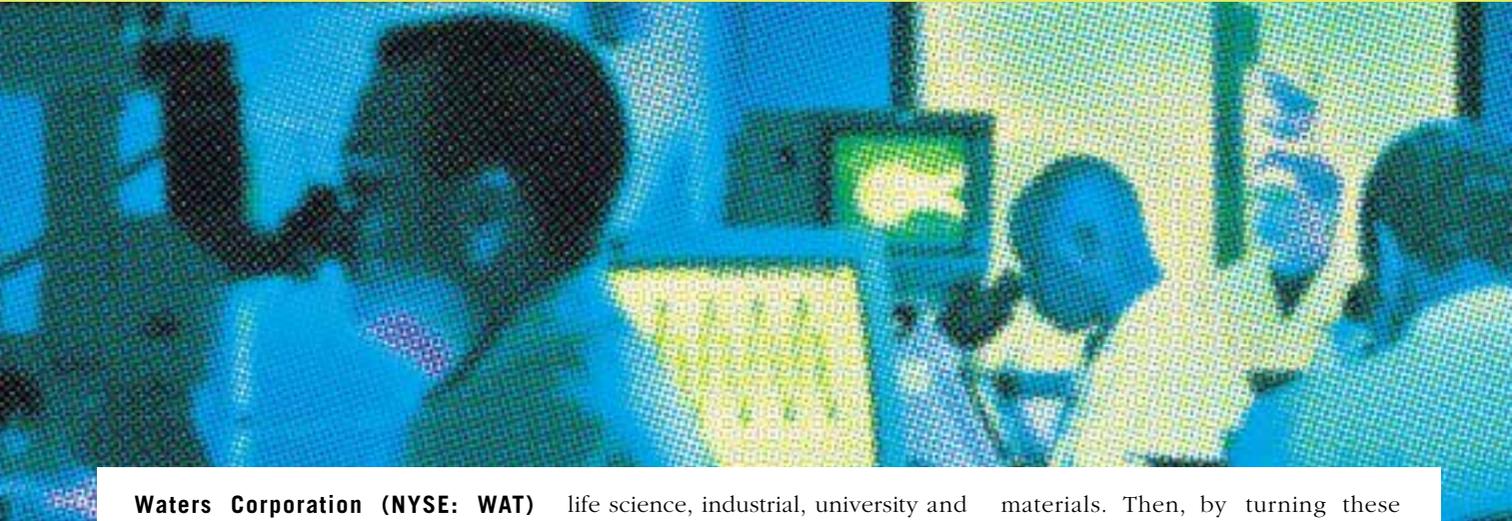


ANNUAL REPORT 2000



# Waters

S U C C E E D I N G   O N   A   M O L E C U L A R   L E V E L



**Waters Corporation (NYSE: WAT)** is the world's leading supplier of high performance liquid chromatography, mass spectrometry and thermal analysis products. Around the world, Waters® products are used by pharmaceutical, life science, industrial, university and government scientists in research and development, quality assurance and other laboratories. Our technologies provide these customers with fundamental data on chemical mixtures and materials. Then, by turning these analytical data into useful information, we help scientists understand the complexities of chemistry and of life itself.

**FINANCIAL HIGHLIGHTS****ADJUSTED FINANCIAL RESULTS (A):**

(\$ in thousands, except per share data)

	2000	1999	INCREASE
Net sales	\$795,071	\$704,400	13%
Operating income	\$210,827	\$176,509	19%
Percentage of sales	26.5%	25.1%	
Income from operations before income taxes	\$210,962	\$167,561	26%
Net income available to common stockholders (A)	\$156,113	\$121,876	28%
Net income per basic common share	\$ 1.22	\$ .99	23%
Net income per diluted common share	\$ 1.14	\$ .92	24%
Return on average assets	24.5%	21.1%	
Return on average equity	41.4%	53.1%	
At year end:			
Total assets	\$692,345	\$586,345	
Stockholders' equity	\$451,781	\$292,162	
Employees	3,158	2,968	

(A) Adjusted financial results for 2000 reflect reported results of operations excluding a \$10,771 charge for the cumulative effect of a change in accounting principle. All per share amounts have been retroactively restated to reflect a two-for-one common stock split distributed in the form of a 100% stock dividend on August 25, 2000.



