Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP
Net Sales by Operating Segment, Products & Services, Geography and Markets
Three Months Ended June 27, 2020 and June 29, 2019
(In thousands)

	Three Months Ended		Percent	Current Period Currency	Constant Currency
	June 27, 2020	June 29, 2019	Change	Impact	Growth Rate [a]
NET SALES - OPERATING SEGMENT					
Waters	$ 465,709	$ 531,117	(12%)	$ (4,216)	(12%)
TA	54,275	68,045	(20%)	(292)	(20%)
Total	**$ 519,984**	**$ 599,162**	**(13%)**	**$ (4,508)**	**(12%)**
NET SALES - PRODUCTS & SERVICES					
Instruments	$ 219,815	$ 286,973	(23%)	$ (728)	(23%)
Service	205,064	211,897	(3%)	(3,099)	(2%)
Chemistry	95,105	100,292	(5%)	(681)	(4%)
Total Recurring	300,169	312,189	(4%)	(3,780)	(3%)
Total	**$ 519,984**	**$ 599,162**	**(13%)**	**$ (4,508)**	**(12%)**
NET SALES - GEOGRAPHY					
Asia	$ 208,209	$ 238,835	(13%)	$ (1,570)	(12%)
Americas	174,782	206,775	(15%)	(94)	(15%)
Europe	136,993	153,552	(11%)	(2,844)	(9%)
Total	**$ 519,984**	**$ 599,162**	**(13%)**	**$ (4,508)**	**(12%)**
NET SALES - MARKETS					
Pharmaceutical	$ 311,018	$ 350,145	(11%)	$ (3,684)	(10%)
Industrial	152,110	176,109	(14%)	(314)	(13%)
Academic & Governmental	56,856	72,908	(22%)	(510)	(21%)
Total	**$ 519,984**	**$ 599,162**	**(13%)**	**$ (4,508)**	**(12%)**
NET SALES - EXCLUDING CHINA					
Total Net Sales	$ 519,984	$ 599,162	(13%)	$ (4,508)	(12%)
China Net Sales	89,816	112,796	(20%)	(963)	(20%)
Total Net Sales Excluding China	**$ 430,168**	**$ 486,366**	**(12%)**	**$ (3,545)**	**(11%)**

(a) The Company believes that referring to comparable constant-currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant-currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP
Net Sales by Operating Segment, Products & Services, Geography and Markets
Six Months Ended June 27, 2020 and June 29, 2019
(In thousands)

	Six Months Ended					Percent	Current Period Currency		Constant Currency
	June 27, 2020		June 29, 2019			Change	Impact		Growth Rate [(a)]
NET SALES - OPERATING SEGMENT									
Waters	$	879,920	$	991,031		(11%)	$	(9,760)	(10%)
TA		105,003		121,993		(14%)		(1,145)	(13%)
Total	**$**	**984,923**	**$**	**1,113,024**		**(12%)**	**$**	**(10,905)**	**(11%)**
NET SALES - PRODUCTS & SERVICES									
Instruments	$	396,753	$	508,223		(22%)	$	(3,879)	(21%)
Service		395,820		405,256		(2%)		(5,146)	(1%)
Chemistry		192,350		199,545		(4%)		(1,880)	(3%)
Total Recurring		588,170		604,801		(3%)		(7,026)	(2%)
Total	**$**	**984,923**	**$**	**1,113,024**		**(12%)**	**$**	**(10,905)**	**(11%)**
NET SALES - GEOGRAPHY									
Asia	$	367,289	$	439,347		(16%)	$	(4,547)	(15%)
Americas		346,958		388,643		(11%)		71	(11%)
Europe		270,676		285,034		(5%)		(6,429)	(3%)
Total	**$**	**984,923**	**$**	**1,113,024**		**(12%)**	**$**	**(10,905)**	**(11%)**
NET SALES - MARKETS									
Pharmaceutical	$	583,581	$	644,657		(9%)	$	(7,474)	(8%)
Industrial		295,464		331,327		(11%)		(1,935)	(10%)
Academic & Governmental		105,878		137,040		(23%)		(1,496)	(22%)
Total	**$**	**984,923**	**$**	**1,113,024**		**(12%)**	**$**	**(10,905)**	**(11%)**
NET SALES - EXCLUDING CHINA									
Total Net Sales	$	984,923	$	1,113,024		(12%)	$	(10,905)	(11%)
China Net Sales		137,047		202,887		(32%)		(2,848)	(31%)
Total Net Sales Excluding China	**$**	**847,876**	**$**	**910,137**		**(7%)**	**$**	**(8,057)**	**(6%)**

