

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, 2019 and 2018
(In thousands)

	Three Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	December 31, 2019	December 31, 2018			
NET SALES - OPERATING SEGMENT					
Waters	\$ 634,306	\$ 625,099	1%	\$ (5,136)	2%
TA	81,988	89,920	(9%)	(488)	(8%)
Total	\$ 716,294	\$ 715,019	-	\$ (5,624)	1%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 376,631	\$ 392,016	(4%)	\$ (3,766)	(3%)
Service	227,446	216,534	5%	(1,386)	6%
Chemistry	112,217	106,469	5%	(472)	6%
Total Recurring	339,663	323,003	5%	(1,858)	6%
Total	\$ 716,294	\$ 715,019	-	\$ (5,624)	1%
NET SALES - GEOGRAPHY					
Asia	\$ 261,990	\$ 262,910	-	\$ (804)	-
Americas	245,140	248,538	(1%)	85	(1%)
Europe	209,164	203,571	3%	(4,905)	5%
Total	\$ 716,294	\$ 715,019	-	\$ (5,624)	1%
NET SALES - MARKETS					
Pharmaceutical	\$ 392,391	\$ 396,883	(1%)	\$ (4,214)	-
Industrial	216,698	219,165	(1%)	(129)	(1%)
Academic & Governmental	107,205	98,971	8%	(1,281)	10%
Total	\$ 716,294	\$ 715,019	-	\$ (5,624)	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
Twelve Months Ended December 31, 2019 and December 31, 2018
(In thousands)

	Twelve Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate ^(a)
	December 31, 2019	December 31, 2018			
NET SALES - OPERATING SEGMENT					
Waters	\$ 2,137,483	\$ 2,139,345	-	\$ (34,801)	2%
TA	269,113	280,584	(4%)	(2,532)	(3%)
Total	\$ 2,406,596	\$ 2,419,929	(1%)	\$ (37,333)	1%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 1,155,171	\$ 1,204,706	(4%)	\$ (15,459)	(3%)
Service	839,407	814,936	3%	(14,527)	5%
Chemistry	412,018	400,287	3%	(7,347)	5%
Total Recurring	1,251,425	1,215,223	3%	(21,874)	5%
Total	\$ 2,406,596	\$ 2,419,929	(1%)	\$ (37,333)	1%
NET SALES - GEOGRAPHY					
Asia	\$ 939,112	\$ 922,291	2%	\$ (10,107)	3%
Americas	830,241	835,177	(1%)	(930)	-
Europe	637,243	662,461	(4%)	(26,296)	-
Total	\$ 2,406,596	\$ 2,419,929	(1%)	\$ (37,333)	1%
NET SALES - MARKETS					
Pharmaceutical	\$ 1,365,275	\$ 1,365,731	-	\$ (27,681)	2%
Industrial	719,377	737,144	(2%)	(5,448)	(2%)
Academic & Governmental	321,944	317,054	2%	(4,204)	3%
Total	\$ 2,406,596	\$ 2,419,929	(1%)	\$ (37,333)	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 & Twelve Months Ended December 31, 2019 and December 31, 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 December 31, 2019								
GAAP	\$ 143,737	\$ 236,417	33.0%	\$ (2,223)	\$ 224,388	\$ 23,719	\$ 200,669	\$ 3.12
Adjustments:								
Purchased intangibles amortization ^(b)	(2,529)	2,529	0.4%	-	2,529	512	2,017	0.03
Restructuring costs and certain other items ^(c)	(1,810)	1,810	0.3%	-	1,810	483	1,327	0.02
Pension expenses ^(d)	-	-	-	1,602	1,602	385	1,217	0.02
Certain income tax items ^(e)	-	-	-	-	-	(714)	714	0.01
Adjusted Non-GAAP	\$ 139,398	\$ 240,756	33.6%	\$ (621)	\$ 230,329	\$ 24,385	\$ 205,944	\$ 3.20
Three Months Ended December 31, 2018								
GAAP	\$ 145,512	\$ 244,532	34.2%	\$ (45,501)	\$ 197,806	\$ 12,654	\$ 185,152	\$ 2.46
Adjustments:								
Purchased intangibles amortization ^(b)	(2,337)	2,337	0.3%	-	2,337	674	1,663	0.02
Restructuring costs and certain other items ^(c)	194	(194)	-	-	(194)	1	(195)	-
Pension termination ^(f)	-	-	-	45,891	45,891	15,879	30,012	0.40
Litigation provision ^(g)	(322)	322	-	-	322	77	245	-
Tax reform ^(h)	-	-	-	-	-	1,073	(1,073)	(0.01)
Certain income tax items ^(e)	-	-	-	-	-	(726)	726	0.01
Adjusted Non-GAAP	\$ 143,047	\$ 246,997	34.5%	\$ 390	\$ 246,162	\$ 29,632	\$ 216,530	\$ 2.87
Twelve Months Ended December 31, 2019								
GAAP	\$ 544,484	\$ 708,457	29.4%	\$ (3,586)	\$ 678,239	\$ 86,041	\$ 592,198	\$ 8.69
Adjustments:								
Purchased intangibles amortization ^(b)	(9,693)	9,693	0.4%	-	9,693	2,032	7,661	0.11
Restructuring costs and certain other items ^(c)	(16,192)	16,192	0.7%	-	16,192	4,106	12,086	0.18
Pension expenses ^(d)	-	-	-	1,602	1,602	385	1,217	0.02
Tax reform ^(h)	-	-	-	-	-	3,229	(3,229)	(0.05)
Certain income tax items ^(e)	-	-	-	-	-	(2,622)	2,622	0.04
Adjusted Non-GAAP	\$ 518,599	\$ 734,342	30.5%	\$ (1,984)	\$ 705,726	\$ 93,171	\$ 612,555	\$ 8.99
Twelve Months Ended December 31, 2018								
GAAP	\$ 544,188	\$ 739,774	30.6%	\$ (47,794)	\$ 682,146	\$ 88,352	\$ 593,794	\$ 7.65
Adjustments:								
Purchased intangibles amortization ^(b)	(7,712)	7,712	0.3%	-	7,712	1,609	6,103	0.08
Restructuring costs and certain other items ^(c)	(2,244)	2,244	0.1%	-	2,244	550	1,694	0.02
Pension termination ^(f)	-	-	-	49,138	49,138	16,659	32,479	0.42
Litigation settlement ^(g)	426	(426)	-	-	(426)	(102)	(324)	-
Stock award modification ⁽ⁱ⁾	(1,014)	1,014	-	-	1,014	243	771	0.01
Tax reform ^(h)	-	-	-	-	-	(5,157)	5,157	0.07
Certain income tax items ^(e)	-	-	-	-	-	(4,111)	4,111	0.05
Adjusted Non-GAAP	\$ 533,644	\$ 750,318	31.0%	\$ 1,344	\$ 741,828	\$ 98,043	\$ 643,785	\$ 8.29