## 2000 LETTER TO SHAREHOLDERS

The year 2000 was one of significant accomplishment for Waters, both strategic and financial. Our success continued to build on our ability to bring innovative new products to market year after year. This relentless pursuit of improved capabilities and technological breakthroughs has produced a stream of products driving strong revenue growth. In 2000, our revenues grew 13% despite unfavorable currency translation effects, without which our sales grew by an even more robust 17%. Products introduced in the last two years – including our

Q-TOF II mass spectrometer, Quattro Ultima mass spectrometer, ZQ Mass Detector, FractionLynx Autopurification System, Alliance HT and CapLC chromatographs, and XTerra family of chromatographic columns – were major reasons for this growth.

- Our success has been most pronounced in the key life science research market. Our Time-of-Flight mass spectrometers have been extremely well received in both the fast-growing field of proteomics research and the equally fast-growing drug metabolism analysis segment within the pharmaceutical

industry. High throughput LC/MS systems, like the Alliance HT in combination with the ZQ Mass Detector, have also established strong market positions. Our combination of world leadership in high performance liquid chromatography (HPLC) and in mass spectrometry is providing life science researchers with the tools necessary to develop breakthrough drugs to treat disease and improve health care.

- By building on these strengths and focusing on operational excellence, we have been able to convert our strategic position into outstanding financial

performance. In 2000, while our revenues were up 13%, earnings per share, excluding the nonrecurring cumulative effect of an accounting change, grew 24%. Our balance sheet also continued to strengthen. Midway through 2000, we became net debt free, and by the end of the year we had accumulated \$75 million of cash and short-term investments. Our businesses generated over \$140 million of free cash in 2000, excluding financing and acquisition activities. Because of the flexibility this provided, we were able to invest in longer-term life science initiatives, including a strategic relationship with Variagenics, Inc. to develop "SNP" (single nucleotide polymorphisms) analysis capabilities for

the emerging field of pharmacogenomics, and a strategic partnership with Caprion Pharmaceuticals Inc. aimed at developing advanced proteomics tools.

- We plan to pursue similar opportunities in the future, where we can combine Waters advanced technologies and financial capabilities with promising life science research from innovative partners in order to accelerate symbiotic new products into the market. We are optimistic about the future. Our customers, in both life science and other industries, continue to demand more innovation, more throughput and better decision-making tools in their quest for faster product development. For 2001, we have planned a series of product

launches across all our technology platforms – new chromatography systems, new mass spectrometry systems and, importantly, a major new product launch for our thermal analysis business – which promise to extend our record of profitable innovation.

- I want to thank our customers and employees across our business units – Waters HPLC, Micromass and TA Instruments – for their indispensable contributions to our success in this and past years. And, I look forward to our next year together.

