

# 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 2023 – 2021 adjusted amounts presented below contain financial measures, such as organic constant currency growth rate, adjusted operating income, adjusted net income, adjusted earnings per diluted share and adjusted free cash flow, 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 U.S. generally accepted accounting principles (GAAP). Waters Corporation’s (the “Company”) definitions 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 the Company’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 the Company’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 organic constant currency sales growth rates is a useful way to evaluate the underlying performance of the Company’s net sales. Organic constant currency sales growth, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, excluding the impact of foreign currency exchange rates during the current period and excluding the impact of acquisitions made within twelve months of the acquisition close date.

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.
- Restructuring costs and certain other items were excluded as the Company believes that the cost to consolidate operations, 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.
- 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.
- Litigation settlement gains and provisions were excluded as these items are isolated, unpredictable, and not expected to recur regularly.

- Acquired in-process research and development was excluded as it relates to the cost of a licensing arrangement for charge detection mass spectrometry that the Company believes is unusual and not indicative of its normal business operations.
- Acquisition related costs include all incremental expenses incurred, such as advisory, legal, accounting, tax, valuation, and other professional fees. The Company believes that these costs are not normal and do not represent future ongoing business expenses.
- In connection with the Wyatt acquisition, the Company started to recognize a two-year retention bonus obligation that is contingent upon the employee's providing future service and continued employment with Waters. The Company believes that these costs are not normal and do not represent future ongoing business expenses.
- Certain income tax items were excluded as these non-cash expenses and benefits represent updates in management's assessment of ongoing examinations, tax audit settlements, or other tax items that are not indicative of the Company's normal or future income tax expense.

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 GAAP to Adjusted Non-GAAP**  
**Net Sales by Operating Segments, Products & Services, Geography and Markets**  
**Twelve Months Ended December 31, 2023, 2022 & 2021**  
(In thousands)

	Twelve Months Ended			Percent Change		2023 vs. 2022			2022 vs. 2021	
				2023 vs. 2022	2022 vs. 2021	Impact of Currency	Impact of Acquisitions	Organic Constant Currency Growth Rate	Impact of Currency	Organic Constant Currency Growth Rate
	December 31, 2023	December 31, 2022	December 31, 2021							
NET SALES - OPERATING SEGMENTS										
Waters	\$ 2,601,590	\$ 2,626,462	\$ 2,473,083	(1%)	6%	(1%)	3%	(3%)	(6%)	12%
TA	354,826	345,494	312,791	3%	10%	(0%)	0%	3%	(6%)	16%
<b>Total</b>	<b>\$ 2,956,416</b>	<b>\$ 2,971,956</b>	<b>\$ 2,785,874</b>	<b>(1%)</b>	<b>7%</b>	<b>(1%)</b>	<b>3%</b>	<b>(2%)</b>	<b>(5%)</b>	<b>12%</b>
NET SALES - PRODUCTS & SERVICES										
Instruments	\$ 1,361,581	\$ 1,462,770	\$ 1,314,861	(7%)	11%	(1%)	4%	(10%)	(5%)	16%
Service	1,053,366	983,787	963,804	7%	2%	(1%)	2%	7%	(6%)	8%
Chemistry	541,469	525,399	507,209	3%	4%	(1%)	0%	4%	(5%)	9%
Total Recurring	1,594,835	1,509,186	1,471,013	6%	3%	(1%)	1%	6%	(6%)	9%
<b>Total</b>	<b>\$ 2,956,416</b>	<b>\$ 2,971,956</b>	<b>\$ 2,785,874</b>	<b>(1%)</b>	<b>7%</b>	<b>(1%)</b>	<b>3%</b>	<b>(2%)</b>	<b>(5%)</b>	<b>12%</b>
NET SALES - GEOGRAPHY										
Asia	\$ 1,007,825	\$ 1,131,743	\$ 1,075,765	(11%)	5%	(4%)	0%	(7%)	(7%)	12%
Americas	1,108,573	1,055,635	925,220	5%	14%	(0%)	4%	1%	0%	14%
Europe	840,018	784,578	784,889	7%	0%	3%	3%	2%	(10%)	10%
<b>Total</b>	<b>\$ 2,956,416</b>	<b>\$ 2,971,956</b>	<b>\$ 2,785,874</b>	<b>(1%)</b>	<b>7%</b>	<b>(1%)</b>	<b>3%</b>	<b>(2%)</b>	<b>(5%)</b>	<b>12%</b>
NET SALES - MARKETS										
Pharmaceutical	\$ 1,696,875	\$ 1,751,665	\$ 1,667,061	(3%)	5%	(1%)	3%	(5%)	(5%)	10%
Industrial	909,003	909,805	829,204	0%	10%	(1%)	1%	0%	(5%)	15%
Academic & Government	350,538	310,486	289,609	13%	7%	(1%)	4%	10%	(6%)	13%
<b>Total</b>	<b>\$ 2,956,416</b>	<b>\$ 2,971,956</b>	<b>\$ 2,785,874</b>	<b>(1%)</b>	<b>7%</b>	<b>(1%)</b>	<b>3%</b>	<b>(2%)</b>	<b>(5%)</b>	<b>12%</b>