(a) The Company believes that referring to comparable constant-currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant-currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Financials
Three & Six Months Ended June 27, 2020 and June 29, 2019
(In thousands, except per share data)

	Selling & Administrative Expenses[(a)]	Operating Income	Operating Income Percentage	Other Expense	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Quarter Ended June 27, 2020								
GAAP	**$ 120,581**	**$ 155,114**	**29.8%**	**$ (736)**	**$ 145,363**	**$ 22,434**	**$ 122,929**	**$ 1.98**
Adjustments:								
Purchased intangibles amortization (b)	(2,618)	2,618	0.5%	-	2,618	515	2,103	0.03
Restructuring costs and certain other items (c)	(5,763)	5,763	1.1%	(152)	5,611	1,084	4,527	0.07
Litigation provisions (d)	(514)	514	0.1%	-	514	123	391	0.01
Certain income tax items (e)	-	-	-	-	-	(507)	507	0.01
Adjusted Non-GAAP	**$ 111,686**	**$ 164,009**	**31.5%**	**$ (888)**	**$ 154,106**	**$ 23,649**	**$ 130,457**	**$ 2.10**
Quarter Ended June 29, 2019								
GAAP	**$ 135,472**	**$ 177,654**	**29.7%**	**$ (342)**	**$ 171,735**	**$ 27,325**	**$ 144,410**	**$ 2.08**
Adjustments:								
Purchased intangibles amortization (b)	(2,264)	2,264	0.4%	-	2,264	491	1,773	0.03
Restructuring costs and certain other items (c)	(2,725)	2,725	0.5%	-	2,725	640	2,085	0.03
Certain income tax items (e)	-	-	-	-	-	(634)	634	0.01
Adjusted Non-GAAP	**$ 130,483**	**$ 182,643**	**30.5%**	**$ (342)**	**$ 176,724**	**$ 27,822**	**$ 148,902**	**$ 2.14**
Six Months Ended June 27, 2020								
GAAP	**$ 271,607**	**$ 223,394**	**22.7%**	**$ (1,110)**	**$ 203,226**	**$ 26,735**	**$ 176,491**	**$ 2.83**
Adjustments:								
Purchased intangibles amortization (b)	(5,243)	5,243	0.5%	-	5,243	1,037	4,206	0.07
Restructuring costs and certain other items (c)	(26,283)	26,283	2.7%	(461)	25,822	5,681	20,141	0.32
Litigation provisions (d)	(1,180)	1,180	0.1%	-	1,180	283	897	0.01
Certain income tax items (e)	-	-	-	-	-	(882)	882	0.01
Adjusted Non-GAAP	**$ 238,901**	**$ 256,100**	**26.0%**	**$ (1,571)**	**$ 235,471**	**$ 32,854**	**$ 202,617**	**$ 3.25**
Six Months Ended June 29, 2019								
GAAP	**$ 272,092**	**$ 298,805**	**26.8%**	**$ (867)**	**$ 289,113**	**$ 35,717**	**$ 253,396**	**$ 3.57**
Adjustments:								
Purchased intangibles amortization (b)	(4,545)	4,545	0.4%	-	4,545	985	3,560	0.05
Restructuring costs and certain other items (c)	(12,786)	12,786	1.1%	-	12,786	3,273	9,513	0.13
Tax reform (f)	-	-	-	-	-	3,229	(3,229)	(0.05)
Certain income tax items (e)	-	-	-	-	-	(1,308)	1,308	0.02
Adjusted Non-GAAP	**$ 254,761**	**$ 316,136**	**28.4%**	**$ (867)**	**$ 306,444**	**$ 41,896**	**$ 264,548**	**$ 3.73**

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

(b) The purchased intangibles amortization, a non-cash expense, was excluded to be consistent with how management evaluates the performance of its core business against historical operating results and the operating results of competitors over periods of time.