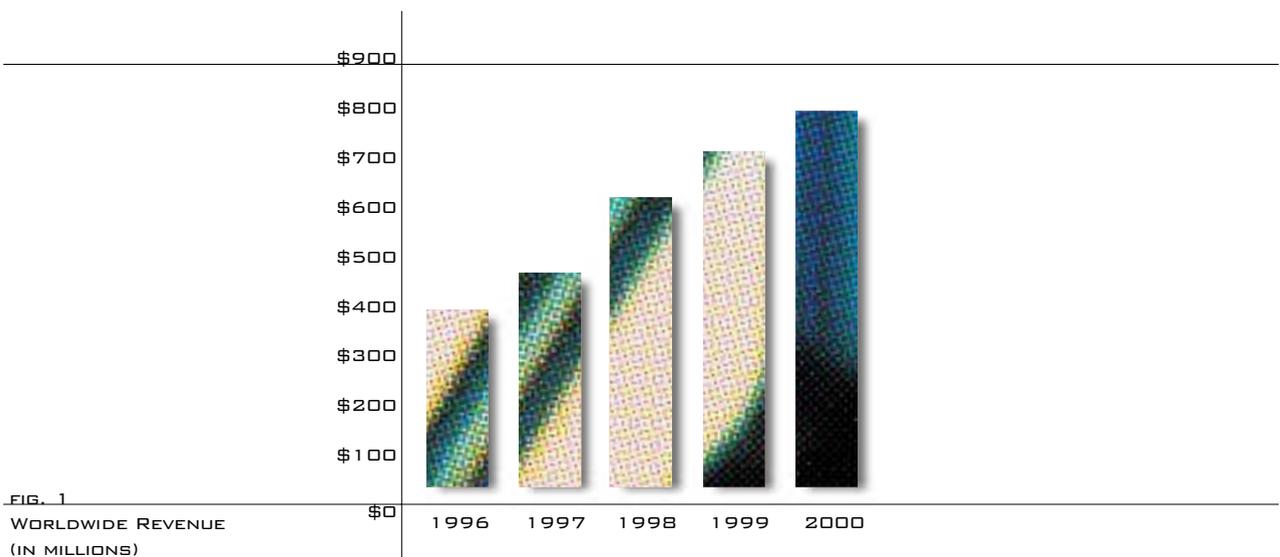
Sincerely,



Douglas A. Berthiaume  
Chairman, President and  
Chief Executive Officer

**WHEN YOU BREAK IT ALL DOWN, THE  
REASON FOR OUR SUCCESS IS CLEAR.**

