

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 28, 2019 and September 29, 2018
(In thousands)

	Three Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	September 28, 2019	September 29, 2018			
NET SALES - OPERATING SEGMENT					
Waters	\$ 512,146	\$ 515,795	(1%)	\$ (6,063)	-
TA	65,132	62,226	5%	(407)	5%
Total	\$ 577,278	\$ 578,021	-	\$ (6,470)	1%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 270,317	\$ 282,543	(4%)	\$ (2,870)	(3%)
Service	206,705	199,499	4%	(2,303)	5%
Chemistry	100,256	95,979	4%	(1,297)	6%
Total Recurring	306,961	295,478	4%	(3,600)	5%
Total	\$ 577,278	\$ 578,021	-	\$ (6,470)	1%
NET SALES - GEOGRAPHY					
Asia	\$ 237,775	\$ 222,196	7%	\$ (106)	7%
Americas	196,458	206,803	(5%)	(160)	(5%)
Europe	143,045	149,022	(4%)	(6,204)	-
Total	\$ 577,278	\$ 578,021	-	\$ (6,470)	1%
NET SALES - MARKETS					
Pharmaceutical	\$ 328,227	\$ 325,166	1%	\$ (5,403)	3%
Industrial	171,352	171,985	-	(699)	-
Academic & Governmental	77,699	80,870	(4%)	(368)	(3%)
Total	\$ 577,278	\$ 578,021	-	\$ (6,470)	1%

(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 28, 2019 and September 29, 2018
(In thousands)

	Nine Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	September 28, 2019	September 29, 2018			
NET SALES - OPERATING SEGMENT					
Waters	\$ 1,503,177	\$ 1,514,246	(1%)	\$ (29,665)	1%
TA	187,125	190,664	(2%)	(2,044)	(1%)
Total	\$ 1,690,302	\$ 1,704,910	(1%)	\$ (31,709)	1%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 778,540	\$ 812,690	(4%)	\$ (11,693)	(3%)
Service	611,961	598,402	2%	(13,141)	4%
Chemistry	299,801	293,818	2%	(6,875)	4%
Total Recurring	911,762	892,220	2%	(20,016)	4%
Total	\$ 1,690,302	\$ 1,704,910	(1%)	\$ (31,709)	1%
NET SALES - GEOGRAPHY					
Asia	\$ 677,122	\$ 659,381	3%	\$ (9,303)	4%
Americas	585,101	586,639	-	(1,015)	-
Europe	428,079	458,890	(7%)	(21,391)	(2%)
Total	\$ 1,690,302	\$ 1,704,910	(1%)	\$ (31,709)	1%
NET SALES - MARKETS					
Pharmaceutical	\$ 972,884	\$ 968,848	-	\$ (23,467)	3%
Industrial	502,679	517,979	(3%)	\$ (5,319)	(2%)
Academic & Governmental	214,739	218,083	(2%)	\$ (2,923)	-
Total	\$ 1,690,302	\$ 1,704,910	(1%)	\$ (31,709)	1%

(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 & Nine Months Ended September 28, 2019 and September 29, 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 September 28, 2019								
GAAP	\$ 128,655	\$ 173,235	30.0%	\$ (496)	\$ 164,738	\$ 26,605	\$ 138,133	\$ 2.07
Adjustments:								
Purchased intangibles amortization ^(b)	(2,619)	2,619	0.5%	-	2,619	535	2,084	0.03
Restructuring costs and certain other items ^(c)	(1,596)	1,596	0.3%	-	1,596	350	1,246	0.02
Certain income tax items ^(d)	-	-	-	-	-	(600)	600	0.01
Adjusted Non-GAAP	\$ 124,440	\$ 177,450	30.7%	\$ (496)	\$ 168,953	\$ 26,890	\$ 142,063	\$ 2.13
Three Months Ended September 29, 2018								
GAAP	\$ 130,035	\$ 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 ^(e)	-	-	-	1,082	1,082	260	822	0.01
Litigation provision ^(g)	(924)	924	0.2%	-	924	222	702	0.01
Tax reform ^(f)	-	-	-	-	-	(2,353)	2,353	0.03
Certain income tax items ^(d)	-	-	-	-	-	(700)	700	0.01
Adjusted Non-GAAP	\$ 126,316	\$ 175,393	30.3%	\$ 271	\$ 174,031	\$ 26,231	\$ 147,800	\$ 1.92
Nine Months Ended September 28, 2019								
GAAP	\$ 400,747	\$ 472,040	27.9%	\$ (1,363)	\$ 453,851	\$ 62,322	\$ 391,529	\$ 5.63
Adjustments:								
Purchased intangibles amortization ^(b)	(7,164)	7,164	0.4%	-	7,164	1,520	5,644	0.08
Restructuring costs and certain other items ^(c)	(14,382)	14,382	0.9%	-	14,382	3,623	10,759	0.15
Tax reform ^(f)	-	-	-	-	-	3,229	(3,229)	(0.05)
Certain income tax items ^(d)	-	-	-	-	-	(1,908)	1,908	0.03
Adjusted Non-GAAP	\$ 379,201	\$ 493,586	29.2%	\$ (1,363)	\$ 475,397	\$ 68,786	\$ 406,611	\$ 5.85
Nine Months Ended September 29, 2018								
GAAP	\$ 398,676	\$ 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 ^(e)	-	-	-	3,247	3,247	780	2,467	0.03
Litigation settlement ^(g)	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 ^(d)	-	-	-	-	-	(3,385)	3,385	0.04
Adjusted Non-GAAP	\$ 390,597	\$ 503,321	29.5%	\$ 954	\$ 495,666	\$ 68,411	\$ 427,255	\$ 5.45

