

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP
Net Sales by Operating Segment, Products & Services, Geography and Markets
Three Months Ended March 30, 2019 and March 31, 2018
(In thousands)

	Three Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	March 30, 2019	March 31, 2018			
NET SALES - OPERATING SEGMENT					
Waters	\$ 459,914	\$ 471,146	(2%)	\$ (13,957)	1%
TA	53,948	59,524	(9%)	(878)	(8%)
Total	\$ 513,862	\$ 530,670	(3%)	\$ (14,835)	-
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 221,250	\$ 240,407	(8%)	\$ (5,869)	(6%)
Service	193,359	191,553	1%	(5,848)	4%
Chemistry	99,253	98,710	1%	(3,118)	4%
Total Recurring	292,612	290,263	1%	(8,966)	4%
Total	\$ 513,862	\$ 530,670	(3%)	\$ (14,835)	-
NET SALES - GEOGRAPHY					
Asia	\$ 200,512	\$ 200,280	-	\$ (4,197)	2%
Americas	181,868	181,710	-	(485)	-
Europe	131,482	148,680	(12%)	(10,153)	(5%)
Total	\$ 513,862	\$ 530,670	(3%)	\$ (14,835)	-
NET SALES - MARKETS					
Pharmaceutical	\$ 294,512	\$ 305,328	(4%)	\$ (10,522)	-
Industrial	155,218	162,330	(4%)	(3,206)	(2%)
Academic & Governmental	64,132	63,012	2%	(1,107)	4%
Total	\$ 513,862	\$ 530,670	(3%)	\$ (14,835)	-

(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 Months Ended March 30, 2019 and March 31, 2018
(In thousands, except per share data)

	Selling & Administrative Expenses ^(a)	Research & Development Expenses	Operating Income	Operating Income Percentage	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Quarter Ended March 30, 2019								
GAAP	\$ 136,620	\$ 35,060	\$ 121,151	23.6%	\$ 117,378	\$ 8,392	\$ 108,986	\$ 1.51
Adjustments:								
Purchased intangibles amortization ^(b)	(2,281)	-	2,281	0.4%	2,281	494	1,787	0.02
Restructuring costs and certain other items ^(c)	(10,061)	-	10,061	2.0%	10,061	2,633	7,428	0.10
Tax reform ^(d)	-	-	-	-	-	3,229	(3,229)	(0.04)
Certain income tax items ^(e)	-	-	-	-	-	(674)	674	0.01
Adjusted Non-GAAP	<u>\$ 124,278</u>	<u>\$ 35,060</u>	<u>\$ 133,493</u>	<u>26.0%</u>	<u>\$ 129,720</u>	<u>\$ 14,074</u>	<u>\$ 115,646</u>	<u>\$ 1.60</u>
Quarter Ended March 31, 2018								
GAAP	\$ 130,394	\$ 34,480	\$ 144,375	27.2%	\$ 140,549	\$ 28,598	\$ 111,951	\$ 1.40
Adjustments:								
Purchased intangibles amortization ^(b)	(1,659)	-	1,659	0.3%	1,659	202	1,457	0.02
Restructuring costs and certain other items ^(c)	(568)	-	568	0.1%	568	132	436	0.01
Litigation settlement ^(f)	1,672	-	(1,672)	(0.3%)	(1,672)	(401)	(1,271)	(0.02)
Stock award modification ^(g)	(1,014)	-	1,014	0.2%	1,014	243	771	0.01
Tax reform ^(d)	-	-	-	-	-	(12,450)	12,450	0.16
Certain income tax items ^(e)	-	-	-	-	-	(692)	692	0.01
Adjusted Non-GAAP	<u>\$ 128,825</u>	<u>\$ 34,480</u>	<u>\$ 145,944</u>	<u>27.5%</u>	<u>\$ 142,118</u>	<u>\$ 15,632</u>	<u>\$ 126,486</u>	<u>\$ 1.59</u>

(a) Selling & administrative expenses include purchased intangibles amortization and litigation provisions.

(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 provision for income taxes for the three months ended March 30, 2019 and March 31, 2018 included a \$3 million benefit and a \$12 million expense, respectively, related to the tax on the change in foreign currency exchange rates on the earnings taxed in December 31, 2017 under the Tax Cuts and Jobs Act and the subsequent finalization of the tax regulations during the first quarter of 2019. 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 March 30, 2019 and March 31, 2018, respectively. 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.

(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 settlement gains 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.

Waters Corporation and Subsidiaries
Preliminary Condensed Consolidated Statements of Cash Flows
Three Months Ended March 30, 2019 and March 31, 2018
(In thousands and unaudited)

	Three Months Ended	
	March 30, 2019	March 31, 2018
Cash flows from operating activities:		
Net income	\$ 108,986	\$ 111,951
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	9,941	9,892
Depreciation and amortization	24,764	28,640
Change in operating assets and liabilities, net	32,088	25,358
Net cash provided by operating activities	175,779	175,841
Cash flows from investing activities:		
Additions to property, plant, equipment and software capitalization	(25,666)	(15,992)
Investment in unaffiliated company	-	(3,215)
Net change in investments	459,705	915,046
Net cash provided by investing activities	434,039	895,839
Cash flows from financing activities:		
Net change in debt	86	(749,919)
Proceeds from stock plans	27,631	24,287
Purchases of treasury shares	(753,105)	(282,370)
Other cash flow from financing activities, net	2,254	1,937
Net cash used in financing activities	(723,134)	(1,006,065)
Effect of exchange rate changes on cash and cash equivalents	2,006	8,588
(Decrease) increase in cash and cash equivalents	(111,310)	74,203
Cash and cash equivalents at beginning of period	796,280	642,319
Cash and cash equivalents at end of period	\$ 684,970	\$ 716,522

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

Net cash provided by operating activities - GAAP	\$ 175,779	\$ 175,841
Adjustments:		
Additions to property, plant, equipment and software capitalization	(25,666)	(15,992)
Major facility renovations	7,496	-
Free Cash Flow - Adjusted Non-GAAP	\$ 157,609	\$ 159,849

(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)

	<u>Three Months Ended</u> <u>June 29, 2019</u>			<u>Twelve Months Ended</u> <u>December 31, 2019</u>		
	<u>Range</u>			<u>Range</u>		
Projected Sales						
Projected constant currency sales growth rate	2%	-	4%	2%	-	4%
Projected currency impact	(2%)	-	(1%)	(2%)	-	(1%)
Projected sales growth rate as reported	<u>0%</u>	-	<u>3%</u>	<u>0%</u>	-	<u>3%</u>
Projected Earnings Per Diluted Share						
Projected GAAP earnings per diluted share	\$ 2.01	-	\$ 2.11	\$ 8.84	-	\$ 9.04
Adjustments:						
Purchased intangibles amortization	\$ 0.03	-	\$ 0.03	\$ 0.11	-	\$ 0.11
Certain other items	\$ -	-	\$ -	\$ 0.11	-	\$ 0.11
Certain income tax items	<u>\$ 0.01</u>	-	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	-	<u>\$ (0.01)</u>
Projected adjusted non-GAAP earnings per diluted share	<u>\$ 2.05</u>	-	<u>\$ 2.15</u>	<u>\$ 9.05</u>	-	<u>\$ 9.25</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.