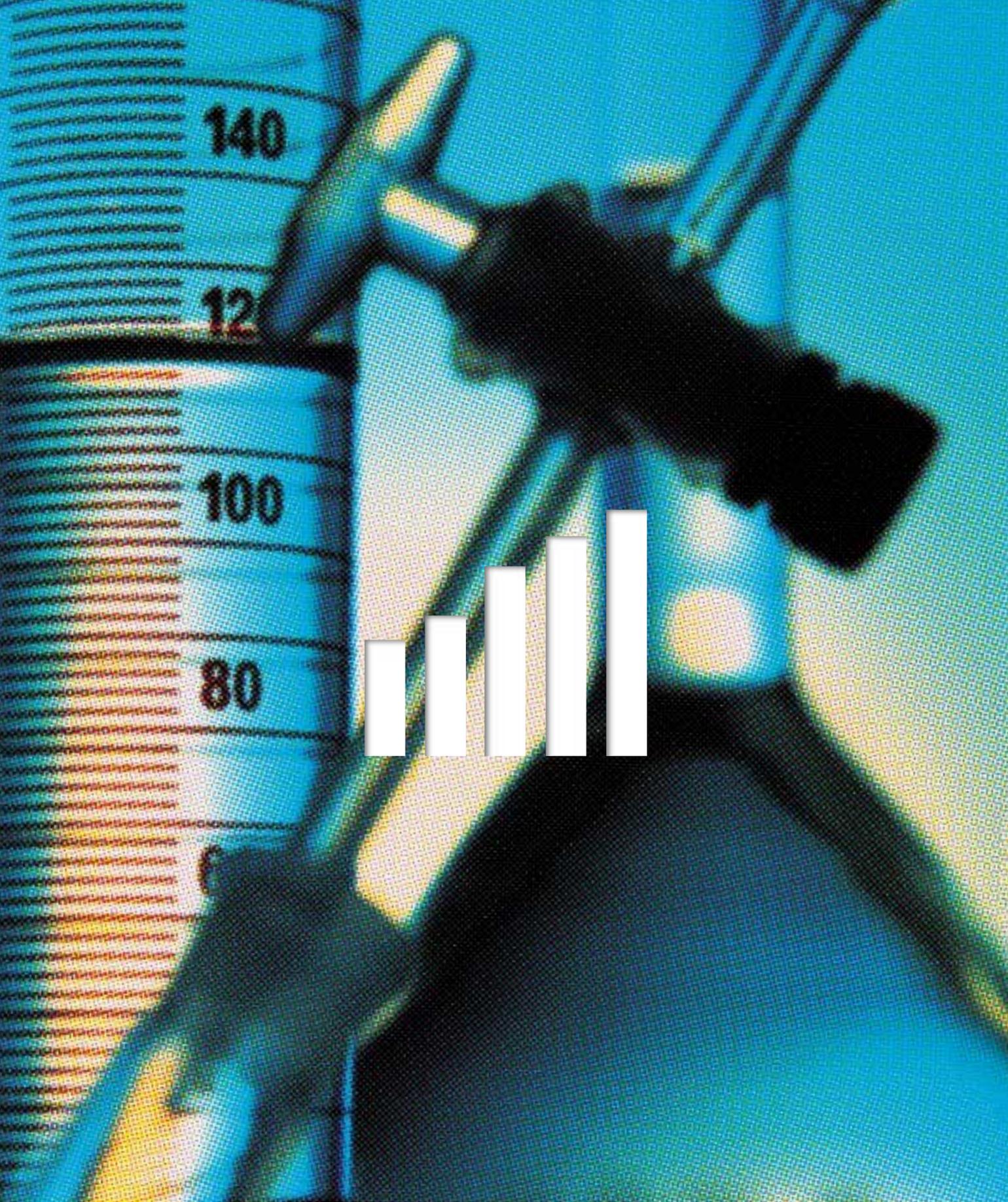
Applications for Waters high performance liquid chromatography (HPLC), mass spectrometry (MS) and thermal analysis (TA) instrumentation, software and