(c) Restructuring costs and certain other items were excluded as the Company believes that the cost to consolidate operations and reduce overhead and certain other income or expense items are not normal and do not represent future ongoing business expenses of a specific function or geographic location of the Company.

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

(e) Certain income tax items were excluded as these non-cash expenses and benefits represent updates in management's assessment of ongoing examinations or other tax items that are not indicative of the Company's normal or future income tax expense.

(f) The provision for income taxes for six months ended June 29, 2019 included a $3 million benefit related to the tax on the change in foreign currency exchange rates on the earnings taxed in December 31, 2017 under the Tax Cuts and Jobs Act and the subsequent finalization of the tax regulations during the first quarter of 2019. The difference is due to the change from the foreign currency exchange rates required by the U.S. Department of the Treasury on December 31, 2017 to the foreign currency exchange rates on either the date of distribution of assets into the U.S. or the foreign currency exchange rates as of June 29, 2019.

Waters Corporation and Subsidiaries
Preliminary Condensed Consolidated Statements of Cash Flows
Three and Six Months Ended June 27, 2020 and June 29, 2019
(In thousands and unaudited)

	Three Months Ended		Six Months Ended	
	June 27, 2020	June 29, 2019	June 27, 2020	June 29, 2019
Cash flows from operating activities:				
Net income	$ 122,929	$ 144,410	$ 176,491	$ 253,396
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	8,926	9,314	18,122	19,255
Depreciation and amortization	31,015	28,851	60,203	53,615
Change in operating assets and liabilities, net	35,941	(55,551)	95,630	(23,463)
Net cash provided by operating activities	198,811	127,024	350,446	302,803
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(45,899)	(39,522)	(97,029)	(65,188)
Business acquisitions, net of cash acquired	-	-	(76,664)	-
Investment in unaffiliated companies	(3,350)	(4,750)	(3,350)	(4,750)
Net change in investments	(12,911)	395,296	(15,292)	855,001
Net cash (used in) provided by investing activities	(62,160)	351,024	(192,335)	785,063
Cash flows from financing activities:				
Net change in debt	(200,000)	32	14,634	118
Proceeds from stock plans	2,996	2,498	14,739	30,129
Purchases of treasury shares	(71)	(576,530)	(196,297)	(1,329,635)
Other cash flow from financing activities, net	4,791	2,400	7,558	4,654
Net cash used in financing activities	(192,284)	(571,600)	(159,366)	(1,294,734)
Effect of exchange rate changes on cash and cash equivalents	4,608	(3,420)	4,576	(1,414)
(Decrease) increase in cash and cash equivalents	(51,025)	(96,972)	3,321	(208,282)
Cash and cash equivalents at beginning of period	390,061	684,970	335,715	796,280
Cash and cash equivalents at end of period	$ 339,036	$ 587,998	$ 339,036	$ 587,998

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

Net cash provided by operating activities - GAAP	$ 198,811	$ 127,024	$ 350,446	$ 302,803
Adjustments:				
Additions to property, plant, equipment and software capitalization	(45,899)	(39,522)	(97,029)	(65,188)
Tax reform payments	-	29,109	-	29,109
Major facility renovations	22,524	19,779	43,067	27,275
Free Cash Flow - Adjusted Non-GAAP	$ 175,436	$ 136,390	$ 296,484	$ 293,999

(a) The Company defines free cash flow as net cash flow from operations accounted for under GAAP less capital expenditures and software capitalizations plus or minus any unusual and non recurring items. Free cash flow is not a GAAP measurement and may not be comparable to free cash flow reported by other companies.