

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 27, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: 01-14010

Waters Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3668640
(I.R.S. Employer
Identification No.)

34 Maple Street
Milford, Massachusetts 01757
(Address, including zip code, of principal executive offices)

(508) 478-2000
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	WAT	New York Stock Exchange, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of the registrant’s common stock as of July 24, 2020: 61,925,972

WATERS CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

INDEX

	<u>Page</u>
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Consolidated Balance Sheets (unaudited) as of June 27, 2020 and December 31, 2019	3
Consolidated Statements of Operations (unaudited) for the three months ended June 27, 2020 and June 29, 2019	4
Consolidated Statements of Operations (unaudited) for the six months ended June 27, 2020 and June 29, 2019	5
Consolidated Statements of Comprehensive Income (unaudited) for the three and six months ended June 27, 2020 and June 29, 2019	6
Consolidated Statements of Cash Flows (unaudited) for the six months ended June 27, 2020 and June 29, 2019	7
Consolidated Statements of Stockholders' Equity (Deficit) (unaudited) for the three months ended June 27, 2020 and June 29, 2019	8
Consolidated Statements of Stockholders' Equity (Deficit) (unaudited) for the six months ended June 27, 2020 and June 29, 2019	9
Condensed Notes to Consolidated Financial Statements (unaudited)	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3. Quantitative and Qualitative Disclosures About Market Risk	42
Item 4. Controls and Procedures	42
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	43
Item 1A. Risk Factors	43
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 6. Exhibits	45
Signature	46

Item 1: Financial Statements

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 27, 2020	December 31, 2019
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 339,036	\$ 335,715
Investments	16,720	1,429
Accounts receivable, net	496,276	587,734
Inventories	344,009	320,551
Other current assets	73,386	67,062
Total current assets	1,269,427	1,312,491
Property, plant and equipment, net	459,173	417,342
Intangible assets, net	248,993	240,203
Goodwill	427,492	356,128
Operating lease assets	88,619	93,358
Other assets	154,598	137,533
Total assets	<u>\$ 2,648,302</u>	<u>\$ 2,557,055</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable and debt	\$ 150,000	\$ 100,366
Accounts payable	50,325	49,001
Accrued employee compensation	33,329	43,467
Deferred revenue and customer advances	213,402	176,360
Current operating lease liabilities	26,862	27,125
Accrued income taxes	87,841	45,967
Accrued warranty	10,113	11,964
Other current liabilities	125,448	137,084
Total current liabilities	697,320	591,334
Long-term liabilities:		
Long-term debt	1,546,159	1,580,797
Long-term portion of retirement benefits	62,499	59,159
Long-term income tax liabilities	356,607	394,562
Long-term operating lease liabilities	63,828	66,881
Other long-term liabilities	113,631	80,603
Total long-term liabilities	2,142,724	2,182,002
Total liabilities	2,840,044	2,773,336
Commitments and contingencies (Notes 7, 8 and 12)		
Stockholders' deficit:		
Preferred stock, par value \$0.01 per share, 5,000 shares authorized, none issued at June 27, 2020 and December 31, 2019	—	—
Common stock, par value \$0.01 per share, 400,000 shares authorized, 161,273 and 161,030 shares issued, 61,916 and 62,587 shares outstanding at June 27, 2020 and December 31, 2019, respectively	1,613	1,610
Additional paid-in capital	1,959,498	1,926,753
Retained earnings	6,762,909	6,587,403
Treasury stock, at cost, 99,357 and 98,443 shares at June 27, 2020 and December 31, 2019, respectively	(8,788,872)	(8,612,576)
Accumulated other comprehensive loss	(126,890)	(119,471)
Total stockholders' deficit	(191,742)	(216,281)
Total liabilities and stockholders' deficit	<u>\$ 2,648,302</u>	<u>\$ 2,557,055</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	<u>June 27, 2020</u>	<u>June 29, 2019</u>
	(In thousands, except per share data)	
Revenues:		
Product sales	\$ 314,920	\$ 387,265
Service sales	<u>205,064</u>	<u>211,897</u>
Total net sales	519,984	599,162
Costs and operating expenses:		
Cost of product sales	134,802	156,975
Cost of service sales	78,332	92,571
Selling and administrative expenses	117,449	133,208
Research and development expenses	31,155	36,490
Purchased intangibles amortization	2,618	2,264
Litigation provision	<u>514</u>	<u>—</u>
Total costs and operating expenses	<u>364,870</u>	<u>421,508</u>
Operating income	155,114	177,654
Other expense	(736)	(342)
Interest expense	(13,018)	(11,448)
Interest income	<u>4,003</u>	<u>5,871</u>
Income before income taxes	145,363	171,735
Provision for income taxes	<u>22,434</u>	<u>27,325</u>
Net income	<u>\$ 122,929</u>	<u>\$ 144,410</u>
Net income per basic common share	\$ 1.98	\$ 2.09
Weighted-average number of basic common shares	61,944	68,989
Net income per diluted common share	\$ 1.98	\$ 2.08
Weighted-average number of diluted common shares and equivalents	62,184	69,494

The accompanying notes are an integral part of the interim consolidated financial statements.

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Six Months Ended	
	June 27, 2020	June 29, 2019
	(In thousands, except per share data)	
Revenues:		
Product sales	\$ 589,103	\$ 707,768
Service sales	395,820	405,256
Total net sales	984,923	1,113,024
Costs and operating expenses:		
Cost of product sales	254,641	289,365
Cost of service sales	169,137	181,212
Selling and administrative expenses	265,184	267,547
Research and development expenses	66,144	71,550
Purchased intangibles amortization	5,243	4,545
Litigation provision	1,180	—
Total costs and operating expenses	761,529	814,219
Operating income	223,394	298,805
Other expense	(1,110)	(867)
Interest expense	(27,097)	(23,011)
Interest income	8,039	14,186
Income before income taxes	203,226	289,113
Provision for income taxes	26,735	35,717
Net income	<u>\$ 176,491</u>	<u>\$ 253,396</u>
Net income per basic common share	\$ 2.84	\$ 3.60
Weighted-average number of basic common shares	62,085	70,331
Net income per diluted common share	\$ 2.83	\$ 3.57
Weighted-average number of diluted common shares and equivalents	62,404	70,904

The accompanying notes are an integral part of the interim consolidated financial statements.

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 27,</u>	<u>June 29,</u>	<u>June 27,</u>	<u>June 29,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>(In thousands)</u>		<u>(In thousands)</u>	
Net income	\$122,929	\$144,410	\$176,491	\$253,396
Other comprehensive income (loss):				
Foreign currency translation	11,587	(7,031)	(7,757)	491
Unrealized gains on investments before income taxes	—	710	—	3,054
Income tax expense	—	(157)	—	(704)
Unrealized gains on investments, net of tax	—	553	—	2,350
Retirement liability adjustment before reclassifications	(522)	(41)	(226)	(102)
Amounts reclassified to other income	336	90	676	183
Retirement liability adjustment before income taxes	(186)	49	450	81
Income tax benefit (expense)	126	(23)	(112)	(47)
Retirement liability adjustment, net of tax	(60)	26	338	34
Other comprehensive income (loss)	11,527	(6,452)	(7,419)	2,875
Comprehensive income	<u>\$134,456</u>	<u>\$137,958</u>	<u>\$169,072</u>	<u>\$256,271</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended	
	June 27, 2020	June 29, 2019
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 176,491	\$ 253,396
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	18,122	19,255
Deferred income taxes	(777)	1,632
Depreciation	33,220	28,704
Amortization of intangibles	26,983	24,911
Change in operating assets and liabilities:		
Decrease in accounts receivable	86,978	52,508
Increase in inventories	(27,089)	(62,200)
Increase in other current assets	(14,699)	(11,627)
Decrease (increase) in other assets	8,238	(15,060)
Increase (decrease) in accounts payable and other current liabilities	34,714	(10,439)
Increase in deferred revenue and customer advances	37,558	54,672
Effect of the 2017 Tax Cuts & Jobs Act	—	(3,229)
Decrease in other liabilities	(29,293)	(29,720)
Net cash provided by operating activities	350,446	302,803
Cash flows from investing activities:		
Additions to property, plant, equipment and software capitalization	(97,029)	(65,188)
Business acquisitions, net of cash acquired	(76,664)	—
Investment in unaffiliated companies	(3,350)	(4,750)
Purchases of investments	(16,828)	(35,523)
Maturities and sales of investments	1,536	890,524
Net cash (used in) provided by investing activities	(192,335)	785,063
Cash flows from financing activities:		
Proceeds from debt issuances	315,000	363
Payments on debt	(300,366)	(245)
Proceeds from stock plans	14,739	30,129
Purchases of treasury shares	(196,297)	(1,329,635)
Proceeds from derivative contracts	7,558	4,654
Net cash used in financing activities	(159,366)	(1,294,734)
Effect of exchange rate changes on cash and cash equivalents	4,576	(1,414)
Increase (decrease) in cash and cash equivalents	3,321	(208,282)
Cash and cash equivalents at beginning of period	335,715	796,280
Cash and cash equivalents at end of period	<u>\$ 339,036</u>	<u>\$ 587,998</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(unaudited, in thousands)

	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance March 30, 2019	160,825	\$ 1,608	\$1,872,216	\$6,104,191	\$(6,901,629)	\$ (108,644)	\$ 967,742
Net income	—	—	—	144,410	—	—	144,410
Other comprehensive loss	—	—	—	—	—	(6,452)	(6,452)
Issuance of common stock for employees:							
Employee Stock Purchase Plan	15	—	2,498	—	—	—	2,498
Treasury stock	—	—	—	—	(561,197)	—	(561,197)
Stock-based compensation	1	—	9,244	—	—	—	9,244
Balance June 29, 2019	<u>160,841</u>	<u>\$ 1,608</u>	<u>\$1,883,958</u>	<u>\$6,248,601</u>	<u>\$(7,462,826)</u>	<u>\$ (115,096)</u>	<u>\$ 556,245</u>
	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
Balance March 28, 2020	161,253	\$ 1,613	\$1,947,626	\$6,639,980	\$(8,788,801)	\$ (138,417)	\$ (337,999)
Net income	—	—	—	122,929	—	—	122,929
Other comprehensive income	—	—	—	—	—	11,527	11,527
Issuance of common stock for employees:							
Employee Stock Purchase Plan	12	—	2,216	—	—	—	2,216
Stock options exercised	6	—	779	—	—	—	779
Treasury stock	—	—	—	—	(71)	—	(71)
Stock-based compensation	2	—	8,877	—	—	—	8,877
Balance June 27, 2020	<u>161,273</u>	<u>\$ 1,613</u>	<u>\$1,959,498</u>	<u>\$6,762,909</u>	<u>\$(8,788,872)</u>	<u>\$ (126,890)</u>	<u>\$ (191,742)</u>

The accompanying notes are an integral part of the consolidated financial statements.

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(unaudited, in thousands)

	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance December 31, 2018	160,472	\$ 1,605	\$1,834,741	\$5,995,205	\$(6,146,322)	\$ (117,971)	\$ 1,567,258
Net income	—	—	—	253,396	—	—	253,396
Other comprehensive income	—	—	—	—	—	2,875	2,875
Issuance of common stock for employees:							
Employee Stock Purchase Plan	25	—	4,168	—	—	—	4,168
Stock options exercised	239	2	26,097	—	—	—	26,099
Treasury stock	—	—	—	—	(1,316,504)	—	(1,316,504)
Stock-based compensation	105	1	18,952	—	—	—	18,953
Balance June 29, 2019	<u>160,841</u>	<u>\$ 1,608</u>	<u>\$1,883,958</u>	<u>\$6,248,601</u>	<u>\$(7,462,826)</u>	<u>\$ (115,096)</u>	<u>\$ 556,245</u>
	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balance December 31, 2019	161,030	\$ 1,610	\$1,926,753	\$6,587,403	\$(8,612,576)	\$ (119,471)	\$ (216,281)
Net income	—	—	—	176,491	—	—	176,491
Adoption of new accounting pronouncement	—	—	—	(985)	—	—	(985)
Other comprehensive loss	—	—	—	—	—	(7,419)	(7,419)
Issuance of common stock for employees:							
Employee Stock Purchase Plan	21	—	3,952	—	—	—	3,952
Stock options exercised	87	1	10,904	—	—	—	10,905
Treasury stock	—	—	—	—	(176,296)	—	(176,296)
Stock-based compensation	135	2	17,889	—	—	—	17,891
Balance June 27, 2020	<u>161,273</u>	<u>\$ 1,613</u>	<u>\$1,959,498</u>	<u>\$6,762,909</u>	<u>\$(8,788,872)</u>	<u>\$ (126,890)</u>	<u>\$ (191,742)</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1 Basis of Presentation and Summary of Significant Accounting Policies

Waters Corporation (the “Company,” “we,” “our,” or “us”) is a specialty measurement company that operates with a fundamental underlying purpose to advance the science that enables our customers to enhance human health and well-being. The Company has pioneered analytical workflow solutions involving liquid chromatography, mass spectrometry and thermal analysis innovations serving the life, materials and food sciences for more than 60 years. The Company primarily designs, manufactures, sells and services high performance liquid chromatography (“HPLC”), ultra performance liquid chromatography (“UPLCTM” and, together with HPLC, referred to as “LC”) and mass spectrometry (“MS”) technology systems and support products, including chromatography columns, other consumable products and comprehensive post-warranty service plans. These systems are complementary products that are frequently employed together (“LC-MS”) and sold as integrated instrument systems using common software platforms. LC is a standard technique and is utilized in a broad range of industries to detect, identify, monitor and measure the chemical, physical and biological composition of materials, and to purify a full range of compounds. MS technology, principally in conjunction with chromatography, is employed in drug discovery and development, including clinical trial testing, the analysis of proteins in disease processes (known as “proteomics”), nutritional safety analysis and environmental testing. LC-MS instruments combine a liquid phase sample introduction and separation system with mass spectrometric compound identification and quantification. In addition, the Company designs, manufactures, sells and services thermal analysis, rheometry and calorimetry instruments through its TATM product line. These instruments are used in predicting the suitability and stability of fine chemicals, pharmaceuticals, water, polymers, metals and viscous liquids for various industrial, consumer goods and healthcare products, as well as for life science research. The Company is also a developer and supplier of advanced software-based products that interface with the Company’s instruments, as well as other manufacturers’ instruments.

The Company’s interim fiscal quarter typically ends on the thirteenth Saturday of each quarter. Since the Company’s fiscal year end is December 31, the first and fourth fiscal quarters may have more or less than thirteen complete weeks. The Company’s second fiscal quarters for 2020 and 2019 ended on June 27, 2020 and June 29, 2019, respectively.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the instructions to the Quarterly Report on Form 10-Q and do not include all of the information and footnote disclosures required for annual financial statements prepared in accordance with generally accepted accounting principles (“U.S. GAAP”) in the United States of America. The consolidated financial statements include the accounts of the Company and its subsidiaries, which are wholly owned. All inter-company balances and transactions have been eliminated.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities at the dates of the financial statements. Actual amounts may differ from these estimates under different assumptions or conditions.

It is management’s opinion that the accompanying interim consolidated financial statements reflect all adjustments (which are normal and recurring) that are necessary for a fair statement of the results for the interim periods. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the U.S. Securities and Exchange Commission (“SEC”) on February 25, 2020.

Risks and Uncertainties

The Company is subject to risks common to companies in the analytical instrument industry, including, but not limited to, global economic and financial market conditions, fluctuations in foreign currency exchange rates, fluctuations in customer demand, development by its competitors of new technological innovations, costs of developing new technologies, levels of debt and debt service requirements, risk of disruption, dependence on key personnel, protection and litigation of proprietary technology, shifts in taxable income between tax jurisdictions and compliance with regulations of the U.S. Food and Drug Administration and similar foreign regulatory authorities and agencies.

Both the Company’s domestic and international operations have been and continue to be adversely affected by the ongoing global pandemic of a novel strain of coronavirus (“COVID-19”) and the resulting volatility and uncertainty it has caused in the U.S. and international markets. In March 2020, the World Health Organization declared COVID-19 a pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Trump announced a National Emergency relating to the disease. Since then, COVID-19 has continued to spread

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

throughout the U.S. and globally. The COVID-19 pandemic has caused significant volatility and uncertainty in U.S. and international markets, which has disrupted and is expected to continue to disrupt the Company's business and could result in a prolonged economic downturn. The Company operates in over 35 countries, including those in the regions most impacted by the COVID-19 pandemic.

In the six months ended June 27, 2020 as compared to the six months ended June 29, 2019, the Company experienced a decline in net sales of 12% due in large part to the COVID-19 pandemic and related economic uncertainty; however, through the date of the issuance of these financial statements, the Company's consolidated financial position, results of operations and cash flows have not been materially impacted and, thus, the Company concluded that no goodwill or long-lived asset impairment analyses were required. Further, there have been no violations of debt covenants. Any prolonged material disruption to the Company's employees, suppliers, manufacturing, or customers could result in a material impact to its consolidated financial position, results of operations or cash flows in the future.

Translation of Foreign Currencies

The functional currency of each of the Company's foreign operating subsidiaries is the local currency of its country of domicile, except for the Company's subsidiaries in Hong Kong, Singapore and the Cayman Islands, where the underlying transactional cash flows are denominated in currencies other than the respective local currency of domicile. The functional currency of the Hong Kong, Singapore and Cayman Islands subsidiaries is the U.S. dollar, based on the respective entity's cash flows.

For most of the Company's foreign operations, assets and liabilities are translated into U.S. dollars at exchange rates prevailing on the balance sheet date, while revenues and expenses are translated at average exchange rates prevailing during the respective period. Any resulting translation gains or losses are included in accumulated other comprehensive income in the consolidated balance sheets.

Cash, Cash Equivalents and Investments

Cash equivalents represent highly liquid investments, with original maturities of 90 days or less, while investments with longer maturities are classified as investments. The Company maintains cash balances in various operating accounts in excess of federally insured limits, and in foreign subsidiary accounts in currencies other than the U.S. dollar. As of June 27, 2020 and December 31, 2019, \$288 million out of \$356 million and \$249 million out of \$337 million, respectively, of the Company's total cash, cash equivalents and investments were held by foreign subsidiaries. In addition, \$204 million out of \$356 million and \$176 million out of \$337 million of cash, cash equivalents and investments were held in currencies other than the U.S. dollar at June 27, 2020 and December 31, 2019, respectively.

Accounts Receivable and Allowance for Credit Losses

The Company adopted new accounting guidance regarding the accounting for credit losses as of January 1, 2020 using a modified retrospective transition approach that was applied to the trade receivable balance as of January 1, 2020. This new accounting guidance required the Company to move from an incurred loss model to a current expected credit loss ("CECL") model. Upon adoption, the Company recorded a net decrease of approximately \$1 million to the Company's stockholders' deficit as of January 1, 2020. The adoption of this standard did not have a material impact on the Company's balance sheets, results of operations or cash flows.

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company has very limited use of rebates and other cash considerations payable to customers and, as a result, the transaction price determination does not have any material variable consideration. The Company does not consider there to be significant concentrations of credit risk with respect to trade receivables due to the short-term nature of the balances, the Company having a large and diverse customer base, and the Company having a strong historical experience of collecting receivables with minimal defaults. As a result, credit risk is considered low across territories and trade receivables are considered to be a single class of financial asset. The allowance for credit losses is based on a number of factors and is calculated by applying a historical loss rate to trade receivable aging balances to estimate a general reserve balance along with an additional adjustment for any specific receivables with known or anticipated issues affecting the likelihood of recovery. Past due balances with a probability of default based on historical data as well as relevant

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

available forward-looking information are included in the specific adjustment. The historical loss rate is reviewed on at least an annual basis and the allowance for credit losses is reviewed quarterly for any required adjustments. The Company does not have any off-balance sheet credit exposure related to its customers.

Trade receivables related to instrument sales are collateralized by the instrument that is sold. If there is a risk of default related to a receivable that is collateralized, then the fair value of the collateral is calculated and adjusted for the cost to re-possess, refurbish and re-sell the instrument. This adjusted fair value is compared to the receivable balance and the difference would be recorded as the expected credit loss.

Any recovery of amounts that were written off prior to adoption of the new CECL standard that are received after adoption are recorded in income in the period in which they are received.

The following is a summary of the activity of the Company's allowance for doubtful accounts for the three and six months ended June 27, 2020 and June 29, 2019 (in thousands). The June 27, 2020 balance is calculated using the CECL method and the June 29, 2019 balance is calculated using the incurred loss method under legacy GAAP:

	<u>Balance at Beginning of Period</u>	<u>Impact of CECL Adoption</u>	<u>Additions</u>	<u>Deduction</u>	<u>Balance at End of Period</u>
Allowance for Doubtful Accounts					
June 27, 2020	\$ 9,560	\$ 985	\$ 6,664	\$ (3,901)	\$ 13,308
June 29, 2019	\$ 7,663	\$ —	\$ 3,793	\$ (3,426)	\$ 8,030

Other Investments

During the six months ended June 27, 2020 and June 29, 2019, the Company made investments in unaffiliated companies of \$3 million and \$5 million, respectively.

During the three and six months ended June 27, 2020, the Company recorded an unrealized loss on an equity security still held at the reporting date of approximately \$1 million within other expense on the income statement. This unrealized loss was recorded as a downward price adjustment to the carrying value of the investment due to an observable price change of a similar security issued during the current period.

Fair Value Measurements

In accordance with the accounting standards for fair value measurements and disclosures, certain of the Company's assets and liabilities are measured at fair value on a recurring basis as of June 27, 2020 and December 31, 2019. Fair values determined by Level 1 inputs utilize observable data, such as quoted prices in active markets. Fair values determined by Level 2 inputs utilize data points other than quoted prices in active markets that are observable either directly or indirectly. Fair values determined by Level 3 inputs utilize unobservable data points for which there is little or no market data, which require the reporting entity to develop its own assumptions.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis at June 27, 2020 (in thousands):

	<u>Total at June 27, 2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Time deposits	\$16,720	\$ —	\$ 16,720	\$ —
Waters 401(k) Restoration Plan assets	33,453	33,453	—	—
Foreign currency exchange contracts	366	—	366	—
Interest rate cross-currency swap agreements	4,392	—	4,392	—
Total	<u>\$54,931</u>	<u>\$ 33,453</u>	<u>\$ 21,478</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	\$ 2,787	\$ —	\$ —	\$ 2,787
Foreign currency exchange contracts	733	—	733	—
Total	<u>\$ 3,520</u>	<u>\$ —</u>	<u>\$ 733</u>	<u>\$ 2,787</u>

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2019 (in thousands):

	<u>Total at December 31, 2019</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Time deposits	\$ 1,642	\$ —	\$ 1,642	\$ —
Waters 401(k) Restoration Plan assets	30,158	30,158	—	—
Foreign currency exchange contracts	16	—	16	—
Interest rate cross-currency swap agreements	4,485	—	4,485	—
Total	<u>\$ 36,301</u>	<u>\$ 30,158</u>	<u>\$ 6,143</u>	<u>\$ —</u>
Liabilities:				
Contingent consideration	\$ 2,557	\$ —	\$ —	\$ 2,557
Foreign currency exchange contracts	1,028	—	1,028	—
Total	<u>\$ 3,585</u>	<u>\$ —</u>	<u>\$ 1,028</u>	<u>\$ 2,557</u>

Fair Value of 401(k) Restoration Plan Assets

The 401(k) Restoration Plan is a nonqualified defined contribution plan and the assets were held in registered mutual funds and have been classified as Level 1. The fair values of the assets in the plan are determined through market and observable sources from daily quoted prices on nationally recognized securities exchanges.

Fair Value of Cash Equivalents, Investments, Foreign Currency Exchange Contracts and Interest Rate Cross-Currency Swap Agreements

The fair values of the Company's cash equivalents, investments and foreign currency exchange contracts are determined through market and observable sources and have been classified as Level 2. These assets and liabilities

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

have been initially valued at the transaction price and subsequently valued, typically utilizing third-party pricing services. The pricing services use many inputs to determine value, including reportable trades, benchmark yields, credit spreads, broker/dealer quotes, current spot rates and other industry and economic events. The Company validates the prices provided by third-party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources.

Fair Value of Contingent Consideration

The fair value of the Company's liability for contingent consideration relates to earnout payments in connection with the July 2014 acquisition of Medimass Research, Development and Service Kft. and is determined using a probability-weighted discounted cash flow model, which uses significant unobservable inputs, and has been classified as Level 3. Subsequent changes in the fair value of the contingent consideration liability are recorded in the results of operations. The fair value of the contingent consideration liability associated with future earnout payments is based on several factors, including the estimated future results and a discount rate that reflects both the likelihood of achieving the estimated future results and the Company's creditworthiness. A change in any of these unobservable inputs can significantly change the fair value of the contingent consideration. Although there is no contractual limit, the fair value of future contingent consideration payments was estimated to be \$3 million at both June 27, 2020 and December 31, 2019, based on the Company's best estimate, as the earnout is based on future sales of certain products, some of which are currently in development, through 2034.

Fair Value of Other Financial Instruments

The Company's accounts receivable, accounts payable and variable interest rate debt are recorded at cost, which approximates fair value due to their short-term nature. The carrying value of the Company's fixed interest rate debt was \$910 million and \$1.0 billion at June 27, 2020 and December 31, 2019, respectively. The fair value of the Company's fixed interest rate debt was estimated using discounted cash flow models, based on estimated current rates offered for similar debt under current market conditions for the Company. The fair value of the Company's fixed interest rate debt was estimated to be \$938 million and \$1.0 billion at June 27, 2020 and December 31, 2019, respectively, using Level 2 inputs.

Derivative Transactions

The Company is a global company that operates in over 35 countries and, as a result, the Company's net sales, cost of sales, operating expenses and balance sheet amounts are significantly impacted by fluctuations in foreign currency exchange rates. The Company is exposed to currency price risk on foreign currency exchange rate fluctuations when it translates its non-U.S. dollar foreign subsidiaries' financial statements into U.S. dollars and when any of the Company's subsidiaries purchase or sell products or services in a currency other than its own currency.

The Company's principal strategies in managing exposures to changes in foreign currency exchange rates are to (1) naturally hedge the foreign-currency-denominated liabilities on the Company's balance sheet against corresponding assets of the same currency, such that any changes in liabilities due to fluctuations in foreign currency exchange rates are typically offset by corresponding changes in assets and (2) mitigate foreign exchange risk exposure of international operations by hedging the variability in the movement of foreign currency exchange rates on a portion of its Euro-denominated net asset investments. The Company presents the derivative transactions in financing activities in the statement of cash flows.

Foreign Currency Exchange Contracts

The Company does not specifically enter into any derivatives that hedge foreign-currency-denominated operating assets, liabilities or commitments on its balance sheet, other than a portion of certain third-party accounts receivable and accounts payable, and the Company's net worldwide intercompany receivables and payables, which are eliminated in consolidation. The Company periodically aggregates its net worldwide balances by currency and then enters into foreign currency exchange contracts that mature within 90 days to hedge a portion of the remaining balance to minimize some of the Company's currency price risk exposure. The foreign currency exchange contracts are not designated for hedge accounting treatment. Principal hedged currencies include the Euro, Japanese yen, British pound, Mexican peso and Brazilian real.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

Interest Rate Cross-Currency Swap Agreements

As of June 27, 2020, the Company had entered into three-year interest rate cross-currency swap derivative agreements with an aggregate notional value of \$560 million to hedge the variability in the movement of foreign currency exchange rates on a portion of its Euro-denominated net asset investments. Under hedge accounting, the change in fair value of the derivative that relates to changes in the foreign currency spot rate are recorded in the currency translation adjustment in other comprehensive income and remain in accumulated comprehensive income in stockholders' (deficit) equity until the sale or substantial liquidation of the foreign operation. The difference between the interest rate received and paid under the interest rate cross-currency swap derivative agreement is recorded in interest income in the statement of operations.