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

(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 nine months ended September 28, 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 nine months September 29, 2018 included a \$2 million expense and a \$6 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 September 28, 2019 and September 29, 2018, respectively.

(g) Litigation provisions and 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 Nine Months Ended September 28, 2019 and September 29, 2018
(In thousands and unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 28, 2019</u>	<u>September 29, 2018</u>	<u>September 28, 2019</u>	<u>September 29, 2018</u>
Cash flows from operating activities:				
Net income	\$ 138,133	\$ 141,014	\$ 391,529	\$ 408,642
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,662	9,213	28,917	28,184
Depreciation and amortization	26,704	26,975	80,319	82,811
Change in operating assets and liabilities, net	(26,110)	(30,862)	(49,573)	(96,740)
Net cash provided by operating activities	<u>148,389</u>	<u>146,340</u>	<u>451,192</u>	<u>422,897</u>
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(45,017)	(27,384)	(110,205)	(64,215)
Asset acquisitions, net of cash acquired	-	(31,486)	-	(31,486)
Investment in unaffiliated companies	(2,500)	(4,400)	(7,250)	(7,615)
Net change in investments	<u>87,895</u>	<u>114,606</u>	<u>942,896</u>	<u>1,361,034</u>
Net cash provided by investing activities	40,378	51,336	825,441	1,257,718
Cash flows from financing activities:				
Net change in debt	206,830	(216)	206,948	(849,990)
Proceeds from stock plans	4,182	7,532	34,311	42,377
Purchases of treasury shares	(580,065)	(263,505)	(1,909,700)	(816,649)
Other cash flow from financing activities, net	<u>2,246</u>	<u>(23)</u>	<u>6,900</u>	<u>(2,181)</u>
Net cash used in financing activities	(366,807)	(256,212)	(1,661,541)	(1,626,443)
Effect of exchange rate changes on cash and cash equivalents	<u>(5,309)</u>	<u>5,705</u>	<u>(6,723)</u>	<u>(7,118)</u>
(Decrease) increase in cash and cash equivalents	(183,349)	(52,831)	(391,631)	47,054
Cash and cash equivalents at beginning of period	<u>587,998</u>	<u>742,204</u>	<u>796,280</u>	<u>642,319</u>
Cash and cash equivalents at end of period	<u>\$ 404,649</u>	<u>\$ 689,373</u>	<u>\$ 404,649</u>	<u>\$ 689,373</u>

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

Net cash provided by operating activities - GAAP	\$ 148,389	\$ 146,340	\$ 451,192	\$ 422,897
Adjustments:				
Additions to property, plant, equipment and software capitalization	(45,017)	(27,384)	(110,205)	(64,215)
Tax reform payments	-	7,799	29,109	54,499
Litigation settlement payment	-	-	-	15,400
Major facility renovations	21,073	3,645	48,348	5,446
One-time pension contributions	-	5,245	-	5,245
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 124,445</u>	<u>\$ 135,645</u>	<u>\$ 418,444</u>	<u>\$ 439,272</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, 2019			Twelve Months Ended December 31, 2019		
	Range			Range		
Projected Sales						
Projected constant-currency sales growth rate ^(a)	0%	-	2%	1%	-	1%
Projected currency impact	(1%)	-	(1%)	(2%)	-	(1%)
Projected sales growth rate as reported	(1%)	-	1%	(1%)	-	0%
 Projected Earnings Per Diluted Share						
	Range			Range		
Projected GAAP earnings per diluted share	\$ 2.91	-	\$ 3.01	\$ 8.48	-	\$ 8.58
Adjustments:						
Purchased intangibles amortization	\$ 0.03	-	\$ 0.03	\$ 0.11	-	\$ 0.11
Certain other items	\$ -	-	\$ -	\$ 0.15	-	\$ 0.15
Certain income tax items	\$ 0.01	-	\$ 0.01	\$ (0.01)	-	\$ (0.01)
Projected adjusted non-GAAP earnings per diluted share	\$ 2.95	-	\$ 3.05	\$ 8.73	-	\$ 8.83

(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.