separation chemistries span the entire industrial analytical spectrum – from research to development to quality control. Reliability, speed and accuracy – the advantages of all our technologies – have helped Waters products become indispensable for customers in 48 countries. Today, Waters enjoys a reputation as the global

market-leading provider of HPLC, MS and TA products. Our international sales represent nearly 57% of total company revenue. Researchers around the world view our products as “sample-to-knowledge converters” – the research tools and information networks that let them extract the knowledge they need from their samples to make critical

decisions about their products. That fact, coupled with our ability to seamlessly link critical instrumentation, chemistries, separation technologies and software, uniquely positions us to deliver value-added solutions to our customers.



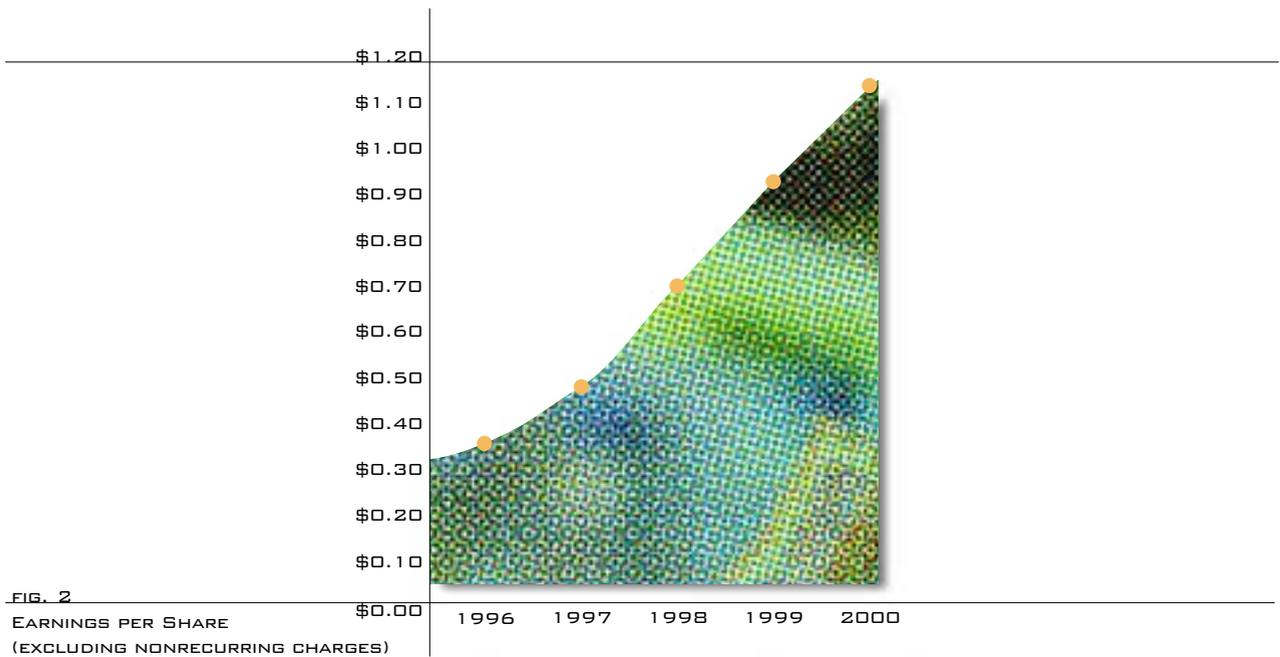
*Waters enjoys a reputation as the global market-leading provider of HPLC, MS and TA products and services. EVERY DAY, MORE AND MORE COMPANIES AROUND THE WORLD ARE USING OUR INDUSTRY-LEADING HPLC, MS AND TA PRODUCTS. WITHOUT OUR TOOLS AND THE LINKS WE CREATE BETWEEN THEM, SCIENTISTS COULDN'T MAKE MANY OF THE CRITICAL DECISIONS THAT LEAD TO IMPORTANT BREAKTHROUGHS.*



*Waters has enjoyed 21 consecutive quarters of post-IPO double-digit earnings growth.* MAINTAINING OPERATIONAL EXCELLENCE AND PROFITABLE GROWTH ON A GLOBAL SCALE ARE OUR TOP PRIORITIES. OVER THE PAST FIVE YEARS, WE'VE MADE A NUMBER OF STRATEGIC COMPANY ACQUISITIONS AND HAVE INTRODUCED MANY NEW PRODUCTS. AS A RESULT, WE'VE SUCCESSFULLY EXPANDED OUR TECHNOLOGY BASE AND TAKEN OUR PROFITABILITY TO ENTIRELY NEW HEIGHTS.

**WE'RE MAKING THE MOST OUT OF THE**

**LITTLE THINGS IN LIFE.** December 31, 2000 marked the closing of the company's 21st consecutive quarter of post-IPO double-digit earnings growth (excluding nonrecurring charges). We attribute this



success to our 3,200 employees, averaging 10 years of experience with the company, who develop, manufacture, and market our products and provide our world-renowned customer service. Thanks to these dedicated people, we've achieved a level of expertise no other company in the industry can match. This expertise has allowed us to realize our vision

of becoming the premiere analytical chromatography, consumables, thermal analysis and mass spectrometry product company in the world. Over the past five years, we've successfully launched a series of new products including our market-leading Alliance® HPLC Systems, Oasis® Sample Preparation Products, Millennium®<sup>32</sup> Chromatography Software and XTerra®

Columns. In addition, we acquired TA Instruments®, Inc. and Micromass® UK, Limited, significantly expanding our mass spectrometry knowledge base and product line. Combine these accomplishments with plans to launch more new technologies in the years to come, and you've got the perfect formula for long-term financial growth.

## HEALTHY GROWTH IS DIRECTLY RELATED

### TO THE SUM OF OUR PARTS.

Spending on R&D in the life sciences field is at an all-time high, and it's rising steadily.

