

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 29, 2018 and September 30, 2017
(In thousands)

	<u>Three Months Ended</u>		<u>Percent Change</u>	<u>Current Period Currency Impact</u>	<u>Constant Currency Growth Rate ^(a)</u>
	<u>September 29, 2018</u>	<u>September 30, 2017</u>		<u>Impact</u>	<u>Growth Rate ^(a)</u>
NET SALES - OPERATING SEGMENT					
Waters	\$ 515,795	\$ 503,904	2%	\$ (3,451)	3%
TA	62,226	61,680	1%	(294)	1%
Total	<u>\$ 578,021</u>	<u>\$ 565,584</u>	2%	<u>\$ (3,745)</u>	3%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 282,543	\$ 282,671	-	\$ (706)	-
Service	199,499	190,034	5%	(2,483)	6%
Chemistry	95,979	92,879	3%	(556)	4%
Total Recurring	<u>295,478</u>	<u>282,913</u>	4%	<u>(3,039)</u>	6%
Total	<u>\$ 578,021</u>	<u>\$ 565,584</u>	2%	<u>\$ (3,745)</u>	3%
NET SALES - GEOGRAPHY					
Asia	\$ 222,196	\$ 209,339	6%	\$ (1,583)	7%
Americas	206,803	203,013	2%	(297)	2%
Europe	149,022	153,232	(3%)	(1,865)	(2%)
Total	<u>\$ 578,021</u>	<u>\$ 565,584</u>	2%	<u>\$ (3,745)</u>	3%
NET SALES - MARKETS					
Pharmaceutical	\$ 325,166	\$ 321,963	1%	\$ (3,052)	2%
Industrial	171,985	168,349	2%	(157)	2%
Governmental & Academic	80,870	75,272	7%	(536)	8%
Total	<u>\$ 578,021</u>	<u>\$ 565,584</u>	2%	<u>\$ (3,745)</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
Net Sales by Operating Segment, Products & Services, Geography and Markets
Nine Months Ended September 29, 2018 and September 30, 2017
(In thousands)

	<u>Nine Months Ended</u>		<u>Percent</u>	<u>Current</u>	<u>Constant</u>
	<u>September 29, 2018</u>	<u>September 30, 2017</u>	<u>Change</u>	<u>Period</u>	<u>Currency</u>
				<u>Currency</u>	<u>Growth Rate</u> ^(a)
				<u>Impact</u>	
NET SALES - OPERATING SEGMENT					
Waters	\$ 1,514,246	\$ 1,445,110	5%	\$ 28,767	3%
TA	190,664	176,693	8%	2,638	6%
Total	<u>\$ 1,704,910</u>	<u>\$ 1,621,803</u>	5%	<u>\$ 31,405</u>	3%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 812,690	\$ 801,078	1%	\$ 12,344	-
Service	598,402	549,119	9%	12,272	7%
Chemistry	293,818	271,606	8%	6,789	6%
Total Recurring	892,220	820,725	9%	19,061	6%
Total	<u>\$ 1,704,910</u>	<u>\$ 1,621,803</u>	5%	<u>\$ 31,405</u>	3%
NET SALES - GEOGRAPHY					
Asia	\$ 659,381	\$ 620,148	6%	\$ 7,791	5%
Americas	586,639	574,249	2%	420	2%
Europe	458,890	427,406	7%	23,194	2%
Total	<u>\$ 1,704,910</u>	<u>\$ 1,621,803</u>	5%	<u>\$ 31,405</u>	3%
NET SALES - MARKETS					
Pharmaceutical	\$ 968,848	\$ 921,423	5%	\$ 18,961	3%
Industrial	517,979	504,183	3%	9,041	1%
Governmental & Academic	218,083	196,197	11%	3,403	9%
Total	<u>\$ 1,704,910</u>	<u>\$ 1,621,803</u>	5%	<u>\$ 31,405</u>	3%

