

**Waters Corporation and Subsidiaries**  
**Reconciliation of GAAP to Adjusted Non-GAAP**  
**Net Sales by Operating Segment, Products & Services, Geography and Markets**  
**Three Months Ended September 30, 2017 and October 1, 2016**  
(In thousands)

	<u>Three Months Ended</u>		<u>Percent</u>	<u>Currency</u>	<u>Constant</u>
	<u>September 30, 2017</u>	<u>October 1, 2016</u>			
NET SALES - OPERATING SEGMENT					
Waters	\$ 503,904	\$ 470,913	7%	\$ 6,570	6%
TA	61,680	55,917	10%	702	9%
<b>Total</b>	<b><u>\$ 565,584</u></b>	<b><u>\$ 526,830</u></b>	<b>7%</b>	<b><u>\$ 7,272</u></b>	<b>6%</b>
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 282,671	\$ 265,820	6%	\$ 4,442	5%
Service	190,034	176,896	7%	2,278	6%
Chemistry	<u>92,879</u>	<u>84,114</u>	10%	<u>552</u>	10%
Total Recurring	282,913	261,010	8%	2,830	7%
<b>Total</b>	<b><u>\$ 565,584</u></b>	<b><u>\$ 526,830</u></b>	<b>7%</b>	<b><u>\$ 7,272</u></b>	<b>6%</b>
NET SALES - GEOGRAPHY					
Asia	\$ 209,339	\$ 195,515	7%	\$ (2,113)	8%
Americas	203,013	203,124	0%	404	0%
Europe	153,232	128,191	20%	8,981	13%
<b>Total</b>	<b><u>\$ 565,584</u></b>	<b><u>\$ 526,830</u></b>	<b>7%</b>	<b><u>\$ 7,272</u></b>	<b>6%</b>
NET SALES - MARKETS					
Pharmaceutical	\$ 321,963	\$ 302,146	7%	\$ 5,165	5%
Industrial	168,349	159,013	6%	795	5%
Government & Academic	75,272	65,671	15%	1,312	13%
<b>Total</b>	<b><u>\$ 565,584</u></b>	<b><u>\$ 526,830</u></b>	<b>7%</b>	<b><u>\$ 7,272</u></b>	<b>6%</b>

(a) The Company believes that referring to comparable constant currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

**Waters Corporation and Subsidiaries**  
**Reconciliation of GAAP to Adjusted Non-GAAP**  
**Net Sales by Operating Segment, Products & Services, Geography and Markets**  
**Nine Months Ended September 30, 2017 and October 1, 2016**  
(In thousands)

	Nine Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate <sup>(a)</sup>
	September 30, 2017	October 1, 2016			
NET SALES - OPERATING SEGMENT					
Waters	\$ 1,445,110	\$ 1,373,837	5%	\$ (5,884)	6%
TA	176,693	164,799	7%	(104)	7%
<b>Total</b>	<b>\$ 1,621,803</b>	<b>\$ 1,538,636</b>	<b>5%</b>	<b>\$ (5,988)</b>	<b>6%</b>
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 801,078	\$ 762,166	5%	\$ 243	5%
Service	549,119	521,158	5%	(4,659)	6%
Chemistry	271,606	255,312	6%	(1,572)	7%
Total Recurring	820,725	776,470	6%	(6,231)	7%
<b>Total</b>	<b>\$ 1,621,803</b>	<b>\$ 1,538,636</b>	<b>5%</b>	<b>\$ (5,988)</b>	<b>6%</b>
NET SALES - GEOGRAPHY					
Asia	\$ 620,148	\$ 557,336	11%	\$ (3,317)	12%
Americas	574,249	584,760	(2%)	169	(2%)
Europe	427,406	396,540	8%	(2,840)	9%
<b>Total</b>	<b>\$ 1,621,803</b>	<b>\$ 1,538,636</b>	<b>5%</b>	<b>\$ (5,988)</b>	<b>6%</b>
NET SALES - MARKETS					
Pharmaceutical	\$ 921,423	\$ 871,241	6%	\$ (1,319)	6%
Industrial	504,183	479,220	5%	(8,559)	7%
Governmental & Academic	196,197	188,175	4%	3,890	2%
<b>Total</b>	<b>\$ 1,621,803</b>	<b>\$ 1,538,636</b>	<b>5%</b>	<b>\$ (5,988)</b>	<b>6%</b>

(a) The Company believes that referring to comparable constant currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

**Waters Corporation and Subsidiaries**  
**Reconciliation of GAAP to Adjusted Non-GAAP Financials**  
**Quarters and Nine Months Ended September 30, 2017 and October 1, 2016**  
(In thousands, except per share data)