**Waters Corporation and Subsidiaries**  
**Reconciliation of GAAP to Adjusted Non-GAAP Financials**  
**Twelve Months Ended December 31, 2023, 2022 & 2021**  
(In thousands, except per share data)

	Selling & Administrative Expenses <sup>(a)</sup>	Acquired IPR&D and Research & Development Expenses	Operating Income	Operating Income Percentage	Other (Expense) Income	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
<b>Twelve Months Ended December 31, 2023</b>									
<b>GAAP</b>	\$ 768,572	\$ 174,945	\$ 817,676	27.7%	\$ 807	\$ 736,243	\$ 94,009	\$ 642,234	\$ 10.84
Adjustments:									
Purchased intangibles amortization	(32,558)	-	32,558	1.1%	-	32,558	7,758	24,800	0.42
Restructuring costs and certain other items	(29,917)	-	29,917	1.0%	(521)	29,396	7,126	22,270	0.38
Acquisition related costs	(13,947)	-	13,947	0.5%	-	13,947	3,347	10,600	0.18
Retention bonus obligation	(14,093)	(4,699)	18,792	0.6%	-	18,792	4,510	14,282	0.24
Certain income tax items	-	-	-	-	-	-	17,651	(17,651)	(0.30)
<b>Adjusted Non-GAAP</b>	<b>\$ 678,057</b>	<b>\$ 170,246</b>	<b>\$ 912,890</b>	<b>30.9%</b>	<b>\$ 286</b>	<b>\$ 830,936</b>	<b>\$ 134,401</b>	<b>\$ 696,535</b>	<b>\$ 11.75</b>
<b>Twelve Months Ended December 31, 2022</b>									
<b>GAAP</b>	\$ 664,392	\$ 185,987	\$ 873,395	29.4%	\$ 2,228	\$ 837,846	\$ 130,091	\$ 707,755	\$ 11.73
Adjustments:									
Purchased intangibles amortization	(6,366)	-	6,366	0.2%	-	6,366	1,461	4,905	0.08
Acquired in-process research and development	-	(9,797)	9,797	0.3%	-	9,797	2,351	7,446	0.12
Restructuring costs and certain other items	(8,551)	-	8,551	0.3%	(3,273)	5,278	1,186	4,092	0.07
Certain income tax items	-	-	-	-	-	-	(994)	994	0.02
<b>Adjusted Non-GAAP</b>	<b>\$ 649,475</b>	<b>\$ 176,190</b>	<b>\$ 898,109</b>	<b>30.2%</b>	<b>\$ (1,045)</b>	<b>\$ 859,287</b>	<b>\$ 134,095</b>	<b>\$ 725,192</b>	<b>\$ 12.02</b>
<b>Twelve Months Ended December 31, 2021</b>									
<b>GAAP</b>	\$ 639,276	\$ 168,358	\$ 821,707	29.5%	\$ 17,203	\$ 806,193	\$ 113,350	\$ 692,843	\$ 11.17
Adjustments:									
Purchased intangibles amortization	(7,143)	-	7,143	0.3%	-	7,143	1,617	5,526	0.09
Restructuring costs and certain other items	(7,338)	-	7,338	0.3%	(9,707)	(2,369)	(779)	(1,590)	(0.03)
Pension expenses	-	-	-	-	(294)	(294)	(74)	(220)	-
Litigation provision and settlement	(5,165)	-	5,165	0.2%	(10,083)	(4,918)	(676)	(4,242)	(0.07)
Certain income tax items	-	-	-	-	-	-	(2,341)	2,341	0.04
<b>Adjusted Non-GAAP</b>	<b>\$ 619,630</b>	<b>\$ 168,358</b>	<b>\$ 841,353</b>	<b>30.2%</b>	<b>\$ (2,881)</b>	<b>\$ 805,755</b>	<b>\$ 111,097</b>	<b>\$ 694,658</b>	<b>\$ 11.20</b>

