



## **Business Group Revenue Reporting Changes**

### **Supplemental Frequently Asked Questions**

*Life Technologies has modified its financial reporting into three business groups to better reflect the company's internal organization and end markets. These business groups are Research Consumables, Genetic Analysis and Applied Sciences. The company's internal organization had previously been structured around its technology platforms of Molecular Biology Systems, Genetic Systems and Cell Systems. As a result of this business realignment, the company will report its financial results for these business groups commencing with the quarter ended March 31, 2012.*

*On April 11, 2012 the company filed historical revenue information for the 2010 and 2011 (annual and quarterly breakouts) periods for its three new business groups on form 8K. The company is providing the Frequently Asked Questions below to supplement the information filed on form 8K.*

**1. Why was the company filing information on form 8K?**

In February 2012 the company announced it was making changes to its business groups to better align to its internal organization and the company's end markets.

**2. What information was provided on the form 8k on April 11, 2012 regarding the change in business group revenue reporting?**

Life Technologies filed historical "as reported" GAAP revenue information for 2010 and 2011 (annual and quarterly breakouts) periods for its three new business groups, as well as a walk to non-GAAP revenue. The company has also provided quarterly and annual growth for revenue excluding currency.

**3. What information is included in the revenue and growth information provided in the form 8k?**

The historical revenue information filed for all periods is "as reported" GAAP revenue and includes the impact of currency and acquisitions and divestitures for the periods impacted. Additionally, a walk to non-GAAP revenue is provided, which corresponds to the revenue information the company has been providing in its earnings press releases on a quarterly basis. Finally, growth rates for the historical periods excluding currency, which is in line with how the company has historically talked about the business and intends to talk about it going forward, is also provided.

**4. What are the changes being made to the company's revenue reporting?**

The company has been reporting revenue under three divisions: Molecular Biology Systems, Genetic Systems and Cell Systems. Beginning in the first quarter of 2012, the company will report revenue under three new business groups: Research Consumables, Genetic Analysis and Applied Sciences.

**5. Can the company provide information on which businesses were included in the prior division?**



Below is how the company has been reporting revenue by divisions and the businesses that were included under each division:

- **Molecular Biology Systems**
  - Molecular Biology Reagents
  - qPCR Instruments & Consumables
  - Endpoint PCR Instruments & Consumables
  - Animal Health & Food Safety (Kits)
  
- **Genetic Systems**
  - CE Instruments & Consumables
  - Next Generation Sequencing (Ion Torrent & SOLiD)
  - Forensics (Kits)
  - Transplant Diagnostics
  
- **Cell Systems**
  - Cell Biology Reagents
  - BioProduction
  - Molecular Medicine

**6. Can the company provide information on which businesses are included in the new business groups?**

Beginning with the first quarter 2012 results, the company will report revenue in the following three business groups:

- **Research Consumables**
  - Molecular & Cell Biology Reagents
  - Endpoint PCR and other Benchtop Instruments and Consumables
  
- **Genetic Analysis**
  - CE Research Instruments & All Consumables
  - Next Generation Sequencing (Ion Torrent & SOLiD)
  - qPCR Research Instruments & All Consumables
  
- **Applied Sciences**
  - BioProduction
  - Forensics (Kits)
  - CE & qPCR Instruments for Applied markets
  - Animal Health & Food Safety (Kits)
  - Medical Sciences (eg. Molecular Medicine and Transplant Diagnostics)

**7. What information will the company be providing on these new business groups?**

For Q1 2012 and future periods, the company will report **revenue information only** for the business groups: Research Consumables, Genetic Analysis and Applied Sciences. This is consistent with the level of detail the company has provided in the past.

**8. Were there notable events that took place during the historical periods that may have impacted growth rates?**

The company had several headwinds and tailwinds that impacted particular reporting periods and in some cases particular business groups.

Below are those events:

- Japanese Police deal
- H1N1
- Stimulus (benefitted 2010 and 2011; impact was across all business groups)
- qPCR royalty declines
- Japanese earthquake (SOLiD 5500 and CE manufacturing impact)
- China transition to increased use of direct sales impacted Q2 2011
- Russia forensics deal
- Slowdown in academic funding (Europe and US)

**9. Did any of the notable events impact the specific business groups?**

Yes, and where that is the case, the company has called out the impact and the timing of the impact under the appropriate business group below.