The Company's foreign currency exchange contracts and interest rate cross-currency swap agreements included in the consolidated balance sheets are classified as follows (in thousands):

	June 27, 2020		December 31, 2019	
	Notional Value	Fair Value	Notional Value	Fair Value
Foreign currency exchange contracts:				
Other current assets	\$ 29,735	\$ 366	\$ 119,576	\$ 16
Other current liabilities	\$ 91,393	\$ 733	\$ 29,495	\$ 1,028
Interest rate cross-currency swap agreements:				
Other assets	\$ 560,000	\$ 4,392	\$ 560,000	\$ 4,485
Accumulated other comprehensive income		\$ (4,392)		\$ (4,485)

The following is a summary of the activity included in the statements of comprehensive income related to the foreign currency exchange contracts (in thousands):

	Financial Statement Classification	Three Months Ended		Six Months Ended	
		June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Foreign currency exchange contracts:					
Realized gains (losses) on closed contracts	Cost of sales	\$ 1,823	\$ 136	\$ (1,157)	\$ (407)
Unrealized (losses) gains on open contracts	Cost of sales	(678)	(3,044)	646	(2,518)
Cumulative net pre-tax gains (losses)	Cost of sales	<u>\$ 1,145</u>	<u>\$(2,908)</u>	<u>\$ (511)</u>	<u>\$(2,925)</u>
Interest rate cross-currency swap agreements:					
Interest earned	Interest income	\$ 3,784	\$ 2,923	\$ 7,498	\$ 5,150
Unrealized (losses) gains on open contracts	Stockholders' equity	\$(5,615)	\$(6,022)	\$ (93)	\$ 1,098

Stockholders' Equity

In January 2019, the Company's Board of Directors authorized the Company to repurchase up to \$4 billion of its outstanding common stock over a two-year period. This program replaced the remaining amounts available from the pre-existing program. During the six months ended June 27, 2020 and June 29, 2019, the Company repurchased 0.8 million and 5.9 million shares of the Company's outstanding common stock at a cost of \$167 million and \$1.3 billion, respectively, under the January 2019 authorization and other previously announced programs. As of June 27, 2020, the Company had repurchased an aggregate of 11.1 million shares at a cost of \$2.5 billion under the January 2019 repurchase program and had a total of \$1.5 billion authorized for future repurchases. In addition, the Company repurchased \$9 million and \$8 million of common stock related to the vesting of restricted stock units during the six months ended June 27, 2020 and June 29, 2019, respectively. While the Company believes that it has the financial flexibility to fund these share repurchases given current cash levels and debt borrowing capacity, as well as to invest in research, technology and business acquisitions, the Company has temporarily suspended its share repurchases due to the uncertain business conditions caused by the COVID-19 pandemic.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

The Company had \$20 million of treasury stock purchases that were accrued and unsettled at December 31, 2019. These transactions were settled in January 2020. There were no unsettled treasury stock purchases as of June 27, 2020, while the Company had accrued \$10 million for such purchases as of June 29, 2019, which settled in the subsequent quarter.

Product Warranty Costs

The Company accrues estimated product warranty costs at the time of sale, which are included in cost of sales in the consolidated statements of operations. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, the Company's warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. The amount of the accrued warranty liability is based on historical information, such as past experience, product failure rates, number of units repaired and estimated costs of material and labor. The liability is reviewed for reasonableness at least quarterly.

The following is a summary of the activity of the Company's accrued warranty liability for the six months ended June 27, 2020 and June 29, 2019 (in thousands):

	Balance at Beginning of Period	Accruals for Warranties	Settlements Made	Balance at End of Period
Accrued warranty liability:				
June 27, 2020	\$ 11,964	\$ 3,577	\$ (5,428)	\$ 10,113
June 29, 2019	\$ 12,300	\$ 3,571	\$ (4,288)	\$ 11,583

Restructuring

In January 2020, the Company made organizational changes to better align its resources with its growth and innovation strategies, resulting in a worldwide workforce reduction, impacting 3% of the Company's employees. During the three and six months ended June 27, 2020, the Company incurred \$18 million and \$3 million, respectively, of severance-related costs, lease termination costs and other related costs. The Company expects to incur an additional \$6 million of costs for the remainder of the year.

2 Revenue Recognition

The Company's deferred revenue liabilities on the consolidated balance sheets consist of the obligation on instrument service contracts and customer payments received in advance, prior to transfer of control of the instrument. The Company records deferred revenue primarily related to its service contracts, where consideration is billable at the beginning of the service period.

The following is a summary of the activity of the Company's deferred revenue and customer advances for the six months ended June 27, 2020 and June 29, 2019 (in thousands):

	June 27, 2020	June 29, 2019
Balance at the beginning of the period	\$ 213,695	\$ 204,257
Recognition of revenue included in balance at beginning of the period	(141,297)	(172,949)
Revenue deferred during the period, net of revenue recognized	195,444	229,162
Balance at the end of the period	<u>\$ 267,842</u>	<u>\$ 260,470</u>

The Company classified \$54 million and \$38 million of deferred revenue and customer advances in other long-term liabilities at June 27, 2020 and December 31, 2019, respectively.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

The amount of deferred revenue and customer advances equals the transaction price allocated to unfulfilled performance obligations for the period presented. Such amounts are expected to be recognized in the future as follows (in thousands):

	<u>June 27, 2020</u>
Deferred revenue and customer advances expected to be recognized in:	
One year or less	\$ 213,402
13-24 months	34,151
25 months and beyond	20,289
Total	<u>\$ 267,842</u>

3 Marketable Securities

The Company's marketable securities within cash equivalents and investments included in the consolidated balance sheets are detailed as follows (in thousands):

	<u>June 27, 2020</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
Time deposits	16,720	—	—	16,720
Total	<u>\$ 16,720</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$16,720</u>
Amounts included in:				
Investments	16,720	—	—	16,720
Total	<u>\$ 16,720</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$16,720</u>

	<u>December 31, 2019</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
Time deposits	1,642	—	—	1,642
Total	<u>\$ 1,642</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,642</u>
Amounts included in:				
Cash equivalents	\$ 213	\$ —	\$ —	\$ 213
Investments	1,429	—	—	1,429
Total	<u>\$ 1,642</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,642</u>

The estimated fair value of marketable debt securities by maturity date is as follows (in thousands):

	<u>June 27, 2020</u>	<u>December 31, 2019</u>
Due in one year or less	\$ 16,720	\$ 1,642
Total	<u>\$ 16,720</u>	<u>\$ 1,642</u>

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

4 Inventories

Inventories are classified as follows (in thousands):

	June 27, 2020	December 31, 2019
Raw materials	\$ 139,452	\$ 126,850
Work in progress	15,878	15,457
Finished goods	188,679	178,244
Total inventories	<u>\$ 344,009</u>	<u>\$ 320,551</u>

5 Acquisitions

On January 15, 2020, the Company acquired all of the outstanding stock of Andrew Alliance, S.A. and its two operating subsidiaries, Andrew Alliance USA, Inc. and Andrew Alliance France, SASU (collectively, “Andrew Alliance”), for \$80 million, net of cash acquired. The Company had an equity investment in Andrew Alliance that was valued at \$4 million and included as part of the total consideration.

Andrew Alliance offers lab workflow automation solutions with the combination of its software platform and smart, connected laboratory equipment and accessories.

The Company allocated \$7 million of the purchase price to intangible assets comprised of developed technology, trade name and customer relationships. The developed technology and customer relationships will be amortized over ten years and the trade name will be amortized over 3 years. The Company allocated \$72 million of the purchase price to goodwill, which is not deductible for tax purposes. The principal factor that resulted in recognition of goodwill in the acquisition was that the purchase price was based, in part, on cash flow projections assuming the integration of any acquired technology, distribution channels and products with the Company’s products, which are higher than if the acquired companies’ technology, customer access or products were utilized on a stand-alone basis. The goodwill also includes value assigned to assembled workforce, which cannot be recognized as an intangible asset.

In addition, the sellers provided the Company with customary representations, warranties and indemnification, which would be settled in the future if and when a breach of the contractual representation or warranty condition occurs.

The fair values of the assets and liabilities acquired were determined using various income-approach valuation techniques, which use Level 3 inputs. The following table presents the fair values as of the acquisition date, as determined by the Company, of 100% of the assets and liabilities owned and recorded in connection with the acquisition of Andrew Alliance (in thousands):

Cash	\$ 713
Accounts receivable and current other assets	806
Inventory	669
Prepaid and other assets	611
Property, plant and equipment, net	757
Operating lease assets	847
Intangible assets	6,960
Goodwill	71,632
Total assets acquired	82,995
Accrued expenses and other liabilities	2,093
Total consideration	<u>80,902</u>
Fair value of minority investment	3,525
Cash consideration paid	<u>\$77,377</u>

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

The impact of the Andrew Alliance acquisition on the Company's revenues and net income during the quarter was immaterial. The pro forma effect on the ongoing operations of the Company as though this acquisition had occurred at the beginning of the periods covered by this report was also immaterial.

6 Goodwill and Other Intangibles

The carrying amount of goodwill was \$427 million and \$356 million at June 27, 2020 and December 31, 2019, respectively. The acquisition of Andrew Alliance increased goodwill by \$72 million while the effect of foreign currency translation decreased goodwill by \$1 million.

The Company's intangible assets included in the consolidated balance sheets are detailed as follows (dollars in thousands):

	June 27, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period
Capitalized software	\$512,047	\$ 356,036	5 years	\$481,986	\$ 333,255	5 years
Purchased intangibles	207,733	156,065	11 years	200,523	151,722	11 years
Trademarks and IPR&D	13,601	—	—	13,782	—	—
Licenses	5,483	5,195	6 years	5,669	5,298	6 years
Patents and other intangibles	84,453	57,028	8 years	83,035	54,517	8 years
Total	<u>\$823,317</u>	<u>\$ 574,324</u>	7 years	<u>\$784,995</u>	<u>\$ 544,792</u>	7 years

The gross carrying value of intangible assets and accumulated amortization for intangible assets increased by \$4 million and \$3 million, respectively, in the six months ended June 27, 2020 due to the effects of foreign currency translation. Amortization expense for intangible assets was \$14 million and \$12 million for the three months ended June 27, 2020 and June 29, 2019, respectively. Amortization expense for intangible assets was \$27 million and \$25 million for the six months ended June 27, 2020 and June 29, 2019, respectively. Amortization expense for intangible assets is estimated to be \$51 million per year for each of the next five years.

7 Debt

In November 2017, the Company entered into a credit agreement (the "2017 Credit Agreement") that provides for a \$1.5 billion revolving facility and a \$300 million term loan. The revolving facility and term loan both mature on November 30, 2022 and require no scheduled prepayments before that date.

The interest rates applicable to the 2017 Credit Agreement are, at the Company's option, equal to either the alternate base rate (which is a rate per annum equal to the greatest of (1) the prime rate in effect on such day, (2) the Federal Reserve Bank of New York Rate on such day plus 1/2 of 1% per annum and (3) the adjusted LIBO rate on such day (or if such day is not a business day, the immediately preceding business day) for a deposit in U.S. dollars with a maturity of one month plus 1% per annum) or the applicable 1, 2, 3 or 6 month adjusted LIBO rate or EURIBO rate for Euro-denominated loans, in each case, plus an interest rate margin based upon the Company's leverage ratio, which can range between 0 and 12.5 basis points for alternate base rate loans and between 80 and 112.5 basis points for LIBO rate or EURIBO rate loans. The facility fee on the 2017 Credit Agreement ranges between 7.5 and 25 basis points per annum, based on the leverage ratio, of the amount of the revolving facility commitments and the outstanding term loan. The 2017 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 as of the end of any fiscal quarter for any period of four consecutive fiscal quarters and a leverage ratio test of not more than 3.50:1 as of the end of any fiscal quarter. In addition, the 2017 Credit Agreement includes negative covenants, affirmative covenants, representations and warranties and events of default that are customary for investment grade credit facilities.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

As of June 27, 2020 and December 31, 2019, the Company had a total of \$960 million and \$1.1 billion, respectively, of outstanding senior unsecured notes. Interest on the fixed rate senior unsecured notes is payable semi-annually each year. Interest on the floating rate senior unsecured notes is payable quarterly. The Company may prepay all or some of the senior unsecured notes at any time in an amount not less than 10% of the aggregate principal amount outstanding, plus the applicable make-whole amount or prepayment premium for the Series H senior unsecured note. In the event of a change in control of the Company (as defined in the note purchase agreement), the Company may be required to prepay the senior unsecured notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest. These senior unsecured notes require that the Company comply with an interest coverage ratio test of not less than 3.50:1 for any period of four consecutive fiscal quarters and a leverage ratio test of not more than 3.50:1 as of the end of any fiscal quarter. In addition, these senior unsecured notes include customary negative covenants, affirmative covenants, representations and warranties and events of default.

In February 2019, certain defined terms related to the subsidiary guarantors were amended in the 2017 Credit Agreement and senior unsecured note agreements. In addition, the Company amended the senior unsecured note agreements to allow the Company to elect an increase in the permitted leverage ratio from 3.50:1 to 4.0:1, for a period of three consecutive quarters, for a material acquisition of \$400 million or more. During the period of time where the leverage ratio exceeds 3.50:1, the interest payable on the senior unsecured notes shall increase by 0.50%. The debt covenants in the senior unsecured note agreements were also modified to address the change in accounting guidance for leases.

The Company had the following outstanding debt at June 27, 2020 and December 31, 2019 (in thousands):

	June 27, 2020	December 31, 2019
Foreign subsidiary lines of credit	\$ —	\$ 366
Senior unsecured notes - Series B - 5.00%, due February 2020	—	100,000
Senior unsecured notes - Series E - 3.97%, due March 2021	50,000	—
Senior unsecured notes - Series F - 3.40%, due June 2021	100,000	—
Total notes payable and debt, current	150,000	100,366
Senior unsecured notes - Series E - 3.97%, due March 2021	—	50,000
Senior unsecured notes - Series F - 3.40%, due June 2021	—	100,000
Senior unsecured notes - Series G - 3.92%, due June 2024	50,000	50,000
Senior unsecured notes - Series H - floating rate*, due June 2024	50,000	50,000
Senior unsecured notes - Series I - 3.13%, due May 2023	50,000	50,000
Senior unsecured notes - Series K - 3.44%, due May 2026	160,000	160,000
Senior unsecured notes - Series L - 3.31%, due September 2026	200,000	200,000
Senior unsecured notes - Series M - 3.53%, due September 2029	300,000	300,000
Credit agreement	740,000	625,000
Unamortized debt issuance costs	(3,841)	(4,203)
Total long-term debt	1,546,159	1,580,797
Total debt	\$ 1,696,159	\$ 1,681,163

* Series H senior unsecured notes bear interest at a 3-month LIBOR for that floating rate interest period plus 1.25%.

As of June 27, 2020 and December 31, 2019, the Company had a total amount available to borrow under the 2017 Credit Agreement of \$1.1 billion and \$1.2 billion, respectively, after outstanding letters of credit. The weighted-average interest rates applicable to the senior unsecured notes and credit agreement borrowings collectively were 2.62% and 3.39% at June 27, 2020 and December 31, 2019, respectively. As of June 27, 2020, the Company was in compliance with all debt covenants.

The Company and its foreign subsidiaries also had available short-term lines of credit totaling \$105 million at each of June 27, 2020 and December 31, 2019, for the purpose of short-term borrowing and issuance of commercial guarantees. The weighted-average interest rate applicable to these short-term borrowings was 1.48% for December 31, 2019. None of the Company's foreign subsidiaries had outstanding short-term borrowings as of June 27, 2020.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

As of June 27, 2020, the Company had entered into three-year interest rate cross-currency swap derivative agreements with an aggregate notional value of \$560 million to hedge the variability in the movement of foreign currency exchange rates on a portion of its Euro-denominated net asset investments.

8 Income Taxes

The four principal jurisdictions in which the Company manufactures are the U.S., Ireland, the U.K. and Singapore, where the statutory tax rates were 21%, 12.5%, 19% and 17%, respectively, as of June 27, 2020. The Company has a contractual tax rate of 0% on qualifying activities in Singapore through March 2021, based upon the achievement of certain contractual milestones, which the Company expects to meet. The effect of applying the contractual tax rate rather than the statutory tax rate to income from qualifying activities in Singapore increased the Company's net income for the six months ended June 27, 2020 and June 29, 2019 by \$7 million and \$9 million, respectively, and increased the Company's net income per diluted share by \$0.11 and \$0.13, respectively.

The Company's effective tax rate for the three months ended June 27, 2020 and June 29, 2019 was 15.4% and 15.9%, respectively. The decrease in the effective income tax rate can be attributed to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

The Company's effective tax rate for the six months ended June 27, 2020 and June 29, 2019 was 13.2% and 12.4%, respectively. The effective tax rate for the six months ended June 27, 2020 includes a \$5 million income tax benefit related to certain restructuring charges and a \$2 million tax benefit related to stock-based compensation. These income tax benefits decreased the effective tax rate by 2.4 percentage points and 1.2 percentage points for the six months ended June 27, 2020, respectively. The effective tax rate for the six months ended June 29, 2019 includes a \$3 million income tax benefit related to the finalization of certain regulations relating to the Tax Cuts and Jobs Act of 2017 and a \$7 million income tax benefit related to stock-based compensation. These income tax benefits decreased the effective tax rate by 1.0 percentage point and 2.3 percentage points for the six months ended June 29, 2019, respectively. The remaining differences between the effective tax rates can primarily be attributed to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

The Company accounts for its uncertain tax return reporting positions in accordance with the accounting standards for income taxes, which require financial statement reporting of the expected future tax consequences of uncertain tax reporting positions on the presumption that all concerned tax authorities possess full knowledge of those tax reporting positions, as well as all of the pertinent facts and circumstances, but prohibit any discounting of unrecognized tax benefits associated with those reporting positions for the time value of money. The Company continues to classify interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes.

The following is a summary of the activity of the Company's gross unrecognized tax benefits, excluding interest and penalties, for the six months ended June 27, 2020 and June 29, 2019 (in thousands):

	<u>June 27, 2020</u>	<u>June 29, 2019</u>
Balance at the beginning of the period	\$ 27,790	\$ 26,108
Net reductions for lapse of statutes taken during the period	(252)	(105)
Net additions for tax positions taken during the current period	536	801
Balance at the end of the period	<u>\$ 28,074</u>	<u>\$ 26,804</u>

With limited exceptions, the Company is no longer subject to tax audit examinations in significant jurisdictions for the years ended on or before December 31, 2014. The Company continuously monitors the lapsing of statutes of limitations on potential tax assessments for related changes in the measurement of unrecognized tax benefits, related net interest and penalties, and deferred tax assets and liabilities. As of June 27, 2020, the Company expects to record reductions in the measurement of its unrecognized tax benefits and related net interest and penalties of less than \$1 million within the next twelve months due to potential tax audit settlements and the lapsing of statutes of limitations on potential tax assessments. The Company does not expect to record any other material reductions in the measurement of its unrecognized tax benefits within the next twelve months.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

9 Stock-Based Compensation

The Company maintains various stockholder-approved, stock-based compensation plans which allow for the issuance of incentive or non-qualified stock options, stock appreciation rights, restricted stock or other types of awards (e.g. restricted stock units and performance stock units).

In May 2020, the Company's stockholders approved the Company's 2020 Equity Incentive Plan ("2020 Plan"). As of June 27, 2020, the 2020 Plan had 6.6 million shares available for grant in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units or other types of awards (e.g. restricted stock units and performance stock units). The Company issues new shares of common stock upon exercise of stock options or restricted stock unit conversion. Under the 2020 Plan, the exercise price for stock options may not be less than the fair market value of the underlying stock at the date of grant. The 2020 Plan is scheduled to terminate on May 13, 2030. Options generally will expire no later than ten years after the date on which they are granted and will become exercisable as directed by the Compensation Committee of the Board of Directors and generally vest in equal annual installments over a five-year period. A SAR may be granted alone or in conjunction with an option or other award. Shares of restricted stock, restricted stock units and performance stock units may be issued under the 2020 Plan for such consideration as is determined by the Compensation Committee of the Board of Directors. As of June 27, 2020, the Company had stock options, restricted stock, and restricted and performance stock unit awards outstanding under the 2020 Plan.

The Company accounts for stock-based compensation costs in accordance with the accounting standards for stock-based compensation, which require that all share-based payments to employees be recognized in the statements of operations, based on their grant date fair values. The Company recognizes the expense using the straight-line attribution method. The stock-based compensation expense recognized in the consolidated statements of operations is based on awards that ultimately are expected to vest; therefore, the amount of expense has been reduced for estimated forfeitures. Forfeitures are estimated based on historical experience. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted. In addition, if the Company employs different assumptions in the application of these standards, the compensation expense that the Company records in the future periods may differ significantly from what the Company has recorded in the current period.

The consolidated statements of operations for the three and six months ended June 27, 2020 and June 29, 2019 include the following stock-based compensation expense related to stock option awards, restricted stock awards, restricted stock unit awards, performance stock unit awards and the employee stock purchase plan (in thousands):

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cost of sales	\$ 635	\$ 567	\$ 1,205	\$ 1,142
Selling and administrative expenses	7,352	7,402	14,725	15,527
Research and development expenses	939	1,345	2,192	2,586
Total stock-based compensation	<u>\$ 8,926</u>	<u>\$ 9,314</u>	<u>\$ 18,122</u>	<u>\$ 19,255</u>

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

Stock Options

In determining the fair value of the stock options, the Company makes a variety of assumptions and estimates, including volatility measures, expected yields and expected stock option lives. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model. The Company uses implied volatility on its publicly-traded options as the basis for its estimate of expected volatility. The Company believes that implied volatility is the most appropriate indicator of expected volatility because it is generally reflective of historical volatility and expectations of how future volatility will differ from historical volatility. The expected life assumption for grants is based on historical experience for the population of non-qualified stock option exercises. The risk-free interest rate is the yield currently available on U.S. Treasury zero-coupon issues with a remaining term approximating the expected term used as the input to the Black-Scholes model. The relevant data used to determine the value of the stock options granted during the six months ended June 27, 2020 and June 29, 2019 are as follows:

<u>Options Issued and Significant Assumptions Used to Estimate Option Fair Values</u>	<u>Six Months Ended</u>	
	<u>June 27, 2020</u>	<u>June 29, 2019</u>
Options issued in thousands	227	139
Risk-free interest rate	1.4%	2.5%
Expected life in years	6	5
Expected volatility	26.5%	24.3%
Expected dividends	—	—

<u>Weighted-Average Exercise Price and Fair Value of Options on the Date of Grant</u>	<u>Six Months Ended</u>	
	<u>June 27, 2020</u>	<u>June 29, 2019</u>
Exercise price	\$ 216.08	\$ 231.30
Fair value	\$ 61.70	\$ 61.85

The following table summarizes stock option activity for the plans for the six months ended June 27, 2020 (in thousands, except per share data):

	<u>Number of Shares</u>	<u>Exercise Price per Share</u>		<u>Weighted-Average Exercise Price per Share</u>
Outstanding at December 31, 2019	1,455	\$ 61.63	to \$238.52	\$ 158.61
Granted	227	\$203.37	to \$235.06	\$ 216.08
Exercised	(87)	\$ 61.63	to \$208.47	\$ 125.50
Canceled	(148)	\$128.93	to \$238.52	\$ 172.91
Outstanding at June 27, 2020	<u>1,447</u>	\$ 75.94	to \$238.52	\$ 168.15

Restricted Stock

During the six months ended June 27, 2020, the Company granted four thousand shares of restricted stock. The weighted-average fair value per share of these awards on the grant date was \$235.06.

Restricted Stock Units

The following table summarizes the unvested restricted stock unit award activity for the six months ended June 27, 2020 (in thousands, except per share data):

	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value per Share</u>
Unvested at December 31, 2019	260	\$ 184.70
Granted	105	\$ 206.73
Vested	(86)	\$ 161.84
Forfeited	(15)	\$ 185.91
Unvested at June 27, 2020	<u>264</u>	\$ 200.84

Restricted stock units are generally granted annually in February and vest in equal annual installments over a five-year period.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

Performance Stock Units

The Company's performance stock units are equity compensation awards with a market vesting condition based on the Company's Total Shareholder Return ("TSR") relative to the TSR of the components of the S&P Health Care Index. TSR is the change in value of a stock price over time, including the reinvestment of dividends. The vesting schedule ranges from 0% to 200% of the target shares awarded. Beginning with the grants made in 2020, the vesting conditions for performance stock units now include a performance condition based on future sales growth.

In determining the fair value of the performance stock units, the Company makes a variety of assumptions and estimates, including volatility measures, expected yields and expected terms. The fair value of each performance stock unit grant was estimated on the date of grant using the Monte Carlo simulation model. The Company uses implied volatility on its publicly-traded options as the basis for its estimate of expected volatility. The Company believes that implied volatility is the most appropriate indicator of expected volatility because it is generally reflective of historical volatility and expectations of how future volatility will differ from historical volatility. The expected life assumption for grants is based on the performance period of the underlying performance stock units. The risk-free interest rate is the yield currently available on U.S. Treasury zero-coupon issues with a remaining term approximating the expected term used as the input to the Monte Carlo simulation model. The correlation coefficient is used to model the way in which each company in the S&P Health Care Index tends to move in relation to each other during the performance period. The relevant data used to determine the value of the performance stock units granted during the six months ended June 27, 2020 and June 29, 2019 are as follows:

Performance Stock Units Issued and Significant Assumptions Used to Estimate Fair Values	Six Months Ended	
	June 27, 2020	June 29, 2019
Performance stock units issued (in thousands)	58	13
Risk-free interest rate	1.3%	2.4%
Expected life in years	2.9	2.8
Expected volatility	25.1%	23.5%
Average volatility of peer companies	26.1%	26.2%
Correlation coefficient	36.6%	34.2%
Expected dividends	—	—

The following table summarizes the unvested performance stock unit award activity for the six months ended June 27, 2020 (in thousands, except per share data):

	Shares	Weighted-Average Fair Value per Share
Unvested at December 31, 2019	105	\$ 233.11
Granted	58	\$ 190.45
Vested	(37)	\$ 184.51
Forfeited	(24)	\$ 233.31
Unvested at June 27, 2020	102	\$ 226.44

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

10 Earnings Per Share

Basic and diluted EPS calculations are detailed as follows (in thousands, except per share data):

Three Months Ended June 27, 2020			
	Net Income (Numerator)	Weighted- Average Shares (Denominator)	Per Share Amount
Net income per basic common share	\$ 122,929	61,944	\$ 1.98
Effect of dilutive stock option, restricted stock, performance stock unit and restricted stock unit securities	—	240	—
Net income per diluted common share	<u>\$ 122,929</u>	<u>62,184</u>	<u>\$ 1.98</u>
Three Months Ended June 29, 2019			
	Net Income (Numerator)	Weighted- Average Shares (Denominator)	Per Share Amount
Net income per basic common share	\$ 144,410	68,989	\$ 2.09
Effect of dilutive stock option, restricted stock, performance stock unit and restricted stock unit securities	—	505	(0.01)
Net income per diluted common share	<u>\$ 144,410</u>	<u>69,494</u>	<u>\$ 2.08</u>
Six Months Ended June 27, 2020			
	Net Income (Numerator)	Weighted- Average Shares (Denominator)	Per Share Amount
Net income per basic common share	\$ 176,491	62,085	\$ 2.84
Effect of dilutive stock option, restricted stock, performance stock unit and restricted stock unit securities	—	319	(0.01)
Net income per diluted common share	<u>\$ 176,491</u>	<u>62,404</u>	<u>\$ 2.83</u>
Six Months Ended June 29, 2019			
	Net Income (Numerator)	Weighted- Average Shares (Denominator)	Per Share Amount
Net income per basic common share	\$ 253,396	70,331	\$ 3.60
Effect of dilutive stock option, restricted stock, performance stock unit and restricted stock unit securities	—	573	(0.03)
Net income per diluted common share	<u>\$ 253,396</u>	<u>70,904</u>	<u>\$ 3.57</u>

For the three and six months ended June 27, 2020, the Company had 0.7 million and 0.4 million stock options that were antidilutive due to having higher exercise prices than the Company's average stock price during the period. For both the three and six months ended June 29, 2019, the Company had 0.1 million stock options that were antidilutive. These securities were not included in the computation of diluted EPS. The effect of dilutive securities was calculated using the treasury stock method.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

11 Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income (loss) are detailed as follows (in thousands):

	Currency Translation	Unrealized Gain (Loss) on Retirement Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2019	\$ (104,066)	\$ (15,405)	\$ (119,471)
Other comprehensive income (loss), net of tax	(7,757)	338	(7,419)
Balance at June 27, 2020	<u>\$ (111,822)</u>	<u>\$ (15,067)</u>	<u>\$ (126,890)</u>

12 Retirement Plans

The Company sponsors various retirement plans. The components of net periodic benefit cost other than the service cost component are included in other expense in the consolidated statements of operations. The summary of the components of net periodic pension costs for the plans for the three and six months ended June 27, 2020 and June 29, 2019 is as follows (in thousands):

	Three Months Ended					
	June 27, 2020			June 29, 2019		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Service cost	\$ —	\$ 151	\$ 1,095	\$ —	\$ 108	\$ 1,075
Interest cost	—	177	338	10	230	430
Expected return on plan assets	—	(220)	(454)	—	(177)	(538)
Net amortization:						
Prior service credit	—	(5)	(41)	—	(5)	(37)
Net actuarial loss	—	—	382	—	—	132
Net periodic pension cost	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ 1,320</u>	<u>\$ 10</u>	<u>\$ 156</u>	<u>\$ 1,062</u>

	Six Months Ended					
	June 27, 2020			June 29, 2019		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Service cost	\$ —	\$ 302	\$ 2,194	\$ —	\$ 250	\$ 2,157
Interest cost	—	353	683	23	389	864
Expected return on plan assets	—	(439)	(910)	—	(354)	(1,081)
Net amortization:						
Prior service credit	—	(10)	(81)	—	(10)	(74)
Net actuarial loss	—	—	767	—	—	267
Net periodic pension cost	<u>\$ —</u>	<u>\$ 206</u>	<u>\$ 2,653</u>	<u>\$ 23</u>	<u>\$ 275</u>	<u>\$ 2,133</u>

In 2019, the Company completed the termination of the Waters Retirement Restoration Plan.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

During fiscal year 2020, the Company expects to contribute a total of approximately \$3 million to \$6 million to the Company's defined benefit plans.