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Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Financials
Quarters and Nine Months Ended September 29, 2018 and September 30, 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 September 29, 2018									
GAAP	\$ 130,035	\$ 35,173	\$ 171,674	29.7%	\$ (811)	\$ 169,230	\$ 28,216	\$ 141,014	\$ 1.83
Adjustments:									
Purchased intangibles amortization ^(b)	(2,114)	-	2,114	0.4%	-	2,114	429	1,685	0.02
Restructuring costs and certain other items ^(c)	(681)	-	681	0.1%	-	681	157	524	0.01
Pension termination ^(d)	-	-	-	-	1,082	1,082	260	822	0.01
Litigation settlement ^(e)	(924)	-	924	0.2%	-	924	222	702	0.01
Tax reform ^(f)	-	-	-	-	-	-	(2,353)	2,353	0.03
Certain income tax items ^(g)	-	-	-	-	-	-	(700)	700	0.01
Adjusted Non-GAAP	<u>\$ 126,316</u>	<u>\$ 35,173</u>	<u>\$ 175,393</u>	<u>30.3%</u>	<u>\$ 271</u>	<u>\$ 174,031</u>	<u>\$ 26,231</u>	<u>\$ 147,800</u>	<u>\$ 1.92</u>
Quarter Ended September 30, 2017									
GAAP	\$ 136,888	\$ 33,782	\$ 159,022	28.1%	\$ 12	\$ 153,800	\$ 17,696	\$ 136,104	\$ 1.69
Adjustments:									
Purchased intangibles amortization ^(b)	(1,682)	-	1,682	0.3%	-	1,682	436	1,246	0.02
Restructuring costs and certain other items ^(c)	(2,530)	-	2,530	0.4%	-	2,530	931	1,599	0.02
Stock award modification ^(h)	(3,855)	-	3,855	0.7%	-	3,855	1,446	2,409	0.03
Certain income tax items ^(g)	-	-	-	-	-	-	(837)	837	0.01
Adjusted Non-GAAP	<u>\$ 128,821</u>	<u>\$ 33,782</u>	<u>\$ 167,089</u>	<u>29.5%</u>	<u>\$ 12</u>	<u>\$ 161,867</u>	<u>\$ 19,672</u>	<u>\$ 142,195</u>	<u>\$ 1.77</u>
Nine Months Ended September 29, 2018									
GAAP	\$ 398,676	\$ 105,297	\$ 495,242	29.0%	\$ (2,293)	\$ 484,340	\$ 75,698	\$ 408,642	\$ 5.21
Adjustments:									
Purchased intangibles amortization ^(b)	(5,375)	-	5,375	0.3%	-	5,375	935	4,440	0.06
Restructuring costs and certain other items ^(c)	(2,438)	-	2,438	0.1%	-	2,438	549	1,889	0.02
Pension termination ^(d)	-	-	-	-	3,247	3,247	780	2,467	0.03
Litigation settlement ^(e)	748	-	(748)	-	-	(748)	(179)	(569)	(0.01)
Stock award modification ^(h)	(1,014)	-	1,014	0.1%	-	1,014	243	771	0.01
Tax reform ^(f)	-	-	-	-	-	-	(6,230)	6,230	0.08
Certain income tax items ^(g)	-	-	-	-	-	-	(3,385)	3,385	0.04
Adjusted Non-GAAP	<u>\$ 390,597</u>	<u>\$ 105,297</u>	<u>\$ 503,321</u>	<u>29.5%</u>	<u>\$ 954</u>	<u>\$ 495,666</u>	<u>\$ 68,411</u>	<u>\$ 427,255</u>	<u>\$ 5.45</u>
Nine Months Ended September 30, 2017									
GAAP	\$ 411,094	\$ 102,471	\$ 431,624	26.6%	\$ 64	\$ 415,359	\$ 41,876	\$ 373,483	\$ 4.63
Adjustments:									
Purchased intangibles amortization ^(b)	(5,104)	-	5,104	0.3%	-	5,104	1,358	3,746	0.05
Restructuring costs and certain other items ^(c)	(13,541)	-	13,541	0.8%	-	13,541	4,725	8,816	0.11
Litigation provisions ^(e)	(10,018)	-	10,018	0.6%	-	10,018	3,757	6,261	0.08
Stock award modification ^(h)	(3,855)	-	3,855	0.2%	-	3,855	1,446	2,409	0.03
Acquired in-process research and development ⁽ⁱ⁾	-	(5,000)	5,000	0.3%	-	5,000	962	4,038	0.05
Certain income tax items ^(g)	-	-	-	-	-	-	(3,284)	3,284	0.04
Adjusted Non-GAAP	<u>\$ 378,576</u>	<u>\$ 97,471</u>	<u>\$ 469,142</u>	<u>28.9%</u>	<u>\$ 64</u>	<u>\$ 452,877</u>	<u>\$ 50,840</u>	<u>\$ 402,037</u>	<u>\$ 4.98</u>