	Selling & Administrative Expenses <sup>(a)</sup>	Research & Development Expenses <sup>(a)</sup>	Operating Income	Operating Income Percentage	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
<b>Quarter Ended September 30, 2017</b>								
<b>GAAP</b>	\$ 136,876	\$ 33,782	\$ 159,034	28.1%	\$ 153,800	\$ 17,696	\$ 136,104	\$ 1.69
Adjustments:								
Purchased intangibles amortization <sup>(b)</sup>	(1,682)	-	1,682	0.3%	1,682	436	1,246	0.02
Restructuring costs, asset impairments, acquisition-related costs & certain other items <sup>(c)</sup>	(2,530)	-	2,530	0.4%	2,530	931	1,599	0.02
Stock award modification <sup>(d)</sup>	(3,855)	-	3,855	0.7%	3,855	1,446	2,409	0.03
Certain income tax items <sup>(e)</sup>	-	-	-	-	-	(837)	837	0.01
<b>Adjusted Non-GAAP</b>	<b>\$ 128,809</b>	<b>\$ 33,782</b>	<b>\$ 167,101</b>	<b>29.5%</b>	<b>\$ 161,867</b>	<b>\$ 19,672</b>	<b>\$ 142,195</b>	<b>\$ 1.77</b>
<b>Quarter Ended October 1, 2016</b>								
<b>GAAP</b>	\$ 126,337	\$ 30,418	\$ 151,731	28.8%	\$ 145,450	\$ 20,594	\$ 124,856	\$ 1.53
Adjustments:								
Purchased intangibles amortization <sup>(b)</sup>	(2,476)	-	2,476	0.5%	2,476	732	1,744	0.02
Restructuring costs, asset impairments, acquisition-related costs & certain other items <sup>(c)</sup>	(964)	-	964	0.2%	964	839	125	-
Certain income tax items <sup>(e)</sup>	-	-	-	-	-	(756)	756	0.01
<b>Adjusted Non-GAAP</b>	<b>\$ 122,897</b>	<b>\$ 30,418</b>	<b>\$ 155,171</b>	<b>29.5%</b>	<b>\$ 148,890</b>	<b>\$ 21,409</b>	<b>\$ 127,481</b>	<b>\$ 1.57</b>
<b>Nine Months Ended September 30, 2017</b>								
<b>GAAP</b>	\$ 411,030	\$ 102,471	\$ 431,688	26.6%	\$ 415,359	\$ 41,876	\$ 373,483	\$ 4.63
Adjustments:								
Purchased intangibles amortization <sup>(b)</sup>	(5,104)	-	5,104	0.3%	5,104	1,358	3,746	0.05
Restructuring costs, asset impairments, acquisition-related costs & certain other items <sup>(c)</sup>	(13,541)	-	13,541	0.8%	13,541	4,725	8,816	0.11
Stock award modification <sup>(d)</sup>	(3,855)	-	3,855	0.2%	3,855	1,446	2,409	0.03
Litigation provisions <sup>(f)</sup>	(10,018)	-	10,018	0.6%	10,018	3,757	6,261	0.08
Acquired in-process research and development <sup>(g)</sup>	-	(5,000)	5,000	0.3%	5,000	962	4,038	0.05
Certain income tax items <sup>(e)</sup>	-	-	-	-	-	(3,284)	3,284	0.04
<b>Adjusted Non-GAAP</b>	<b>\$ 378,512</b>	<b>\$ 97,471</b>	<b>\$ 469,206</b>	<b>28.9%</b>	<b>\$ 452,877</b>	<b>\$ 50,840</b>	<b>\$ 402,037</b>	<b>\$ 4.98</b>
<b>Nine Months Ended October 1, 2016</b>								
<b>GAAP</b>	\$ 390,324	\$ 92,434	\$ 416,004	27.0%	\$ 397,535	\$ 50,410	\$ 347,125	\$ 4.26
Adjustments:								
Purchased intangibles amortization <sup>(b)</sup>	(7,531)	-	7,531	0.5%	7,531	2,203	5,328	0.07
Restructuring costs, asset impairments, acquisition-related costs & certain other items <sup>(c)</sup>	(6,552)	-	6,552	0.4%	6,552	2,500	4,052	0.05
Stock award modification <sup>(d)</sup>	(7,085)	-	7,085	0.5%	7,085	2,657	4,428	0.05
Certain income tax items <sup>(e)</sup>	-	-	-	-	-	874	(874)	(0.01)
<b>Adjusted Non-GAAP</b>	<b>\$ 369,156</b>	<b>\$ 92,434</b>	<b>\$ 437,172</b>	<b>28.4%</b>	<b>\$ 418,703</b>	<b>\$ 58,644</b>	<b>\$ 360,059</b>	<b>\$ 4.41</b>

(a) Selling & administrative expenses include purchased intangibles amortization and litigation provisions. Research & development expenses include acquired in-process research and development.