***Research Consumables***

- Slowdown in academic funding
  - Europe: slowdown began midyear 2010 and continued through 2011
  - US: slowdown began in Q2 2011 and continued throughout 2011
- China transition to increased use of direct sales impacted Q2 2011

***Genetic Analysis***

- qPCR royalties: declined ~\$20 million in 2011
- SOLiD: revenues grew ~50% in 2010. The timing of sales of SOLiD instruments in 2011 was impacted by the Japanese earthquake, resulting in half of the \$60 million 2011 sales being recorded in Q2 of 2011.
  - Q1 2011 was negatively impacted by the delay in the launch of the 5500 due to the earthquake
  - Q2 2011 was negatively impacted by a lower SOLiD consumable sales following the delay in the launch of the 5500



- Slowdown in academic funding: starting in Q2 2011, slower U.S. academic funding has impacted instrument sales for research
- H1N1: revenue in qPCR consumables of ~ \$30 million, the majority recorded in 2009 and Q1 2010

**Applied Sciences**

- BioProduction is the largest business in the Applied Sciences and impacts the growth rates; it is a lumpy business, growing 20% in 2010 and 12% in 2011
- Japanese Police deal: provided ~\$30 million in revenues, the majority of which were recorded in 2009, and impacted growth rates in 2010 and Q1 2011
- H1N1: resulted in ~ \$20 million in revenues related to qPCR applied instruments, the majority of which were recorded in 2009 and Q1 of 2010
- Russian forensics deal: resulted in ~\$10 million in revenue and benefitted Q3 2011

**10. What was the impact of currency in 2010 and 2011?**

To help with modeling, the company is providing the following annual impacts of currency:

In 2010, currency benefitted revenue by approximately 1 percent for the full year. In 2011, currency benefitted revenue by approximately 1 percent for the full year. Our currency hedge losses reduced 2011 revenue by \$64 million.

**11. What was the impact of acquisitions and divestitures on revenue for 2010 and 2011?**

2010 (\$M)	Q1	Q2	Q3	Q4	YTD
<b>Acquisitions</b>	2	9	9	14	34
<b>Divestitures</b>	(5)	(6)	(1)	-	(12)
<b>Net</b>	<b>(3)</b>	<b>3</b>	<b>8</b>	<b>14</b>	<b>22</b>

2011 (\$M)	Q1	Q2	Q3	Q4	YTD
<b>Acquisitions</b>	20	13	19	-	52
<b>Divestitures</b>	-	-	-	-	-
<b>Net</b>	<b>20</b>	<b>13</b>	<b>19</b>	<b>-</b>	<b>52</b>

Note: The above information can be found in the company's SEC filings for the years 2010 and 2011.

**12. Do the historical revenue growth rates supplied in the 8K include the impact of acquisitions and divestitures?**

Yes, the revenue growth percentages presented in the 8k include the impact of our acquisitions and divestitures.



- 13. Is the company providing additional business splits below the business groups?**  
No, the company will not be providing additional business splits below the business groups. The company may provide qualitative color on the businesses, as necessary.
- 14. What is the percentage split of instruments and consumables for the new business groups?**  
The company will not be providing exact splits. The overall company average is 80% consumables and 20% instruments. It can be assumed that Research Consumables has a higher percentage of consumables, Genetic Analysis percentage of consumables is slightly lower than the company average and Applied Sciences is consistent with the company average.
- 15. Will the company be providing customer end market or geographic detail for each business group?**  
No, the company will not be providing these splits down to the business group level. The company will continue to reflect customer end market and geographic splits by total company revenue.
- 16. Why was the Research Consumables business flat in 2011?**  
Revenues in this business group were flat in 2011 primarily due to a slowdown in academic funding that started in Q2 in the US, as well as the temporary China transition to increased use of direct sales that also occurred in Q2.
- 17. Why did the Genetic Analysis business growth rate slowdown in 2011?**  
2010 benefitted from 50% growth in our SOLiD business and more normal academic funding environment. In 2011, the growth rate slowed primarily due to lower qPCR royalty revenue and a reduction in the U.S. and European academic funding environment.
- 18. What drove Applied Sciences growth in 2011?**  
Applied Sciences growth was primarily due to continued double digit growth in BioProduction and Forensic kits and instrument sales.
- 19. Under the business groups, the company has split out the qPCR and CE instruments by the end markets of research and applied. Moving forward will the company continue to provide color on the total qPCR and CE businesses?**  
No, the company will talk to each area separately.
- 20. In which business group are the qPCR royalty revenues recorded?**  
Royalties related to qPCR are in the Genetic Analysis business group.
- 21. Will the company break out royalties from total Genetic Analysis?**  
The company will not provide revenue information down to the royalty level.
- 22. What instruments are included as part of Benchtop instruments in Research Consumables?**  
The company is including our endpoint PCR business (thermocyclers) and the former Cell Systems benchtop instruments, like the Countess Cell Counter.