Waters Corporation and Subsidiaries

Reconciliation of GAAP to Adjusted Non-GAAP

Net Sales by Operating Segment, Products & Services, Geography and Markets

Three Months Ended December 31, 2020 and December 31, 2019

(In thousands)

	Three Months Ended		Percent	Current Period Currency	Constant Currency
	December 31, 2020	December 31, 2019	Change	Impact	Growth Rate [(a)]
NET SALES - OPERATING SEGMENT					
Waters	$ 703,738	$ 634,306	11%	$ 17,249	8%
TA	82,920	81,988	1%	2,156	(1%)
Total	**$ 786,658**	**$ 716,294**	**10%**	**$ 19,405**	**7%**
NET SALES - PRODUCTS & SERVICES					
Instruments	$ 400,436	$ 376,631	6%	$ 10,482	4%
Service	254,667	227,446	12%	5,534	10%
Chemistry	131,555	112,217	17%	3,389	14%
Total Recurring	386,222	339,663	14%	8,923	11%
Total	**$ 786,658**	**$ 716,294**	**10%**	**$ 19,405**	**7%**
NET SALES - GEOGRAPHY					
Asia	$ 295,706	$ 261,990	13%	$ 1,058	12%
Americas	251,437	245,140	3%	115	3%
Europe	239,515	209,164	15%	18,232	6%
Total	**$ 786,658**	**$ 716,294**	**10%**	**$ 19,405**	**7%**
NET SALES - MARKETS					
Pharmaceutical	$ 460,384	$ 392,391	17%	$ 10,808	15%
Industrial	233,180	216,698	8%	6,549	5%
Academic & Governmental	93,094	107,205	(13%)	2,048	(15%)
Total	**$ 786,658**	**$ 716,294**	**10%**	**$ 19,405**	**7%**
NET SALES - EXCLUDING CHINA					
Total Net Sales	$ 786,658	$ 716,294	10%	$ 19,405	7%
China Net Sales	151,639	125,013	21%	2,644	19%
Total Net Sales Excluding China	**$ 635,019**	**$ 591,281**	**7%**	**$ 16,761**	**5%**

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

Waters Corporation and Subsidiaries

Reconciliation of GAAP to Adjusted Non-GAAP

Net Sales by Operating Segment, Products & Services, Geography and Markets

Twelve Months Ended December 31, 2020 and December 31, 2019

(In thousands)

	Twelve Months Ended		Percent	Current Period Currency	Constant Currency
	December 31, 2020	December 31, 2019	Change	Impact	Growth Rate [(a)]
NET SALES - OPERATING SEGMENT					
Waters	$ 2,117,124	$ 2,137,483	(1%)	$ 12,248	(2%)
TA	248,241	269,113	(8%)	1,543	(8%)
Total	**$ 2,365,365**	**$ 2,406,596**	**(2%)**	**$ 13,791**	**(2%)**
NET SALES - PRODUCTS & SERVICES					
Instruments	$ 1,065,253	$ 1,155,171	(8%)	$ 8,295	(9%)
Service	868,032	839,407	3%	2,618	3%
Chemistry	432,080	412,018	5%	2,878	4%
Total Recurring	1,300,112	1,251,425	4%	5,496	3%
Total	**$ 2,365,365**	**$ 2,406,596**	**(2%)**	**$ 13,791**	**(2%)**
NET SALES - GEOGRAPHY					
Asia	$ 899,177	$ 939,112	(4%)	$ (5,743)	(4%)
Americas	797,842	830,241	(4%)	80	(4%)
Europe	668,346	637,243	5%	19,454	2%
Total	**$ 2,365,365**	**$ 2,406,596**	**(2%)**	**$ 13,791**	**(2%)**
NET SALES - MARKETS					
Pharmaceutical	$ 1,386,966	$ 1,365,275	2%	$ 5,871	1%
Industrial	707,772	719,377	(2%)	7,959	(3%)
Academic & Governmental	270,627	321,944	(16%)	(39)	(16%)
Total	**$ 2,365,365**	**$ 2,406,596**	**(2%)**	**$ 13,791**	**(2%)**
NET SALES - EXCLUDING CHINA					
Total Net Sales	$ 2,365,365	$ 2,406,596	(2%)	$ 13,791	(2%)
China Net Sales	404,352	439,557	(8%)	747	(8%)
Total Net Sales Excluding China	**$ 1,961,013**	**$ 1,967,039**	**-**	**$ 13,044**	**(1%)**