13 Business Segment Information

The Company's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker. As a result of this evaluation, the Company determined that it has two operating segments: WatersTM and TATM.

The Waters operating segment is primarily in the business of designing, manufacturing, selling and servicing LC and MS instruments, columns and other precision chemistry consumables that can be integrated and used along with other analytical instruments. The TA operating segment is primarily in the business of designing, manufacturing, selling and servicing thermal analysis, rheometry and calorimetry instruments. The Company's two operating segments have similar economic characteristics; product processes; products and services; types and classes of customers; methods of distribution; and regulatory environments. Because of these similarities, the two segments have been aggregated into one reporting segment for financial statement purposes. Please refer to the consolidated financial statements for financial information regarding the one reportable segment of the Company.

Net sales for the Company's products and services are as follows for the three and six months ended June 27, 2020 and June 29, 2019 (in thousands):

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Product net sales:				
Waters instrument systems	\$ 181,399	\$ 238,777	\$ 324,228	\$ 423,389
Chemistry consumables	95,105	100,292	192,350	199,545
TA instrument systems	38,416	48,196	72,525	84,834
Total product sales	314,920	387,265	589,103	707,768
Service net sales:				
Waters service	189,205	192,048	363,342	368,097
TA service	15,859	19,849	32,478	37,159
Total service sales	205,064	211,897	395,820	405,256
Total net sales	<u>\$ 519,984</u>	<u>\$ 599,162</u>	<u>\$ 984,923</u>	<u>\$ 1,113,024</u>

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

Net sales are attributable to geographic areas based on the region of destination. Geographic sales information is presented below for the three and six months ended June 27, 2020 and June 29, 2019 (in thousands):

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net Sales:				
Asia:				
China	\$ 89,816	\$ 112,796	\$ 137,047	\$ 202,887
Japan	41,230	45,958	86,319	89,462
Asia Other	77,163	80,081	143,923	146,998
Total Asia	208,209	238,835	367,289	439,347
Americas:				
United States	148,928	173,940	292,826	323,097
Americas Other	25,854	32,835	54,132	65,546
Total Americas	174,782	206,775	346,958	388,643
Europe	136,993	153,552	270,676	285,034
Total net sales	<u>\$ 519,984</u>	<u>\$ 599,162</u>	<u>\$ 984,923</u>	<u>\$ 1,113,024</u>

Net sales by customer class are as follows for the three and six months ended June 27, 2020 and June 29, 2019 (in thousands):

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Pharmaceutical	\$ 311,018	\$ 350,145	\$ 583,581	\$ 644,657
Industrial	152,110	176,109	295,464	331,327
Academic and governmental	56,856	72,908	105,878	137,040
Total net sales	<u>\$ 519,984</u>	<u>\$ 599,162</u>	<u>\$ 984,923</u>	<u>\$ 1,113,024</u>

Net sales for the Company recognized at a point in time versus over time are as follows for the three and six months ended June 27, 2020 and June 29, 2019 (in thousands):

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Net sales recognized at a point in time:				
Instrument systems	\$ 219,815	\$ 286,973	\$ 396,753	\$ 508,223
Chemistry consumables	95,105	100,292	192,350	199,545
Service sales recognized at a point in time (time & materials)	78,867	84,807	146,609	157,566
Total net sales recognized at a point in time	393,787	472,072	735,712	865,334
Net sales recognized over time:				
Service and software maintenance sales recognized over time (contracts)	126,197	127,090	249,211	247,690
Total net sales	<u>\$ 519,984</u>	<u>\$ 599,162</u>	<u>\$ 984,923</u>	<u>\$ 1,113,024</u>

14 Recent Accounting Standard Changes and Developments

Recently Adopted Accounting Standards

In June 2016, accounting guidance was issued that modifies the recognition of credit losses related to financial assets, such as debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, and other

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

financial assets that have the contractual right to receive cash. Current guidance requires the recognition of a credit loss when it is considered probable that a loss event has occurred. The new guidance requires the measurement of expected credit losses to be based upon relevant information, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the asset. As such, expected credit losses may be recognized sooner under the new guidance due to the broader range of information that will be required to determine credit loss estimates. The new guidance also amends the current other-than-temporary impairment model used for debt securities classified as available-for-sale. When the fair value of an available-for-sale debt security is below its amortized cost, the new guidance requires the total unrealized loss to be bifurcated into its credit and non-credit components. Any expected credit losses or subsequent recoveries will be recognized in earnings and any changes not considered credit related will continue to be recognized within other comprehensive income. This guidance is effective for annual and interim periods beginning after December 15, 2019. On January 1, 2020 the Company adopted this new standard using a modified retrospective method for all financial assets measured at amortized cost which only impacted the Company's allowance on trade accounts receivable. The Company did not have any significant off-balance sheet credit exposures which would be impacted by the new guidance. Results for reporting periods beginning after January 1, 2020 are presented under the new standard while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease of \$1 million to stockholders' deficit as of January 1, 2020 for the cumulative effect of adopting the new standard due to converting to the current expected credit loss model for the allowance recorded against trade accounts receivables. This accounting standard did not have an impact on the Company's results of operations and cash flows.

In January 2017, accounting guidance was issued that simplifies the accounting for goodwill impairment. The guidance eliminates step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. This guidance is effective for annual and interim periods beginning after December 15, 2019. The Company adopted this standard on January 1, 2020. The adoption of this standard did not have a material effect on the Company's financial position, results of operations and cash flows.

In August 2018, accounting guidance was issued that modifies the disclosure requirements of fair value measurements. The amendments remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosure and add disclosure requirements identified as relevant. This guidance is effective for annual and interim periods beginning after December 15, 2019. The Company adopted this standard on January 1, 2020. The adoption of this standard did not have a material impact on the Company's financial position, results of operations and cash flows.

Recently Issued Accounting Standards

In August 2018, accounting guidance was issued that modifies the disclosure requirements of retirement benefit plans. The amendments remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosure and add disclosure requirement identified as relevant. This guidance is effective for annual and interim periods beginning after December 15, 2020 and early adoption is permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial position, results of operations and cash flows.

In December 2019, accounting guidance was issued that simplifies the accounting for income taxes by removing certain exceptions within the current guidance, including the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The amendment also improves consistent application by clarifying and amending existing guidance related to aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step up in the tax basis of goodwill. This guidance is effective for annual and interim periods beginning after December 15, 2020 and early adoption is permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial position, results of operations and cash flows.

In January 2020, accounting guidance was issued that clarifies the accounting guidance for equity method investments, joint ventures, and derivatives and hedging. The update clarifies the interaction between different sections of the accounting guidance that could be applicable and helps clarify which guidance should be applied in certain situations which should increase relevance and comparability of financial statement information. This guidance is effective for annual and interim periods beginning after December 15, 2020 and early adoption is permitted. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial position, results of operations and cash flows.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited) – (Continued)

In March 2020, accounting guidance was issued that facilitates the effects of reference rate reform on financial reporting. The amendments in the update provide optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This temporary guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The Company may elect to apply this guidance for all contract modifications or eligible hedging relationships during that time period subject to certain criteria. The Company is still evaluating the impact of reference rate reform and whether this guidance will be adopted.

In March 2020, the U.S. federal government enacted the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act is an emergency economic stimulus package in response to the COVID-19 outbreak which, among other things, contains numerous income tax provisions. While the Company continues to evaluate the impact of the CARES Act, it does not currently believe it will have a material impact on the Company’s consolidated financial statements or related disclosures.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Business and Financial Overview

The Company has two operating segments: WatersTM and TATM. Waters products and services primarily consist of high performance liquid chromatography ("HPLC"), ultra performance liquid chromatography ("UPLCTM" and, together with HPLC, referred to as "LC"), mass spectrometry ("MS") and precision chemistry consumable products and related services. TA products and services primarily consist of thermal analysis, rheometry and calorimetry instrument systems and service sales. The Company's products are used by pharmaceutical, biochemical, industrial, nutritional safety, environmental, academic and governmental customers. These customers use the Company's products to detect, identify, monitor and measure the chemical, physical and biological composition of materials and to predict the suitability and stability of fine chemicals, pharmaceuticals, water, polymers, metals and viscous liquids in various industrial, consumer goods and healthcare products.

Both the Company's domestic and international operations have been and continue to be adversely affected by the ongoing global pandemic of a novel strain of coronavirus ("COVID-19") and the resulting volatility and uncertainty it has caused in the U.S. and international markets. The Company is actively managing its business to respond to the COVID-19 impact; however, the Company cannot reasonably estimate the length or severity of the COVID-19 pandemic or the related response, or the extent to which the disruption may materially impact the Company's business, consolidated financial position, consolidated results of operations or consolidated cash flows in the future.

To date, the COVID-19 pandemic has not materially impacted our manufacturing facilities or those of the third parties to whom we outsource certain manufacturing processes, the distribution centers where our inventory is managed or the operations of our logistics and other service providers. We have also not seen material disruptions or delays in shipments of certain materials or components of our products.

At every stage of the pandemic, we have taken decisive and appropriate actions, including a mandatory remote work policy for all employees with the exception of those in manufacturing, distribution, and certain laboratory environments, as well as bans on non-essential travel and visitors into our facilities. Early on, we engaged a medical advisor to guide our policy deployment, and we continue to take proactive measures to guard the health of our global employee base, and the safety of all customer interactions. We have implemented rigorous protocols to promote a safe work environment in all of our locations around the world and late in the quarter we began implementation of the first phase of a multi-phase process for the safe return of employees to our physical workplaces as social distancing requirements allow.

The vast majority of the markets we serve, most notably the pharmaceutical, biomedical research, food/environmental and clinical markets, have continued to operate at various levels, and we are working closely with these customers to facilitate their seamless operation. Over the last several years, we have executed on a digital workplace strategy focused on providing modern connectivity and collaboration tools to our employees. Our strategic technology investments have enabled us to swiftly meet remote working needs as the COVID-19 situation has escalated and evolved. From a customer-facing perspective, we are leveraging digital demand generation activities, including virtual demos across all regions in which we operate, remote instrument installations, virtual sales seminars, online product training, and a rapid acceleration in one-on-one communications over emails, phone and video conferencing.

While we initially anticipated that the COVID-19 pandemic would have the biggest impact on the Company's financial results in the second quarter of 2020, and future quarters would improve as countries lifted their business restrictions, the new outbreaks of COVID-19 in the U.S. and elsewhere have demonstrated that the COVID-19 pandemic continues to be fluid with uncertainties and risks remaining across the global economy. The Company is taking a proactive approach to managing through this unpredictability and has implemented a series of cost reduction actions that include salary reductions, furloughs and reductions in non-essential spending and other working capital reductions in order to preserve liquidity and enhance financial flexibility. A significant portion of these cost reduction actions are expected to expire at the end of July 2020, and the Company's costs of sales and operating expenses are expected to gradually increase to pre-COVID-19 levels as we move through the remainder of 2020. These expected cost reductions reflect our core assumptions that the business moves through the recovery phase, and business conditions improve in the second half of 2020; however, our plan will be adjusted accordingly depending on the pace of the recovery.

Table of Contents

The Company's operating results are as follows for the three and six months ended June 27, 2020 and June 29, 2019 (dollars in thousands, except per share data):

	Three Months Ended			Six Months Ended		
	June 27, 2020	June 29, 2019	% change	June 27, 2020	June 29, 2019	% change
Revenues:						
Product sales	\$314,920	\$387,265	(19%)	\$589,103	\$ 707,768	(17%)
Service sales	205,064	211,897	(3%)	395,820	405,256	(2%)
Total net sales	519,984	599,162	(13%)	984,923	1,113,024	(12%)
Costs and operating expenses:						
Cost of sales	213,134	249,546	(15%)	423,778	470,577	(10%)
Selling and administrative expenses	117,449	133,208	(12%)	265,184	267,547	(1%)
Research and development expenses	31,155	36,490	(15%)	66,144	71,550	(8%)
Purchased intangibles amortization	2,618	2,264	16%	5,243	4,545	15%
Litigation provision	514	—	—	1,180	—	—
Operating income	155,114	177,654	(13%)	223,394	298,805	(25%)
Operating income as a % of sales	29.8%	29.7%		22.7%	26.8%	
Other expense	(736)	(342)	115%	(1,110)	(867)	28%
Interest expense, net	(9,015)	(5,577)	62%	(19,058)	(8,825)	116%
Income before income taxes	145,363	171,735	(15%)	203,226	289,113	(30%)
Provision for income taxes	22,434	27,325	(18%)	26,735	35,717	(25%)
Net income	<u>\$122,929</u>	<u>\$144,410</u>	<u>(15%)</u>	<u>\$176,491</u>	<u>\$ 253,396</u>	<u>(30%)</u>
Net income per diluted common share	\$ 1.98	\$ 2.08	(5%)	\$ 2.83	\$ 3.57	(21%)

In the second quarter of 2020, the Company's sales decreased 13% as compared to the second quarter of 2019 and decreased 12% for the first half of 2020 as compared to the first half of 2019. This decline in sales in the 2020 periods can be attributed to the interruption in business activities caused by the uncertainties from the COVID-19 pandemic across the world. Foreign currency translation decreased sales by 1% for both the second quarter and first half of 2020. Unless otherwise noted, sales growth or decline percentages are presented as compared with the same period in the prior year.

Instrument system sales decreased 23% for the second quarter and 22% for the first half of 2020 as a result of weaker demand for our products by our customers due to interruption of business activities and the uncertainty caused by the COVID-19 pandemic. Foreign currency translation decreased instrument system sales by 1% for the first half of 2020. Recurring revenues (combined sales of precision chemistry consumables and services) decreased 4% and 3% for the second quarter and first half of 2020, respectively, also as a result of interruption of business activities and the uncertainty caused by the COVID-19 pandemic. Chemistry consumable sales decreased 5% and 4% in the second quarter and first half of 2020, respectively, while service sales declined 3% and 2% in the second quarter and first half of 2020, respectively. Recurring revenues were negatively impacted by foreign currency translation which lowered sales by 1% in both the second quarter and first half of 2020, as well as the first half of 2020 having one less calendar day as compared to the first half of 2019.

In both the second quarter and first half of 2020, the Company's sales declined across all major geographies. The broad-based decline in sales was a result of the weaker demand and disruption of business activities caused by the COVID-19 lockdowns. In the second quarter of 2020, the Company's sales decreased 13% in Asia, 15% in the Americas, and 11% in Europe. For the first half of 2020, the Company's sales decreased 16% in Asia, 11% in the Americas, and 5% in Europe. Foreign currency translation decreased Asia's sales by 1% in both the second quarter and first half of 2020 and decreased Europe's sales by 2% in both the second quarter and first half of 2020.

In the second quarter of 2020, the Company's sales decreased 20% in China, 14% in the U.S., 4% in Asia Other, and 10% in Japan, with foreign currency translation negatively impacting Asia Other sales by 1% and benefiting Japan sales by 1%. In the first half of 2020, sales decreased 32% in China, 9% in the U.S., 2% in Asia Other and 4% in Japan, with foreign currency translation negatively impacting China sales by 1%, Asia Other sales by 2%, and benefiting Japan sales by 1%.

[Table of Contents](#)

Sales in China declined 20% in the second quarter of 2020, improving from the 48% decline experienced in the first quarter of 2020, as the COVID-19 business restrictions in China were slowly lifted. Excluding China, the Company's sales in the first half of 2020 declined 7%, with foreign currency translation negatively impacting sales by 1%.

Sales to pharmaceutical customers decreased 11% for the second quarter and 9% for the first half of 2020, primarily due to the disruption in business activities caused by COVID-19, with the effect of foreign currency translation decreasing sales by 1% for both the second quarter and first half of 2020. Combined sales to industrial customers, which include material characterization, food, environmental and fine chemical markets, declined 14% in the second quarter and 11% in the first half of 2020, primarily due to lower demand caused by the COVID-19 pandemic, with the effect of foreign currency translation decreasing sales by 1% for both the second quarter and first half of 2020. Similarly, TA sales declined 20% and 14% in the second quarter and first half of 2020, respectively. For the first half of 2020, the most significant decline in academic and governmental sales occurred in China where sales were 48% lower than the comparable 2019 period on mandated governmental spending reductions. Combined sales to academic and governmental customers decreased 22% and 23% in the second quarter and first half of 2020, respectively, as governmental customers adjusted their spending to mitigate the effects of the COVID-19 pandemic. Foreign currency translation decreased academic and governmental sales by 1% for both the second quarter and first half of 2020. Sales to our academic and governmental customers are highly dependent on when institutions receive funding to purchase our instrument systems and, as such, sales can vary significantly from period to period.

Operating income decreased 13% and 25% for the second quarter and first half of 2020, respectively. The decreases were primarily a result of the decline in sales volumes caused by the COVID-19 pandemic and were somewhat mitigated by a series of cost reduction actions that included salary reductions, furloughs and reductions in non-essential spending that increased operating income by approximately \$60 million for the first half of 2020 versus our operating plan. In addition, operating income in the second quarter and first half of 2020 also included \$3 million and \$21 million, respectively, of severance-related costs in connection with a reduction in workforce and lease termination costs. The Company's plan was to reduce its expenses by approximately \$100 million compared to our internal operating plan during 2020 to improve its financial position and liquidity to mitigate the impact of the decline in sales caused by COVID-19. The Company was able to realize approximately 60% of the cost action and restructuring savings in the first half of 2020 and the Company anticipates the remaining 40% of this savings plan will be achieved in the second half of 2020 when the Company currently expects its spending to gradually return to pre-COVID-19 levels. This plan reflects our core assumptions that the business moves through the recovery phase, and business conditions improve in the second half of 2020; however, our plan will be adjusted accordingly depending on the pace of the recovery.

The Company generated \$350 million and \$303 million of net cash flows from operations in the first half of 2020 and 2019, respectively. This increase in operating cash flow was primarily a result of the \$54 million reduction in expense from the cost actions implemented during the second quarter of 2020.

Cash flows used in investing activities included capital expenditures related to property, plant, equipment and software capitalization of \$97 million and \$65 million in the first half of 2020 and 2019, respectively. In January of 2020, the Company acquired all of the outstanding stock of Andrew Alliance, S.A. and its two operating subsidiaries, Andrew Alliance USA, Inc. and Andrew Alliance France, SASU (collectively "Andrew Alliance"), for \$80 million, net of cash acquired. The company had an equity investment in Andrew Alliance that was valued at \$4 million and included as part of the total consideration. This acquisition is not expected to have a material effect on the Company's sales and expenses. The cash flows from investing activities in the first half of 2020 also included \$43 million of capital expenditures related to the expansion of the Company's precision chemistry consumable operations in the U.S. The Company has incurred \$123 million on this facility through the end of the first half of 2020 and anticipates spending a total of \$215 million to build and equip this new state-of-the-art manufacturing facility. Due to the uncertain business conditions caused by the COVID-19 pandemic, in the second quarter of 2020 the Company temporarily slowed down the remaining construction and buildout of this facility.

In January 2019, the Company's Board of Directors authorized the Company to repurchase up to \$4 billion of its outstanding common stock over a two-year period. During the first half of 2020 and 2019, the Company repurchased \$167 million and \$1.3 billion of the Company's outstanding common stock, respectively, under authorized share repurchase programs. While the Company believes that it has the financial flexibility to fund these share repurchases given current cash and investment levels and debt borrowing capacity, as well as to invest in research, technology and business acquisitions to further grow the Company's sales and profits, the Company has temporarily suspended its share repurchases due to the uncertain business conditions caused by the COVID-19 pandemic.

[Table of Contents](#)

Results of Operations

Sales by Geography

Geographic sales information is presented below for the three and six months ended June 27, 2020 and June 29, 2019 (dollars in thousands):

	Three Months Ended			Six Months Ended		
	June 27, 2020	June 29, 2019	% change	June 27, 2020	June 29, 2019	% change
Net Sales:						
Asia:						
China	\$ 89,816	\$ 112,796	(20%)	\$ 137,047	\$ 202,887	(32%)
Japan	41,230	45,958	(10%)	86,319	89,462	(4%)
Asia Other	77,163	80,081	(4%)	143,923	146,998	(2%)
Total Asia	208,209	238,835	(13%)	367,289	439,347	(16%)
Americas:						
United States	148,928	173,940	(14%)	292,826	323,097	(9%)
Americas Other	25,854	32,835	(21%)	54,132	65,546	(17%)
Total Americas	174,782	206,775	(15%)	346,958	388,643	(11%)
Europe	136,993	153,552	(11%)	270,676	285,034	(5%)
Total net sales	<u>\$519,984</u>	<u>\$599,162</u>	<u>(13%)</u>	<u>\$984,923</u>	<u>\$1,113,024</u>	<u>(12%)</u>

In the second quarter and first half of 2020, the COVID-19 pandemic disrupted businesses throughout the world and negatively impacted the Company's sales across all major geographies. Sales in China declined 20% and 32% in the second quarter and first half of 2020, respectively, and sales in the U.S. declined 14% and 9% in the second quarter and first half of 2020, respectively, due to the COVID-19 pandemic.

Net sales by customer class are presented below for the three and six months ended June 27, 2020 and June 29, 2019 (dollars in thousands):

	Three Months Ended			Six Months Ended		
	June 27, 2020	June 29, 2019	% change	June 27, 2020	June 29, 2019	% change
Pharmaceutical	\$ 311,018	\$ 350,145	(11%)	\$ 583,581	\$ 644,657	(9%)
Industrial	152,110	176,109	(14%)	295,464	331,327	(11%)
Academic and governmental	56,856	72,908	(22%)	105,878	137,040	(23%)
Total net sales	<u>\$519,984</u>	<u>\$599,162</u>	<u>(13%)</u>	<u>\$984,923</u>	<u>\$1,113,024</u>	<u>(12%)</u>

In the second quarter and first half of 2020, the decline in sales to pharmaceutical customers was primarily due to the disruption in business activities caused by COVID-19, despite increased demand for our products and services from certain pharmaceutical customers who are involved with COVID-19 diagnostic testing and the development of new drugs and therapies. Foreign currency translation decreased sales to pharmaceutical customers by 1% in both the second quarter and first half of 2020. The decline in sales to industrial customers in the quarter was primarily due to the lower demand caused by the COVID-19 pandemic. Similarly, TA sales declined of 20% and 14% in the second quarter and first half of 2020, respectively. The decreases in sales to academic and governmental customers were broad-based across all product classes as governmental customers adjusted their spending to mitigate the effects of the COVID-19 pandemic.

[Table of Contents](#)

Waters Products and Services Net Sales

Net sales for Waters products and services were as follows for the three and six months ended June 27, 2020 and June 29, 2019 (dollars in thousands):

	Three Months Ended				
	June 27, 2020	% of Total	June 29, 2019	% of Total	% change
Waters instrument systems	\$ 181,399	39%	\$ 238,777	45%	(24%)
Chemistry consumables	95,105	20%	100,292	19%	(5%)
Total Waters product sales	276,504	59%	339,069	64%	(18%)
Waters service	189,205	41%	192,048	36%	(1%)
Total Waters net sales	<u>\$ 465,709</u>	<u>100%</u>	<u>\$ 531,117</u>	<u>100%</u>	<u>(12%)</u>

	Six Months Ended				
	June 27, 2020	% of Total	June 29, 2019	% of Total	% change
Waters instrument systems	\$ 324,228	37%	\$ 423,389	43%	(23%)
Chemistry consumables	192,350	22%	199,545	20%	(4%)
Total Waters product sales	516,578	59%	622,934	63%	(17%)
Waters service	363,342	41%	368,097	37%	(1%)
Total Waters net sales	<u>\$ 879,920</u>	<u>100%</u>	<u>\$ 991,031</u>	<u>100%</u>	<u>(11%)</u>

The effect of foreign currency translation decreased Waters sales by 1% for the first half of 2020. Precision chemistry consumables sales decreased in the second quarter and first half of 2020, primarily driven by decreased sales in the U.S., as the demand for chemistry consumables was impacted by the disruption and uncertainty caused by the COVID-19 pandemic, while demand in China increased in the second quarter which resulted in 23% growth in the quarter and 5% growth for the first half of 2020. Waters service sales decreased on lower service demand billings due to COVID-19 business closures, particularly in Europe and India. Waters recurring revenues were also negatively impacted by one less calendar day in the first half of 2020 and the negative impact of foreign currency translation, which lowered sales by 1% in both the second quarter and first half of 2020. Waters instrument system sales (LC and MS technology-based) decreased in all geographical regions, primarily due to lower sales as a result of weaker demand for our products and services by our customers due to the disruption and uncertainty caused by the COVID-19 pandemic.

In the second quarter of 2020, Waters sales decreased 8% in Europe, 13% in the U.S. and 21% in China due to the impact of the COVID-19 pandemic. Waters sales in Europe and China were also negatively impacted by the effect of foreign currency translation by 2% and 1%, respectively. In the first half of 2020, Waters sales decreased 3% in Europe, 9% in the U.S. and 34% in China due to the impact of the COVID-19 pandemic. Waters sales in Europe and China were also both negatively impacted by the effect of foreign currency translation by 2%.

[Table of Contents](#)

TA Product and Services Net Sales

Net sales for TA products and services were as follows for the three and six months ended June 27, 2020 and June 29, 2019 (dollars in thousands):

	Three Months Ended				
	June 27, 2020	% of Total	June 29, 2019	% of Total	% change
TA instrument systems	\$ 38,416	71%	\$ 48,196	71%	(20%)
TA service	15,859	29%	19,849	29%	(20%)
Total TA net sales	<u>\$ 54,275</u>	<u>100%</u>	<u>\$ 68,045</u>	<u>100%</u>	<u>(20%)</u>

	Six Months Ended				
	June 27, 2020	% of Total	June 29, 2019	% of Total	% change
TA instrument systems	\$ 72,525	69%	\$ 84,834	70%	(15%)
TA service	32,478	31%	37,159	30%	(13%)
Total TA net sales	<u>\$ 105,003</u>	<u>100%</u>	<u>\$ 121,993</u>	<u>100%</u>	<u>(14%)</u>

The decline in TA instrument system and service sales in the second quarter and first half of 2020 was primarily due to lower customer demand due to the COVID-19 pandemic. The effect of foreign currency translation had minimal impact on sales for the second quarter of 2020 and decreased TA sales 1% for the first half of 2020.

TA sales declined in all major regions of the world due to the impact from COVID-19, except for Asia Other, where sales grew over 10% in both the second quarter and first half of 2020.

