

**Waters Corporation and Subsidiaries**  
**Reconciliation of GAAP to Adjusted Non-GAAP**  
**Net Sales by Operating Segment, Products & Services, Geography and Markets**  
**Three Months Ended December 31, 2018 and December 31, 2017**  
(In thousands)

	Three Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate <sup>(a)</sup>
	December 31, 2018	December 31, 2017			
NET SALES - OPERATING SEGMENT					
Waters	\$ 625,099	\$ 602,453	4%	\$ (5,087)	5%
TA	89,920	84,822	6%	(807)	7%
<b>Total</b>	<b>\$ 715,019</b>	<b>\$ 687,275</b>	<b>4%</b>	<b>\$ (5,894)</b>	<b>5%</b>
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 392,016	\$ 379,114	3%	\$ (1,457)	4%
Service	216,534	207,610	4%	(2,641)	6%
Chemistry	106,469	100,551	6%	(1,796)	8%
Total Recurring	323,003	308,161	5%	(4,437)	6%
<b>Total</b>	<b>\$ 715,019</b>	<b>\$ 687,275</b>	<b>4%</b>	<b>\$ (5,894)</b>	<b>5%</b>
NET SALES - GEOGRAPHY					
Asia	\$ 262,910	\$ 242,469	8%	\$ (2,016)	9%
Americas	248,538	235,740	5%	(469)	6%
Europe	203,571	209,066	(3%)	(3,409)	(1%)
<b>Total</b>	<b>\$ 715,019</b>	<b>\$ 687,275</b>	<b>4%</b>	<b>\$ (5,894)</b>	<b>5%</b>
NET SALES - MARKETS					
Pharmaceutical	\$ 396,883	\$ 373,245	6%	\$ (3,621)	7%
Industrial	219,165	216,905	1%	(1,013)	2%
Governmental & Academic	98,971	97,125	2%	(1,260)	3%
<b>Total</b>	<b>\$ 715,019</b>	<b>\$ 687,275</b>	<b>4%</b>	<b>\$ (5,894)</b>	<b>5%</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**  
**Twelve Months Ended December 31, 2018 and December 31, 2017**  
(In thousands)

	Twelve Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate <sup>(a)</sup>
	December 31, 2018	December 31, 2017			
NET SALES - OPERATING SEGMENT					
Waters	\$ 2,139,345	\$ 2,047,563	4%	\$ 23,680	3%
TA	280,584	261,515	7%	1,831	7%
<b>Total</b>	<b>\$ 2,419,929</b>	<b>\$ 2,309,078</b>	<b>5%</b>	<b>\$ 25,511</b>	<b>4%</b>
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 1,204,706	\$ 1,180,192	2%	\$ 10,887	1%
Service	814,936	756,729	8%	9,631	6%
Chemistry	400,287	372,157	8%	4,993	6%
Total Recurring	1,215,223	1,128,886	8%	14,624	6%
<b>Total</b>	<b>\$ 2,419,929</b>	<b>\$ 2,309,078</b>	<b>5%</b>	<b>\$ 25,511</b>	<b>4%</b>
NET SALES - GEOGRAPHY					
Asia	\$ 922,291	\$ 862,617	7%	\$ 5,775	6%
Americas	835,177	809,989	3%	(49)	3%
Europe	662,461	636,472	4%	19,785	1%
<b>Total</b>	<b>\$ 2,419,929</b>	<b>\$ 2,309,078</b>	<b>5%</b>	<b>\$ 25,511</b>	<b>4%</b>
NET SALES - MARKETS					
Pharmaceutical	\$ 1,365,731	\$ 1,294,668	5%	\$ 15,340	4%
Industrial	737,144	721,088	2%	8,028	1%
Governmental & Academic	317,054	293,322	8%	2,143	7%
<b>Total</b>	<b>\$ 2,419,929</b>	<b>\$ 2,309,078</b>	<b>5%</b>	<b>\$ 25,511</b>	<b>4%</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**  
**Three and Twelve Months Ended December 31, 2018 and December 31, 2017**  
(In thousands, except per share data)

