

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP
Net Sales by Operating Segment, Products & Services, Geography and Markets
Three Months Ended June 30, 2018 and July 1, 2017
(In thousands)

	Three Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	June 30, 2018	July 1, 2017			
NET SALES - OPERATING SEGMENT					
Waters	\$ 527,305	\$ 497,780	6%	\$ 10,067	4%
TA	68,914	60,470	14%	1,217	12%
Total	<u>\$ 596,219</u>	<u>\$ 558,250</u>	7%	<u>\$ 11,284</u>	5%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 289,740	\$ 282,014	3%	\$ 3,349	2%
Service	207,350	185,412	12%	5,391	9%
Chemistry	<u>99,129</u>	<u>90,824</u>	9%	<u>2,544</u>	6%
Total Recurring	306,479	276,236	11%	7,935	8%
Total	<u>\$ 596,219</u>	<u>\$ 558,250</u>	7%	<u>\$ 11,284</u>	5%
NET SALES - GEOGRAPHY					
Asia	\$ 236,905	\$ 215,703	10%	\$ 3,285	8%
Americas	198,126	196,586	1%	299	1%
Europe	161,188	145,961	10%	7,700	5%
Total	<u>\$ 596,219</u>	<u>\$ 558,250</u>	7%	<u>\$ 11,284</u>	5%
NET SALES - MARKETS					
Pharmaceutical	\$ 338,354	\$ 319,650	6%	\$ 6,228	4%
Industrial	183,664	174,531	5%	3,078	3%
Governmental & Academic	74,201	64,069	16%	1,978	13%
Total	<u>\$ 596,219</u>	<u>\$ 558,250</u>	7%	<u>\$ 11,284</u>	5%

- (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
Six Months Ended June 30, 2018 and July 1, 2017
(In thousands)

	Six Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	June 30, 2018	July 1, 2017			
NET SALES - OPERATING SEGMENT					
Waters	\$ 998,451	\$ 941,206	6%	\$ 32,218	3%
TA	128,438	115,013	12%	2,932	9%
Total	<u>\$ 1,126,889</u>	<u>\$ 1,056,219</u>	7%	<u>\$ 35,150</u>	3%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 530,147	\$ 518,407	2%	\$ 13,050	-
Service	398,903	359,085	11%	14,755	7%
Chemistry	<u>197,839</u>	<u>178,727</u>	11%	<u>7,345</u>	7%
Total Recurring	596,742	537,812	11%	22,100	7%
Total	<u>\$ 1,126,889</u>	<u>\$ 1,056,219</u>	7%	<u>\$ 35,150</u>	3%
NET SALES - GEOGRAPHY					
Asia	\$ 437,185	\$ 410,809	6%	\$ 9,374	4%
Americas	379,836	371,236	2%	717	2%
Europe	309,868	274,174	13%	25,059	4%
Total	<u>\$ 1,126,889</u>	<u>\$ 1,056,219</u>	7%	<u>\$ 35,150</u>	3%
NET SALES - MARKETS					
Pharmaceutical	\$ 643,682	\$ 599,460	7%	\$ 22,013	4%
Industrial	345,994	335,834	3%	9,198	-
Governmental & Academic	137,213	120,925	13%	3,939	10%
Total	<u>\$ 1,126,889</u>	<u>\$ 1,056,219</u>	7%	<u>\$ 35,150</u>	3%

(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 Six Months Ended June 30, 2018 and July 1, 2017
(In thousands, except per share data)

