

Waters

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**Annual Reconciliation of GAAP to Adjusted Non-GAAP Financials
as Disclosed in the Company's Annual Earnings Press Release**

The 2016 - 2014 adjusted amounts presented below contain financial measures, such as constant currency growth rate, adjusted operating income and adjusted earnings per diluted share, among others, which are considered "non-GAAP" financial measures under applicable U.S. Securities and Exchange Commission rules and regulations. These non-GAAP financial measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with generally accepted accounting principles (GAAP). The Company's definition of these non-GAAP measures may differ from similarly titled measures used by others. The non-GAAP financial measures presented below adjust for specified items that can be highly variable or difficult to predict. The Company generally uses these non-GAAP financial measures to facilitate management's financial and operational decision-making, including evaluation of Waters Corporation's historical operating results, comparison to competitors' operating results and determination of management incentive compensation. These non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting Waters Corporation's business. Because non-GAAP financial measures exclude the effect of items that will increase or decrease the Company's reported results of operations, management strongly encourages investors to review the Company's consolidated financial statements and publicly filed reports in their entirety. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the tables below.

The Company believes that referring to comparable constant currency sales growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant currency sales 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.

Management has excluded the following items from the consolidated statement of operations:

- 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.
- Stock award modification, a non-cash expense, is associated with accelerating the vesting of certain stock awards and was excluded as the Company believes these expenses are not indicative of normal operating costs.
- Restructuring costs, asset impairments, acquisition-related costs and certain other items were excluded as the Company believes that the cost to consolidate operations and reduce overhead; the cost to complete acquisitions; the non-cash expense to record asset impairments and certain other income or expense items are not normal and do not represent future ongoing business income or expenses of a specific function or geographic location of the Company.
- Litigation provisions were excluded as these costs are isolated, unpredictable and not expected to recur regularly.
- Acquired in-process research and development was excluded as it relates to milestone payments associated with a licensing arrangement for mass spectrometry that the Company believes is infrequent, unusual and not indicative of its normal business operations.
- 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.

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, 2016 and December 31, 2015
(In thousands)

	<u>Twelve Months Ended</u>		<u>Percent</u>	<u>Currency</u>	<u>Constant</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Change</u>	<u>Impact</u>	<u>Currency</u>
					<u>Growth Rate ^(a)</u>
NET SALES - OPERATING SEGMENT					
Waters	\$ 1,928,063	\$ 1,806,868	7%	\$ (12,733)	7%
TA	239,360	235,464	2%	(880)	2%
Total	<u>\$ 2,167,423</u>	<u>\$ 2,042,332</u>	6%	<u>\$ (13,613)</u>	7%
NET SALES - PRODUCTS & SERVICES					
Instruments	\$ 1,114,883	\$ 1,067,315	4%	\$ (11,654)	6%
Service	707,127	657,076	8%	(4,848)	8%
Chemistry	<u>345,413</u>	<u>317,941</u>	9%	<u>2,889</u>	8%
Total Recurring	1,052,540	975,017	8%	(1,959)	8%
Total	<u>\$ 2,167,423</u>	<u>\$ 2,042,332</u>	6%	<u>\$ (13,613)</u>	7%
NET SALES - GEOGRAPHY					
Americas	\$ 807,182	\$ 790,483	2%	\$ (4,287)	3%
Europe	577,257	555,886	4%	(9,352)	6%
Asia	782,984	695,963	13%	26	12%
Total	<u>\$ 2,167,423</u>	<u>\$ 2,042,332</u>	6%	<u>\$ (13,613)</u>	7%
NET SALES - MARKETS					
Pharmaceutical	\$ 1,206,316	\$ 1,106,229	9%	\$ (9,827)	10%
Industrial	690,119	653,213	6%	(1,281)	6%
Government & Academic	270,988	282,890	(4%)	(2,505)	(3%)
Total	<u>\$ 2,167,423</u>	<u>\$ 2,042,332</u>	6%	<u>\$ (13,613)</u>	7%

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Financials
Twelve Months Ended December 31, 2016, 2015 & 2014
(In thousands, except per share data)

	Selling & Administrative Expenses ^(a)	Research & Development Expenses ^(a)	Operating Income	Operating Income Percentage	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Twelve Months Ended December 31, 2016								
GAAP	\$ 526,444	\$ 125,187	\$ 624,339	28.8%	\$ 600,114	\$ 78,611	\$ 521,503	\$ 6.41
Adjustments:								
Purchased intangibles amortization	(9,889)	-	9,889	0.5%	9,889	2,864	7,025	0.09
Stock award modification	(7,085)	-	7,085	0.3%	7,085	2,657	4,428	0.05
Restructuring costs, asset impairments, acquisition-related costs & certain other items	(6,856)	-	6,856	0.3%	6,856	2,812	4,044	0.05
Litigation provisions	(3,524)	-	3,524	0.2%	3,524	1,321	2,203	0.03
Certain income tax items	-	-	-	-	-	135	(135)	-
Adjusted Non-GAAP	\$ 499,090	\$ 125,187	\$ 651,693	30.1%	\$ 627,468	\$ 88,400	\$ 539,068	\$ 6.62
Twelve Months Ended December 31, 2015								
GAAP	\$ 509,809	\$ 122,400	\$ 567,451	27.8%	\$ 541,919	\$ 72,866	\$ 469,053	\$ 5.65
Adjustments:								
Purchased intangibles amortization	(10,123)	-	10,123	0.5%	10,123	2,888	7,235	0.09
Restructuring costs, asset impairments, acquisition-related costs & certain other items	(7,455)	-	7,455	0.4%	7,455	2,377	5,078	0.06
Acquired in-process research and development	-	(3,855)	3,855	0.2%	3,855	786	3,069	0.04
Litigation provisions	(3,939)	-	3,939	0.2%	3,939	1,478	2,461	0.03
Certain income tax items	-	-	-	-	-	(2,326)	2,326	0.03
Adjusted Non-GAAP	\$ 488,292	\$ 118,545	\$ 592,823	29.0%	\$ 567,291	\$ 78,069	\$ 489,222	\$ 5.89
Twelve Months Ended December 31, 2014								
GAAP	\$ 523,341	\$ 123,182	\$ 517,908	26.0%	\$ 490,740	\$ 59,120	\$ 431,620	\$ 5.07
Adjustments:								
Purchased intangibles amortization	(10,634)	-	10,634	0.5%	10,634	3,024	7,610	0.09
Restructuring costs, asset impairments, acquisition-related costs & certain other items	(17,697)	-	17,697	0.9%	17,697	4,979	12,718	0.15
Acquired in-process research and development	-	(15,456)	15,456	0.8%	15,456	3,323	12,133	0.14
Certain income tax items	-	-	-	-	-	(2,383)	2,383	0.03
Adjusted Non-GAAP	\$ 495,010	\$ 107,726	\$ 561,695	28.2%	\$ 534,527	\$ 68,063	\$ 466,464	\$ 5.48

(a) Selling & administrative expenses include purchased intangibles amortization and litigation provisions. Research & development expenses include acquired in-process research and development.