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

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Financials
Three & Twelve Months Ended December 31, 2020 and December 31, 2019
(In thousands, except per share data)

	Selling & Administrative Expenses[(a)]	Operating Income	Operating Income Percentage	Other Income (Expense)	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Three Months Ended December 31, 2020								
GAAP	**$ 162,716**	**$ 263,711**	**33.5%**	**$ 374**	**$ 257,251**	**$ 38,940**	**$ 218,311**	**$ 3.49**
Adjustments:								
Purchased intangibles amortization [(b)]	(2,687)	2,687	0.3%	-	2,687	541	2,146	0.03
Asset Impairment [(c)]	(6,945)	6,945	0.9%	-	6,945	1,180	5,765	0.09
Restructuring costs and certain other items [(d)]	(2,142)	2,142	0.3%	(1,623)	519	139	380	0.01
Pension expenses [(e)]	-	-	-	235	235	71	164	-
Certain income tax items [(f)]	-	-	-	-	-	(1,052)	1,052	0.02
Adjusted Non-GAAP	**$ 150,942**	**$ 275,485**	**35.0%**	**$ (1,014)**	**$ 267,637**	**$ 39,819**	**$ 227,818**	**$ 3.65**
Three Months Ended December 31, 2019								
GAAP	**$ 143,737**	**$ 236,417**	**33.0%**	**$ (2,223)**	**$ 224,388**	**$ 23,719**	**$ 200,669**	**$ 3.12**
Adjustments:								
Purchased intangibles amortization [(b)]	(2,529)	2,529	0.4%	-	2,529	512	2,017	0.03
Restructuring costs and certain other items [(d)]	(1,810)	1,810	0.3%	-	1,810	483	1,327	0.02
Pension expenses [(e)]	-	-	-	1,602	1,602	385	1,217	0.02
Certain income tax items [(f)]	-	-	-	-	-	(714)	714	0.01
Adjusted Non-GAAP	**$ 139,398**	**$ 240,756**	**33.6%**	**$ (621)**	**$ 230,329**	**$ 24,385**	**$ 205,944**	**$ 3.20**
Twelve Months Ended December 31, 2020								
GAAP	**$ 572,410**	**$ 645,489**	**27.3%**	**$ (1,775)**	**$ 610,914**	**$ 89,343**	**$ 521,571**	**$ 8.36**
Adjustments:								
Purchased intangibles amortization [(b)]	(10,587)	10,587	0.4%	-	10,587	2,102	8,485	0.14
Asset Impairment [(c)]	(6,945)	6,945	0.3%	-	6,945	1,180	5,765	0.09
Restructuring costs and certain other items [(d)]	(35,196)	35,196	1.5%	(2,084)	33,112	7,512	25,600	0.41
Pension expenses [(e)]	-	-	-	235	235	71	164	-
Litigation settlement [(g)]	(1,180)	1,180	-	-	1,180	283	897	0.01
Certain income tax items [(f)]	-	-	-	-	-	(2,619)	2,619	0.04
Adjusted Non-GAAP	**$ 518,502**	**$ 699,397**	**29.6%**	**$ (3,624)**	**$ 662,973**	**$ 97,872**	**$ 565,101**	**$ 9.05**
Twelve Months Ended December 31, 2019								
GAAP	**$ 544,484**	**$ 708,457**	**29.4%**	**$ (3,586)**	**$ 678,239**	**$ 86,041**	**$ 592,198**	**$ 8.69**
Adjustments:								
Purchased intangibles amortization [(b)]	(9,693)	9,693	0.4%	-	9,693	2,032	7,661	0.11
Restructuring costs and certain other items [(d)]	(16,192)	16,192	0.7%	-	16,192	4,106	12,086	0.18
Pension expenses [(e)]	-	-	-	1,602	1,602	385	1,217	0.02
Tax reform [(h)]	-	-	-	-	-	3,229	(3,229)	(0.05)
Certain income tax items [(f)]	-	-	-	-	-	(2,622)	2,622	0.04
Adjusted Non-GAAP	**$ 518,599**	**$ 734,342**	**30.5%**	**$ (1,984)**	**$ 705,726**	**$ 93,171**	**$ 612,555**	**$ 8.99**

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

(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) The asset impairment, a non-cash expense, is a one-time charge related to the write-off of certain intangible assets and a contingent consideration liability that were both associated with a previous acquisition. The asset impairment was excluded as the Company does not believe these expenses are indicative of normal operating costs.