Cost of Sales

Cost of sales for the second quarter and first half of 2020 decreased 15% and 10%, respectively, primarily due to a decrease in sales volume from lower customer demand caused by the COVID-19 pandemic, which was mitigated by a \$12 million reduction of planned expenses from salary reductions, furloughs and reductions in non-essential spending. In addition, cost of sales was also negatively impacted by foreign currency translation. Cost of sales is affected by many factors, including, but not limited to, foreign currency translation, product mix, product costs of instrument systems and amortization of software platforms. At current foreign currency exchange rates, the Company expects foreign currency translation to negatively impact gross profit for the remainder of 2020. To date, the Company has not had significant issues with its supply chain; however, the prolonged impact of COVID-19 on businesses could negatively impact our suppliers' ability to deliver goods to us, as well as possibly increase the cost of those goods used in our manufacturing operations.

Selling and Administrative Expenses

Selling and administrative expenses decreased 12% and 1% for the second quarter and first half of 2020, respectively. Selling and administrative expenses decreased in these periods primarily from the \$33 million reduction in expenses from salary reductions, furloughs and reductions in non-essential spending. These savings were partially offset by \$3 million and \$21 million for the second quarter and first half of 2020, respectively, of one-time severance-related costs in connection with a reduction in workforce and lease-terminations. Excluding these expenses, selling and administrative expenses declined 9% year-to-date. The Company anticipates incurring approximately \$6 million of severance-related and lease termination expenses over the remainder of 2020. In addition, the effect of foreign currency translation decreased selling and administrative expenses by 1% for both the second quarter and first half of 2020.

As a percentage of net sales, selling and administrative expenses were 22.6% and 26.9% for the second quarter of 2020 and year-to-date, respectively, and 22.2% and 24.0% for the second quarter and first half of 2019, respectively. The increase in this percentage is attributable to the decline in sales and the \$21 million of one-time severance-related and lease termination costs.

Research and Development Expenses

Research and development expenses decreased 15% and 8% in the second quarter and first half of 2020, respectively. These expenses decreased in these periods primarily from the \$9 million reduction in expenses from salary reductions, furloughs and reductions in non-essential spending in the second quarter of 2020.

Interest Expense, Net

The increases in net interest expense in the second quarter and first half of 2020 were primarily attributable to higher outstanding debt balances and lower interest income on lower cash, cash equivalents and investment balances.

Provision for Income Taxes

The four principal jurisdictions in which the Company manufactures are the U.S., Ireland, the U.K. and Singapore, where the statutory tax rates were 21%, 12.5%, 19% and 17%, respectively, as of June 27, 2020. The Company has a contractual tax rate of 0% on qualifying activities in Singapore through March 2021, based upon the achievement of certain contractual milestones, which the Company expects to continue to meet. The effect of applying the contractual tax rate rather than the statutory tax rate to income from qualifying activities in Singapore increased the Company's net income for the half of 2020 and 2019 by \$7 million and \$9 million, respectively, and increased the Company's net income per diluted share by \$0.11 and \$0.13, respectively.

The Company's effective tax rate for the second quarter of 2020 and 2019 was 15.4% and 15.9%, respectively. The decrease in the effective income tax rate can be attributed to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

The Company's effective tax rate for the first half of 2020 and 2019 was 13.2% and 12.4%, respectively. The effective tax rate for the first half of 2020 included a \$5 million income tax benefit related to certain restructuring charges and a \$2 million tax benefit related to stock-based compensation. These income tax benefits decreased the effective tax rate by 2.4 percentage points and 1.2 percentage points for the first half of 2020, respectively. The effective tax rate for the first half of 2019 included a \$3 million income tax benefit related to the finalization of certain regulations relating to the Tax Cuts and Jobs Act of 2017 and a \$7 million income tax benefit related to stock-based compensation. These income tax benefits decreased the effective tax rate by 1.0 percentage point and 2.3 percentage points for the first half of 2019, respectively. The remaining differences between the effective tax rates can primarily be attributed to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

Liquidity and Capital Resources

Condensed Consolidated Statements of Cash Flows (in thousands):

	Six Months Ended	
	June 27, 2020	June 29, 2019
Net income	\$ 176,491	\$ 253,396
Depreciation and amortization	60,203	53,615
Stock-based compensation	18,122	19,255
Deferred income taxes	(777)	1,632
Change in accounts receivable	86,978	52,508
Change in inventories	(27,089)	(62,200)
Change in accounts payable and other current liabilities	34,714	(10,439)
Change in deferred revenue and customer advances	37,558	54,672
Effect of the 2017 Tax Cuts & Jobs Act	—	(3,229)
Other changes	(35,754)	(56,407)
Net cash provided by operating activities	350,446	302,803
Net cash (used in) provided by investing activities	(192,335)	785,063
Net cash used in financing activities	(159,366)	(1,294,734)
Effect of exchange rate changes on cash and cash equivalents	4,576	(1,414)
Increase (decrease) in cash and cash equivalents	\$ 3,321	\$ (208,282)

Cash Flow from Operating Activities

Net cash provided by operating activities was \$350 million and \$303 million during the six months ended June 27, 2020 and June 29, 2019, respectively. This increase in operating cash flow was primarily a result of the \$54 million reduction in expense from the cost actions implemented in the second quarter of 2020. The changes within net cash provided by operating activities include the following significant changes in the sources and uses of net cash provided by operating activities, aside from the changes in net income:

- The changes in accounts receivable were primarily attributable to timing of payments made by customers and timing of sales. Days sales outstanding increased to 87 days at June 27, 2020 as compared to 79 days at June 29, 2019.
- The changes in inventory were primarily attributable to the reduction in the inventory build plan to adjust inventory levels for lower anticipated sales volume due to the COVID-19 pandemic.
- The changes in accounts payable and other current liabilities were a result of the timing of payments to vendors, as well as the annual payment of management incentive compensation.
- Net cash provided from deferred revenue and customer advances results from annual increases in new service contracts as a higher installed base of customers renew annual service contracts.
- Other changes were attributable to variation in the timing of various provisions, expenditures, prepaid income taxes and accruals in other current assets, other assets and other liabilities.

Cash Flow from Investing Activities

Net cash used in investing activities totaled \$192 million in the six months ended June 27, 2020 compared to net cash provided by investing activities that totaled \$785 million in the six months ended June 29, 2019. Additions to fixed assets and capitalized software were \$97 million and \$65 million in the six months ended June 27, 2020 and June 29, 2019, respectively. In February 2018, the Company's Board of Directors approved expanding its precision chemistry consumable manufacturing operations in the U.S. The Company anticipates spending an estimated \$215 million to build and equip this new state-of-the-art manufacturing facility, which will be paid for with existing cash, investments and debt capacity. The Company incurred \$38 million of costs associated with the construction of this facility during the six months ended June 27, 2020. The Company has incurred \$123 million on this facility through the end of the second quarter of 2020. Due to the uncertain business conditions caused by the COVID-19 pandemic, the Company temporarily slowed down the completion of the remaining construction and buildout of this facility.

[Table of Contents](#)

During the six months ended June 27, 2020 and June 29, 2019, the Company purchased \$17 million and \$36 million of investments, respectively, while \$2 million and \$891 million of investments matured, respectively, and were used for financing activities described below.

On January 15, 2020, the Company acquired all of the outstanding stock of Andrew Alliance, for \$80 million, net of cash acquired. The Company had an equity investment in Andrew Alliance that was valued at \$4 million and included as part of the total consideration.

Cash Flow from Financing Activities

During the six months ended June 27, 2020, the Company's net debt borrowings increased by \$15 million while they remained flat during the six months ended June 29, 2019. During the six months ended June 29, 2019, the Company reduced its outstanding debt using cash repatriated under the 2017 Tax Act. As of June 27, 2020, the Company had a total of \$1.7 billion in outstanding debt, which consisted of \$960 million in outstanding senior unsecured notes and \$740 million borrowed under a term loan under the credit agreement dated November 2017 ("2017 Credit Agreement"). As of June 27, 2020, the Company had a total amount available to borrow under the 2017 Credit Agreement of \$1.1 billion after outstanding letters of credit. As of June 27, 2020, the Company was in compliance with all debt covenants.

In February 2019, certain defined terms related to the subsidiary guarantors were amended in the 2017 Credit Agreement and senior unsecured note agreements. In addition, the Company amended the senior unsecured note agreements to allow the Company to elect an increase in the permitted leverage ratio from 3.50:1 to 4.0:1, for a period of three consecutive quarters, for a material acquisition of \$400 million or more. During the period of time where the leverage ratio exceeds 3.50:1, the interest payable on the senior unsecured notes shall increase by 0.50%. The debt covenants in the senior unsecured note agreements were also modified to address the change in accounting guidance for leases.

In 2018 and 2019, the Company entered into a total of \$560 million of U.S.-to-Euro interest rate cross-currency swap agreements that hedge the Company's net investment in its Euro denominated net assets. As a result of entering into these agreements, the Company anticipates lowering net interest expense by approximately \$12 million annually over the three-year term of the agreements.

In January 2019, the Company's Board of Directors authorized the Company to repurchase up to \$4 billion of its outstanding common stock over a two-year period. This new program replaced the remaining amounts available from the pre-existing program. During the first half of 2020 and 2019, the Company repurchased \$167 million and \$1.3 billion, respectively, of the Company's outstanding common stock under authorized share repurchase programs. In addition, the Company repurchased \$9 million and \$8 million of common stock related to the vesting of restricted stock units during both the six months ended June 27, 2020 and June 29, 2019, respectively.

The Company received \$15 million and \$30 million of proceeds from the exercise of stock options and the purchase of shares pursuant to the Company's employee stock purchase plan during the six months ended June 27, 2020 and June 29, 2019, respectively.

The Company had cash and cash equivalents of \$356 million as of June 27, 2020. The majority of the Company's cash and cash equivalents are generated from foreign operations, with \$288 million held by foreign subsidiaries at June 27, 2020, of which \$204 million was held in currencies other than U.S. dollars. While the Company believes it has sufficient levels of cash flow and access to its existing cash and cash equivalents, as well as the ability to raise funds from external sources and the borrowing capacity from existing, committed credit facilities, to fund operations and capital expenditures, service debt interest, finance potential acquisitions and continue the authorized stock repurchase program in the U.S., we have temporarily suspended our share repurchases due to the uncertain business conditions caused by the COVID-19 pandemic.

Management believes, despite the impact of COVID-19 on our business, as of the date of this report, that the Company's financial position, along with expected future cash flows from earnings based on historical trends and the ability to raise funds from external sources and the borrowing capacity from existing, committed credit facilities, will be sufficient to service debt and fund working capital and capital spending requirements, authorized share repurchase amounts and potential acquisitions for at least the next twelve months.

Contractual Obligations, Commercial Commitments, Contingent Liabilities and Dividends

A summary of the Company's contractual obligations and commercial commitments is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 25, 2020. The Company reviewed its contractual obligations and commercial commitments as of June 27, 2020 and determined that there were no material changes outside the ordinary course of business from the information set forth in the Annual Report on Form 10-K.

From time to time, the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of business. The Company believes that it has meritorious arguments in its current litigation matters and that any outcome, either individually or in the aggregate, will not be material to the Company's financial position or results of operations.

During fiscal year 2020, the Company expects to contribute a total of approximately \$3 million to \$6 million to its defined benefit plans, excluding the U.S. defined benefit pension plans.

The Company has not paid any dividends and has no plans, at this time, to pay any dividends in the future.

Off-Balance Sheet Arrangements

The Company has not created, and is not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of its business that are not consolidated (to the extent of the Company's ownership interest therein) into the consolidated financial statements. The Company has not entered into any transactions with unconsolidated entities whereby it has subordinated retained interests, derivative instruments or other contingent arrangements that expose the Company to material continuing risks, contingent liabilities or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company.

The Company enters into standard indemnification agreements in its ordinary course of business. Pursuant to these agreements, the Company indemnifies, holds harmless and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with patent, copyright or other intellectual property infringement claims by any third party with respect to its current products, as well as claims relating to property damage or personal injury resulting from the performance of services by the Company or its subcontractors. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Historically, the Company's costs to defend lawsuits or settle claims relating to such indemnity agreements have been minimal and management accordingly believes the estimated fair value of these agreements is immaterial.

Critical Accounting Policies and Estimates

In the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 25, 2020, the Company's most critical accounting policies and estimates upon which its financial status depends were identified as those relating to revenue recognition, loss provisions on accounts receivable and inventory, valuation of long-lived assets, intangible assets and goodwill, income taxes, uncertain tax positions, warranty, litigation, pension and other postretirement benefit obligations, stock-based compensation and business combinations and asset acquisitions. The Company reviewed its policies and determined that those policies remain the Company's most critical accounting policies for the six months ended June 27, 2020. The Company did not make any changes in those policies during the six months ended June 27, 2020.

New Accounting Pronouncements

Please refer to Note 14, Recent Accounting Standard Changes and Developments, in the Condensed Notes to Consolidated Financial Statements.

Special Note Regarding Forward-Looking Statements

Certain of the statements in this Quarterly Report on Form 10-Q, including the information incorporated by reference herein, may contain forward-looking statements with respect to future results and events, including any statements regarding, among other items, anticipated trends or growth in the Company's business, including, but not limited to, the impact of the ongoing COVID-19 pandemic; the impact of new or proposed tariff or trade regulations or changes in the interpretation or enforcement of existing regulations; the impact of foreign currency translation on financial results; development of products by acquired businesses; the growth rate of sales and research and development expenses; the impact of costs associated with developing new technologies and bringing these new technologies to market; the impact of new product launches and the associated costs, such as the amortization expense related to software platforms; geographic sales mix of business; development of products by acquired businesses and the amount of contingent payments to the sellers of an acquired business; anticipated expenses, including interest expense, capitalized software costs and effective tax rates; the impact of the 2017 Tax Act in the U.S.; the impact and outcome of the Company's various ongoing tax audit examinations; the achievement of contractual milestones to preserve foreign tax rates; the impact and outcome of litigation matters; the impact of the loss of intellectual property protection; the impact of new accounting standards and pronouncements; the adequacy of the Company's supply chain and manufacturing capabilities and facilities; the impact of regulatory compliance; the Company's expected cash flow, borrowing capacity, debt repayment and refinancing; the Company's ability to fund working capital, capital expenditures, service debt, repay outstanding lines of credit, make authorized share repurchases, fund potential acquisitions and pay any adverse litigation or tax audit liabilities, particularly in the U.S.; future impairment charges; the Company's contributions to defined benefit plans; the Company's expectations regarding changes to its financial position; compliance with applicable environmental laws; and the impact of recent acquisitions on sales and earnings.

Many of these statements appear, in particular, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I, Item 2 of this Quarterly Report on Form 10-Q. Statements that are not statements of historical fact may be deemed forward-looking statements. You can identify these forward-looking statements by the use of the words "feels", "believes", "anticipates", "plans", "expects", "may", "will", "would", "intends", "suggests", "appears", "estimates", "projects", "should" and similar expressions, whether in the negative or affirmative. These statements are subject to various risks and uncertainties, many of which are outside the control of the Company, including, and without limitation:

- Risks related to the effects of the COVID-19 pandemic on our business, including: portions of our global workforce being unable to work fully and/or effectively due to working remotely, illness, quarantines, government actions, facility closures or other reasons related to the pandemic, increased risks of cyber attacks resulting from our temporary remote working model, disruptions in our manufacturing capabilities or to our supply chain, volatility and uncertainty in global capital markets limiting our ability to access capital, customers being unable to make timely payment for purchases and volatility in demand for our products.
- Foreign currency exchange rate fluctuations that could adversely affect translation of the Company's future sales, financial operating results and the condition of its non-U.S. operations, especially when a currency weakens against the U.S. dollar.
- Current global economic, sovereign and political conditions and uncertainties, particularly regarding the effect of the COVID-19 pandemic; new or proposed tariffs or trade regulations or changes in the interpretation or enforcement of existing regulations; the U.K. voting to exit the European Union as well as the Chinese government's ongoing tightening of restrictions on procurement by government-funded customers; the Company's ability to access capital and maintain liquidity in volatile market conditions; changes in timing and demand for the Company's products among the Company's customers and various market sectors or geographies, particularly if they should reduce capital expenditures or are unable to obtain funding, as in the cases of governmental, academic and research institutions; the effect of mergers and acquisitions on customer demand for the Company's products; and the Company's ability to sustain and enhance service.
- Negative industry trends; changes in the competitive landscape as a result of changes in ownership, mergers and continued consolidation among the Company's competitors; introduction of competing products by other companies and loss of market share; pressures on prices from customers or resulting from competition; regulatory, economic and competitive obstacles to new product introductions; lack of acceptance of new products; expansion of our business in developing markets; spending by certain end-markets; ability to obtain alternative sources for components and modules; and the possibility that future sales of new products related to acquisitions, which trigger contingent purchase payments, may exceed the Company's expectations.

[Table of Contents](#)

- Increased regulatory burdens as the Company's business evolves, especially with respect to the United States Food and Drug Administration and the United States Environmental Protection Agency, among others, as well as regulatory, environmental and logistical obstacles affecting the distribution of the Company's products, completion of purchase order documentation by our customers and ability of customers to obtain letters of credit or other financing alternatives.
- Risks associated with lawsuits, particularly involving claims for infringement of patents and other intellectual property rights.
- The impact and costs incurred from changes in accounting principles and practices; the impact and costs of changes in statutory or contractual tax rates in jurisdictions in which the Company operates, specifically as it relates to the 2017 Tax Act in the U.S.; shifts in taxable income among jurisdictions with different effective tax rates; and the outcome of and costs associated with ongoing and future tax audit examinations or changes in respective country legislation affecting the Company's effective rates.

Certain of these and other factors are discussed under the heading "Risk Factors" under Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 25, 2020. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements, whether because of these factors or for other reasons. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are expressly qualified in their entirety by the cautionary statements included in this report. Except as required by law, the Company does not assume any obligation to update any forward-looking statements.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the risk of interest rate fluctuations from the investments of cash generated from operations. Investments with maturities greater than 90 days are classified as investments, and are held primarily in U.S. dollar-denominated treasury bills and commercial paper, bank deposits and corporate debt securities. As of June 27, 2020, the Company estimates that a hypothetical adverse change of 100 basis points across all maturities would not have a material effect on the fair market value of its portfolio.

The Company is also exposed to the risk of exchange rate fluctuations. The Company maintains cash balances in various operating accounts in excess of federally insured limits, and in foreign subsidiary accounts in currencies other than the U.S. dollar. As of June 27, 2020 and December 31, 2019, \$288 million out of \$356 million and \$249 million out of \$337 million, respectively, of the Company's total cash, cash equivalents and investments were held by foreign subsidiaries. In addition, \$204 million out of \$356 million and \$176 million out of \$337 million of cash, cash equivalents and investments were held in currencies other than the U.S. dollar at June 27, 2020 and December 31, 2019, respectively. As of June 27, 2020, the Company had no holdings in auction rate securities or commercial paper issued by structured investment vehicles.

Assuming a hypothetical adverse change of 10% in year-end exchange rates (a strengthening of the U.S. dollar), the fair market value of the Company's cash, cash equivalents and investments held in currencies other than the U.S. dollar as of June 27, 2020 would decrease by approximately \$18 million, of which the majority would be recorded to foreign currency translation in other comprehensive income within stockholders' (deficit) equity.

There have been no other material changes in the Company's market risk during the six months ended June 27, 2020. For information regarding the Company's market risk, refer to Item 7A of Part II of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 25, 2020.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer (principal executive officer and principal financial officer), with the participation of management, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of June 27, 2020 (1) to ensure that information required to be disclosed by the

Company, including its consolidated subsidiaries, in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, to allow timely decisions regarding the required disclosure and (2) to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control Over Financial Reporting

No change was identified in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 27, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II: Other Information

Item 1: Legal Proceedings

There have been no material changes in the Company's legal proceedings during the three months ended June 27, 2020 as described in Item 3 of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 25, 2020.

Item 1A: Risk Factors

Information regarding risk factors of the Company is set forth under the heading "Risk Factors" under Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 25, 2020. The Company reviewed its risk factors as of June 27, 2020 and determined that there were no material changes from the ones set forth in the Form 10-K, other than those included below. Note, however, the discussion under the subheading "Special Note Regarding Forward-Looking Statements" in Part I, Item 2 of this Quarterly Report on Form 10-Q. These risks are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company's business, financial condition and operating results.

The Company's business has been and may continue to be negatively affected by outbreaks of disease, such as epidemics or pandemics, including the ongoing COVID-19 pandemic.

Outbreaks of disease, such as epidemics or pandemics, have and could continue to negatively affect the Company's business. Both the Company's domestic and international operations have been and continue to be adversely affected by the ongoing global COVID-19 pandemic and the resulting volatility and uncertainty it has caused in the U.S. and international markets. In March 2020, the World Health Organization declared COVID-19 a pandemic and recommended containment and mitigation measures worldwide. On March 13, 2020, President Trump announced a National Emergency relating to the disease. Since then, COVID-19 has continued to spread throughout the U.S. and globally. The COVID-19 pandemic has caused significant volatility and uncertainty in U.S. and international markets, which has disrupted and is expected to continue to disrupt the Company's business and could result in a prolonged economic downturn. The Company operates in over 35 countries, including those in the regions most impacted by the COVID-19 pandemic. Many countries, including the U.S. have implemented measures such as quarantine, shelter-in-place, curfew and similar isolation measures, including government orders and other restrictions on the conduct of business operations. Such measures have had and are expected to continue to have adverse impacts on the U.S. and foreign economies of uncertain severity and duration and have had and may continue to have a negative impact on the Company's operations, including the Company's sales, supply chain and cash flow. Additionally, the widespread pandemic has caused and is expected to continue to cause significant disruption of global financial markets, which may reduce the Company's ability to access capital.

The COVID-19 pandemic also has the potential to significantly impact our supply chain if our manufacturing facilities or those of third parties to whom we outsource certain manufacturing processes, the distribution centers where our inventory is managed or the operations of our logistics and other service providers are disrupted, temporarily closed or experience worker shortages. We may also see disruptions or delays in shipments of certain materials or components of our products.

As a result of the ongoing COVID-19 pandemic, the Company has transitioned the majority of its workforce to a temporary remote working model, which may result in the Company experiencing lower workforce efficiency and productivity, which in turn may adversely affect the Company's business, results of operations and financial condition.

[Table of Contents](#)

As Company employees work from home and access the Company's system remotely, the Company may be subject to heightened security risks, including the risks of cyber attacks. Additionally, if any of the Company's key management employees are unable to perform their duties for a period of time, including as the result of illness, the Company's business, results of operations and financial condition could be adversely affected.

The Company cannot reasonably estimate the length or severity of the COVID-19 pandemic or the related response, or the extent to which the disruption may continue to impact the Company's business, financial position, results of operations and cash flows. Ultimately, the COVID-19 pandemic could have a material adverse impact on the Company's business, financial positions, results of operations and cash flows.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer

The following table provides information about purchases by the Company during the three months ended June 27, 2020 of equity securities registered by the Company under the Exchange Act (in thousands, except per share data):

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs (2)</u>
March 29, 2020 to April 25, 2020	—	\$ —	—	\$ 1,524,905
April 26, 2020 to May 23, 2020	—	\$ —	—	\$ 1,524,905
May 24, 2020 to June 27, 2020	—	\$ —	—	\$ 1,524,905
Total	—	\$ —	—	\$ 1,524,905

- (1) The Company repurchased less than one thousand shares of common stock at a cost of less than \$1 million related to the vesting of restricted stock during the three months ended June 27, 2020.
- (2) In January 2019, the Company's Board of Directors authorized the Company to repurchase up to \$4 billion of its outstanding common stock in open market or private transactions over a two-year period. This new program replaced the remaining amounts available under the pre-existing authorization. During the second quarter of 2020, the Company has temporarily suspended its share repurchases due to the uncertain business conditions caused by the COVID-19 pandemic.

Table of Contents

Item 6: Exhibits

Exhibit Number	Description of Document
10.1	<u>Chief Executive Officer Transition and Separation Agreement.</u>
10.2	<u>President and Chief Executive Employment Agreement.</u>
10.3	<u>Change of Control/Severance Agreement, dated July 14, 2020 between Waters Corporation and Udit Batra.</u>
10.4	<u>Employee Form of Stock Option Award Agreement under the Waters Corporation 2020 Equity Incentive Plan.</u>
10.5	<u>Director Form of Stock Option Award Agreement under the Waters Corporation 2020 Equity Incentive Plan.</u>
10.6	<u>Form of RSU Agreement under the Waters Corporation 2020 Equity Incentive Plan.</u>
10.7	<u>CEO Form of PSU Agreement under the Waters Corporation 2020 Equity Incentive Plan.</u>
10.8	<u>Employee (non-CEO) Form of PSU Agreement under the Waters Corporation 2020 Equity Incentive Plan.</u>
10.9	<u>Director Form of RSA Agreement under the Waters Corporation 2020 Equity Incentive Plan.</u>
10.10	<u>Waters Corporation 2020 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Form S-8 dated June 8, 2020 (File No. 333-239020)).</u>
31.1	<u>Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(*)</u>
32.2	<u>Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(*)</u>
101	The following materials from Waters Corporation's Quarterly Report on Form 10-Q for the quarter ended June 27, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets (unaudited), (ii) the Consolidated Statements of Operations (unaudited), (iii) the Consolidated Statements of Comprehensive Income (unaudited), (iv) the Consolidated Statements of Cash Flows (unaudited) and (v) Condensed Notes to Consolidated Financial Statements (unaudited).
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101).
(*)	This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any filing, except to the extent the Company specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WATERS CORPORATION

/s/ Sherry L. Buck

Sherry L. Buck
*Senior Vice President and
Chief Financial Officer*

Date: July 29, 2020

TRANSITION AND SEPARATION AGREEMENT

This Transition and Separation Agreement (the “Agreement”) is by and between Christopher J. O’Connell (the “Executive”) and Waters Corporation, a corporation organized under the laws of the State of Delaware (the “Company”).

WHEREAS, the Executive and the Company are party to that certain offer letter dated as of June 23, 2015 (the “Offer Letter”); and

WHEREAS, the Executive will separate from his position as President and Chief Executive Officer of the Company effective as of the Transition Date and as an employee of the Company effective as of the Separation Date (each, as defined below).

NOW, THEREFORE, for the promises and covenants set forth herein and for such other good and valuable consideration, the receipt of which is hereby acknowledged, the Executive and the Company enter into this Agreement on the following terms and conditions:

1. Transition; Separation. The Executive will continue to be employed as the President and Chief Executive Officer of the Company from the date of this Agreement through the earlier of (i) the date on which a new Chief Executive Officer has commenced employment and (ii) December 31, 2020 (the “Transition Date”). If the Transition Date occurs before December 31, 2020, the Executive will continue to be employed by the Company as a full-time employee of the Company, and a Senior Advisor to the Chief Executive Officer, from the Transition Date through December 31, 2020 (unless earlier terminated by the Company for “Cause” (as defined in the Offer Letter) or by the Executive for any reason, which termination by Executive shall not be treated as noncompliance with this Agreement) (the date of the Executive’s actual termination of employment with the Company, including in the event of Executive’s death or “Disability” (as defined in the Offer Letter), the “Separation Date”). The parties also agree that if the Transition Date is December 31, 2020, the Separation Date will also be December 31, 2020. For the avoidance of doubt, prior to the Separation Date, the Executive’s employment with the Company will continue to be governed in all respects with the terms and conditions set forth in the Offer Letter, provided that, (i) the change in the Executive’s duties and responsibilities as contemplated by this Agreement shall in no event constitute “Good Reason” for purposes of the Offer Letter or any other agreement or arrangement by and between the Executive and the Company or any of its affiliates, including but not limited to that certain Change of Control/Severance Agreement by and between the Executive and the Company, dated September 8, 2015 (the “Severance Agreement”), and (ii) the Executive will not initiate or otherwise engage in any discussions regarding a potential merger, consolidation or similar transaction regarding the Company or any of its subsidiaries, and the Executive acknowledges that such discussions will be the exclusive responsibility of the Board following the execution of this Agreement. Effective as of the Transition Date (unless otherwise mutually agreed by the parties), the Executive will resign (and will be deemed to have resigned without any further action by the Executive) from his position as the President and Chief Executive Officer of the Company, and, except as expressly provided in this Section 1, from all of the Executive’s positions with the Company and its affiliates (and as a fiduciary of any benefit plan of the Company and its affiliates), including, without limitation, as a member of the Board of Directors of the Company (the “Board”). The Executive shall execute such additional documents as reasonably requested by the Company to evidence the foregoing resignations.