(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, mergers and acquisition costs and certain other items were excluded as the Company believes that the cost to consolidate operations, reduce overhead, acquire companies 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 settlement and curtailment expenses associated with certain define benefit pension plans was excluded as the Company believes these expenses are not indicative of normal operating costs.

(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) 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.

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

(h) The provision for income taxes for the twelve months ended December 31, 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 twelve months December 31, 2018 included a \$5 million benefit and a \$1 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 December 31, 2019 and December 31, 2018, respectively.

(i) 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 Twelve Months Ended December 31, 2019 and December 31, 2018
(In thousands and unaudited)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash flows from operating activities:				
Net income	\$ 200,669	\$ 185,152	\$ 592,198	\$ 593,794
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,660	9,357	38,577	37,541
Depreciation and amortization	24,977	25,597	105,296	108,408
Change in operating assets and liabilities, net	(43,411)	(38,557)	(92,984)	(135,297)
Net cash provided by operating activities	<u>191,895</u>	<u>181,549</u>	<u>643,087</u>	<u>604,446</u>
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(53,618)	(31,864)	(163,823)	(96,079)
Asset acquisitions, net of cash acquired	-	-	-	(31,486)
Investment in unaffiliated companies	(1,593)	-	(8,843)	(7,615)
Net change in investments	(1,428)	457,448	941,468	1,818,482
Net cash (used in) provided by investing activities	<u>(56,639)</u>	<u>425,584</u>	<u>768,802</u>	<u>1,683,302</u>
Cash flows from financing activities:				
Net change in debt	325,308	(171)	532,256	(850,161)
Proceeds from stock plans	19,404	10,052	53,715	52,429
Purchases of treasury shares	(559,558)	(498,457)	(2,469,258)	(1,315,106)
Other cash flow from financing activities, net	3,709	(4,503)	10,609	(6,684)
Net cash used in financing activities	<u>(211,137)</u>	<u>(493,079)</u>	<u>(1,872,678)</u>	<u>(2,119,522)</u>
Effect of exchange rate changes on cash and cash equivalents	6,947	(7,147)	224	(14,265)
(Decrease) increase in cash and cash equivalents	<u>(68,934)</u>	<u>106,907</u>	<u>(460,565)</u>	<u>153,961</u>
Cash and cash equivalents at beginning of period	404,649	689,373	796,280	642,319
Cash and cash equivalents at end of period	<u>\$ 335,715</u>	<u>\$ 796,280</u>	<u>\$ 335,715</u>	<u>\$ 796,280</u>

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

Net cash provided by operating activities - GAAP	\$ 191,895	\$ 181,549	\$ 643,087	\$ 604,446
Adjustments:				
Additions to property, plant, equipment and software capitalization	(53,618)	(31,864)	(163,823)	(96,079)
Tax reform payments	-	(783)	29,109	53,716
Litigation settlement payment	-	-	-	15,400
Major facility renovations	19,276	5,059	67,624	10,505
One-time pension contributions	-	6,307	-	11,552
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 157,553</u>	<u>\$ 160,268</u>	<u>\$ 575,997</u>	<u>\$ 599,540</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 March 28, 2020			Twelve Months Ended December 31, 2020		
	Range			Range		
Projected Sales						
Projected constant-currency sales growth rate ^(a)	0%	-	2%	1%	-	3%
Projected currency impact	-	-	-	-	-	-
Projected sales growth rate as reported	0%	-	2%	1%	-	3%
Projected Earnings Per Diluted Share						
	Range			Range		
Projected GAAP earnings per diluted share	\$ 1.50	-	\$ 1.60	\$ 8.95	-	\$ 9.20
Adjustments:						
Purchased intangibles amortization	\$ 0.04	-	\$ 0.04	\$ 0.16	-	\$ 0.16
Certain income tax items	\$ 0.01	-	\$ 0.01	\$ 0.04	-	\$ 0.04
Projected adjusted non-GAAP earnings per diluted share	\$ 1.55	-	\$ 1.65	\$ 9.15	-	\$ 9.40

(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.