- (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) Litigation provisions and settlement gain were excluded as these costs are isolated, unpredictable and not expected to recur regularly.
- (f) The provision for income taxes for the three and nine months ended September 29, 2018 includes a \$2 million expense and a \$6 million expense, respectively, related to U.S. tax reform. The provisions include: (1) an adjustment to our 2017 year end accrual for the toll charge resulting from federal proposed regulations and other state guidance during the third quarter and (2) the tax that results from the change in foreign currency exchange rates on the earnings taxed on December 31, 2017 under the Tax Cuts and Jobs Act as compared with the foreign currency exchange rates on the date of distribution of assets into the U.S. The Company believes this expense is not indicative of the Company's normal or future income tax expense.
- (g) 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.
- (h) 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.
- (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 Nine Months Ended September 29, 2018 and September 30, 2017
(In thousands and unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 29, 2018</u>	<u>September 30, 2017</u>	<u>September 29, 2018</u>	<u>September 30, 2017</u>
Cash flows from operating activities:				
Net income	\$ 141,014	\$ 136,104	\$ 408,642	\$ 373,483
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,213	12,274	28,184	30,068
Depreciation and amortization	26,975	25,844	82,811	78,249
Change in operating assets and liabilities, net	<u>(30,862)</u>	<u>(20,026)</u>	<u>(96,740)</u>	<u>23,656</u>
Net cash provided by operating activities	146,340	154,196	422,897	505,456
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(27,384)	(19,899)	(64,215)	(55,257)
Asset acquisitions, net of cash acquired	(31,486)	-	(31,486)	-
Investment in unaffiliated company	(4,400)	-	(7,615)	(7,000)
Payments for intellectual property licenses	-	-	-	(5,000)
Net change in investments	<u>114,606</u>	<u>(90,237)</u>	<u>1,361,034</u>	<u>(336,731)</u>
Net cash provided by (used in) investing activities	51,336	(110,136)	1,257,718	(403,988)
Cash flows from financing activities:				
Net change in debt	(216)	45,190	(849,990)	130,126
Proceeds from stock plans	7,532	14,639	42,377	72,821
Purchases of treasury shares	(263,505)	(79,908)	(816,649)	(245,742)
Other cash flow from financing activities, net	<u>(23)</u>	<u>2,871</u>	<u>(2,181)</u>	<u>3,301</u>
Net cash used in financing activities	(256,212)	(17,208)	(1,626,443)	(39,494)
Effect of exchange rate changes on cash and cash equivalents				
	<u>5,705</u>	<u>9,700</u>	<u>(7,118)</u>	<u>36,202</u>
(Decrease) increase in cash and cash equivalents	(52,831)	36,552	47,054	98,176
Cash and cash equivalents at beginning of period				
	<u>742,204</u>	<u>567,255</u>	<u>642,319</u>	<u>505,631</u>
Cash and cash equivalents at end of period	<u>\$ 689,373</u>	<u>\$ 603,807</u>	<u>\$ 689,373</u>	<u>\$ 603,807</u>

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

Net cash provided by operating activities - GAAP	\$ 146,340	\$ 154,196	\$ 422,897	\$ 505,456
Adjustments:				
Additions to property, plant, equipment and software capitalization	(27,384)	(19,899)	(64,215)	(55,257)
Tax reform payments	7,799	-	54,499	-
Litigation settlement payment	-	-	15,400	-
Major facility renovations	3,645	-	5,446	-
One-time pension contributions	5,245	-	5,245	-
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 135,645</u>	<u>\$ 134,297</u>	<u>\$ 439,272</u>	<u>\$ 450,199</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 December 31, 2018			Twelve Months Ended December 31, 2018		
	Range			Range		
Projected Sales						
Projected constant currency sales growth rate	3%	-	4%	3%	-	4%
Projected currency impact	(2%)	-	(1%)	1%	-	1%
Projected sales growth rate as reported	<u>1%</u>	-	<u>3%</u>	<u>4%</u>	-	<u>5%</u>
Projected Earnings Per Diluted Share						
Projected GAAP earnings per diluted share	\$ 2.51	-	\$ 2.61	\$ 7.73	-	\$ 7.83
Adjustments:						
Purchased intangibles amortization	\$ 0.02	-	\$ 0.02	\$ 0.08	-	\$ 0.08
Restructuring costs and certain other items	\$ -	-	\$ -	\$ 0.02	-	\$ 0.02
Pension termination	\$ 0.01	-	\$ 0.01	\$ 0.04	-	\$ 0.04
Litigation provision	\$ -	-	\$ -	\$ (0.01)	-	\$ (0.01)
Stock award modification	\$ -	-	\$ -	\$ 0.01	-	\$ 0.01
Tax reform	\$ -	-	\$ -	\$ 0.08	-	\$ 0.08
Certain income tax items	<u>\$ 0.01</u>	-	<u>\$ 0.01</u>	<u>\$ 0.05</u>	-	<u>\$ 0.05</u>
Projected adjusted non-GAAP earnings per diluted share	<u>\$ 2.55</u>	-	<u>\$ 2.65</u>	<u>\$ 8.00</u>	-	<u>\$ 8.10</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.