For the avoidance of doubt, in order to receive the Severance Benefits (as defined below), the Executive must not voluntarily terminate his employment prior to the Transition Date (other than in the event of Good Reason as modified above or a material breach of this Agreement by the Company, subject, in each case, to the notice and cure provisions set forth in the definition of Good Reason as provided in the Offer Letter); provided, however, that in the event of the Executive's death or Disability (or termination for Good Reason as modified above or as a result of a material breach of this Agreement by the Company, subject, in each case, to the notice and cure provisions set forth in the definition of Good Reason as provided in the Offer Letter), the Executive (or the Executive's estate) will be entitled to receive the Severance Benefits in accordance with the terms of this Agreement.

2. Final Compensation; Severance; Survival of Rights and Obligations.

(a) **Final Compensation.** Within thirty (30) business days following the Separation Date (or such earlier time as may be required by applicable law), the Company shall pay the Executive (i) the Executive's "**Base Salary**" (as defined in the Offer Letter) for the final payroll period of the Executive's employment through the Separation Date, (ii) any vacation time earned but not used as of the Separation Date, (iii) reimbursement for business expenses incurred by the Executive but not yet paid to the Executive as of the Separation Date; provided that the Executive submits all expenses and supporting documentation required within sixty (60) days of the Separation Date, and provided further that such expenses are reimbursable under Company policies as then in effect; and (iv) any amounts or benefits due to the Executive under any benefit or equity plan, program or arrangement in accordance with the terms of such plan, program or arrangement. In addition, the Executive will be entitled to a prorated (or full) portion (calculated based on the number of days in calendar year 2020 prior to the Separation Date) of the annual bonus under the "MIP" (as defined in the Offer Letter) for calendar year 2020, to the extent that an annual bonus would have been earned by the Executive under the MIP based on actual full-year performance had the Executive remained employed through the end of calendar year 2020, which will be paid when such bonuses are paid to active employees. The Executive shall also receive his vested and accrued benefits pursuant to the terms of any applicable Company employee benefit plans, which vested and accrued benefits shall be paid or provided to the Executive in accordance with the terms of such applicable Company employee benefit plans

(b) **Severance Payments.** Provided that the Second Release Effective Date occurs, and subject to the Executive's compliance in all material respects with the terms and conditions of this Agreement (provided, that, in the event of any noncompliance, the Company provides Executive with written notice of such noncompliance and not less than ten (10) days to cure such noncompliance if capable of cure), the Company agrees to pay to Executive \$4,252,500.00, which represents two (2) times the sum of the Executive's (i) annual base salary rate for calendar year 2020, and (ii) target annual incentive compensation opportunity for calendar year 2020 (such payments, less applicable federal, state, and local withholdings, taxes and any other deductions required by law, the "**Severance Payment**"), which shall be paid in substantially equal installments in accordance with the Company's regular payroll practices during the twenty- four (24) -month period commencing on the first regularly scheduled pay period following the

Second Release Effective Date, but in no event later than the date that is sixty (60) days following the Separation Date, with the first payment of the Severance Payments to include payment of any portion of the Severance Payments that were otherwise scheduled to be paid prior thereto; provided that if such sixty (60) -day period begins in one calendar year and ends in the next calendar year, the Severance Payments shall commence in the second calendar year even if the Second Release Effective Date occurs in the first calendar year (with the first payment of the Severance Payments to include payment of any portion of the Severance Payments that were otherwise scheduled to be paid prior thereto).

(c) Health Payment. Provided that the Second Release Effective Date occurs, and subject to the Executive's compliance with the terms and conditions of this Agreement, the Company agrees to pay to Executive an amount equal to the amount the Company would have paid in premiums under the life, accident, health and dental insurance plans of the Company in which the Executive (and the Executive's dependents) were participating as of the Separation Date for the twenty-four (24) -month period following the Separation Date (such payment, as determined based on the premium rates in effect as of the Separation Date, less applicable federal, state, and local withholdings, taxes and any other deductions required by law, the "Health Payment", and together with the Severance Payments and the stock option extension described in Section 2(d), collectively, the "Severance Benefits"), which shall be paid in one lump sum payment in accordance with the Company's regular payroll practices on the first regularly scheduled pay period following the Second Release Effective Date.

(d) Equity Awards. Executive's rights with respect to any outstanding equity awards will be governed by the terms and conditions of the governing plan and award agreements; provided that, if the Second Release Effective Date occurs, the Executive's then vested portion of the Executive's stock options with a grant date of December 5, 2017 and December 10, 2018, respectively, shall remain outstanding and exercisable until the one (1)-year anniversary of the Separation Date, subject to the Executive's compliance with the Continuing Obligations, and the governing award agreements shall be deemed amended to so provide.

(e) No Other Compensation; Severance Agreement. The Executive acknowledges and agrees that the payments provided pursuant to this Agreement are in full discharge of any and all liabilities and obligations of the Company and its affiliates to the Executive, monetarily or with respect to employee benefits or otherwise, including, but not limited to, any and all obligations arising under the Offer Letter, any alleged written or oral employment agreement, policy, plan or procedure of the Company and its affiliates and/or any alleged understanding or arrangement between the Executive and the Company. Notwithstanding the foregoing, for the avoidance of doubt, the Executive retains the right to receive all payments and benefits, if any, that may become due under the Severance Agreement, which shall be paid or provided to the Executive in accordance with the terms of the Severance Agreement.

3. Release.

(a) In consideration for the payments and benefits to be provided to the Executive pursuant to this Agreement and pursuant to the Offer Letter, which are conditioned on the Executive's execution of this Agreement, and to which the Executive not otherwise entitled, and other good and valuable consideration, the receipt and sufficiency of which the Executive hereby acknowledges, on the Executive's own behalf and on behalf of the Executive's heirs, executors, administrators, beneficiaries, representatives, successors and assigns, and all others connected with or claiming through the Executive, the Executive hereby releases and forever discharges the Company and its affiliates, and all of their respective past, present and future officers, directors, shareholders, employees, employee benefits plans, administrators, trustees, agents, representatives, consultants, successors and assigns, and all those connected with any of them, in their official and individual capacities (collectively, the "Released Parties"), from any and all causes of action, suits, rights and claims, demands, damages and compensation of any kind and nature whatsoever, whether at law or in equity, whether now known or unknown, suspected or unsuspected, contingent or otherwise, which the Executive now has or ever has had against the Released Parties, or any of them, in any way related to, connected with or arising out of the Executive's employment and/or other relationship with the Company or any of its affiliates, or pursuant to Title VII of the Civil Rights Act, the Americans With Disabilities Act, the Family and Medical Leave Act, the Age Discrimination in Employment Act (as amended by the Older Workers Benefit Protection Act), the Employee Retirement Income Security Act, the wage and hour laws, wage payment and fair employment practices laws of the state or states in which the Executive has provided services to the Company (each as amended from time to time) and/or any other federal, state or local law, regulation, or other requirement (collectively, the "Claims") through the date that the Executive signs this Agreement, and the Executive hereby waives all such Claims.

(b) The Executive understands that nothing contained in this Section 3 shall be construed to prohibit the Executive from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency; provided, however, that the Executive hereby agrees to waive the Executive's right to recover monetary damages or other individual relief in any charge, complaint or lawsuit filed by the Executive or by anyone else on the Executive's behalf. The Executive further understands that nothing contained in this Section 3 shall be construed to limit, restrict or in any other way affect the Executive's communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning non-privileged matters relevant to the governmental agency or entity. For the avoidance of doubt, no provision of this Agreement shall be construed as prohibiting or restricting the Executive (or the Executive's attorney) from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any governmental entity. 18 U.S.C. § 1833(b) provides: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

(c) The Executive acknowledges that the Executive will continue to be bound by the Executive's obligations under the Offer Letter that survive the termination of the Executive's employment on the Separation Date by the terms thereof or by necessary implication, including without limitation the Restrictive Covenants (all of the foregoing obligations, the "Continuing Obligations"). The Executive further acknowledges that the obligation of the Company to pay or provide the Severance Benefits, and the Executive's right to retain the same, are expressly conditioned upon the Executive's continued performance of the Executive's obligations hereunder and of the Continuing Obligations.

(d) The Executive understands that nothing contained in this Section 3 will adversely affect the Executive's rights to enforce the terms of this Agreement or the Severance Agreement, and shall not adversely affect the Executive's right to any indemnification coverage under the Company's director's and officer's liability insurance policy in accordance with its terms or right to reimbursement of expenses by the Company to which the Executive would otherwise be entitled to under, without limitation, any charter document or Company insurance policy, by reason of services the Executive rendered for the Company or any of its subsidiaries as an officer and/or an employee thereof.

(e) Subject to Section 3(b), the Executive agrees that the Executive will not disparage or criticize the Company, its affiliates, their business, their directors, management or their products or services. The Company agrees that no member of the Board or any executive officer of the Company will disparage or criticize the Executive. Notwithstanding the foregoing, nothing contained in this Section 3(e) shall preclude the Executive or the Company (or its directors or executive officers) from making truthful statements that are required by applicable law, regulation or governmental investigation or are pursuant to legal process. The provisions of this Section 3(e) shall expire on the second (2nd) anniversary of the Separation Date.

(f) The Board acknowledges and represents that, as of the date this Agreement is executed, the Board is unaware of the existence of any claims that the Company may have against the Executive.

4. Return of Company Property. All correspondence, records, documents, software, promotional materials, and other Company property, including all copies, which came into the Executive's possession by, through or in the course of Executive's employment, regardless of the source and whether created by the Executive, are the sole and exclusive property of the Company, and immediately upon the Separation Date, or any time prior thereto at the Company's request, the Executive shall return to the Company all such property of the Company. Notwithstanding the foregoing, the Executive may retain his contacts and calendar along with his Company-provided laptop, printer, iPad and phone. The Company may have an IT specialist scrub such equipment for any proprietary or confidential information on or immediately prior to the Separation Date.

5. Publicity. The Executive shall not issue, without consent of the Company, any press release or make any public announcement with respect to this Agreement.

6. No Assignments; Binding Effect. Except as provided in this Section 6, no party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto. The Company shall assign this Agreement to any successor to all or substantially all of the operations and/or assets of the Company. As used in this Agreement, the term "Company," shall mean the Company and any successor to its operations and/or assets, which assumes and agrees to perform the duties and obligations of the Company under this Agreement by operation of law or otherwise. This Agreement is binding upon, and shall inure to the benefit of, the parties and their respective heirs, executors and administrators (including the Executive's estate or designated beneficiary, in the event of the Executive's death), and their respective permitted successors and assigns.

7. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Massachusetts, without giving effect to the principles of conflicts of law thereof.

8. Venue. The Executive and the Company agree to submit to the exclusive jurisdiction of the courts of the Commonwealth of Massachusetts in connection with any dispute arising out of this Agreement.

9. Entire Agreement; Restrictive and Other Covenants.

(a) The Executive understands that this Agreement, all relevant plans referred to herein and the sections of the Offer Letter and Severance Agreement that survive termination, including but not limited to Section 3 of the Offer Letter, constitute the complete understanding between the Company and the Executive, and, except as specifically provided herein, supersedes any and all agreements, understandings, and discussions, whether written or oral, between the Executive and any of the Released Parties. No other promises or agreements shall be binding unless in writing and signed by both the Company and the Executive.

(b) Notwithstanding the foregoing, Section 3 of the Offer Letter shall survive in accordance with their terms. For the avoidance of doubt, Executive agrees to comply at all times with Section 3 of the Offer Letter.

10. Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be done in accordance with Section 15 of the Offer Letter.

11. Miscellaneous. This Agreement is not intended, and shall not be construed, as an admission that any of the Released Parties has violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrong whatsoever against the Executive. Should any provision of this Agreement require interpretation or construction, it is agreed by the parties that the entity interpreting or constructing this Agreement shall not apply a presumption against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Neither party shall be deemed to have made any admission of wrongdoing as a result of executing this Agreement.

12. Withholding; Code Section 409A. Withholding. The Company may withhold from any and all amounts payable to the Executive under this Agreement such federal, state or local taxes as may be required to be withheld pursuant to any applicable law or regulation and any authorized or required reductions.

(b) Section 409A. The intent of the parties is that all payments, compensation and benefits contemplated hereunder that are subject to “Section 409A” (as defined in the Offer Letter) will be paid or provided in compliance with Section 409A, and the provisions of this Agreement shall be construed and administered in accordance with and to implement such intent. The provisions of the Offer Letter relating to Section 409A, including Section 9 of the Offer Letter, are hereby incorporated into this Agreement with full force and effect.

13. Executive Acknowledgements. The Executive acknowledges that the Executive: (a) has carefully read this Agreement in its entirety; (b) has had an opportunity to consider this Agreement for twenty-one (21) days; (c) fully understands the significance of all of the terms and conditions of this Agreement; (d) has been advised to consult with an attorney before executing this Agreement and the Executive has done so or, after careful reading and consideration, has chosen not to do so of the Executive’s own volition; and (e) is entering into this Agreement, knowingly, freely and voluntarily in exchange for good and valuable consideration to which the Executive would not be entitled in the absence of executing and not revoking this Agreement.

14. Initial Consideration and Revocation Period; Effectiveness. The Executive understands that the Executive will have twenty-one (21) days from the date of receipt of this Agreement to consider the terms and conditions of this Agreement. The Executive understands that the Executive may execute this Agreement less than twenty-one (21) days from its receipt from the Company, but agrees that such execution will represent the Executive’s knowing waiver of such consideration period. The Executive may accept this Agreement by signing it and returning it to the Company’s General Counsel, within such twenty-one (21) day period. After executing this Agreement, the Executive shall have seven (7) days (the “Revocation Period”) to revoke this Agreement by indicating the Executive’s desire to do so in writing delivered to the Company’s General Counsel by no later than the seventh (7th) day after the date that the Executive signs this Agreement. The effective date of this Agreement shall be the eighth (8th) day after the Executive signs this Agreement (the “Effective Date”). In the event that the Executive does not accept this Agreement as set forth above, or in the event that the Executive revokes this Agreement during the Revocation Period, this Agreement shall be deemed automatically null and void.

15. Re-Execution of Agreement. The Company’s obligations under Sections 2(b), 2(c) and 2(d) of this Agreement are strictly contingent upon the Executive’s re-execution and non- revocation of this Agreement within twenty-one (21) days following the Separation Date. The date of the Executive’s re-execution of this Agreement is referred to herein as the “Re-Execution Date”. By re-executing this Agreement, the Executive advances to the Re-Execution Date Executive’s general waiver and release of all Claims against the Released Parties and the other covenants set forth in Section 3 of this Agreement. The Executive shall have seven (7) calendar days from the Re-Execution Date to revoke his re-execution of this Agreement by indicating the Executive’s desire to do so in writing delivered to the Company’s General Counsel by no later than the seventh (7th) day after the Re-Execution Date. In the event of no revocation by the Executive, the date of the releases and covenants set forth in Section 3 of this Agreement shall be

advanced through the Re-Execution Date on the eighth (8th) day after the Re-Execution Date (the “Second Release Effective Date”). In the event of such revocation by the Executive, the date of the releases and covenants set forth in Section 3 of this Agreement shall not be advanced, but shall remain effective up to and including the date upon which Executive originally signs this Agreement and the Company shall not be obligated to provide the consideration in Sections 2(b), 2(c) and 2(d) of this Agreement.

16. Third Party Beneficiaries. The Released Parties are intended third-party beneficiaries of this Agreement, and this Agreement may be enforced by each of them in accordance with the terms hereof in respect of the rights granted to such Released Parties hereunder. Except and to the extent set forth in the preceding sentence and as otherwise set forth in this Agreement, this Agreement is not intended for the benefit of any person other than the parties hereto, and no such other person or entity shall be deemed to be a third party-beneficiary hereof. Without limiting the generality of the foregoing, it is not the intention of the Company to establish any policy, procedure, course of dealing, or plan of general application for the benefit of or otherwise in respect of any other employee, officer, director, or stockholder, irrespective of any similarity between any contract, agreement, commitment, or understanding between the Company and such other employee, officer, director, or stockholder, on the one hand, and any contract, agreement, commitment, or understanding between the Company and the Executive, on the other hand, and irrespective of any similarity in facts or circumstances involving such other employee, officer, director, or stockholder, on the one hand, and the Executive, on the other hand.

17. Counterpart Agreements. This Agreement may be signed in counterparts, and by facsimile or e-mail transmission, all of which shall be considered as original documents and which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Transition and Separation Agreement as of the date set forth below.

WATERS CORPORATION

By: /s/ Sherry L. Buck
Name: Sherry L. Buck
Title: Senior Vice President and Chief Financial Officer

Dated: June 17, 2020

EXECUTIVE

By: /s/ Christopher J. O’Connell
Print Name: Christopher J. O’Connell

Dated: June 17, 2020

**RE-EXECUTED (ON OR FOLLOWING
THE SEPARATION DATE)**

Dated: _____, 20

Print Name: Christopher J. O’Connell



July 14, 2020

Mr. Udit Batra

Dear Udit:

This letter (the "Agreement") confirms the terms and conditions of your employment with Waters Corporation (the "Company").

1. Position and Duties.

(a) Effective as of September 1, 2020 (the "Start Date"), you will be employed by the Company, on a full-time basis, as its President and Chief Executive Officer and you shall report solely to the Board of Directors of the Company (the "Board"). In addition to serving as the Company's President and Chief Executive Officer, you will be appointed to serve as a member of the Board effective as of the Start Date. Thereafter, for so long as you remain employed by the Company as its Chief Executive Officer, at each annual meeting of the Company's stockholders, the Board or a committee thereof shall nominate you to serve as a member of the Board and you shall so serve if elected or reelected without further compensation, subject to receiving the required approval of the Company's stockholders and compliance with the Company's policies applicable to Board members generally. At the time you cease to be employed as the Chief Executive Officer of the Company for any reason, you shall resign from the Board effective immediately upon such cessation. In addition, you may be asked from time to time to serve as a director or officer of one or more of the Company's Affiliates, without further compensation. For purposes of this Agreement, "Affiliates" means all persons and entities directly or indirectly controlling, controlled by or under common control with the Company.

(b) In your capacity as President and Chief Executive Officer of the Company, you shall have the duties, responsibilities and authorities that are commensurate with the duties, authorities and responsibilities of chief executive officers of similar size and type companies and such other duties, responsibilities and authorities as may reasonably be assigned to you by the Board from time to time that are not inconsistent with your position. You agree that, while employed by the Company, you will devote your full business time and your best efforts, business judgment, skill and knowledge exclusively to the advancement of the business interests of the Company and its Affiliates and to the discharge of your duties and responsibilities for them. Notwithstanding the foregoing, you shall be permitted to engage in civic, charitable and philanthropic activities, manage your passive personal investments, and with the consent of the Board, to serve on the board of directors of for and not-for-profit companies or organizations, provided that, in the aggregate, such activities do not interfere or conflict with your duties to the Company. All employees of the Company shall report, directly or indirectly, to you or one of your designees.

(c) Further, you agree that, while employed by the Company, you will comply with all written Company policies, practices and procedures and all codes of ethics or business conduct policies applicable to your position, as in effect from time to time.

2. Compensation and Benefits. During your employment, as compensation for all services performed by you for the Company and its Affiliates, the Company will provide you the following pay and benefits:

(a) **Base Salary.** The Company shall pay you a base salary at the rate of \$1,000,000 per year, payable in accordance with the regular payroll practices of the Company and subject to annual review and increase (not decrease, except as would not constitute Good Reason as contemplated by Section 4(d)(ii)) by the Compensation Committee of the Board (the "Compensation Committee") (such base salary, as in effect from time to time, "Base Salary"). Your Base Salary may be subject to earlier review by the Compensation Committee at its meeting expected to be held in February 2021.

(b) **Annual Incentive Compensation.** For each fiscal year completed during your employment under this Agreement, you will be eligible to earn annual incentive compensation under the Company's Annual Incentive Plan, or such other bonus plan in which Company executives participate generally (such plan, as in effect from time to time, the "AIP"). Your target annual incentive compensation opportunity will be 125% of your Base Salary, with a maximum annual incentive compensation opportunity of 250% of your Base Salary. The actual amount payable in respect of your annual incentive compensation opportunity, if any, for any fiscal year will be determined by the Compensation Committee based on the achievement of performance goals previously established by the Compensation Committee in its discretion. Any annual incentive compensation due hereunder will be paid in accordance with the terms of the AIP and on or before March 15th of the year following the fiscal year with respect to which the annual incentive compensation is earned, subject to your remaining employed by the Company on the date that such annual incentive compensation is paid, except as otherwise provided herein. For the 2020 fiscal year, your annual incentive compensation, to the extent earned, will be prorated based on the number of days you are employed by the Company during such fiscal year.

(c) **2021 Equity Grant.** For the 2021 fiscal year, pursuant to the approval of the Compensation Committee at the time annual equity awards are granted to executives of the Company generally (anticipated to be at the Compensation Committee meeting expected to be held in February 2021), you will be granted an award or combination of equity awards under the Company's 2020 Equity Incentive Plan (as in effect from time to time, including any successor plan, the "EIP") having a grant date fair value (determined using the Company's customary assumptions for other executive awards) on the date of grant of \$5,000,000 (the "2021 Equity Award"). The 2021 Equity Award will be structured in the same form and subject to the same terms and conditions as those provided to other executive officers of the Company. To be eligible to receive the 2021 Equity Award, you must be employed by the Company on the date the award is granted.

(d) Future Equity Grants. After 2021, you will be eligible for annual equity grants under the EIP at such times and in such form as determined by the Compensation Committee in its discretion.

(e) Sign-on Awards. Pursuant to the approval of the Compensation Committee, you will be granted:

(i) on the Start Date, a restricted stock unit award under the EIP, with the number of restricted stock units subject to the award determined by dividing \$2,500,000 by the closing price of a share of Common Stock on the date of grant (the "Sign-On RSU Award"). The Sign-On RSU Award will vest as to 1/3 of the award on each of the first three (3) anniversaries of the Start Date, subject to your continued employment on each vesting date (except as expressly provided in the award agreement evidencing the grant of the Sign-On RSU Award, including full vesting of the unvested portion of the Sign-On RSU Award upon any termination of your employment by the Company without Cause or by you for Good Reason (as each such term is defined below)). The Sign-On RSU Award will be subject to the terms and conditions of the EIP and the award agreement evidencing its grant in the form attached hereto as Exhibit A consistent with the above terms.

(ii) on the Start Date, a non-qualified stock option award under the EIP, having a Black-Scholes value on the date of grant of \$2,500,000, with the number of shares of Common Stock underlying the stock option determined using Black-Scholes assumptions in effect in the month of grant and an exercise price equal to the closing price of a share of Common Stock on the date of grant (the "Sign-On Option Award"). The Sign-On Option Award will vest as to 20% of the shares of Common Stock underlying the award on each of the first (5) five anniversaries of the Start Date, subject to your continued employment on each vesting date (except as expressly provided in the award agreement evidencing the grant of the Sign-On Option Award, including full vesting of the unvested portion of the Sign-On Option Award upon any termination of your employment by the Company without Cause or by you for Good Reason). The Sign-On Option Award will be subject to the terms and conditions of the EIP and the award agreement evidencing its grant in the form attached hereto as Exhibit B consistent with the above terms.

(f) Participation in Employee Benefit Plans. You will be entitled to participate in all employee benefit plans or programs and personal benefits from time to time in effect for executives of the Company generally, except to the extent such plans are duplicative of benefits otherwise provided to you under this Agreement. Your participation will be subject to the terms of the applicable plan or program documents and generally applicable Company policies, as the same may be in effect from time to time, and any other restrictions or limitations imposed by law.

(g) Vacations. You will be entitled to earn up to five (5) weeks of vacation per year, in addition to holidays observed by the Company. Vacation may be taken at such times and intervals as you shall determine, subject to the business needs of the Company. Vacation shall otherwise be subject to the policies of the Company, as in effect from time to time.

(h) **Business Expenses.** The Company will pay or reimburse you for all reasonable business expenses incurred or paid by you in the performance of your duties and responsibilities for the Company, subject to any restrictions on such expenses set by the Company and to such reasonable substantiation and documentation as may be specified from time to time. Your right to payment or reimbursement for expenses hereunder shall be subject to the following additional rules: (i) the amount of expenses eligible for payment or reimbursement during any calendar year shall not affect the expenses eligible for payment or reimbursement in any other calendar year, (ii) payment or reimbursement shall be made not later than December 31 of the calendar year following the calendar year in which the expense or payment was incurred, and (iii) the right to payment or reimbursement is not subject to liquidation or exchange for any other benefit.

(i) **Professional Fees.** The Company will reimburse you for up to \$35,000 in the aggregate for reasonable legal and other professional advisor fees you incur in connection with the negotiation of this Agreement, the Change of Control Agreement (as defined below), the agreements attached hereto as exhibits and your commencement of employment with the Company. The Company will reimburse your legal and other professional fees within thirty (30) days of your submission of reasonably satisfactory documentation of such fees.

3. Confidential Information and Restricted Activities.

(a) **Confidential Information.** During the course of your employment with the Company, you will learn of Confidential Information, as defined below, and you may develop Confidential Information on behalf of the Company and its Affiliates. You agree that you will not use or disclose to any Person, as defined below, (except as required by applicable law or for the good faith performance of your duties and responsibilities for the Company) any Confidential Information obtained by you incident to your employment or any other association with the Company or any of its Affiliates. You agree that this restriction shall continue to apply after your employment terminates, regardless of the reason for such termination. For purposes of this Agreement, "**Confidential Information**" means any and all information of the Company and its Affiliates that is not generally available to the public. Confidential Information also includes any information received by the Company or any of its Affiliates from any Person with any understanding, express or implied, that it will not be disclosed. Confidential Information does not include information that enters the public domain, other than through your breach of your obligations under this Agreement. Notwithstanding anything to the contrary herein, nothing in this Agreement shall be construed to prohibit you from reporting possible violations of federal or state law or regulations to any governmental agency or self-regulatory organization, or making other disclosures that are protected under whistleblower or other provisions of applicable federal or state law or regulations. You shall not need the prior authorization of the Company or the Company's legal department to make any such reports or disclosures and you are not required to notify the Company that you have made such reports or disclosures. For purposes of this Agreement, "**Person**" means an individual, a corporation, a limited liability company, an association, a partnership, an estate, a trust or any other entity or organization, other than the Company or any of its Affiliates.

(b) Protection of Documents. All documents, records and files, in any media of whatever kind and description, relating to the business, present or otherwise, of the Company or any of its Affiliates, and any copies, in whole or in part, thereof (the “Documents”), whether or not prepared by you, shall be the sole and exclusive property of the Company. You agree to safeguard all Documents and to surrender to the Company, at the time your employment terminates or at such earlier time or times as the Board or its designee may specify, all Documents then in your possession or control; provided that you will be entitled to retain your personal address book to the extent it only contains contact information (other than Company address lists). You also agree to disclose to the Company, at the time your employment terminates or at such earlier time or times as the Board or its designee may specify, all passwords necessary or desirable to obtain access to, or that would assist in obtaining access to, any information which you have password-protected on any computer equipment, network or system of the Company or any of its Affiliates.

(c) Assignment of Rights to Intellectual Property. You shall promptly and fully disclose all Intellectual Property to the Company. You hereby assign and agree to assign to the Company (or as otherwise directed by the Company) your full right, title and interest in and to all Intellectual Property. You agree to execute any and all applications for domestic and foreign patents, copyrights or other proprietary rights and to do such other acts (including without limitation the execution and delivery of instruments of further assurance or confirmation) requested by the Company to assign the Intellectual Property to the Company and to permit the Company to enforce any patents, copyrights or other proprietary rights to the Intellectual Property. You will not charge the Company for time spent in complying with these obligations. All copyrightable works that you create during your employment shall be considered “work made for hire” and shall, upon creation, be owned exclusively by the Company. For purposes of this Agreement, “Intellectual Property” means inventions, discoveries, developments, methods, processes, compositions, works, concepts and ideas (whether or not patentable or copyrightable or constituting trade secrets) conceived, made, created, developed or reduced to practice by you (whether alone or with others, whether or not during normal business hours or on or off Company premises) during your employment that relate either to the business of the Company or to any prospective activity of the Company or any of its Affiliates or that result from any work performed by you for the Company or any of its Affiliates or that make use of Confidential Information or any of the equipment or facilities of the Company or any of its Affiliates.