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

(e) The pension settlement and curtailment expenses associated with certain defined benefit pension plans were excluded as the Company believes these expenses are not indicative of normal operating costs.

(f) 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.

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

(h) The provision for income taxes for the twelve months ended December 31, 2019 included a $3 million benefit related to the 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 December 31, 2019.

Waters Corporation and Subsidiaries
Preliminary Condensed Consolidated Statements of Cash Flows
Three and Twelve Months Ended December 31, 2020 and December 31, 2019
(In thousands and unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Cash flows from operating activities:				
Net income	$ 218,311	$ 200,669	$ 521,571	$ 592,198
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,150	9,660	36,865	38,577
Depreciation and amortization	44,260	24,977	135,351	105,296
Change in operating assets and liabilities, net	(4,239)	(43,411)	96,720	(92,984)
Net cash provided by operating activities	267,482	191,895	790,507	643,087
Cash flows from investing activities:				
Additions to property, plant, equipment and software capitalization	(47,044)	(53,618)	(172,384)	(163,823)
Business acquisitions, net of cash acquired	(3,881)	-	(80,545)	-
Investment in unaffiliated companies	(2,293)	(1,593)	(6,143)	(8,843)
Net change in investments	15,685	(1,428)	(5,022)	941,468
Net cash (used in) provided by investing activities	(37,533)	(56,639)	(264,094)	768,802
Cash flows from financing activities:				
Net change in debt	(215,000)	325,308	(325,366)	532,256
Proceeds from stock plans	37,612	19,404	66,033	53,715
Purchases of treasury shares	(56)	(559,558)	(196,409)	(2,469,258)
Other cash flow from financing activities, net	4,910	3,709	15,240	10,609
Net cash used in financing activities	(172,534)	(211,137)	(440,502)	(1,872,678)
Effect of exchange rate changes on cash and cash equivalents	4,346	6,947	15,069	224
Increase (decrease) in cash and cash equivalents	61,761	(68,934)	100,980	(460,565)
Cash and cash equivalents at beginning of period	374,934	404,649	335,715	796,280
Cash and cash equivalents at end of period	$ 436,695	$ 335,715	$ 436,695	$ 335,715

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

Net cash provided by operating activities - GAAP	$ 267,482	$ 191,895	$ 790,507	$ 643,087
Adjustments:				
Additions to property, plant, equipment and software capitalization	(47,044)	(53,618)	(172,384)	(163,823)
Tax reform payments	-	-	38,454	29,109
Major facility renovations	19,486	19,276	69,806	67,624
Free Cash Flow - Adjusted Non-GAAP	$ 239,924	$ 157,553	$ 726,383	$ 575,997

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

Waters Corporation and Subsidiaries
Reconciliation of Projected GAAP to Adjusted Non-GAAP Financial Outlook

	Three Months Ended April 3, 2021			Twelve Months Ended December 31, 2021		
	Range			Range		
Projected Sales						
Projected constant-currency sales growth rate [a]	7%	-	10%	5%	-	8%
Projected currency impact	3%	-	3%	1%	-	2%
Projected sales growth rate as reported	10%	-	13%	6%	-	10%
Projected Earnings Per Diluted Share	Range			Range		
Projected GAAP earnings per diluted share	$ 1.45	-	$ 1.55	$ 9.12	-	$ 9.37
Adjustments:						
Purchased intangibles amortization	$ 0.04	-	$ 0.04	$ 0.16	-	$ 0.16
Certain income tax items	$ 0.01	-	$ 0.01	$ 0.04	-	$ 0.04
Projected adjusted non-GAAP earnings per diluted share	$ 1.50	-	$ 1.60	$ 9.32	-	$ 9.57

(a) Constant-currency growth rates are a non-GAAP financial measure that measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. These amounts are estimated at the current foreign currency exchange rates and based on the forecasted geographical sales in local currency, as well as an assessment of market conditions as of today, and may differ significantly from actual results.

These forward-looking adjustment estimates do not reflect future gains and charges that are inherently difficult to predict and estimate due to their unknown timing, effect and/or significance.