Waters technologies are critical to all phases of the drug discovery, development

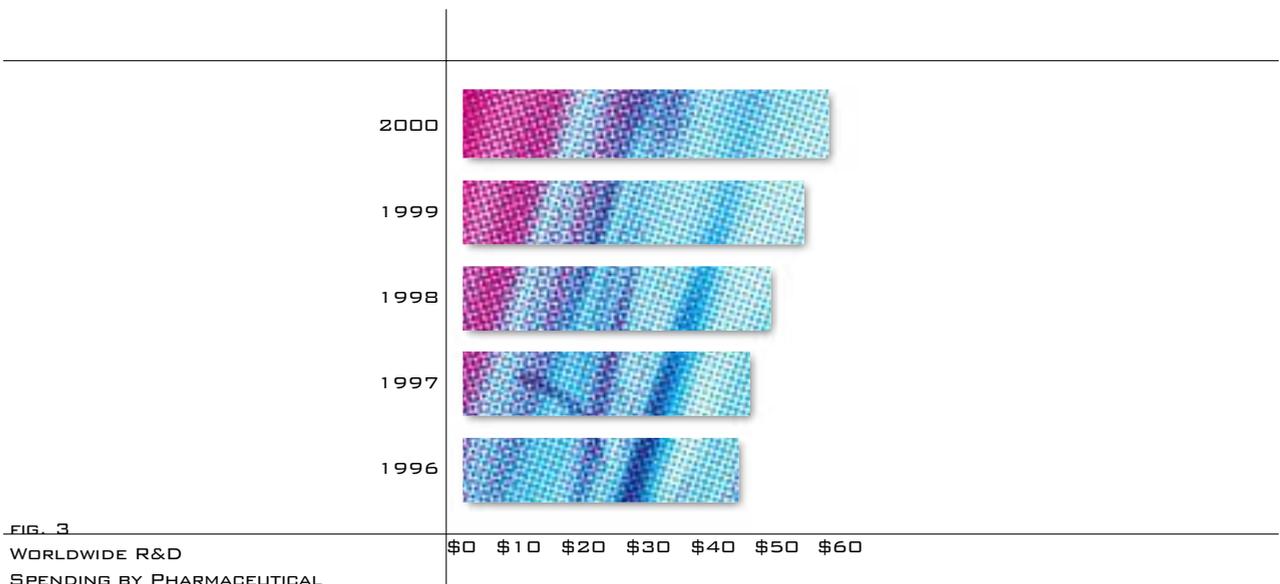


FIG. 3  
WORLDWIDE R&D  
SPENDING BY PHARMACEUTICAL  
AND BIOTECH COMPANIES\*  
(IN BILLIONS)

and manufacturing processes. In fact, we're the leading supplier of HPLC and MS tools to the \$335 billion and rapidly growing life sciences market, and we work with virtually all of the world's largest drug companies. During the drug discovery process, our products help these companies to determine which of the thousands of compounds they generate

most promise of becoming a new drug. Once a compound has been selected for development into a potential drug, our technologies are critical in assessing how these candidates can be most effectively and safely delivered to humans. Accurate and thorough documentation of this entire process is critical and requires software, such as our own, for proper submittal of

test data to regulatory agencies. Once a drug reaches the post-approval stage, our Alliance HPLC instruments, Symmetry® and XTerra Columns and our Millennium<sup>32</sup> Software are essential for analyzing production batches of prescription and non-prescription drug formulations and for maintaining accurate and accessible records of all tests.