	Selling & Administrative Expenses <sup>(a)</sup>	Research & Development Expenses <sup>(a)</sup>	Operating Income	Operating Income Percentage	Other (Expense) Income	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income (Loss)	Diluted Earnings (Loss) per Share
<b>Quarter Ended December 31, 2018</b>									
<b>GAAP</b>	\$ 145,512	\$ 38,106	\$ 244,532	34.2%	\$ (45,501)	\$ 197,806	\$ 12,654	\$ 185,152	\$ 2.46
Adjustments:									
Purchased intangibles amortization <sup>(b)</sup>	(2,337)	-	2,337	0.3%	-	2,337	674	1,663	0.02
Restructuring costs and certain other items <sup>(c)</sup>	194	-	(194)	-	-	(194)	1	(195)	-
Pension termination <sup>(d)</sup>	-	-	-	-	45,891	45,891	15,879	30,012	0.40
Litigation provisions <sup>(e)</sup>	(322)	-	322	-	-	322	77	245	-
Tax reform <sup>(f)</sup>	-	-	-	-	-	-	1,073	(1,073)	(0.01)
Certain income tax items <sup>(g)</sup>	-	-	-	-	-	-	(726)	726	0.01
<b>Adjusted Non-GAAP</b>	<b>\$ 143,047</b>	<b>\$ 38,106</b>	<b>\$ 246,997</b>	<b>34.5%</b>	<b>\$ 390</b>	<b>\$ 246,162</b>	<b>\$ 29,632</b>	<b>\$ 216,530</b>	<b>\$ 2.87</b>
<b>Quarter Ended December 31, 2017</b>									
<b>GAAP</b>	\$ 151,126	\$ 35,122	\$ 230,574	33.5%	\$ (404)	\$ 225,738	\$ 578,910	\$ (353,172)	\$ (4.44)
Adjustments:									
Purchased intangibles amortization <sup>(b)</sup>	(1,639)	-	1,639	0.2%	-	1,639	424	1,215	0.02
Restructuring costs and certain other items <sup>(c)</sup>	(2,452)	-	2,452	0.4%	-	2,452	791	1,661	0.02
Litigation provisions <sup>(e)</sup>	(1,096)	-	1,096	0.2%	-	1,096	411	685	0.01
Stock award modification <sup>(h)</sup>	(379)	-	379	0.1%	-	379	142	237	-
Tax reform <sup>(f)</sup>	-	-	-	-	-	-	(550,000)	550,000	6.89
Certain income tax items <sup>(g)</sup>	-	-	-	-	-	-	(1,012)	1,012	0.01
<b>Adjusted Non-GAAP</b>	<b>\$ 145,560</b>	<b>\$ 35,122</b>	<b>\$ 236,140</b>	<b>34.4%</b>	<b>\$ (404)</b>	<b>\$ 231,304</b>	<b>\$ 29,666</b>	<b>\$ 201,638</b>	<b>\$ 2.51</b>
<b>Twelve Months Ended December 31, 2018</b>									
<b>GAAP</b>	\$ 544,188	\$ 143,403	\$ 739,774	30.6%	\$ (47,794)	\$ 682,146	\$ 88,352	\$ 593,794	\$ 7.65
Adjustments:									
Purchased intangibles amortization <sup>(b)</sup>	(7,712)	-	7,712	0.3%	-	7,712	1,609	6,103	0.08
Restructuring costs and certain other items <sup>(c)</sup>	(2,244)	-	2,244	0.1%	-	2,244	550	1,694	0.02
Pension termination <sup>(d)</sup>	-	-	-	-	49,138	49,138	16,659	32,479	0.42
Litigation settlement <sup>(e)</sup>	426	-	(426)	-	-	(426)	(102)	(324)	-
Stock award modification <sup>(h)</sup>	(1,014)	-	1,014	-	-	1,014	243	771	0.01
Tax reform <sup>(f)</sup>	-	-	-	-	-	-	(5,157)	5,157	0.07
Certain income tax items <sup>(g)</sup>	-	-	-	-	-	-	(4,111)	4,111	0.05
<b>Adjusted Non-GAAP</b>	<b>\$ 533,644</b>	<b>\$ 143,403</b>	<b>\$ 750,318</b>	<b>31.0%</b>	<b>\$ 1,344</b>	<b>\$ 741,828</b>	<b>\$ 98,043</b>	<b>\$ 643,785</b>	<b>\$ 8.29</b>
<b>Twelve Months Ended December 31, 2017</b>									
<b>GAAP</b>	\$ 562,220	\$ 137,593	\$ 662,198	28.7%	\$ (340)	\$ 641,097	\$ 620,786	\$ 20,311	\$ 0.25
Adjustments:									
Purchased intangibles amortization <sup>(b)</sup>	(6,743)	-	6,743	0.3%	-	6,743	1,782	4,961	0.06
Restructuring costs and certain other items <sup>(c)</sup>	(15,993)	-	15,993	0.7%	-	15,993	5,516	10,477	0.13
Litigation provisions <sup>(e)</sup>	(11,114)	-	11,114	0.5%	-	11,114	4,168	6,946	0.09
Stock award modification <sup>(h)</sup>	(4,234)	-	4,234	0.2%	-	4,234	1,588	2,646	0.03
Acquired in-process research and development <sup>(i)</sup>	-	(5,000)	5,000	0.2%	-	5,000	962	4,038	0.05
Tax reform <sup>(f)</sup>	-	-	-	-	-	-	(550,000)	550,000	6.82
Certain income tax items <sup>(g)</sup>	-	-	-	-	-	-	(4,296)	4,296	0.05
<b>Adjusted Non-GAAP</b>	<b>\$ 524,136</b>	<b>\$ 132,593</b>	<b>\$ 705,282</b>	<b>30.5%</b>	<b>\$ (340)</b>	<b>\$ 684,181</b>	<b>\$ 80,506</b>	<b>\$ 603,675</b>	<b>\$ 7.49</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 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) In May 2018, the Company's board of directors approved the termination of its frozen U.S. defined benefit pension plans. In December 2018, the Company settled a pension plan obligation by making lump-sum cash payments and purchasing annuity contracts for participants to permanently extinguish the pension plan's obligations. As a result, the Company recorded a \$46 million charge, which consisted of a \$6 million cash contribution to the plan and a \$40 million non-cash charge related to the reversal of unrecognized actuarial losses recorded in accumulated other comprehensive income in the stockholders' equity. 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 gains were excluded as these costs are isolated, unpredictable and not expected to recur regularly.