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

**Waters Corporation and Subsidiaries**  
**Preliminary Condensed Consolidated Statements of Cash Flows**  
**Twelve Months Ended December 31, 2023, 2022 & 2021**  
(In thousands and unaudited)

	Twelve Months Ended		
	December 31, 2023	December 31, 2022	December 31, 2021
Cash flows from operating activities:			
Net income	\$ 642,234	\$ 707,755	\$ 692,843
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	36,868	42,564	29,918
Depreciation and amortization	165,905	130,423	131,680
Change in operating assets and liabilities and other, net	<u>(242,198)</u>	<u>(269,081)</u>	<u>(107,167)</u>
Net cash provided by operating activities	602,809	611,661	747,274
Cash flows from investing activities:			
Additions to property, plant, equipment and software capitalization	(160,632)	(175,921)	(161,266)
Business acquisitions, net of cash acquired	(1,282,354)	-	-
Proceeds from (investments in) equity investments, net	742	8,903	(1,788)
Payments for intellectual property licenses	-	(7,535)	(7,000)
Net change in investments	<u>(21)</u>	<u>66,586</u>	<u>(61,576)</u>
Net cash used in investing activities	(1,442,265)	(107,967)	(231,630)
Cash flows from financing activities:			
Net change in debt	779,600	60,000	151,463
Proceeds from stock plans	29,792	42,801	55,643
Purchases of treasury shares	(70,277)	(626,061)	(648,930)
Other cash flow from financing activities, net	<u>15,836</u>	<u>13,627</u>	<u>3,549</u>
Net cash provided by (used in) financing activities	754,951	(509,633)	(438,275)
Effect of exchange rate changes on cash and cash equivalents	<u>(948)</u>	<u>(14,766)</u>	<u>(12,830)</u>
(Decrease) increase in cash and cash equivalents	(85,453)	(20,705)	64,539
Cash and cash equivalents at beginning of period	<u>480,529</u>	<u>501,234</u>	<u>436,695</u>
Cash and cash equivalents at end of period	<u>\$ 395,076</u>	<u>\$ 480,529</u>	<u>\$ 501,234</u>

**Reconciliation of GAAP Cash Flows from Operating Activities to Free Cash Flow <sup>(a)</sup>**

Net cash provided by operating activities - GAAP	\$ 602,809	\$ 611,661	\$ 747,274
Adjustments:			
Additions to property, plant, equipment and software capitalization	(160,632)	(175,921)	(161,266)
Tax reform payments	72,101	38,454	38,454
Litigation settlements (received) paid, net	(1,500)	(584)	1,798
Major facility renovations	15,645	32,079	49,207
Payment of acquired Wyatt liabilities <sup>(b)</sup>	<u>25,617</u>	<u>-</u>	<u>-</u>
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 554,040</u>	<u>\$ 505,689</u>	<u>\$ 675,467</u>

(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.

(b) In connection with the Wyatt acquisition, the Company assumed certain obligations of Wyatt and paid those obligations immediately upon closing the transaction. The Company believes that the assumed obligations do not represent future ongoing business expenses.