

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 29, 2019 and June 30, 2018
(In thousands)

	Three Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	June 29, 2019	June 30, 2018			
NET SALES - OPERATING SEGMENT					
Waters	\$ 531,117	\$ 527,305	1%	\$ (9,645)	3%
TA	68,045	68,914	(1%)	(759)	0%
Total	<u>\$ 599,162</u>	<u>\$ 596,219</u>	0%	<u>\$ (10,404)</u>	2%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 286,973	\$ 289,740	(1%)	\$ (2,954)	0%
Service	211,897	207,350	2%	(4,990)	5%
Chemistry	<u>100,292</u>	<u>99,129</u>	1%	<u>(2,460)</u>	4%
Total Recurring	312,189	306,479	2%	(7,450)	4%
Total	<u>\$ 599,162</u>	<u>\$ 596,219</u>	0%	<u>\$ (10,404)</u>	2%
NET SALES - GEOGRAPHY					
Asia	\$ 238,835	\$ 236,905	1%	\$ (5,000)	3%
Americas	206,775	198,126	4%	(370)	5%
Europe	153,552	161,188	(5%)	(5,034)	(2%)
Total	<u>\$ 599,162</u>	<u>\$ 596,219</u>	0%	<u>\$ (10,404)</u>	2%
NET SALES - MARKETS					
Pharmaceutical	\$ 350,145	\$ 338,354	3%	\$ (7,542)	6%
Industrial	176,109	183,664	(4%)	(1,414)	(3%)
Academic & Governmental	72,908	74,201	(2%)	(1,448)	0%
Total	<u>\$ 599,162</u>	<u>\$ 596,219</u>	0%	<u>\$ (10,404)</u>	2%

- (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 29, 2019 and June 30, 2018
(In thousands)

	Six Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	June 29, 2019	June 30, 2018			
NET SALES - OPERATING SEGMENT					
Waters	\$ 991,031	\$ 998,451	(1%)	\$ (23,602)	2%
TA	121,993	128,438	(5%)	(1,637)	(4%)
Total	\$ 1,113,024	\$ 1,126,889	(1%)	\$ (25,239)	1%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 508,223	\$ 530,147	(4%)	\$ (8,823)	(2%)
Service	405,256	398,903	2%	(10,838)	4%
Chemistry	199,545	197,839	1%	(5,578)	4%
Total Recurring	604,801	596,742	1%	(16,416)	4%
Total	\$ 1,113,024	\$ 1,126,889	(1%)	\$ (25,239)	1%
NET SALES - GEOGRAPHY					
Asia	\$ 439,347	\$ 437,185	0%	\$ (9,197)	3%
Americas	388,643	379,836	2%	(855)	3%
Europe	285,034	309,868	(8%)	(15,187)	(3%)
Total	\$ 1,113,024	\$ 1,126,889	(1%)	\$ (25,239)	1%
NET SALES - MARKETS					
Pharmaceutical	\$ 644,657	\$ 643,682	0%	\$ (18,064)	3%
Industrial	331,327	345,994	(4%)	(4,620)	(3%)
Academic & Governmental	137,040	137,213	0%	(2,555)	2%
Total	\$ 1,113,024	\$ 1,126,889	(1%)	\$ (25,239)	1%

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Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Financials
Three & Six Months Ended June 29, 2019 and June 30, 2018
(In thousands, except per share data)

	Selling & Administrative 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
Three Months Ended June 29, 2019								
GAAP	\$ 135,472	\$ 177,654	29.7%	\$ (342)	\$ 171,735	\$ 27,325	\$ 144,410	\$ 2.08
Adjustments:								
Purchased intangibles amortization ^(b)	(2,264)	2,264	0.4%	-	2,264	491	1,773	0.03
Restructuring costs and certain other items ^(c)	(2,725)	2,725	0.5%	-	2,725	640	2,085	0.03
Certain income tax items ^(d)	-	-	-	-	-	(634)	634	0.01
Adjusted Non-GAAP	\$ 130,483	\$ 182,643	30.5%	\$ (342)	\$ 176,724	\$ 27,822	\$ 148,902	\$ 2.14
Three Months Ended June 30, 2018								
GAAP	\$ 138,247	\$ 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 ^(e)	-	-	-	2,165	2,165	520	1,645	0.02
Tax reform ^(f)	-	-	-	-	-	8,573	(8,573)	(0.11)
Certain income tax items ^(d)	-	-	-	-	-	(1,993)	1,993	0.03
Adjusted Non-GAAP	\$ 135,456	\$ 181,984	30.5%	\$ 337	\$ 179,517	\$ 26,548	\$ 152,969	\$ 1.95
Six Months Ended June 29, 2019								
GAAP	\$ 272,092	\$ 298,805	26.8%	\$ (867)	\$ 289,113	\$ 35,717	\$ 253,396	\$ 3.57
Adjustments:								
Purchased intangibles amortization ^(b)	(4,545)	4,545	0.4%	-	4,545	985	3,560	0.05
Restructuring costs and certain other items ^(c)	(12,786)	12,786	1.1%	-	12,786	3,273	9,513	0.13
Tax reform ^(f)	-	-	-	-	-	3,229	(3,229)	(0.05)
Certain income tax items ^(d)	-	-	-	-	-	(1,308)	1,308	0.02
Adjusted Non-GAAP	\$ 254,761	\$ 316,136	28.4%	\$ (867)	\$ 306,444	\$ 41,896	\$ 264,548	\$ 3.73
Six Months Ended June 30, 2018								
GAAP	\$ 268,641	\$ 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 ^(e)	-	-	-	2,165	2,165	520	1,645	0.02
Litigation settlement ^(g)	1,672	(1,672)	(0.1%)	-	(1,672)	(401)	(1,271)	(0.02)
Stock award modification ^(h)	(1,014)	1,014	0.1%	-	1,014	243	771	0.01
Tax reform ^(f)	-	-	-	-	-	(3,877)	3,877	0.05
Certain income tax items ^(d)	-	-	-	-	-	(2,685)	2,685	0.03
Adjusted Non-GAAP	\$ 264,281	\$ 327,928	29.1%	\$ 683	\$ 321,635	\$ 42,180	\$ 279,455	\$ 3.54