(f) The provision for income taxes for the three and twelve months ended December 31, 2017 included a \$550 million estimate for the impact of the enactment of the Tax Cuts and Jobs Act. The provision for income taxes for the three and twelve months ended December 31, 2018 included a \$5 million benefit and a \$1 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 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 Twelve Months Ended December 31, 2018 and December 31, 2017**  
(In thousands and unaudited)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash flows from operating activities:				
Net income (loss)	\$ 185,152	\$ (353,172)	\$ 593,794	\$ 20,311
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Stock-based compensation	9,357	9,368	37,541	39,436
Depreciation and amortization	25,597	27,753	108,408	106,002
Effect of the 2017 Tax Act <sup>(a)</sup>	-	530,383	-	530,383
Change in operating assets and liabilities, net	(38,557)	(22,148)	(135,297)	1,508
Net cash provided by operating activities	<u>181,549</u>	<u>192,184</u>	<u>604,446</u>	<u>697,640</u>
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(31,864)	(30,216)	(96,079)	(85,473)
Asset acquisitions, net of cash acquired	-	-	(31,486)	-
Investment in unaffiliated company	-	-	(7,615)	(7,000)
Payments for intellectual property licenses	-	-	-	(5,000)
Net change in investments	<u>457,448</u>	<u>(101,548)</u>	<u>1,818,482</u>	<u>(438,279)</u>
Net cash provided by (used in) investing activities	425,584	(131,764)	1,683,302	(535,752)
Cash flows from financing activities:				
Net change in debt	(171)	39,850	(850,161)	169,976
Payments of debt issuance costs	-	(2,984)	-	(2,984)
Proceeds from stock plans	10,052	24,968	52,429	97,789
Purchases of treasury shares	(498,457)	(86,802)	(1,315,106)	(332,544)
Other cash flow from financing activities, net	<u>(4,503)</u>	<u>593</u>	<u>(6,684)</u>	<u>3,894</u>
Net cash used in financing activities	(493,079)	(24,375)	(2,119,522)	(63,869)
Effect of exchange rate changes on cash and cash equivalents	<u>(7,147)</u>	<u>2,467</u>	<u>(14,265)</u>	<u>38,669</u>
Increase in cash and cash equivalents	106,907	38,512	153,961	136,688
Cash and cash equivalents at beginning of period	<u>689,373</u>	<u>603,807</u>	<u>642,319</u>	<u>505,631</u>
Cash and cash equivalents at end of period	<u>\$ 796,280</u>	<u>\$ 642,319</u>	<u>\$ 796,280</u>	<u>\$ 642,319</u>

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

Net cash provided by operating activities - GAAP	\$ 181,549	\$ 192,184	\$ 604,446	\$ 697,640
Adjustments:				
Additions to property, plant, equipment and software capitalization	(31,864)	(30,216)	(96,079)	(85,473)
Tax reform payments	(783)	-	53,716	-
Litigation settlement payment	-	-	15,400	-
Major facility renovations	5,059	-	10,505	-
One-time pension contributions	6,307	-	11,552	-
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 160,268</u>	<u>\$ 161,968</u>	<u>\$ 599,540</u>	<u>\$ 612,167</u>

(a) In the fourth quarter of 2017, the Company recorded a \$550 million income tax provision for an estimate of the impact of the enactment of the Tax Cuts and Jobs Act (2017 Tax Act), which was signed into law on December 22, 2017. The \$550 million income tax provision primarily consists of an estimated U.S. transition tax as well as estimated income tax provisions for state and withholding taxes and a charge associated with the remeasurement of the Company's deferred tax assets and liabilities from 35% to the new U.S. corporate income tax rate of 21%.

(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.