, which was offset by the decreases in Europe and the Asia/Pacific region. The overall increase in accounts receivable was primarily the result of increased sales volumes.

Inventory increased \$1.9 million at October 2, 2004 as compared with December 31, 2003. The increase in inventory was the result of increased work in process and finished goods in anticipation of future sales levels. Inventory days of supply increased from 155 days at December 31, 2003 to 161 days at October 2, 2004, as measured in constant currency, as a result of seasonally lower sales.

During the first nine months of 2004, we invested \$40.7 million for the purchase of property, plant and equipment and we expect to spend an additional \$20 to \$25 million during the remainder of 2004. Our 2004 additions are driven principally by our continued need to upgrade and add manufacturing capacity and to expand our campus in France. During the second quarter of 2004, we completed the construction of our new \$29 million facility in Jaffrey, New Hampshire. This new facility will manufacture filtration membrane that will be used in purification devices primarily for biotechnology manufacturing customers.

Cash flows used in financing activities during the first nine months of 2004 were principally a result of our repaying the \$75.0 million, 7.23% note that became due in March 2004 and repaying an additional \$16.2 million of prior net borrowings made under our revolving credit agreement. Additionally we received \$27.5 million from employees exercising stock options and purchasing shares of our common stock in accordance with our Employees' Stock Purchase Plan ("ESPP"). We believe the increased cash from employees exercising stock options was largely related to the increase in our stock price. In general, as our stock price increases, many of our employees may exercise their vested stock options which will provide us with cash that is equal to the exercise price of their stock options.

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## [Table of Contents](#)

We expect to continue using cash flows from operations to invest in capital projects, to reduce debt and/or to fund possible acquisitions. We believe that our balances of cash and cash equivalents, cash flows expected to be generated by future operating activities, our ready access to capital markets for competitively priced instruments and funds available under our revolving credit agreement will be sufficient to meet our cash requirements over the next twelve to twenty-four months.

### **Subsequent Events**

On October 25, 2004, we announced that Dr. Martin D. Madaus had been appointed President and CEO of Millipore, effective no later than February 1, 2005. He will also be joining the Board of Directors.

On October 22, 2004, President Bush signed the American Jobs Creation Act of 2004 (the "AJCA") into law. The AJCA contains a number of provisions which will affect Millipore in the future. We will be reviewing the AJCA over the next few months in order to determine its impact on Millipore.

### **Legal Proceedings**

We currently are not a party to any material legal proceeding and we do not know of any contemplated material legal proceeding.

### **New Accounting Pronouncement**

In January 2004, the FASB issued FASB Staff Position ("FSP") No. 106-1 and in May 2004 issued FSP No. 106-2, "*Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*" (the "Act"). The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-1 is effective for interim or annual financial statements of fiscal years ending after December 7, 2003 and FSP No. 106-2 is effective for interim or annual financial statements of fiscal years ending after June 15, 2004. We have elected to defer the accounting for the Act until authoritative guidance on the accounting for the federal subsidy is issued and are assessing the impact.

### **Forward-Looking Statements**

The matters discussed in this Form 10-Q, as well as in future oral and written statements by our management, that are forward-looking statements are based on our current management expectations. These expectations involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. These risks and uncertainties include without limitation the risk factors and uncertainties described in our Form 10-K for the year ended December 31, 2003.

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[Table of Contents](#)

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

The information called for by this item is set forth under the heading “Market Risk” in Management’s Discussion and Analysis contained in this Form 10-Q which information is hereby incorporated by reference.

**Item 4. Controls and Procedures.**

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the fiscal quarter covered by this report. Based upon that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported in accordance with and within the time periods specified in Securities and Exchange Commission rules and forms. There has been no change in our internal control over financial reporting during the quarter ended October 2, 2004 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**PART II**

**Item 6. Exhibits**

Exhibits Filed Herewith

- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibits Furnished Herewith

- 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

MILLIPORE CORPORATION

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/ KATHLEEN B. ALLEN</u> Kathleen B. Allen	Vice President and Chief Financial Officer	November 5, 2004
By: <u>/s/ DONALD B. MELSON</u> Donald B. Melson	Corporate Controller (Chief Accounting Officer)	November 5, 2004

<b>Exhibit Number</b>	<b>Exhibit Title</b>
31.1	Certification of Chief Executive Officer Pursuant to Rule 13(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Rule 13(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Francis J. Lunger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Millipore Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ FRANCIS J. LUNGER

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Francis J. Lunger  
President and Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kathleen B. Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Millipore Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2004

/s/ KATHLEEN B. ALLEN

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Kathleen B. Allen  
Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

In connection with the Quarterly Report of Millipore Corporation (the “Company”) on Form 10–Q for the period ending October 2, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, Francis J. Lunger, Chief Executive Officer of the Company, and Kathleen B. Allen, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes–Oxley Act of 2002, that, to his or her knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
  
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ FRANCIS J. LUNGER \*

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Francis J. Lunger  
President and Chief Executive Officer  
November 5, 2004

/s/ KATHLEEN B. ALLEN\*

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Kathleen B. Allen  
Vice President and Chief Financial Officer  
November 5, 2004

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\* – A signed original of this written statement required by Section 906 has been provided to Millipore Corporation and will be retained by Millipore Corporation and furnished to the Securities and Exchange Commission or its staff upon request.