(d) Trade Secrets. 18 U.S.C. § 1833(b) provides: “An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.” Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

(e) Restricted Activities. You acknowledge that by virtue of your employment with the Company or any of its Affiliates, you will provide services or have a material presence or influence in every country, city, county and other locale in which the Company or any of its Affiliates provides services or has a material presence or influence during the last two (2) years of your employment with the Company or any of its Affiliates (the "Restricted Area"). You agree that the following restrictions on your activities during and after your employment are necessary to protect the good will, Confidential Information, trade secrets and other legitimate interests of the Company and its Affiliates and are supported by mutually agreed upon fair, reasonable, valid and sufficient consideration:

(i) While you are employed by the Company and for (a) one (1) year after your termination of employment for any reason, except as provided in clause (b), or (b) two (2) years following your termination of your employment if, at any time, you have breached any fiduciary duty to the Company or its Affiliates or have engaged in an "Unlawful Taking of Company Property" (as defined below), (either such period, as applies, the "Non-Compete Restricted Period"), you shall not, directly or indirectly, whether as owner, partner, investor, consultant, agent, employee, co-venturer or otherwise, compete with the Company or any of its Affiliates or undertake any planning for any business that is competitive with the business of the Company or any of its Affiliates in the Restricted Area in a Restricted Position. Specifically, but without limiting the foregoing, you agree not to work or provide services, in any capacity, whether as an employee, independent contractor or otherwise, whether with or without compensation, to any Person that is engaged in any business that is competitive with the business of the Company or its Affiliates, as conducted or in planning (provided such planning has been approved by the Board) during your employment with the Company anywhere in the Restricted Area; provided, however, this Section 3(e)(i) will not apply after you are terminated without "Cause for Purposes of Section 3(e)(i)". Notwithstanding the foregoing, neither (x) nor (y), as provided below, shall be considered a violation of this Section 3(e)(i): (x) the ownership of not more than two percent (2%) of the outstanding securities of any class of any entity that is listed on a national securities exchange or quoted or traded in the over-the-counter market, or (y) the provision of services (as an employee, independent contractor or otherwise) to an entity where no more than a de minimis amount of revenue is derived from a business that is competitive with the business of the Company or any of its Affiliates, provided you are not responsible for (and do not participate in) the day-to-day management or supervision of such business and provided you do not have direct (which shall not mean indirect) supervision over the individual or individuals who are so responsible for such day-to-day management or supervision.

(ii) While you are employed by the Company and during the two (2)- year period immediately following termination of your employment, regardless of the reason therefor (the "Restricted Period"), you will not directly or indirectly, except in the good faith performance of your duties to the Company, (a) solicit or encourage any customer of the Company or any of its Affiliates to terminate or diminish its relationship with them; or (b) seek to persuade any such customer or prospective customer of the Company or any of its Affiliates to conduct with anyone else any business or activity which such customer or prospective customer conducts or could conduct with the Company or any of its Affiliates; provided, however, that these restrictions shall apply only with respect to those Persons who are or have been a customer of the Company or any of its Affiliates at any time within the immediately preceding one (1)- year period or whose business has been solicited on behalf of the Company or any of the Affiliates by any of their officers, employees or agents within such one (1)-year period, other than by form letter, blanket mailing or published advertisement.

(iii) During the Restricted Period, you will not, and will not assist any other Person to, (a) hire or solicit for hiring any employee of the Company or any of its Affiliates or seek to persuade any employee of the Company or any of its Affiliates to discontinue employment or (b) solicit or encourage any independent contractor providing services to the Company or any of its Affiliates to terminate or diminish its relationship with them; provided, however, the foregoing shall not be violated by (x) following your termination of employment, serving solely as a reference for any employee of the Company or its Affiliates, (y) discussing with an employee his or her leaving employment with the Company and its Affiliates in the good faith performance of your duties to the Company or (z) general advertising or general solicitation for employment not specifically directed at the Company's employees. For the purposes of this Agreement, an "employee" or an "independent contractor" of the Company or any of its Affiliates is any person who was such at any time within the preceding one year.

(iv) In signing this Agreement, you give the Company assurance that you have carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed on you under this Section 3. You agree without reservation that these restraints are necessary for the reasonable and proper protection of the Company and its Affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time and geographic area. You further agree that, were you to breach any of the covenants contained in this Section 3, the damage to the Company and its Affiliates would be irreparable. You therefore agree that the Company, in addition to any other remedies available to it, shall be entitled to seek a preliminary and permanent injunctive relief against any breach or threatened breach by you of any of those covenants, without having to post bond. So that the Company may enjoy the full benefit of the covenants contained in this Section 3, you further agree that the Non-Compete Restricted Period and the Restricted Period, as applicable, shall be tolled, and shall not run, during the period of any breach by you of any such covenant contained in this Section 3. You and the Company further agree that, in the event that any provision of this Section 3 is determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area or too great a range of activities, that provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law. It is also agreed that each of the Company's Affiliates shall have the right to enforce all of your obligations to that Affiliate under this Agreement, including without limitation pursuant to this Section 3. Finally, no claimed breach of this Agreement or other violation of law attributed to the Company, or change in the nature or scope of your employment relationship with the Company or any of its Affiliates shall operate to excuse you from the performance of your obligations under this Section 3.

(f) Definitions. For purposes of this Agreement, the following terms will have the meanings set forth below:

"Cause for Purposes of Section 3(e)(i)" will exist if there is either (A) Cause, (B) a reasonable basis for the Company's dissatisfaction with you for reasons such as lack of capacity or diligence, failure to conform to usual standards of conduct, or other culpable or inappropriate behavior, or (C) grounds for termination exist that are reasonably related, in the Company's honest judgment, to the needs of the business.

“Restricted Position” means the services provided by you to the Company or any of its Affiliates during the last two (2) years of your employment with the Company or any of its Affiliates.

“Unlawful Taking of Company Property” means your failure to (A) return to the Company or its Affiliate (as applicable), within five (5) days following your termination of employment for any reason, all Documents and physical property of the Company or any of its Affiliates, including but not limited to, any credit cards; work laptops, iPads, mobile phones, data storage devices of any kind or other computer or electronic equipment; employee identification materials; keys; documents, files, papers, memoranda, letters or other communications or work product; or work-related passwords or passcodes, in each case, which you have in your possession, custody or control that were written, created, authorized, signed, received or transmitted during your employment; and (B) at the direction of the Company, within ten (10) days following your termination of employment, either provide copies to the Company and then permanently delete the originals of, or permanently delete the originals of, all electronic property of the Company or any of its Affiliates, including, but not limited to, work files and emails, including, but not limited to, on any personal email account, personal computer, Dropbox account, zip drive, thumb drive, external hard drive, or cloud storage system.

4. Termination of Employment. Your employment under this Agreement shall continue until terminated pursuant to this Section 4.

(a) By the Company For Cause. The Company may terminate your employment for Cause upon notice to you setting forth in reasonable detail the nature of the cause. “Cause” shall mean: (i) the conviction of you by a court of competent jurisdiction of, or the pleading of guilty or nolo contendere to, any felony or any crime involving moral turpitude; (ii) gross negligence, breach of fiduciary duty, breach of any non-competition, non-solicitation or developments agreement or covenant in favor of the Company or material breach of any confidentiality agreement or covenant in favor of the Company; (iii) you shall have willfully and continually failed to substantially perform your duties with the Company after a written demand for substantial performance is delivered by the Company, which demand specifically identifies the manner in which the Company believes that you have not substantially performed your duties pursuant to the disciplinary procedures of the Company, and such failure of substantial performance shall have continued for a period of thirty (30) days after such written demand, (iv) you have been chronically absent from work (excluding vacations, illnesses or leaves of absences), (v) the commission by you of an act of fraud, embezzlement or misappropriation against the Company; (vi) you shall have refused, after explicit notice, to obey any lawful resolution or direction by the Board which is consistent with your duties as an officer of the Company; or (vii) a material breach by you of this Agreement, which breach (if curable) has remained uncured for a period of thirty (30) days following the Company’s delivery of written notice to you specifying the manner in which the Agreement has been materially breached.

(b) By the Company Without Cause. The Company may terminate your employment at any time other than for Cause upon notice to you.

(c) Resignation by You Without Good Reason. You may terminate your employment at any time upon thirty (30) days' notice to the Company. The Board may elect to waive such notice period or any portion thereof; but in that event, the Company shall pay you your Base Salary for that portion of the notice period so waived.

(d) Resignation by You With Good Reason. You may terminate your employment as provided below for Good Reason. "Good Reason" shall mean: (i) a material diminution in your duties, authorities, responsibilities or reporting lines; (ii) a material reduction in your Base Salary (other than a reduction of your Base Salary of no more than 10% in the aggregate from your highest Base Salary and that is proportional to reductions of the Company's other senior executives) or target annual bonus opportunity; (iii) a material change in your principal place of business (provided, however, that travel for business purposes consistent with past practices shall not be considered a change in the place of your principal place of business for the purpose of this clause (iii)); or (iv) a material breach by the Company of this Agreement; provided that the occurrence of any of the foregoing events shall not constitute Good Reason unless (x) you provide written notice of the event to the Company within ninety (90) days after it first existed, (y) the Company fails to remedy the condition within thirty (30) days after the notice and (z) you actually terminate employment within thirty (30) days after the expiration of the Company's cure period.

(e) Death and Disability. Your employment hereunder shall automatically terminate in the event of your death during employment and the Company may terminate your employment due to Disability. The Company shall only be permitted to terminate your employment, or give you notice to terminate your employment, due to Disability while you are disabled. For purposes of this Agreement, "Disability," means an independent medical doctor (selected by the Company's health or disability insurer) has certified that you have, for six (6) months consecutive or nonconsecutive in any twelve (12)-month period, been disabled in a manner that seriously interferes with your ability to perform your responsibilities as an employee of the Company. Any refusal by you to submit to a medical examination for the purpose of certifying disability shall be deemed to constitute conclusive evidence of your disability. You shall continue to receive your Base Salary in accordance with Section 2(a) and benefits in accordance with Section 2(e), to the extent permitted by the then-current terms of the applicable benefit plans, until you become eligible for disability income benefits under the Company's disability income plan or until the termination of your employment, whichever shall first occur.

5. Other Matters Related to Termination.

(a) Final Compensation. In the event of termination of your employment with the Company, howsoever occurring, the Company shall pay you (i) your Base Salary for the final payroll period of your employment, through the date your employment terminates; (ii) any vacation time earned but not used as of the date your employment terminates; (iii) reimbursement for business expenses incurred by you but not yet paid to you as of the date your employment terminates; provided you submit all expenses and supporting documentation required within sixty (60) days of the date your employment terminates, and provided further that such expenses are reimbursable under Company policies as then in effect; (iv) any amounts or benefits due to you under any benefit or equity plan, program or arrangement in accordance with the terms of such plan, program or arrangement; and (v) except if your employment is

terminated by the Company for Cause or you resign without Good Reason (and not due to Disability), (x) any unpaid annual bonus earned under the AIP for the year preceding the year of termination, payable when such bonus is paid to active employees (the “Prior Year’s Bonus”) and (y) and if you are employed by the Company on or after July 1 of the fiscal year in which your employment was terminated, a prorated portion (calculated based on the number of days in such year of termination that you were employed by the Company) of the annual bonus earned under the AIP for the year of termination, to the extent that an annual bonus would have been earned by you under the AIP based on actual full year performance had you remained employed through the end of such year (with any subjective performance objectives deemed fully satisfied, and no negative discretion applied other than is consistent with negative discretion applied to other active executive bonuses for such year), and paid when such bonus is paid to active executives (the “Pro-Rata Bonus”) (all of the foregoing, “Final Compensation”). The Final Compensation, other than any Prior Year’s Bonus or the Pro-Rata Bonus, if any, which shall be paid in accordance with the provision of subsection (v), shall be paid within thirty (30) days following the termination of your employment.

(b) Severance Payments. In the event of a termination of your employment pursuant to Sections 4(b) or 4(d) above, subject to the Change in Control Agreement (as defined below), the Company will pay you, in addition to Final Compensation, (i) an amount equal to two (2) times the sum of (x) your Base Salary and (y) your target annual incentive compensation opportunity, which amount shall be payable in substantially equal installments during the twenty-four (24)-month period following the date of termination (the “Severance Payments”); and (ii) in a lump sum, an amount equal to the amount the Company would have paid in premiums under the life, accident, health and dental insurance plans of the Company in which you and your dependents were participating immediately prior to the termination of your employment for the twenty-four (24)-month period following the date of termination, with such lump sum amount payable pursuant to this Section 5(b) to be determined based on the premium rates in effect at the time of the termination of your employment (the “Health Payment”).

(c) Conditions to and Timing of Severance Payments. Notwithstanding any other provision of this Agreement to the contrary, the Severance Payments and the Health Payment shall be paid or provided to you only if you enter into a release of claims (the “Release”) substantially in the form attached hereto as Exhibit C, with such changes as may be necessary to comply with applicable law at the time of termination of your employment, within a period of time not to exceed forty-five (45) days from the date of termination of your employment and you do not revoke such Release. Any Severance Payments to which you are entitled will be provided in the form of salary continuation, payable in accordance with the normal payroll practices of the Company. The Health Payment will be paid in a lump sum. Except as provided in Section 9(a) of this Agreement, the first payment of the Severance Payments and the Health Payment will be made on the Company’s next regular payday following the date the Release becomes effective, but no later than the date that is sixty (60) days following the date your employment terminates, with the first payment of the Severance Payments being retroactive to the date of termination. Notwithstanding the foregoing, if the date your employment terminates occurs in one taxable year and the date that is sixty (60) days following such termination date occurs in a second taxable year, to the extent required by Section 409A of the Internal Revenue Code, as amended and the regulations and guidance promulgated thereunder (“Section 409A”), such payment shall not be made prior to the first day of the second

taxable year. For the avoidance of doubt, if you do not execute the Release within the period specified in this Section 5(c) or if you revoke the executed Release within the time period permitted by law, you will not be entitled to the Severance Payments or the Health Payment, any equity and equity-based awards that vested on account of such termination in accordance with their terms shall be cancelled for no consideration due to you, and neither the Company nor any of its Affiliates will have any further obligations to you under this Agreement or otherwise except as otherwise set forth herein or in any other agreement with the Company. Further, the obligation of the Company to make payments to you under Section 5(b) and provide any accelerated vesting of equity or equity-based awards upon employment termination, and your right to retain the same, are conditioned upon your continued compliance with Section 3 of this Agreement.

6. Termination of Employment in Connection with a Change of Control. Concurrently with the execution of this Agreement you are entering into a Change of Control/Severance Agreement dated as of the Start Date (the “Change of Control Agreement”). Any rights you may have to payments or benefits upon certain terminations of your employment in connection with a change of control of the Company are set forth in the Change of Control Agreement. In no event will you be entitled to severance benefits under both this Agreement and the Change of Control Agreement and in the event of any inconsistency, the more favorable to you of the Change of Control Agreement and this Agreement will apply.

7. Employment At-Will. This Agreement is not intended to constitute a contract of employment for a definite term. Your employment with the Company is at-will. This means that if you accept this offer both you and the Company will retain the right to terminate our employment relationship at any time, subject to the terms of this Agreement.

8. Conflicting Agreements. You hereby represent and warrant that your signing of this Agreement and the performance of your obligations under it will not breach or be in conflict with any other agreement to which you are a party or are bound, and that you are not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of your obligations under this Agreement. You agree that you will not disclose to or use on behalf of the Company or its Affiliates any confidential or proprietary information of a third party without that party’s consent.

9. Timing of Payments and Section 409A.

(a) Notwithstanding anything to the contrary in this Agreement, if at the time your employment terminates, you are a “specified employee,” as defined below, any and all amounts payable under this Agreement on account of such separation from service that would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6)-month period or, if earlier, upon your death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a)(5); or (C) other amounts or benefits that are not subject to the requirements of Section 409A.

(b) For purposes of this Agreement, all references to “termination of employment” and correlative phrases shall be construed to require a “separation from service” (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), and the term “specified employee” means an individual determined by the Company to be a specified employee under Treasury regulation Section 1.409A-1(i).

(c) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments.

(d) It is the intent of the parties hereto that the payments and benefits under this Agreement comply with (or be exempt from) Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted in accordance therewith. In no event, however, shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A, except if the same is the result of a negligent or improper act of the Company.

10. Withholding. All payments made by the Company under this Agreement shall be reduced by any tax or other amounts required to be withheld by the Company under applicable law.

11. Recoupment. The Company may recover amounts paid to you hereunder or under any other plan or program of, or agreement or arrangement with, the Company, and any gain in respect of any equity awards granted to you, in accordance with any applicable Company clawback or recoupment policy that is generally applicable to the Company’s other senior executives, as such policy may be amended and in effect from time to time, or as otherwise required by applicable law or applicable stock exchange listing standards, including, without limitation, Section 10D of the Securities Exchange Act of 1934, as amended.

12. Assignment. Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; provided, however, the Company may assign its rights and obligations under this Agreement without your consent to an entity with which the Company shall hereafter effect a reorganization, consolidate with, or merge into or to which it transfers all or substantially all of its properties or assets. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of your and the Company’s respective successors, executors, administrators, heirs and permitted assigns. In the event of your death (including following a termination of your employment), any unpaid amounts due to you will be paid to your beneficiary(s) or, if none, to your estate.

13. Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

14. Miscellaneous. This Agreement, together with the Change of Control Agreement and the equity and equity-based award agreements attached as exhibits hereto, set forth the entire agreement between you and the Company, and replace all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to the terms and conditions of your employment. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and an expressly authorized representative of the Board. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. Provisions of this Agreement shall survive any termination or expiration hereof or any termination of your employment if so provided in this Agreement or necessary or desirable to accomplish the purpose of other surviving provisions. This is a Massachusetts contract and shall be governed and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to any conflict of laws principles that would result in the application of the laws of any other jurisdiction, except that any equity or equity-based awards granted to you shall be governed by and construed in accordance with the governing law provisions set forth in the agreements evidencing such awards. You and the Company agree to submit to the exclusive jurisdiction of the courts of the Commonwealth of Massachusetts in connection with any dispute arising out of this Agreement or your employment with the Company; provided, however, any suit, action or proceeding brought by you or against you in connection with the enforcement of Section 3(e)(i) shall be brought in Suffolk county, Massachusetts, and the superior court or the business litigation session of the superior court shall have exclusive jurisdiction.

15. Notices. Any notices provided for in this Agreement shall be in writing and shall be effective when delivered in person or deposited in the United States mail, postage prepaid, and addressed to you at your last known address on the books of the Company or, in the case of the Company, to it at its principal place of business, attention of the Chair of the Board, or to such other address as either party may specify by notice to the other actually received.

16. Counsel; Review Period. You have been advised of your right to consult with counsel prior to executing this Agreement and acknowledge that you have had the opportunity to review this Agreement for at least ten (10) business days prior to signing it.

17. No Mitigation or Offset. You shall not be required, as a condition of receiving any payments or benefits under this Agreement, to seek or obtain any other employment after termination of employment hereunder or to take any steps to reduce the amount of any payment or benefit described in this Agreement. Further, the amount of any payment or benefit provided in this Agreement shall not be reduced by any compensation earned by you as a result of any employment by another employer, subject to the covenants contained in Section 3 hereof.

18. Indemnification. To the maximum extent permitted under and in accordance with applicable law, the Company will indemnify you and hold you harmless (including advancement of legal fees) against all losses, claims, expenses or other liabilities arising by reason of the fact that you are or were an employee, officer, director, fiduciary or agent of the Company, its Affiliates or subsidiaries. In all events, you will be entitled to indemnification and advancement of costs to the extent permitted by the by-laws and charter of the Company as in effect from time to time.

19. D&O Insurance. You shall be entitled to coverage under the director's and officer's indemnification insurance policy maintained by the Company as in effect from time to time with respect to acts undertaken by you in connection with your employment by the Company in accordance with the terms of such insurance policy.

[Signature page follows.]

If the foregoing is acceptable to you, please sign this letter in the space provided and return it to me no later than July 15, 2020. If you do accept as provided, this Agreement will take effect as a binding agreement between you and the Company as of the Start Date.

Sincerely yours,

Waters Corporation

By: /s/ Dr. Flemming Ornskov
Dr. Flemming Ornskov
Chairman of the Board

Accepted and Agreed:

/s/ Udit Batra
Udit Batra

Date: July 14, 2020

[Signature Page to Employment Agreement]

EXHIBIT A
Sign-On RSU Award

Name of Participant:	Udit Batra
Number of Restricted Stock Units:	[]
Date of Grant:	[]

**WATERS CORPORATION
2020 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK UNIT AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences Restricted Stock Units granted by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of RSUs. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant the number of Restricted Stock Units set forth above (the “**RSUs**”), giving the Participant the conditional right to receive, with respect to each RSU granted hereunder, without payment and pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, one share of Stock (a “**Share**”), subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof (the “**Award**”).

2. Vesting. Unless earlier terminated, forfeited, relinquished or expired, one-third (1/3) of the RSUs will vest on each of the first three (3) anniversaries of the Date of Grant, with the number of RSUs that vest on any such date being rounded down to the nearest whole RSU and the Award becoming vested as to one hundred percent (100%) of the RSUs on the third (3rd) anniversary of the Date of Grant, subject to the Participant remaining in continuous Employment from the Date of Grant through the applicable vesting date except as described in this Section 2 or Section 3 below. In the event the Participant’s Employment terminates due to his death or Disability, or is terminated by the Company for reasons other than Cause or by the Participant for Good Reason (as such terms are defined in the Letter Agreement between the Participant and the Company dated as of [DATE], 2020 (the “**Letter Agreement**”)), and subject to the release requirements set forth in the Letter Agreement, any RSUs that are then outstanding and unvested shall vest in full as of immediately prior to such termination.

3. Cessation of Employment. If the Participant’s Employment ceases for any reason, except as expressly provided for in Section 2 above or in an employment, severance-benefit or other agreement between the Participant and the Company that is in effect at the time of such termination of Employment, the RSUs, to the extent not then vested, will be immediately forfeited for no consideration. The Administrator will determine whether any leave or other extended period of absence results in a cessation of the Participant’s Employment for purposes of the Award and this Agreement; it being understood that if the Participant is on a leave or other extended period of absence that has been approved by the Administrator (i) with a duration of six (6) months or less or (ii) during which the Participant’s reemployment rights, if any, are guaranteed by statute or by contract, he shall be treated for purposes of the Award and this Agreement as remaining in Employment during such approved leave or other period of absence, unless the Administrator determines otherwise.

4. Issuance of Shares. The Company shall, as soon as practicable upon the vesting of any RSUs (but in no event later than sixty (60) days following vesting), issue Shares with respect to such vested RSUs to the Participant (or, in the event of the Participant's death, to the person to whom the Award has passed by will or the laws of descent and distribution). No Shares will be issued pursuant to this Agreement unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

5. Company Policies. By accepting the Award, the Participant expressly acknowledges and agrees that the Participant's rights, and those of any permitted transferee, with respect to the RSUs, including the right to any Shares issued in respect of the RSUs or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback, recoupment or similar policy of the Company or any of its Affiliates and any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 8 of this Agreement.

6. Nontransferability. The RSUs may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Shares issued in respect of vested RSUs may be transferred subject to applicable law and the terms of any policies of the Company or any of its Affiliates.

7. Withholding. The Participant expressly acknowledges and agrees that the Participant's rights hereunder, including the right to receive Shares following the vesting of any portion of the Award, are subject to the satisfaction of all taxes required to be withheld with respect to the Award. Unless otherwise determined by the Company, the Company shall automatically satisfy such tax withholding obligations by withholding from the Shares that would otherwise be issued with respect to any vested RSUs a number of Shares having a fair market value equal to the minimum statutory amount required to be withheld to satisfy such tax withholding obligations and/or by causing such number of Shares to be sold in accordance with a sell-to-cover arrangement. The Participant authorizes the Company and its Affiliates to withhold any amounts due in respect of any required tax withholdings by withholding from the Shares otherwise deliverable with respect to the Award, by causing such Shares to be sold in accordance with a sell-to-cover arrangement and/or by withholding from any amounts otherwise owed to the Participant. Nothing in this Section 7 shall be construed as relieving the Participant of any liability for satisfying his tax obligations relating to the Award.

8. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

9. Acknowledgements. The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument, (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder, and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
Udit Batra

EXHIBIT B
Sign-On Option Award

Name of Participant:	Udit Batra
Number of Shares of Stock subject to the Stock Option:	[]
Exercise Price Per Share:	\$()
Date of Grant:	[]

WATERS CORPORATION
2020 EQUITY INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences a stock option granted by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of Option. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant an option (the “**Stock Option**”) to purchase, pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, up to the number of shares of Stock set forth above (the “**Shares**”), with an exercise price per Share as set forth above, in each case, subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof.

The Stock Option is a non-statutory option (that is, an option that is not intended to qualify as an ISO) and was granted to the Participant in connection with the Participant’s Employment.

2. Vesting. The term “**vest**” as used herein with respect to the Stock Option (or any portion thereof) means to become exercisable and the term “**vested**” with respect to the Stock Option (or any portion thereof) means that the Stock Option (or portion thereof) is then exercisable. Unless earlier terminated, forfeited, relinquished or expired, the Stock Option will vest as to twenty percent (20%) of the Shares on each of the first five anniversaries of the Date of Grant, with the number of Shares that vest on any such date being rounded down to the nearest whole Share and the Stock Option becoming vested as to 100% of the Shares on the fifth (5th) anniversary of the Date of Grant, subject, in each case, to the Participant remaining in continuous Employment from the Date of Grant through the applicable vesting date except as described in this Section 2 or Section 4 below. Notwithstanding the foregoing, in the event the Participant’s Employment terminates due to his death or Disability, or is terminated by the Company for reasons other than Cause or by the Participant for Good Reason (as each such term is defined in the Letter Agreement between the Participant and the Company dated as of [DATE], 2020 (the “**Letter Agreement**”), and subject to the release requirements set forth in the Letter Agreement, the portion of the Stock Option that is then outstanding and unvested shall vest in full as of immediately prior to such termination.

3. Exercise of the Stock Option. No portion of the Stock Option may be exercised until such portion vests. Each election to exercise any vested portion of the Stock Option will be subject to the terms and conditions of the Plan and must be in written or electronic form acceptable to the Administrator, signed (including by electronic signature) by the Participant or, if at the relevant time the Stock Option has passed to a permitted transferee, the permitted transferee. Each such written or electronic exercise election must be received by the Company at its principal office or by such other party as the Administrator may prescribe and be accompanied by payment in full of the exercise price by cash or check, through a broker-assisted exercise program acceptable to the Administrator, or as otherwise provided in the Plan. The latest date on which the Stock Option or any portion thereof may be exercised is the tenth (10th) anniversary of the Date of Grant (the “**Final Exercise Date**”) and, if not exercised by such date, the Stock Option or any remaining portion thereof will thereupon immediately terminate. No Shares will be issued pursuant to this Agreement unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Cessation of Employment. If the Participant’s Employment ceases for any reason, except as expressly provided for in Section 2 above or an employment, severance-benefit or other agreement between the Participant and the Company that is in effect at the time of such termination of Employment, the Stock Option, to the extent not then vested, will be immediately forfeited for no consideration, and any vested portion of the Stock Option that is then outstanding will remain exercisable for the period described in Section 6(a)(4) of the Plan, except that if the Participant’s Employment terminates due to his Retirement, the vested portion of the Stock Option will remain exercisable until the earlier of (i) the one-year anniversary of such Retirement or (ii) the Final Exercise Date. For purposes of this Agreement, “**Retirement**” means the Participant’s termination of Employment (other than for Cause or at a time when the Participant’s Employment could have been terminated for Cause) (i) at any time after the Participant has reached age sixty (60) with ten (10) years of service to the Company and its Affiliates and (ii) with the intention of concluding his working or professional career. The Administrator will determine whether any leave or other extended period of absence results in a cessation of the Participant’s Employment for purposes of the Stock Option and this Agreement; it being understood that if the Participant is on a leave or other extended period of absence that has been approved by the Administrator (i) with a duration of six (6) months or less or (ii) during which the Participant’s reemployment rights, if any, are guaranteed by statute or by contract, he shall be treated for purposes of the Stock Option and this Agreement as remaining in Employment during such approved leave or other period of absence, unless the Administrator determines otherwise.

