Waters Corporation and Subsidiaries

Reconciliation of GAAP to Adjusted Non-GAAP

Net Sales by Operating Segments, Products & Services, Geographies and Markets

Three Months Ended March 28, 2020 and March 30, 2019

(In thousands)

	Three Months Ended		Percent	Current Period Currency	Constant Currency
	March 28, 2020	March 30, 2019	Change	Impact	Growth Rate [(a)]
NET SALES - OPERATING SEGMENTS					
Waters	$ 414,211	$ 459,914	(10%)	$ (5,544)	(9%)
TA	50,728	53,948	(6%)	(853)	(4%)
Total	**$ 464,939**	**$ 513,862**	**(10%)**	**$ (6,397)**	**(8%)**
NET SALES - PRODUCTS & SERVICES					
Instruments	$ 176,938	$ 221,250	(20%)	$ (3,151)	(19%)
Service	190,756	193,359	(1%)	(2,047)	-
Chemistry	97,245	99,253	(2%)	(1,199)	(1%)
Total Recurring	288,001	292,612	(2%)	(3,246)	-
Total	**$ 464,939**	**$ 513,862**	**(10%)**	**$ (6,397)**	**(8%)**
NET SALES - GEOGRAPHIES					
Asia	$ 159,080	$ 200,512	(21%)	$ (2,977)	(19%)
Americas	172,176	181,868	(5%)	165	(5%)
Europe	133,683	131,482	2%	(3,585)	4%
Total	**$ 464,939**	**$ 513,862**	**(10%)**	**$ (6,397)**	**(8%)**
NET SALES - MARKETS					
Pharmaceutical	$ 272,563	$ 294,512	(7%)	$ (3,790)	(6%)
Industrial	143,354	155,218	(8%)	(1,621)	(7%)
Academic & Governmental	49,022	64,132	(24%)	(986)	(22%)
Total	**$ 464,939**	**$ 513,862**	**(10%)**	**$ (6,397)**	**(8%)**
NET SALES EXCLUDING CHINA					
Total Net Sales	$ 464,939	$ 513,862	(10%)	$ (6,397)	(8%)
China Net Sales	47,231	90,091	(48%)	(1,885)	(45%)
Net Sales Excluding China	**$ 417,708**	**$ 423,771**	**(1%)**	**$ (4,512)**	-

(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 28, 2020 and March 30, 2019
(In thousands, except per share data)

	Selling & Administrative Expenses[(a)]	Research & Development Expenses	Operating Income	Operating Income Percentage	Other (Expense) Income	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Quarter Ended March 28, 2020									
GAAP	**$ 151,026**	**$ 34,989**	**$ 68,280**	**14.7%**	**$ (374)**	**$ 57,863**	**$ 4,301**	**$ 53,562**	**$ 0.86**
Adjustments:									
Purchased intangibles amortization [(b)]	(2,625)	-	2,625	0.6%	-	2,625	522	2,103	0.03
Restructuring costs and certain other items [(c)]	(20,520)	-	20,520	4.4%	(309)	20,211	4,597	15,614	0.25
Litigation provisions [(d)]	(666)	-	666	0.1%	-	666	160	506	0.01
Certain income tax items [(e)]	-	-	-	-	-	-	(375)	375	0.01
Adjusted Non-GAAP	**$ 127,215**	**$ 34,989**	**$ 92,091**	**19.8%**	**$ (683)**	**$ 81,365**	**$ 9,205**	**$ 72,160**	**$ 1.15**
Quarter Ended March 30, 2019									
GAAP	**$ 136,620**	**$ 35,060**	**$ 121,151**	**23.6%**	**$ (525)**	**$ 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 [(f)]	-	-	-	-	-	-	3,229	(3,229)	(0.04)
Certain income tax items (e)	-	-	-	-	-	-	(674)	674	0.01
Adjusted Non-GAAP	**$ 124,278**	**$ 35,060**	**$ 133,493**	**26.0%**	**$ (525)**	**$ 129,720**	**$ 14,074**	**$ 115,646**	**$ 1.60**

(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) Litigation provisions were excluded as these items are isolated, unpredictable and not expected to recur regularly.
(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 provision for income taxes for the three months ended March 30, 2019 included a $3 million benefit 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.

Waters Corporation and Subsidiaries
Preliminary Condensed Consolidated Statements of Cash Flows
Three Months Ended March 28, 2020 and March 30, 2019
(In thousands and unaudited)

	Three Months Ended	
	March 28, 2020	**March 30, 2019**
Cash flows from operating activities:		
Net income	$ 53,562	$ 108,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	9,196	9,941
Depreciation and amortization	29,188	24,764
Change in operating assets and liabilities, net	59,689	32,088
Net cash provided by operating activities	151,635	175,779
Cash flows from investing activities:		
Additions to property, plant, equipment and software capitalization	(51,130)	(25,666)
Business acquisitions, net of cash acquired	(76,664)	-
Net change in investments	(2,381)	459,705
Net cash (used in) provided by investing activities	(130,175)	434,039
Cash flows from financing activities:		
Net change in debt	214,634	86
Proceeds from stock plans	11,743	27,631
Purchases of treasury shares	(196,226)	(753,105)
Other cash flow from financing activities, net	2,767	2,254
Net cash provided by (used in) financing activities	32,918	(723,134)
Effect of exchange rate changes on cash and cash equivalents	(32)	2,006
Increase (decrease) in cash and cash equivalents	54,346	(111,310)
Cash and cash equivalents at beginning of period	335,715	796,280
Cash and cash equivalents at end of period	$ 390,061	$ 684,970

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

Net cash provided by operating activities - GAAP	$ 151,635	$ 175,779
Adjustments:		
Additions to property, plant, equipment and software capitalization	(51,130)	(25,666)
Major facility renovations	20,543	7,496
Free Cash Flow - Adjusted Non-GAAP	$ 121,048	$ 157,609

(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.