	Selling & Administrative Expenses ^(a)	Research & Development Expenses ^(a)	Operating Income	Operating Income Percentage	Other (Expense) Income	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Quarter Ended June 30, 2018									
GAAP	\$ 138,247	\$ 35,644	\$ 179,193	30.1%	\$ (1,828)	\$ 174,561	\$ 18,884	\$ 155,677	\$ 1.98
Adjustments:									
Purchased intangibles amortization ^(b)	(1,602)	-	1,602	0.3%	-	1,602	304	1,298	0.02
Restructuring costs and certain other items ^(c)	(1,189)	-	1,189	0.2%	-	1,189	260	929	0.01
Pension termination ^(d)	-	-	-	-	2,165	2,165	520	1,645	0.02
Tax reform ^(h)	-	-	-	-	-	-	8,573	(8,573)	(0.11)
Certain income tax items ^(e)	-	-	-	-	-	-	(1,993)	1,993	0.03
Adjusted Non-GAAP	\$ 135,456	\$ 35,644	\$ 181,984	30.5%	\$ 337	\$ 179,517	\$ 26,548	\$ 152,969	\$ 1.95
Quarter Ended July 1, 2017									
GAAP	\$ 141,804	\$ 32,937	\$ 153,882	27.6%	\$ (97)	\$ 148,072	\$ 16,250	\$ 131,822	\$ 1.63
Adjustments:									
Purchased intangibles amortization ^(b)	(1,693)	-	1,693	0.3%	-	1,693	449	1,244	0.02
Restructuring costs and certain other items ^(c)	(1,663)	-	1,663	0.3%	-	1,663	735	928	0.01
Litigation provisions ^(f)	(10,018)	-	10,018	1.8%	-	10,018	3,757	6,261	0.08
Certain income tax items ^(e)	-	-	-	-	-	-	(1,972)	1,972	0.02
Adjusted Non-GAAP	\$ 128,430	\$ 32,937	\$ 167,256	30.0%	\$ (97)	\$ 161,446	\$ 19,219	\$ 142,227	\$ 1.76
Six Months Ended June 30, 2018									
GAAP	\$ 268,641	\$ 70,124	\$ 323,568	28.7%	\$ (1,482)	\$ 315,110	\$ 47,482	\$ 267,628	\$ 3.39
Adjustments:									
Purchased intangibles amortization ^(b)	(3,261)	-	3,261	0.3%	-	3,261	506	2,755	0.03
Restructuring costs and certain other items ^(c)	(1,757)	-	1,757	0.2%	-	1,757	392	1,365	0.02
Pension termination ^(d)	-	-	-	-	2,165	2,165	520	1,645	0.02
Litigation settlement ^(f)	1,672	-	(1,672)	(0.1%)	-	(1,672)	(401)	(1,271)	(0.02)
Stock award modification ^(g)	(1,014)	-	1,014	0.1%	-	1,014	243	771	0.01
Tax reform ^(h)	-	-	-	-	-	-	(3,877)	3,877	0.05
Certain income tax items ^(e)	-	-	-	-	-	-	(2,685)	2,685	0.03
Adjusted Non-GAAP	\$ 264,281	\$ 70,124	\$ 327,928	29.1%	\$ 683	\$ 321,635	\$ 42,180	\$ 279,455	\$ 3.54
Six Months Ended July 1, 2017									
GAAP	\$ 274,206	\$ 68,689	\$ 272,602	25.8%	\$ 52	\$ 261,559	\$ 24,180	\$ 237,379	\$ 2.94
Adjustments:									
Purchased intangibles amortization ^(b)	(3,422)	-	3,422	0.3%	-	3,422	922	2,500	0.03
Restructuring costs and certain other items ^(c)	(11,011)	-	11,011	1.0%	-	11,011	3,794	7,217	0.09
Litigation provisions ^(f)	(10,018)	-	10,018	0.9%	-	10,018	3,757	6,261	0.08
Acquired in-process research and development ⁽ⁱ⁾	-	(5,000)	5,000	0.5%	-	5,000	962	4,038	0.05
Certain income tax items ^(e)	-	-	-	-	-	-	(2,447)	2,447	0.03
Adjusted Non-GAAP	\$ 249,755	\$ 63,689	\$ 302,053	28.6%	\$ 52	\$ 291,010	\$ 31,168	\$ 259,842	\$ 3.22