5. Company Policies. By accepting the Stock Option, the Participant expressly acknowledges and agrees that the Participant’s rights, and those of any permitted transferee, with respect to the Stock Option, including the right to any Shares acquired under the Stock Option or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback, recoupment or similar policy of the Company or any of its Affiliates and any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 8 of this Agreement.

6. Nontransferability. The Stock Option may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Shares issued in respect of the Stock Option may be transferred subject to compliance with applicable law and the terms of any policies of the Company or any of its Affiliates.

7. Withholding. The Participant expressly acknowledges and agrees that the Participant's rights hereunder, including the right to be issued Shares upon exercise of the Stock Option, are subject to the Participant promptly paying to the Company in cash or by check (or by such other means as may be acceptable to the Administrator) all taxes required to be withheld with respect to the Stock Option. No Shares will be issued pursuant to the exercise of the Stock Option unless and until the person exercising the Stock Option has remitted to the Company an amount in cash sufficient to satisfy any federal, state, or local withholding tax requirements, or has made other arrangements satisfactory to the Company with respect to such taxes. The Participant authorizes the Company and its subsidiaries to withhold such amount from any amounts otherwise owed to the Participant, but nothing in this sentence will be construed as relieving the Participant of any liability for satisfying his obligation under the preceding provisions of this Section 7.

8. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been made available to the Participant. By accepting the Stock Option, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

9. Acknowledgements. The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument; (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder; and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

[Signature page follows.]

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
Udit Batra

General Release and Waiver of Claims

For and in consideration of certain benefits to be provided to me under the [Employment Letter, dated as of [DATE], 2020] [Change of Control/Severance Agreement, dated as of [DATE], 2020] (the "Agreement"), between me and Waters Corporation (the "Company"), which are conditioned on my signing this General Release and Waiver of Claims (this "Release of Claims"), and to which I am not otherwise entitled, and other good and valuable consideration, the receipt and sufficiency of which I hereby acknowledge, on my own behalf and on behalf of my heirs, executors, administrators, beneficiaries, representatives, successors and assigns, and all others connected with or claiming through me, I hereby release and forever discharge the Company and its affiliates, and all of their respective past, present and future officers, directors, shareholders, employees, employee benefits plans, administrators, trustees, agents, representatives, consultants, successors and assigns, and all those connected with any of them, in their official and individual capacities (collectively, the "Released Parties"), from any and all causes of action, suits, rights and claims, demands, damages and compensation of any kind and nature whatsoever, whether at law or in equity, whether now known or unknown, suspected or unsuspected, contingent or otherwise, which I now have or ever have had against the Released Parties, or any of them, in any way related to, connected with or arising out of my employment and/or other relationship with the Company or any of its affiliates, or pursuant to Title VII of the Civil Rights Act, the Americans With Disabilities Act, the Family and Medical Leave Act, the Age Discrimination in Employment Act (as amended by the Older Workers Benefit Protection Act), the Employee Retirement Income Security Act, the wage and hour, wage payment and fair employment practices laws of the state or states in which I have provided services to the Company (each as amended from time to time) and/or any other federal, state or local law, regulation, or other requirement (collectively, the "Claims") through the date that I sign this Release of Claims, and I hereby waive all such Claims.

I understand that nothing contained in this Release of Claims shall be construed to prohibit me from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that I hereby agree to waive my right to recover monetary damages or other individual relief in any charge, complaint or lawsuit filed by me or by anyone else on my behalf. I further understand that nothing contained in this Release of Claims shall be construed to limit, restrict or in any other way affect my communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning non-privileged matters relevant to the governmental agency or entity. For the avoidance of doubt, no provision of this Agreement shall be construed as prohibiting or restricting me (or my attorney) from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any governmental entity.

I acknowledge that I will continue to be bound by my obligations under the Agreement that survive the termination of my employment by the terms thereof or by necessary implication,

including without limitation my confidentiality, non-competition and non-solicitation obligations set forth therein (all of the foregoing obligations, the “Continuing Obligations”). I further acknowledge that the obligation of the Company to make payments to me or on my behalf under Section [●] of this Agreement, and my right to retain the same, are expressly conditioned upon my continued full performance of my obligations hereunder and of the Continuing Obligations.

I understand that nothing contained in this Release of Claims will adversely affect my rights to enforce the terms of the Agreement, and shall not adversely affect my right to any indemnification, coverage under the Company’s director’s and officer’s liability insurance policy in accordance with its terms or right to reimbursement of expenses by the Company to which I would otherwise be entitled to under, without limitation, any charter document or Company insurance policy, by reason of services I rendered for the Company or any of its subsidiaries as an officer and/or an employee thereof.

Subject to the second paragraph of this Release of Claims, I agree that I will not disparage or criticize the Company, its affiliates, their business, their directors, management or their products or services. The Company agrees that no member of the Board of Directors of the Company or any executive officer of the Company will disparage or criticize you.

Notwithstanding the foregoing, nothing contained in this paragraph shall preclude you or the Company (or its directors or executive officers) from making truthful statements that are required by applicable law, regulation or legal process.

I acknowledge that this Release of Claims creates legally binding obligations, and that the Company has advised me to consult an attorney before signing it. In signing this Release of Claims, I give the Company assurance that I have signed it voluntarily and with a full understanding of its terms; that I have had sufficient opportunity of not less than [twenty-one (21)/forty-five (45)]¹ days before signing this Release of Claims to consider its terms and to consult with an attorney, if I wished to do so, or to consult with any of the other persons described in the first sentence of the immediately preceding paragraph; and that I have not relied on any promises or representations, express or implied, that are not set forth expressly in this Release of Claims. I understand that I will have seven (7) days after signing this Release of Claims to revoke my signature, and that, if I intend to revoke my signature, I must do so in writing addressed and delivered to [] prior to the end of the seven (7)-day revocation period. I understand that this Release of Claims will become effective upon the eighth (8th) day following the date that I sign it, provided that I do not revoke my acceptance in accordance with the immediately preceding sentence.

[The remainder of this page is intentionally left blank.]

¹ **Consideration period to be determined by the Company at the time of separation.**

Accepted and agreed:

Signature: _____
Udit Batra

Date: _____

Acknowledged (and agreed, respecting the penultimate paragraph) by:

Waters Corporation

By: _____
Name:
Title:

CHANGE OF CONTROL/SEVERANCE AGREEMENT

This CHANGE OF CONTROL/SEVERANCE AGREEMENT (this “Agreement”), dated as of July 14, 2020, is made by and between Waters Corporation (together with all subsidiaries or affiliates hereinafter referred to as the “Company”) and Udit Batra (the “Executive”).

WHEREAS, the Executive has been hired as the Chief Executive Officer of the Company and is expected to make major contributions to the Company; and

WHEREAS, the Company desires continuity of management; and

WHEREAS, the Executive is willing to render services to the Company subject to the conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

1. **Termination prior to a Change of Control.** If, within nine (9) months prior to a Change of Control (as such term is defined in Section 3(c) below) and subsequent to the commencement of substantive discussions that ultimately result in the Change of Control, but prior to such Change of Control, the Company terminates the Executive’s employment with the Company for a reason other than Cause (as such term is defined in Section 3(d) below), death or Disability (as such term is defined in Section 3(e) below), or the Executive resigns for Good Reason (as such term is defined in Section 2(e) below), the Company shall have paid to the Executive the Final Compensation (as such term is defined in the Employment Letter between the Executive and the Company dated as of July 14, 2020 (the “Employment Letter”)) and the Health Payment in accordance with the terms of the Employment Letter, and, subject to the Executive’s satisfaction of the Release Condition (as such term is defined in Section 3 below):

(a) **Cash Payment.** (i) Continue to pay to the Executive the Severance Payments (as defined in the Employment Letter) in accordance with the terms of the Employment Letter, and, (ii) upon a Change of Control, pay to the Executive a lump sum amount (reduced by any required withholding), within ten (10) business days following the Change of Control, equal to the amount by which (A) the sum of (1) thirty-six (36) times his monthly base salary (at the highest monthly base salary rate in effect for the Executive in the twelve (12)-month period prior to the termination of his employment) and (2) an amount equal to the amount payable pursuant to the immediately preceding clause (1) times the greater of (x) his target bonus percentage under the Company’s Annual Incentive Plan or any successor plan for the year in which the termination of the Executive’s employment occurs or (y) his bonus percentage theretofore accrued thereunder for that year exceeds (B) the aggregate amount of the Severance Payments;

(b) **Benefits.** Upon a Change of Control, pay to the Executive a lump sum amount (reduced by any required withholding) within ten (10) business days following the Change of Control equal to the amount by which (A) the amount the Company would have paid in premiums under the life, accident, health and dental insurance plans of the Company in which the Executive and his dependents were participating immediately prior to the termination of his employment for the thirty-six (36)-month period following the date of the Change of Control, with such lump sum amount payable pursuant to this Section 1(b) to be determined based on the premium rates in effect at the time of the termination of the Executive’s employment exceeds (B) the Health Payment;

(c) **Equity Arrangements.** In the event of a termination of employment described in this Section 1 and notwithstanding any contrary provisions of the 2020 Equity Incentive Plan (or any plans that may become the successors to such plan) and any equity incentive agreements entered into between the Company and the Executive pursuant to such plan or otherwise, cause any outstanding equity awards that are unvested or unexercisable and held by the Executive on the date of such termination of employment to remain outstanding (but not beyond the original expiration dates of such awards and such awards shall not otherwise vest or become exercisable except as provided herein) and, subject to a Change of Control occurring within nine (9) months following such date of such termination, to vest or become exercisable upon such Change of Control. To the extent a Change of Control does not occur within such nine (9)-month period, all such equity awards shall terminate at the end of such period; and

(d) **Qualified Plan Arrangements.** On the Change of Control, cause any unvested portion of any qualified or non-qualified capital accumulation benefits granted to the Executive under the Waters Investment Plan, Waters 401(k) Restoration Plan and the Waters Health Care Reimbursement Plan for Retirees (or any plans that may become the successors to such plans), as applicable, to become immediately vested (subject to applicable law).

(e) **No Duplication of Benefits.** In no event shall the Executive be entitled to duplication of severance amounts or benefits under this Agreement and the Employment Letter. Amounts that are paid under the terms of the Employment Letter and referenced herein shall not again be paid under this Agreement.

2. Termination Following a Change of Control. If, at any time during a period commencing with a Change of Control and ending eighteen (18) months after such Change of Control, the Company terminates the Executive's employment for a reason other than Cause, death, or Disability or the Executive terminates employment with the Company for Good Reason, the Company shall pay to the Executive the Final Compensation (as such term is defined in the Employment Letter) in accordance with the terms of the Employment Letter, and, subject to the Executive's satisfaction of the Release Condition (as such term is defined in Section 3 below):

(a) **Cash Payment.** Pay to the Executive a lump sum amount (reduced by any required withholding), within ten (10) business days following the Executive's last date of employment, equal to the sum of (i) thirty-six (36) times his monthly base salary (at the highest monthly base salary rate in effect for the Executive in the twelve (12)-month period prior to the termination of his employment) and (ii) an amount equal to the amount payable pursuant to the immediately preceding clause (i) times the greater of (X) his target bonus percentage under the Company's Annual Incentive Plan or any successor plan for the year in which the termination of the Executive's employment occurs or (Y) his bonus percentage theretofore accrued thereunder for that year;

(b) **Benefits.** Pay to the Executive a lump sum amount (reduced by any required withholding) within ten (10) business days following the Executive's last date of employment equal to the amount the Company would have paid in premiums under the life, accident, health and dental insurance plans of the Company in which the Executive and his dependents were participating immediately prior to the termination of his employment for the thirty-six (36)- month period following the date of the Change of Control, with such lump sum amount payable pursuant to this Section 2(b) to be determined based on the premium rates in effect at the time of the termination of the Executive's employment;

(c) **Equity Arrangements.** In the event of a termination of employment described in this Section 2 and notwithstanding any contrary provisions of the 2020 Equity Incentive Plan (or any plans that may become the successors to such plan) and any equity incentive agreements entered into between the Company and the Executive pursuant to such plan or otherwise, the Company shall cause any outstanding equity awards that are unvested or unexercisable and held by the Executive on the date of such termination of employment to fully vest and, if stock options or become exercisable upon such termination; and

(d) **Qualified Plan Arrangements.** Cause any unvested portion of any qualified and non-qualified capital accumulation benefits granted to the Executive under the Waters Investment Plan, Waters 401(k) Restoration Plan and the Waters Health Care Reimbursement Plan for Retirees (or any plans that may become the successors to such plans), as applicable, to become immediately vested (subject to applicable law);

provided, however, that any amounts and benefits set forth in this Section 2 shall be reduced by any and all other severance or other amounts or benefits paid or payable to the Executive as a result of the termination of his employment. For the avoidance of doubt, upon a termination of employment that meets the conditions set forth in this Section 2 the Executive shall only be entitled to receive the payments and benefits under this Section 2 and shall not be entitled to receive any payments or benefits under the Employment Letter.

(e) **Definition of Good Reason.** For purposes of Section 2 above, "Good Reason" shall mean the occurrence (without the Executive's express written consent) of one or more of the following events following a Change of Control, as the case may be:

(i) A material diminution in the Executive's authority, duties, responsibilities or reporting lines from his authority, duties, responsibilities or reporting lines immediately prior to the Change of Control; or

(ii) A material reduction in the Executive's base salary (other than that which results in a base salary reduction of no more than ten percent (10%) in the aggregate from the Executive's highest base salary and is proportional to reductions of other senior executives) or target annual bonus opportunity; or

(iii) A material change in the Executive's place of business (provided, however, that travel for business purposes consistent with past practices shall not be considered a change in the place of business for the purpose of this clause (iii)); or

(iv) A material breach by the Company of any agreement under which the Executive provides services to the Company, including without limitation Section 3(h) of this Agreement and any plan of incentive compensation;

provided, that the occurrence of any of the events listed in clauses (i) through (iv) shall not mean “Good Reason” (x) unless the Executive shall have given notice of the event to the Company within ninety (90) days after it first existed, (y) the Company shall have failed to remedy the condition within thirty (30) days after the notice, and (z) the Executive actually terminates employment within thirty (30) days after the expiration of the Company’s cure period.

3. General.

(a) **Release.** Notwithstanding any other provision of this Agreement to the contrary, benefits shall be payable under this Agreement only if the Executive enters into a release of claims (the “Release”) substantially in the form attached hereto as Exhibit A, with such changes as may be necessary to comply with applicable law at the time of termination of the Executive’s employment, within a period of time not to exceed forty-five (45) days from the date of termination of the Executive’s employment and the Executive does not revoke such Release (the “Release Condition”). Except as otherwise provided in Section 3(i) of this Agreement, any payment under this Agreement to be made in a lump sum shall be paid as soon as administratively practicable following the date the Release becomes effective, but not later than the date that is sixty (60) days following the date the Executive’s employment terminates. Notwithstanding the foregoing, if the date the Executive’s employment terminates occurs in one taxable year and the date that is sixty (60) days following such termination date occurs in a second taxable year, to the extent required by Section 409A of the Internal Revenue Code, as amended (“Section 409A”), such lump sum payment shall not be made prior to the first day of the second taxable year. For the avoidance of doubt, if the Executive does not execute the Release within the period specified in this Section 3(a) or if the Executive revokes the executed Release within the time period permitted by law, the Executive will not be entitled to any payments or benefits (including the accelerated vesting of equity and equity-based awards) set forth in this Agreement, any equity and equity-based awards that vested on account of such termination as provided for in this Agreement shall be cancelled with no consideration due to the Executive, and neither the Company nor any of its affiliates will have any further obligations to the Executive under this Agreement or otherwise.

(b) **Termination for Cause.** In the event the Executive’s employment with the Company is terminated by the Company for Cause or Executive’s employment terminates due to death or Disability, or the Executive terminates his employment with the Company other than during the specific time periods set forth in Section 2 in accordance with the requirements of such Section or for any reason other than Good Reason, the Executive shall not be entitled to the severance benefits or other considerations described herein by virtue of this Agreement.

(c) **Definition of Change of Control.** For purposes of this Agreement, “Change of Control” means the occurrence of any of the following, provided such occurrence is also a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, in each case as those terms are defined in Treasury Regulation Section 1.409-3(i)(5), (i) the closing of a merger, consolidation, liquidation or reorganization of the Company into or with another company or other legal person, after which merger, consolidation, liquidation or reorganization the capital stock of the Company outstanding prior to consummation of the transaction is not converted into or exchanged for or does not represent more than 50% of the aggregate voting power of the surviving or resulting

entity; (ii) the direct or indirect acquisition by any person (as the term “person” is used in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) of more than 50% of the voting capital stock of the Company, in a single or series of related transactions; or (iii) the sale, exchange, or transfer of all or substantially all of the Company’s assets (other than a sale, exchange, or transfer to one or more entities where the stockholders of the Company immediately before such sale, exchange or transfer retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the entities to which the assets were transferred).

(d) **Definition of Cause.** For purposes of this Agreement, “Cause” shall mean: (i) the conviction of the Executive by a court of competent jurisdiction of, or the pleading of guilty or nolo contendere to, any felony or any crime involving moral turpitude; (ii) gross negligence, breach of fiduciary duty, breach of any non-competition, non-solicitation or developments agreement or covenant in favor of the Company or material breach of any confidentiality agreement or covenant in favor of the Company; (iii) the Executive shall have willfully and continually failed to substantially perform the Executive’s duties with the Company after a written demand for substantial performance is delivered by the Company, which demand specifically identifies the manner in which the Company believes that the Executive has not substantially performed the Executive’s duties pursuant to the disciplinary procedures of the Company, and such failure of substantial performance shall have continued for a period of thirty (30) days after such written demand; (iv) the Executive has been chronically absent from work (excluding vacations, illnesses or leaves of absences); (v) the commission by the Executive of an act of fraud, embezzlement or misappropriation against the Company; or (vi) the Executive shall have refused, after explicit notice, to obey any lawful resolution or direction by the Board which is consistent with his duties as an officer of the Company.

(e) **Definition of Disability.** For purposes of this Agreement, “Disability” means an independent medical doctor (selected by the Company’s health or disability insurer) has certified that the Executive has, for six (6) months consecutive or nonconsecutive in any twelve (12)- month period, been disabled in a manner that seriously interferes with his ability to perform his responsibilities as an employee of the Company. The Company shall only be permitted to terminate the Executive’s employment, or give the Executive notice to terminate his employment, due to Disability while the Executive is disabled. Any refusal by the Executive to submit to a medical examination for the purpose of certifying disability shall be deemed to constitute conclusive evidence of the Executive’s disability.

(f) **No Mitigation or Offset.** The Executive shall not be required, as a condition of receiving any payments or benefits under this Agreement, to seek or obtain any other employment after termination of employment hereunder or to take any steps to reduce the amount of any payment or benefit described in this Agreement. Further, the amount of any payment or benefit provided in this Agreement shall not be reduced by any compensation earned by the Executive as a result of any employment by another employer.

(g) Timing of Payments and Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, if at the time the Executive's employment terminates, the Executive is a "specified employee," as defined below, any and all amounts payable under this Agreement on account of such separation from service that would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6)-month period or, if earlier, upon the Executive's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (B) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a)(5); or (C) other amounts or benefits that are not subject to the requirements of Section 409A.

(ii) For purposes of this Agreement, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), and the term "specified employee" means an individual determined by the Company to be a specified employee under Treasury regulation Section 1.409A-1(i).

(iii) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments.

(iv) It is the intent of the parties hereto that the payments under this Agreement comply with (or be exempt from) Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted in accordance therewith. In no event, however, shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A, except if the same is the result of a negligent or improper act of the Company.

(h) **Binding Effect.** Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Company and any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) of the Company. The Company shall require any such successor to assume this Agreement expressly and to be bound by the provisions of this Agreement as if such successor were the Company and for purposes of this Agreement, any such successor of the Company shall be deemed to be the "Company" for all purposes.

(i) **No Employment Agreement; Effect on Other Agreements.** Nothing in this Agreement shall create any obligation on the part of the Company or any other person to continue the employment of the Executive, and nothing herein shall affect the Executive's obligations under any non-competition, confidentiality, option or similar agreement between the Company and the Executive currently in effect or which may be entered into in the future.

(j) **Withholding.** All payments required to be made by the Company hereunder to the Executive shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine it must withhold pursuant to any applicable law or regulation.

(k) **Governing Law; Miscellaneous.** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, except that any equity or equity-based awards granted to the Executive shall be governed by and construed in accordance with the governing law provisions set forth in the agreements evidencing such awards. Executive and the Company agree to submit to the exclusive jurisdiction of the courts of the Commonwealth of Massachusetts in connection with any dispute arising out of this Agreement or Executive's employment with the Company. This Agreement constitutes the entire Agreement between the Executive and the Company concerning the subject matter hereof and supersedes any prior negotiations, understandings, or agreements concerning the subject matter hereof, whether oral or written, and may be amended or rescinded only upon the written consent of the Company and the Executive. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provisions of this Agreement and this Agreement shall be construed and reformed to the fullest extent possible. The Executive may not assign any of his rights or obligations under this Agreement; the rights and obligations of the Company under this Agreement shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

(l) Section 280G.

(i) If any payment or benefit (including payments and benefits pursuant to this Agreement) that Executive would receive from the Company, or otherwise, contingent on an event covered by Section 280G(b)(2)(A)(i) of the Code (collectively, the "Transaction Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this Section 3(m), be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Executive shall be entitled to receive, whichever of the following that results in the greater amount payable to him on an after-tax basis: (1) payment in full of the entire amount of the Transaction Payment (a "Full Payment"), or (2) payment of only a part of the Transaction Payment so that the Executive receives the largest payment possible without the imposition of the Excise Tax (a "Reduced Payment").

For purposes of determining whether to make a Full Payment or a Reduced Payment, the Company shall cause to be taken into account all applicable federal, state and local income and employment taxes and the Excise Tax. If a Reduced Payment is made, (x) Executive shall have no rights to any additional payments and/or benefits constituting the Transaction Payment, and (y) reduction in payments and/or benefits shall occur in the manner that results in the greatest economic benefit to Executive as determined in this paragraph, to the extent permitted by Section 409A. If more than one method of reduction will result in the same economic benefit, the portions of the Payment shall be reduced pro rata, to the extent permitted by Section 409A.

(ii) The Company shall engage an independent registered public accounting firm to make all determinations required to be made under this Section 3(m), and shall bear all reasonable expenses with respect thereto. The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to the Transaction Payments (whether or not by reason of payment to Executive of a Reduced Payment), it shall

furnish the Company and Executive with detailed supporting calculations of its determination that no Excise Tax will be imposed with respect to the Transaction Payments. All good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and the Executive.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

WATER CORPORATION

By: /s/ Dr. Flemming Ornskov
Dr. Flemming Ornskov
Chairman of the Board

THE EXECUTIVE

By: /s/ Udit Batra

[Signature Page to Severance Agreement]

EXHIBIT A
FORM OF RELEASE

General Release and Waiver of Claims

For and in consideration of certain benefits to be provided to me under the [Employment Letter, dated as of [DATE]] [Change of Control/Severance Agreement, dated as of [DATE]] (the "Agreement"), between me and Waters Corporation (the "Company"), which are conditioned on my signing this General Release and Waiver of Claims (this "Release of Claims"), and to which I am not otherwise entitled, and other good and valuable consideration, the receipt and sufficiency of which I hereby acknowledge, on my own behalf and on behalf of my heirs, executors, administrators, beneficiaries, representatives, successors and assigns, and all others connected with or claiming through me, I hereby release and forever discharge the Company and its affiliates, and all of their respective past, present and future officers, directors, shareholders, employees, employee benefits plans, administrators, trustees, agents, representatives, consultants, successors and assigns, and all those connected with any of them, in their official and individual capacities (collectively, the "Released Parties"), from any and all causes of action, suits, rights and claims, demands, damages and compensation of any kind and nature whatsoever, whether at law or in equity, whether now known or unknown, suspected or unsuspected, contingent or otherwise, which I now have or ever have had against the Released Parties, or any of them, in any way related to, connected with or arising out of my employment and/or other relationship with the Company or any of its affiliates, or pursuant to Title VII of the Civil Rights Act, the Americans With Disabilities Act, the Family and Medical Leave Act, the Age Discrimination in Employment Act (as amended by the Older Workers Benefit Protection Act), the Employee Retirement Income Security Act, the wage and hour, wage payment and fair employment practices laws of the state or states in which I have provided services to the Company (each as amended from time to time) and/or any other federal, state or local law, regulation, or other requirement (collectively, the "Claims") through the date that I sign this Release of Claims, and I hereby waive all such Claims.

I understand that nothing contained in this Release of Claims shall be construed to prohibit me from filing a charge with or participating in any investigation or proceeding conducted by the federal Equal Employment Opportunity Commission or a comparable state or local agency, provided, however, that I hereby agree to waive my right to recover monetary damages or other individual relief in any charge, complaint or lawsuit filed by me or by anyone else on my behalf. I further understand that nothing contained in this Release of Claims shall be construed to limit, restrict or in any other way affect my communicating with any governmental agency or entity, or communicating with any official or staff person of a governmental agency or entity, concerning non-privileged matters relevant to the governmental agency or entity. For the avoidance of doubt, no provision of this Agreement shall be construed as prohibiting or restricting me (or my attorney) from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or any governmental entity.

I acknowledge that I will continue to be bound by my obligations under the Agreement that survive the termination of my employment by the terms thereof or by necessary implication, including without limitation my confidentiality, non-competition and non-solicitation obligations set forth therein (all of the foregoing obligations, the “Continuing Obligations”). I further acknowledge that the obligation of the Company to make payments to me or on my behalf under Section [●] of this Agreement, and my right to retain the same, are expressly conditioned upon my continued full performance of my obligations hereunder and of the Continuing Obligations.

I understand that nothing contained in this Release of Claims will adversely affect my rights to enforce the terms of the Agreement, and shall not adversely affect my right to any indemnification, coverage under the Company’s director’s and officer’s liability insurance policy in accordance with its terms or right to reimbursement of expenses by the Company to which I would otherwise be entitled to under, without limitation, any charter document or Company insurance policy, by reason of services I rendered for the Company or any of its subsidiaries as an officer and/or an employee thereof.

Subject to the second paragraph of this Release of Claims, I agree that I will not disparage or criticize the Company, its affiliates, their business, their directors, management or their products or services. The Company agrees that no member of the Board of Directors of the Company or any executive officer of the Company will disparage or criticize you. Notwithstanding the foregoing, nothing contained in this paragraph shall preclude you or the Company (or its directors or executive officers) from making truthful statements that are required by applicable law, regulation or legal process.

I acknowledge that this Release of Claims creates legally binding obligations, and that the Company has advised me to consult an attorney before signing it. In signing this Release of Claims, I give the Company assurance that I have signed it voluntarily and with a full understanding of its terms; that I have had sufficient opportunity of not less than [twenty-one (21)/forty-five (45)]¹ days before signing this Release of Claims to consider its terms and to consult with an attorney, if I wished to do so, or to consult with any of the other persons described in the first sentence of the immediately preceding paragraph; and that I have not relied on any promises or representations, express or implied, that are not set forth expressly in this Release of Claims. I understand that I will have seven (7) days after signing this Release of Claims to revoke my signature, and that, if I intend to revoke my signature, I must do so in writing addressed and delivered to [] prior to the end of the seven (7)-day revocation period. I understand that this Release of Claims will become effective upon the eighth (8th) day following the date that I sign it, provided that I do not revoke my acceptance in accordance with the immediately preceding sentence.