(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) 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.

(e) 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.

(f) The provision for income taxes for the six months ended June 29, 2019 included a \$3 million benefit related to the finalization of tax regulations under tax reform during the first quarter of 2019. The provision for income taxes for the three and six months June 30, 2018 included 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 in 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 29, 2019 and June 30, 2018, respectively.

(g) Litigation settlement gains were excluded as these items are isolated, unpredictable and not expected to recur regularly.

(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.

Waters Corporation and Subsidiaries
Preliminary Condensed Consolidated Statements of Cash Flows
Three and Six Months Ended June 29, 2019 and June 30, 2018
(In thousands and unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 29, 2019</u>	<u>June 30, 2018</u>	<u>June 29, 2019</u>	<u>June 30, 2018</u>
Cash flows from operating activities:				
Net income	\$ 144,410	\$ 155,677	\$ 253,396	\$ 267,628
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,314	9,079	19,255	18,971
Depreciation and amortization	28,851	27,196	53,615	55,836
Change in operating assets and liabilities, net	<u>(55,551)</u>	<u>(91,236)</u>	<u>(23,463)</u>	<u>(65,878)</u>
Net cash provided by operating activities	127,024	100,716	302,803	276,557
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(39,522)	(20,839)	(65,188)	(36,831)
Investment in unaffiliated companies	(4,750)	-	(4,750)	(3,215)
Net change in investments	<u>395,296</u>	<u>331,382</u>	<u>855,001</u>	<u>1,246,428</u>
Net cash provided by investing activities	351,024	310,543	785,063	1,206,382
Cash flows from financing activities:				
Net change in debt	32	(99,855)	118	(849,774)
Proceeds from stock plans	2,498	10,558	30,129	34,845
Purchases of treasury shares	(576,530)	(270,774)	(1,329,635)	(553,144)
Other cash flow from financing activities, net	<u>2,400</u>	<u>(4,095)</u>	<u>4,654</u>	<u>(2,158)</u>
Net cash used in financing activities	(571,600)	(364,166)	(1,294,734)	(1,370,231)
Effect of exchange rate changes on cash and cash equivalents	<u>(3,420)</u>	<u>(21,411)</u>	<u>(1,414)</u>	<u>(12,823)</u>
(Decrease) increase in cash and cash equivalents	(96,972)	25,682	(208,282)	99,885
Cash and cash equivalents at beginning of period	<u>684,970</u>	<u>716,522</u>	<u>796,280</u>	<u>642,319</u>
Cash and cash equivalents at end of period	<u>\$ 587,998</u>	<u>\$ 742,204</u>	<u>\$ 587,998</u>	<u>\$ 742,204</u>

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

Net cash provided by operating activities - GAAP	\$ 127,024	\$ 100,716	\$ 302,803	\$ 276,557
Adjustments:				
Additions to property, plant, equipment and software capitalization	(39,522)	(20,839)	(65,188)	(36,831)
Tax reform payments	29,109	46,700	29,109	46,700
Litigation settlement payment	-	15,400	-	15,400
Major facility renovations	19,779	1,801	27,275	1,801
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 136,390</u>	<u>\$ 143,778</u>	<u>\$ 293,999</u>	<u>\$ 303,627</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)

	<u>Three Months Ended</u> <u>September 28, 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 ^(a)	2%	-	4%	1%	-	3%
Projected currency impact	(1%)	-	(1%)	(2%)	-	(1%)
Projected sales growth rate as reported	<u>1%</u>	-	<u>3%</u>	<u>(1%)</u>	-	<u>2%</u>
Projected Earnings Per Diluted Share						
	<u>Range</u>			<u>Range</u>		
Projected GAAP earnings per diluted share	\$ 2.01	-	\$ 2.11	\$ 8.71	-	\$ 8.86
Adjustments:						
Purchased intangibles amortization	\$ 0.03	-	\$ 0.03	\$ 0.11	-	\$ 0.11
Certain other items	\$ -	-	\$ -	\$ 0.14	-	\$ 0.14
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>\$ 8.95</u>	-	<u>\$ 9.10</u>

(a) 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.