- (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 and certain other items were excluded as the Company believes that the cost to consolidate operations and reduce overhead 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 pension expense associated with terminating a frozen defined benefit pension plan 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 and settlement gain were excluded as these costs are isolated, unpredictable and not expected to recur regularly.
- (g) 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.
- (h) The provision for income taxes for the three and six months ended June 30, 2018 includes a \$9 million benefit and a \$4 million expense, respectively, related to the tax on the change in foreign currency exchange rates on the earnings taxed on December 31, 2017 under the Tax Cuts and Jobs Act. The difference is due to the change from the foreign currency exchange rates required by the U.S. Department of the Treasury on December 31, 2017 to the foreign currency exchange rates on either the date of distribution of assets into the U.S. or the foreign currency exchange rates as of June 30, 2018. The impact of the tax on the change in foreign currency exchange rates was excluded as the Company believes this expense is not indicative of the Company's normal or future income tax expense.
- (i) 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 Six Months Ended June 30, 2018 and July 1, 2017
(In thousands and unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2018</u>	<u>July 1, 2017</u>	<u>June 30, 2018</u>	<u>July 1, 2017</u>
Cash flows from operating activities:				
Net income	\$ 155,677	\$ 131,822	\$ 267,628	\$ 237,379
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,079	9,139	18,971	17,794
Depreciation and amortization	27,196	29,455	55,836	52,405
Change in operating assets and liabilities, net	<u>(91,236)</u>	<u>6,635</u>	<u>(65,878)</u>	<u>43,682</u>
Net cash provided by operating activities	100,716	177,051	276,557	351,260
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(20,839)	(17,647)	(36,831)	(35,358)
Investment in unaffiliated company	-	-	(3,215)	(7,000)
Payments for intellectual property licenses	-	(5,000)	-	(5,000)
Net change in investments	<u>331,382</u>	<u>(174,156)</u>	<u>1,246,428</u>	<u>(246,494)</u>
Net cash provided by (used in) investing activities	310,543	(196,803)	1,206,382	(293,852)
Cash flows from financing activities:				
Net change in debt	(99,855)	44,948	(849,774)	84,936
Proceeds from stock plans	10,558	19,923	34,845	58,182
Purchases of treasury shares	(270,774)	(76,661)	(553,144)	(165,834)
Other cash flow from financing activities, net	<u>(4,095)</u>	<u>1,868</u>	<u>(2,158)</u>	<u>430</u>
Net cash used in financing activities	(364,166)	(9,922)	(1,370,231)	(22,286)
Effect of exchange rate changes on cash and cash equivalents				
Increase in cash and cash equivalents	<u>(21,411)</u>	<u>12,485</u>	<u>(12,823)</u>	<u>26,502</u>
Cash and cash equivalents at beginning of period	<u>716,522</u>	<u>584,444</u>	<u>642,319</u>	<u>505,631</u>
Cash and cash equivalents at end of period	<u>\$ 742,204</u>	<u>\$ 567,255</u>	<u>\$ 742,204</u>	<u>\$ 567,255</u>

Reconciliation of GAAP Cash Flows from Operating Activities to Free Cash Flow ^(a)

Net cash provided by operating activities - GAAP	\$ 100,716	\$ 177,051	\$ 276,557	\$ 351,260
Adjustments:				
Additions to property, plant, equipment and software capitalization	(20,839)	(17,647)	(36,831)	(35,358)
Tax reform payments	46,700	-	46,700	-
Litigation settlement payment	15,400	-	15,400	-
Major facility renovations	1,801	-	1,801	-
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 143,778</u>	<u>\$ 159,404</u>	<u>\$ 303,627</u>	<u>\$ 315,902</u>

(a) 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.

Waters Corporation and Subsidiaries
Reconciliation of Projected GAAP to Adjusted Non-GAAP Financial Outlook
(In thousands, except per share data)

	Three Months Ended			Twelve Months Ended		
	September 29, 2018			December 31, 2018		
	Range			Range		
Projected Sales						
Projected constant currency sales growth rate	4%	-	6%	4%	-	6%
Projected currency impact	(2%)	-	(1%)	0%	-	1%
Projected sales growth rate as reported	<u>2%</u>	-	<u>5%</u>	<u>4%</u>	-	<u>7%</u>
Projected Earnings Per Diluted Share						
Projected GAAP earnings per diluted share	\$ 1.81	-	\$ 1.91	\$ 7.81	-	\$ 7.96
Adjustments:						
Purchased intangibles amortization	\$ 0.02	-	\$ 0.02	\$ 0.07	-	\$ 0.07
Restructuring costs and certain other items	\$ -	-	\$ -	\$ 0.02	-	\$ 0.02
Pension termination	\$ 0.01	-	\$ 0.01	\$ 0.04	-	\$ 0.04
Litigation provision	\$ -	-	\$ -	\$ (0.02)	-	\$ (0.02)
Stock award modification	\$ -	-	\$ -	\$ 0.01	-	\$ 0.01
Tax reform	\$ -	-	\$ -	\$ 0.05	-	\$ 0.05
Certain income tax items	<u>\$ 0.01</u>	-	<u>\$ 0.01</u>	<u>\$ 0.07</u>	-	<u>\$ 0.07</u>
Projected adjusted non-GAAP earnings per diluted share	<u>\$ 1.85</u>	-	<u>\$ 1.95</u>	<u>\$ 8.05</u>	-	<u>\$ 8.20</u>

Constant currency growth rates are a non-GAAP financial measure that measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. These amounts are estimated at the current foreign currency exchange rates and based on the forecasted geographical sales in local currency as well as an assessment of market conditions as of today and may differ significantly from actual results.

These forward-looking adjustment estimates do not reflect future gains and charges that are inherently difficult to predict and estimate due to their unknown timing, effect and/or significance.