[The remainder of this page is intentionally left blank]

¹ **Consideration period to be determined by the Company at the time of separation.**

Accepted and agreed:

Signature: _____
Udit Batra

Date: _____

Acknowledged (and agreed, respecting the penultimate paragraph) by: Waters Corporation

By: Name:
Title:

Name of Participant: _____
Number of Shares of Stock subject to the Stock Option: _____
Exercise Price Per Share: \$_____
Date of Grant: _____

WATERS CORPORATION
2020 EQUITY INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences a stock option granted by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of Option. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant an option (the “**Stock Option**”) to purchase, pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, up to the number of shares of Stock set forth above (the “**Shares**”), with an exercise price per Share as set forth above, in each case, subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof.

The Stock Option is a non-statutory option (that is, an option that is not intended to qualify as an ISO) and was granted to the Participant in connection with the Participant’s Employment.

2. Vesting. The term “**vest**” as used herein with respect to the Stock Option (or any portion thereof) means to become exercisable and the term “**vested**” with respect to the Stock Option (or any portion thereof) means that the Stock Option (or portion thereof) is then exercisable. Unless earlier terminated, forfeited, relinquished or expired, the Stock Option will vest as to twenty percent (20%) of the Shares on each of the first five anniversaries of the Date of Grant, with the number of Shares that vest on any such date being rounded down to the nearest whole Share and the Stock Option becoming vested as to 100% of the Shares on the fifth (5th) anniversary of the Date of Grant, subject, in each case, to the Participant remaining in continuous Employment from the Date of Grant through the applicable vesting date except as described in this Section 2 or Section 4 below. Notwithstanding the foregoing, in the event the Participant’s Employment terminates due to his or her death, the portion of the Stock Option that is then outstanding and unvested shall vest in full as of immediately prior to such termination.

3. Exercise of the Stock Option. No portion of the Stock Option may be exercised until such portion vests. Each election to exercise any vested portion of the Stock Option will be subject to the terms and conditions of the Plan and must be in written or electronic form acceptable to the Administrator, signed (including by electronic signature) by the Participant or, if at the relevant time the Stock Option has passed to a permitted transferee, the permitted transferee. Each such written or electronic exercise election must be received by the Company at its principal office or by such other party as the Administrator may prescribe and be accompanied by payment in full of the exercise price by cash or check, through a broker-assisted exercise program acceptable to the

Administrator, or as otherwise provided in the Plan. The latest date on which the Stock Option or any portion thereof may be exercised is the tenth (10th) anniversary of the Date of Grant (the “**Final Exercise Date**”) and, if not exercised by such date, the Stock Option or any remaining portion thereof will thereupon immediately terminate. No Shares will be issued pursuant to this Agreement unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Cessation of Employment. If the Participant’s Employment ceases for any reason, except as expressly provided for in an employment, severance-benefit or other agreement between the Participant and the Company that is in effect at the time of such termination of Employment, the Stock Option, to the extent not then vested, will be immediately forfeited for no consideration, and any vested portion of the Stock Option that is then outstanding will remain exercisable for the period described in Section 6(a)(4) of the Plan, except that if the Participant’s Employment terminates due to his or her Retirement, the vested portion of the Stock Option will remain exercisable until the earlier of (i) the one-year anniversary of such Retirement or (ii) the Final Exercise Date. For purposes of this Agreement, “**Retirement**” means the Participant’s termination of Employment (other than for Cause or at a time when the Participant’s Employment could have been terminated for Cause) (i) at any time after the Participant has reached age sixty (60) with ten (10) years of service to the Company and its Affiliates and (ii) with the intention of concluding his or her working or professional career. The Administrator will determine whether any leave or other extended period of absence results in a cessation of the Participant’s Employment for purposes of the Stock Option and this Agreement; it being understood that if the Participant is on a leave or other extended period of absence that has been approved by the Administrator (i) with a duration of six (6) months or less or (ii) during which the Participant’s reemployment rights, if any, are guaranteed by statute or by contract, he or she shall be treated for purposes of the Stock Option and this Agreement as remaining in Employment during such approved leave or other period of absence, unless the Administrator determines otherwise.

5. Company Policies. By accepting the Stock Option, the Participant expressly acknowledges and agrees that the Participant’s rights, and those of any permitted transferee, with respect to the Stock Option, including the right to any Shares acquired under the Stock Option or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback, recoupment or similar policy of the Company or any of its Affiliates and any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 8 of this Agreement.

6. Nontransferability. The Stock Option may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Shares issued in respect of the Stock Option may be transferred subject to compliance with applicable law and the terms of any policies of the Company or any of its Affiliates.

7. Withholding. The Participant expressly acknowledges and agrees that the Participant's rights hereunder, including the right to be issued Shares upon exercise of the Stock Option, are subject to the Participant promptly paying to the Company in cash or by check (or by such other means as may be acceptable to the Administrator) all taxes required to be withheld with respect to the Stock Option. No Shares will be issued pursuant to the exercise of the Stock Option unless and until the person exercising the Stock Option has remitted to the Company an amount in cash sufficient to satisfy any federal, state, or local withholding tax requirements, or has made other arrangements satisfactory to the Company with respect to such taxes. The Participant authorizes the Company and its subsidiaries to withhold such amount from any amounts otherwise owed to the Participant, but nothing in this sentence will be construed as relieving the Participant of any liability for satisfying his or her obligation under the preceding provisions of this Section 7.

8. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been made available to the Participant. By accepting the Stock Option, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

9. Acknowledgements. The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument; (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder; and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

[Signature page follows.]

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
[Participant’s Name]

[Signature Page to Stock Option Award Agreement]

Name of Participant: [_____]]
Number of Shares of Stock subject to the Stock Option: [_____]]
Exercise Price Per Share: \$[_____]]
Date of Grant: [_____]]

WATERS CORPORATION
2020 EQUITY INCENTIVE PLAN

STOCK OPTION AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences a stock option granted by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of Option. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant an option (the “**Stock Option**”) to purchase, pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, up to the number of shares of Stock set forth above (the “**Shares**”), with an exercise price per Share as set forth above, in each case, subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof.

The Stock Option is a non-statutory option (that is, an option that is not intended to qualify as an ISO) and was granted to the Participant in connection with the Participant’s Employment.

2. Vesting. The term “**vest**” as used herein with respect to the Stock Option (or any portion thereof) means to become exercisable and the term “**vested**” with respect to the Stock Option (or any portion thereof) means that the Stock Option (or portion thereof) is then exercisable. Unless earlier terminated, forfeited, relinquished or expired, the Stock Option will vest as to one hundred percent (100%) of the Shares on the first (1st) anniversary of the Date of Grant, subject, to the Participant remaining in continuous Employment from the Date of Grant through such vesting date. Notwithstanding the foregoing, in the event the Participant’s Employment terminates due to his or her death, the portion of the Stock Option that is then outstanding and unvested shall vest in full as of immediately prior to such termination.

3. Exercise of the Stock Option. No portion of the Stock Option may be exercised until such portion vests. Each election to exercise any vested portion of the Stock Option will be subject to the terms and conditions of the Plan and must be in written or electronic form acceptable to the Administrator, signed (including by electronic signature) by the Participant or, if at the relevant time the Stock Option has passed to a permitted transferee, the permitted transferee. Each such written or electronic exercise election must be received by the Company at its principal office or by such other party as the Administrator may prescribe and be accompanied by payment in full of the exercise price by cash or check, through a broker-assisted exercise program acceptable to the Administrator, or as otherwise provided in the Plan. The latest date on which the Stock Option or any portion thereof may be exercised is the tenth (10th) anniversary of the Date of Grant (the “**Final Exercise Date**”) and, if not exercised by such date, the Stock Option or any remaining portion thereof will thereupon immediately terminate. No Shares will be issued pursuant to this Agreement unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Cessation of Employment. If the Participant's Employment ceases for any reason, except as expressly provided for in an employment, severance-benefit or other agreement between the Participant and the Company that is in effect at the time of such termination of Employment, the Stock Option, to the extent not then vested, will be immediately forfeited for no consideration, and any vested portion of the Stock Option that is then outstanding will remain exercisable for the period described in Section 6(a)(4) of the Plan, except that if the Participant's Employment terminates due to his or her Retirement, the vested portion of the Stock Option will remain exercisable until the earlier of (i) the one-year anniversary of such Retirement or (ii) the Final Exercise Date. For purposes of this Agreement, "**Retirement**" means the Participant's termination of Employment (other than for Cause or at a time when the Participant's Employment could have been terminated for Cause) (i) at any time after the Participant has reached age sixty (60) with ten (10) years of service to the Company and its Affiliates and (ii) with the intention of concluding his or her working or professional career. The Administrator will determine whether any leave or other extended period of absence results in a cessation of the Participant's Employment for purposes of the Stock Option and this Agreement; it being understood that if the Participant is on a leave or other extended period of absence that has been approved by the Administrator (i) with a duration of six (6) months or less or (ii) during which the Participant's reemployment rights, if any, are guaranteed by statute or by contract, he or she shall be treated for purposes of the Stock Option and this Agreement as remaining in Employment during such approved leave or other period of absence, unless the Administrator determines otherwise.

5. Company Policies. By accepting the Stock Option, the Participant expressly acknowledges and agrees that the Participant's rights, and those of any permitted transferee, with respect to the Stock Option, including the right to any Shares acquired under the Stock Option or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 8 of this Agreement.

6. Nontransferability. The Stock Option may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Shares issued in respect of the Stock Option may be transferred subject to compliance with applicable law and the terms of any policies of the Company or any of its Affiliates.

7. Withholding. The Participant is responsible for satisfying and paying all taxes arising from or due in connection with the Stock Option, its exercise, or a disposition of any Shares acquired upon exercise of the Stock Option. The Company will have no liability or obligation related to the foregoing.

8. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been made available to the Participant. By accepting the Stock Option, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

9. Acknowledgements. The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument; (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder; and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

[Signature page follows.]

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
[Participant’s Name]

[Signature Page to Stock Option Award Agreement]

Name of Participant:

[]

Number of Restricted Stock Units:

[]

Date of Grant:

[]

WATERS CORPORATION
2020 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences Restricted Stock Units granted by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of RSUs. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant the number of Restricted Stock Units set forth above (the “**RSUs**”), giving the Participant the conditional right to receive, with respect to each RSU granted hereunder, without payment and pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, one share of Stock (a “**Share**”), subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof (the “**Award**”).

2. Vesting. Unless earlier terminated, forfeited, relinquished or expired, one-fifth (1/5) of the RSUs will vest on each of the first five (5) anniversaries of the Date of Grant, with the number of RSUs that vest on any such date being rounded down to the nearest whole RSU and the Award becoming vested as to one hundred percent (100%) of the RSUs on the fifth (5th) anniversary of the Date of Grant, subject to the Participant remaining in continuous Employment from the Date of Grant through the applicable vesting date except as described in this Section 2 or Section 3 below. In the event the Participant’s Employment terminates due to his or her death, any RSUs that are then outstanding and unvested shall vest in full as of immediately prior to such termination.

3. Cessation of Employment. If the Participant’s Employment ceases for any reason, except as expressly provided for in an employment, severance-benefit or other agreement between the Participant and the Company that is in effect at the time of such termination of Employment, the RSUs, to the extent not then vested, will be immediately forfeited for no consideration. The Administrator will determine whether any leave or other extended period of absence results in a cessation of the Participant’s Employment for purposes of the Award and this Agreement; it being understood that if the Participant is on a leave or other extended period of absence that has been approved by the Administrator (i) with a duration of six (6) months or less or (ii) during which the Participant’s reemployment rights, if any, are guaranteed by statute or by contract, he or she shall be treated for purposes of the Award and this Agreement as remaining in Employment during such approved leave or other period of absence, unless the Administrator determines otherwise.

4. Issuance of Shares. The Company shall, as soon as practicable upon the vesting of any RSUs (but in no event later than sixty (60) days following vesting), issue Shares with respect to such vested RSUs to the Participant (or, in the event of the Participant’s death, to the person to whom the Award has passed by will or the laws of descent and distribution). No Shares will be issued pursuant to this Agreement unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

5. Company Policies. By accepting the Award, the Participant expressly acknowledges and agrees that the Participant's rights, and those of any permitted transferee, with respect to the RSUs, including the right to any Shares issued in respect of the RSUs or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback, recoupment or similar policy of the Company or any of its Affiliates and any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 8 of this Agreement.

6. Nontransferability. The RSUs may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Shares issued in respect of vested RSUs may be transferred subject to applicable law and the terms of any policies of the Company or any of its Affiliates.

7. Withholding. The Participant expressly acknowledges and agrees that the Participant's rights hereunder, including the right to receive Shares following the vesting of any portion of the Award, are subject to the satisfaction of all taxes required to be withheld with respect to the Award. Unless otherwise determined by the Company, the Company shall automatically satisfy such tax withholding obligations by withholding from the Shares that would otherwise be issued with respect to any vested RSUs a number of Shares having a fair market value equal to the minimum statutory amount required to be withheld to satisfy such tax withholding obligations and/or by causing such number of Shares to be sold in accordance with a sell-to-cover arrangement. The Participant authorizes the Company and its Affiliates to withhold any amounts due in respect of any required tax withholdings by withholding from the Shares otherwise deliverable with respect to the Award, by causing such Shares to be sold in accordance with a sell-to-cover arrangement and/or by withholding from any amounts otherwise owed to the Participant. Nothing in this Section 7 shall be construed as relieving the Participant of any liability for satisfying his or her tax obligations relating to the Award.

8. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

9. Acknowledgements. The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument, (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder, and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
[Participant’s Name]

[Signature Page to Restricted Stock Unit Award Agreement]

Name of Participant:
 Target Number of PSUs:
 Date of Grant:

[_____]

[_____]

[_____]

WATERS CORPORATION
 2020 EQUITY INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences performance-based Restricted Stock Units granted by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of PSUs. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant the target number of performance-based Restricted Stock Units (the “**PSUs**”) set forth above (the “**Target Award**”) giving the Participant the conditional right to receive, without payment and pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, one share of Stock (a “**Share**”) with respect to each PSU forming part of the Award, subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof (the “**Award**”). The percentage of the Target Award that may be earned by the Participant will be determined in accordance with Exhibit A hereto.

2. Earning; Vesting; Cessation of Employment.

(a) Earned PSUs. The PSUs shall become “**Earned PSUs**” following the end of the Performance Period (as defined in Exhibit A) to the extent earned in accordance with the performance criteria set forth on Exhibit A (the “**Performance Criteria**”), based on the Administrator’s determination, in its sole discretion, of the level of achievement of the Performance Criteria.

(b) Vesting of Earned PSUs. Unless earlier terminated, forfeited, relinquished or expired, the Earned PSUs will vest in full on [_____] (the “**Vesting Date**”), subject to the Participant remaining in continuous Employment from the Date of Grant through the Vesting Date except as described in Section 2(c) below.

(c) Cessation of Employment. If the Participant’s Employment ceases for any reason, except as expressly provided for in an employment, severance-benefit or other agreement between the Participant and the Company that is in effect at the time of such termination of Employment, the PSUs, to the extent not then vested, will be immediately forfeited for no consideration. Notwithstanding the foregoing, in the event the Participant’s Employment terminates due to the Participant’s death or Qualifying Retirement, in either case, prior to the Performance Period End Date (as defined in Exhibit A) and prior to a Covered Transaction, any unvested PSUs that are then outstanding shall not be forfeited upon such termination but shall instead remain outstanding and eligible to become Earned PSUs in accordance with the terms of this Agreement and, to the extent earned, shall vest in full on a prorated basis, based on the number of days the Participant was Employed during the Performance Period (without regard to any earlier termination thereof

on the consummation of a Covered Transaction or otherwise), on the earlier of the Vesting Date or immediately prior to the consummation of a Covered Transaction. For purposes of this Agreement, “**Qualifying Retirement**” means the Participant’s termination of Employment (other than for Cause or at a time when the Participant’s Employment could have been terminated for Cause) (i) at any time after the Participant has reached age sixty (60) with ten (10) years of service to the Company and its Affiliates; (ii) with the intention of concluding his or her working or professional career; and (iii) after the first anniversary of the Performance Period Start Date (as defined in Exhibit A). The Administrator will determine whether any leave or other extended period of absence results in a cessation of the Participant’s Employment for purposes of the Award and this Agreement; it being understood that if the Participant is on a leave or other extended period of absence that has been approved by the Administrator (i) with a duration of six (6) months or less or (ii) during which the Participant’s reemployment rights, if any, are guaranteed by statute or by contract, he or she shall be treated for purposes of the Award and this Agreement as remaining in Employment during such approved leave or other period of absence, unless the Administrator determines otherwise.

3. Issuance of Shares. The Company shall, as soon as practicable upon the vesting of any PSUs (but in no event later than March 15th of the year following the year in which such PSUs vest), issue Shares with respect to such vested PSUs to the Participant (or, in the event of the Participant’s death, to the person to whom the Award has passed by will or the laws of descent and distribution). No Shares will be issued pursuant to this Agreement unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Company Policies. By accepting the Award, the Participant expressly acknowledges and agrees that the Participant’s rights, and those of any permitted transferee, with respect to the PSUs, including the right to any Shares issued in respect of the PSUs or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback, recoupment or similar policy of the Company or any of its Affiliates and any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 7 of this Agreement.

5. Nontransferability. The PSUs may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Shares issued in respect of vested PSUs may not be transferred for a period of twenty-four (24) months following the Vesting Date; provided, that this restriction shall not apply following the Participant’s death or in connection with or following a Covered Transaction. Except as described in the preceding sentence, Shares issued in respect of vested PSUs may be transferred subject to compliance with applicable law and the terms of any policies of the Company or any of its Affiliates.

6. Withholding. The Participant expressly acknowledges and agrees that the Participant’s rights hereunder, including the right to receive Shares following the vesting of any portion of the Award, are subject to the satisfaction of all taxes required to be withheld with respect to the Award. Unless otherwise determined by the Company, the Company shall automatically satisfy such tax withholding obligations by withholding from the Shares that would otherwise be issued with

respect to any vested PSUs a number of Shares having a fair market value equal to the minimum statutory amount required to be withheld to satisfy such tax withholding obligations and/or by causing such number of Shares to be sold in accordance with a sell-to-cover arrangement. The Participant authorizes the Company and its Affiliates to withhold any amounts due in respect of any required tax withholdings by withholding from the Shares otherwise deliverable with respect to the Award, by causing such Shares to be sold in accordance with a sell-to-cover arrangement and/or by withholding from any amounts otherwise owed to the Participant. Nothing in this Section 6 shall be construed as relieving the Participant of any liability for satisfying his or her tax obligations relating to the Award.

7. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

8. Acknowledgements. The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument, (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder, and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

[Signature page follows.]

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
[Participant’s Name]

Name of Participant:
 Target Number of PSUs:
 Date of Grant:

[_____]

[_____]

[_____]

WATERS CORPORATION
 2020 EQUITY INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences performance-based Restricted Stock Units granted by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of PSUs. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant the target number of performance-based Restricted Stock Units (the “**PSUs**”) set forth above (the “**Target Award**”) giving the Participant the conditional right to receive, without payment and pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, one share of Stock (a “**Share**”) with respect to each PSU forming part of the Award, subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof (the “**Award**”). The percentage of the Target Award that may be earned by the Participant will be determined in accordance with Exhibit A hereto.

2. Earning; Vesting; Cessation of Employment.

(a) Earned PSUs. The PSUs shall become “**Earned PSUs**” following the end of the Performance Period (as defined in Exhibit A) to the extent earned in accordance with the performance criteria set forth on Exhibit A (the “**Performance Criteria**”), based on the Administrator’s determination, in its sole discretion, of the level of achievement of the Performance Criteria.

(b) Vesting of Earned PSUs. Unless earlier terminated, forfeited, relinquished or expired, the Earned PSUs will vest in full on [_____] (the “**Vesting Date**”), subject to the Participant remaining in continuous Employment from the Date of Grant through the Vesting Date except as described in Section 2(c) below.

(c) Cessation of Employment. If the Participant’s Employment ceases for any reason, except as expressly provided for in an employment, severance-benefit or other agreement between the Participant and the Company that is in effect at the time of such termination of Employment, the PSUs, to the extent not then vested, will be immediately forfeited for no consideration. Notwithstanding the foregoing, in the event the Participant’s Employment terminates due to the Participant’s death or Qualifying Retirement, in either case, prior to the Performance Period End Date (as defined in Exhibit A) and prior to a Covered Transaction, any unvested PSUs that are then outstanding shall not be forfeited upon such termination but shall instead remain outstanding and eligible to become Earned PSUs in accordance with the terms of this Agreement and, to the extent earned, shall vest in full on a prorated basis, based on the number of days the Participant was Employed during the Performance Period (without regard to any earlier termination thereof

on the consummation of a Covered Transaction or otherwise), on the earlier of the Vesting Date or immediately prior to the consummation of a Covered Transaction. For purposes of this Agreement, “**Qualifying Retirement**” means the Participant’s termination of Employment (other than for Cause or at a time when the Participant’s Employment could have been terminated for Cause) (i) at any time after the Participant has reached age sixty (60) with ten (10) years of service to the Company and its Affiliates; (ii) with the intention of concluding his or her working or professional career; and (iii) after the first anniversary of the Performance Period Start Date (as defined in Exhibit A). The Administrator will determine whether any leave or other extended period of absence results in a cessation of the Participant’s Employment for purposes of the Award and this Agreement; it being understood that if the Participant is on a leave or other extended period of absence that has been approved by the Administrator (i) with a duration of six (6) months or less or (ii) during which the Participant’s reemployment rights, if any, are guaranteed by statute or by contract, he or she shall be treated for purposes of the Award and this Agreement as remaining in Employment during such approved leave or other period of absence, unless the Administrator determines otherwise.

3. Issuance of Shares. The Company shall, as soon as practicable upon the vesting of any PSUs (but in no event later than March 15th of the year following the year in which such PSUs vest), issue Shares with respect to such vested PSUs to the Participant (or, in the event of the Participant’s death, to the person to whom the Award has passed by will or the laws of descent and distribution). No Shares will be issued pursuant to this Agreement unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Company Policies. By accepting the Award, the Participant expressly acknowledges and agrees that the Participant’s rights, and those of any permitted transferee, with respect to the PSUs, including the right to any Shares issued in respect of the PSUs or proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback, recoupment or similar policy of the Company or any of its Affiliates and any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 7 of this Agreement.

5. Nontransferability. The PSUs may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Shares issued in respect of vested PSUs may not be transferred for a period of twelve (12) months following the Vesting Date; provided, that this restriction shall not apply following the Participant’s death or in connection with or following a Covered Transaction. Except as described in the preceding sentence, Shares issued in respect of vested PSUs may be transferred subject to compliance with applicable law and the terms of any policies of the Company or any of its Affiliates.

6. Withholding. The Participant expressly acknowledges and agrees that the Participant’s rights hereunder, including the right to receive Shares following the vesting of any portion of the Award, are subject to the satisfaction of all taxes required to be withheld with respect to the Award. Unless otherwise determined by the Company, the Company shall automatically satisfy such tax withholding obligations by withholding from the Shares that would otherwise be issued with

respect to any vested PSUs a number of Shares having a fair market value equal to the minimum statutory amount required to be withheld to satisfy such tax withholding obligations and/or by causing such number of Shares to be sold in accordance with a sell-to-cover arrangement. The Participant authorizes the Company and its Affiliates to withhold any amounts due in respect of any required tax withholdings by withholding from the Shares otherwise deliverable with respect to the Award, by causing such Shares to be sold in accordance with a sell-to-cover arrangement and/or by withholding from any amounts otherwise owed to the Participant. Nothing in this Section 6 shall be construed as relieving the Participant of any liability for satisfying his or her tax obligations relating to the Award.

7. Provisions of the Plan. This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

8. Acknowledgements. The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument, (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder, and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

[Signature page follows.]

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
[Participant’s Name]

Name of Participant:

[]

Number of Shares of Restricted Stock:

[]

Date of Grant:

[]

WATERS CORPORATION
2020 EQUITY INCENTIVE PLAN

RESTRICTED STOCK AWARD AGREEMENT

This agreement (this “**Agreement**”) evidences the grant of shares of Restricted Stock by Waters Corporation (the “**Company**”) to the individual named above (the “**Participant**”), pursuant to and subject to the terms and conditions of the Waters Corporation 2020 Equity Incentive Plan (as from time to time amended and in effect, the “**Plan**”). Except as otherwise defined herein, all capitalized terms used herein have the same meaning as in the Plan.

1. Grant of Restricted Stock. On the date of grant set forth above (the “**Date of Grant**”), the Company granted to the Participant, pursuant to and subject to the terms and conditions set forth in this Agreement and in the Plan, the number of shares of Restricted Stock set forth above (the “**Shares**”), subject to adjustment pursuant to Section 7 of the Plan in respect of transactions occurring after the date hereof.

2. Vesting. The term “**vest**” as used herein with respect to any Share means the lapsing of the forfeiture conditions described in this Section 2 with respect to such Share and the term “**vested**” as applied to any Share means that the Share is not then subject to forfeiture as described in this Section 2. Unless earlier terminated, forfeited, relinquished or expired, one hundred percent (100%) of the Shares will vest on the first (1st) anniversary of the Date of Grant, subject to the Participant remaining in continuous Employment from the Date of Grant through such vesting date. If the Participant’s Employment ceases for any reason prior to such vesting date, all then outstanding and unvested Shares will be automatically and immediately forfeited immediately upon such termination for no consideration. Notwithstanding the foregoing, in the event the Participant’s Employment terminates due to his or her death, any Shares that are then outstanding and unvested shall vest in full as of immediately prior to such termination.

3. Company Policies. By accepting the Shares, the Participant expressly acknowledges and agrees that the Participant’s rights, and those of any permitted transferee, with respect to the Shares, including the right to any proceeds from the disposition thereof, are subject to Section 6(a)(5) of the Plan (including any successor provision). The Participant further agrees to be bound by any policy of the Company or any of its Affiliates that relates to trading on non-public information and permitted transactions with respect to shares of Stock, including limitations on hedging and pledging. Nothing in the preceding sentence will be construed as limiting the general application of Section 6 of this Agreement.

4. Nontransferability. Prior to becoming vested, the Shares may not be transferred except as expressly permitted under Section 6(a)(3) of the Plan. Following vesting, the Shares may be transferred subject to compliance with applicable law and the terms of any policies of the Company or any of its Affiliates.

5. **Taxes.** The Participant is responsible for satisfying and paying all taxes arising from or due in connection with the grant, vesting or disposition of the Shares. The Company will have no liability or obligation related to the foregoing.

6. **Provisions of the Plan.** This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the Date of Grant has been made available to the Participant. By accepting the Shares, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of the Plan will control.

7. **Acknowledgements.** The Participant acknowledges and agrees that (i) this Agreement may be executed in two or more counterparts, each of which will be an original and all of which together will constitute one and the same instrument; (ii) this Agreement may be executed and exchanged using facsimile, portable document format (PDF) or electronic signature, which, in each case, will constitute an original signature for all purposes hereunder; and (iii) such signature by the Company will be binding against the Company and will create a legally binding agreement when this Agreement is countersigned by the Participant.

[Signature page follows.]

The Company, by its duly authorized officer, and the Participant have executed this Agreement as of the Date of Grant.

WATERS CORPORATION

By: _____
Name: _____
Title: _____

Agreed and Accepted:

By _____
[Participant’s Name]

[Signature Page to Restricted Stock Agreement]

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher J. O'Connell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Waters Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2020

/s/ Christopher J. O'Connell

Christopher J. O'Connell
Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sherry L. Buck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Waters Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2020

/s/ Sherry L. Buck

Sherry L. Buck
Chief Financial Officer

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Quarterly Report of Waters Corporation (the “Company”) on Form 10-Q for the period ended June 27, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher J. O’Connell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: July 29, 2020

By: /s/ Christopher J. O’Connell

Christopher J. O’Connell
Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Quarterly Report of Waters Corporation (the “Company”) on Form 10-Q for the period ended June 27, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sherry L. Buck, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: July 29, 2020

By: /s/ Sherry L. Buck

Sherry L. Buck

Chief Financial Officer