(b) The purchased intangibles amortization, a non-cash expense, was excluded to be consistent with how management evaluates the performance of its core business against historical operating results and the operating results of competitors over periods of time.

(c) Restructuring costs, asset impairments, acquisition-related costs and certain other items were excluded as the Company believes that the cost to consolidate operations and reduce overhead; the cost to complete acquisitions; the non-cash expense to record asset impairments and certain other income or expense items are not normal and do not represent future ongoing business expenses of a specific function or geographic location of the Company.

(d) The non-cash expense associated with accelerating the vesting of certain stock awards was excluded as the Company believes these expenses are not indicative of normal operating costs.

(e) Certain income tax items were excluded as these non-cash expenses and benefits represent updates in management's assessment of ongoing examinations or other tax items that are not indicative of the Company's normal or future income tax expense.

(f) Litigation Provisions were excluded as these costs are isolated, unpredictable and not expected to recur regularly.

(g) Acquired In-Process Research and Development was excluded as it relates to milestone payments associated with a licensing arrangement for mass spectrometry that the Company believes is unusual and not indicative of its normal business operations.

**Waters Corporation and Subsidiaries**  
**Preliminary Condensed Consolidated Statements of Cash Flows**  
**Three and Nine Months Ended September 30, 2017 and October 1, 2016**  
(In thousands and unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2017</u>	<u>October 1, 2016</u>	<u>September 30, 2017</u>	<u>October 1, 2016</u>
Cash flows from operating activities:				
Net income	\$ 136,104	\$ 124,856	\$ 373,483	\$ 347,125
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	12,274	8,367	30,068	32,604
Depreciation and amortization	25,844	24,287	78,249	72,364
Excess tax benefit related to stock-based compensation plans <sup>(a)</sup>	-	9,397	-	12,914
Change in operating assets and liabilities, net	<u>(20,026)</u>	<u>(18,312)</u>	<u>23,656</u>	<u>4,010</u>
Net cash provided by operating activities	154,196	148,595	505,456	469,017
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(19,899)	(22,600)	(55,257)	(72,296)
Business acquisitions, net of cash acquired	-	(5,654)	-	(5,654)
Investment in unaffiliated company	-	-	(7,000)	-
Payments for intellectual property licenses	-	-	(5,000)	-
Net change in investments	(90,237)	(146,749)	(336,731)	(364,724)
Other cash flow from investing activities, net	<u>-</u>	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Net cash used in investing activities	(110,136)	(171,003)	(403,988)	(438,674)
Cash flows from financing activities:				
Net change in debt	45,190	24,916	130,126	114,854
Payments of debt issuance costs	-	-	-	(1,705)
Proceeds from stock plans	14,639	35,300	72,821	58,572
Purchase of treasury shares	(79,908)	(69,532)	(245,742)	(241,924)
Other cash flow from financing activities, net	<u>2,871</u>	<u>(1,994)</u>	<u>3,301</u>	<u>(9,525)</u>
Net cash used in financing activities	(17,208)	(11,310)	(39,494)	(79,728)
Effect of exchange rate changes on cash and cash equivalents				
Increase (decrease) in cash and cash equivalents	<u>9,700</u>	<u>545</u>	<u>36,202</u>	<u>(8,071)</u>
Cash and cash equivalents at beginning of period	<u>567,255</u>	<u>463,382</u>	<u>505,631</u>	<u>487,665</u>
Cash and cash equivalents at end of period	<u>\$ 603,807</u>	<u>\$ 430,209</u>	<u>\$ 603,807</u>	<u>\$ 430,209</u>

**Reconciliation of GAAP Cash Flows from Operating Activities to Free Cash Flow <sup>(b)</sup>**

Net cash provided by operating activities - GAAP	\$ 154,196	\$ 148,595	\$ 505,456	\$ 469,017
Adjustments:				
Additions to property, plant, equipment and software capitalization	(19,899)	(22,600)	(55,257)	(72,296)
Majority facility renovations	-	1,628	-	7,499
Free Cash Flow - Adjusted Non GAAP	<u>\$ 134,297</u>	<u>\$ 127,623</u>	<u>\$ 450,199</u>	<u>\$ 404,220</u>

(a) In the first quarter of 2017, the Company adopted Accounting Standards Update No. 2016-09 (ASU 2016-09) "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." Starting in the first quarter of 2017, the excess tax benefits or deficiencies related to stock-based compensation are reflected as an operating activity, with the prior periods presented adjusted accordingly.

(b) The Company defines free cash flow as net cash flow from operations accounted for under GAAP less capital expenditures and software capitalizations plus or minus any unusual and non recurring items. Free cash flow is not a GAAP measurement and may not be comparable to free cash flow reported by other companies.