\*Source: The Pharmaceutical R&D Compendium: CMR International/Scrip's Complete Guide to Trends in R&D



*Waters is the leading supplier of HPLC and MS tools to the life sciences market.* HISTORICALLY, OUR SUCCESS HAS BEEN TIED TO PHARMACEUTICAL RESEARCH, DEVELOPMENT AND QUALITY CONTROL, WHICH HAS FUELED OUR GROWTH SINCE 1995. TODAY, APPROXIMATELY 70% OF OUR REVENUE IS DERIVED FROM THE LIFE SCIENCE INDUSTRY. AS LIFE SCIENCE SPENDING CONTINUES TO INCREASE SIGNIFICANTLY, SO WILL OUR SUCCESS.



*In the future, scientists and researchers will need to analyze and purify thousands of compounds per day.* SCIENTISTS ARE CONSTANTLY LOOKING FOR NEW AND BETTER WAYS TO EXAMINE THE CAUSES OF DISEASES. WATERS PRODUCTS ARE REDEFINING THE DRUG DISCOVERY PROCESS BY SETTING NEW STANDARDS FOR SPEED, SENSITIVITY AND ACCURACY.

**THE DEEPER WE DIG, THE MORE WE FIND.**

A revolution is occurring in drug discovery that has led to a dramatic increase in the need for analysis and purification. This need has been driven by the creation of libraries containing

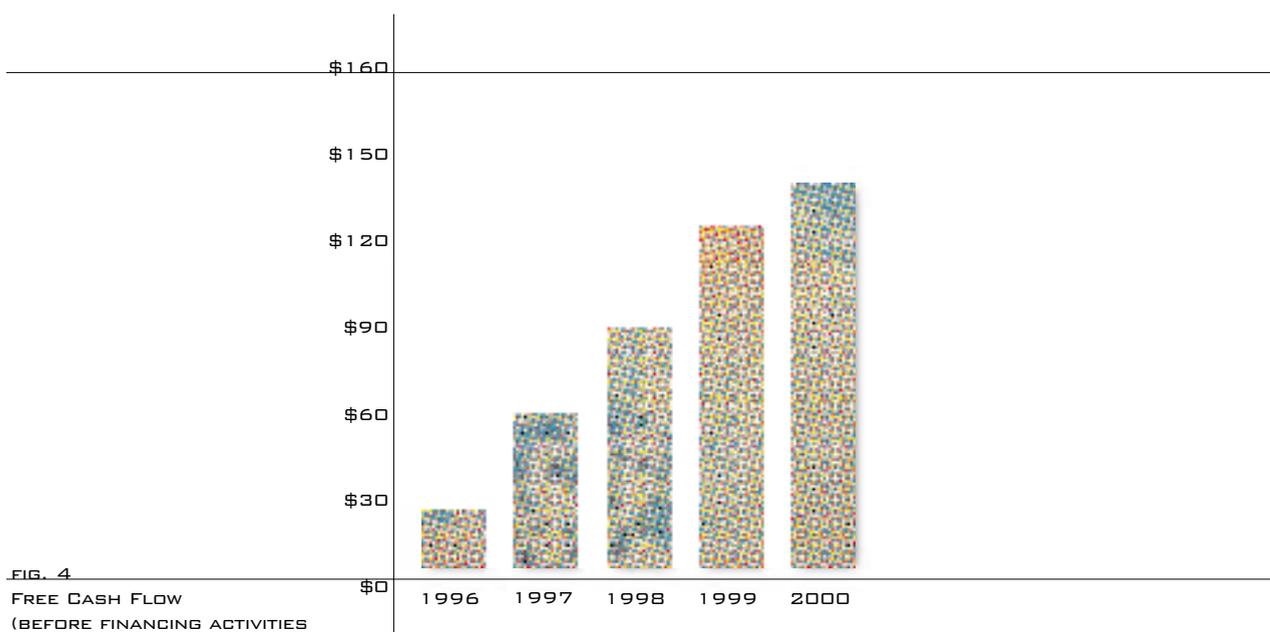


FIG. 4  
FREE CASH FLOW  
(BEFORE FINANCING ACTIVITIES  
AND ACQUISITION EXPENDITURES)  
(IN MILLIONS)

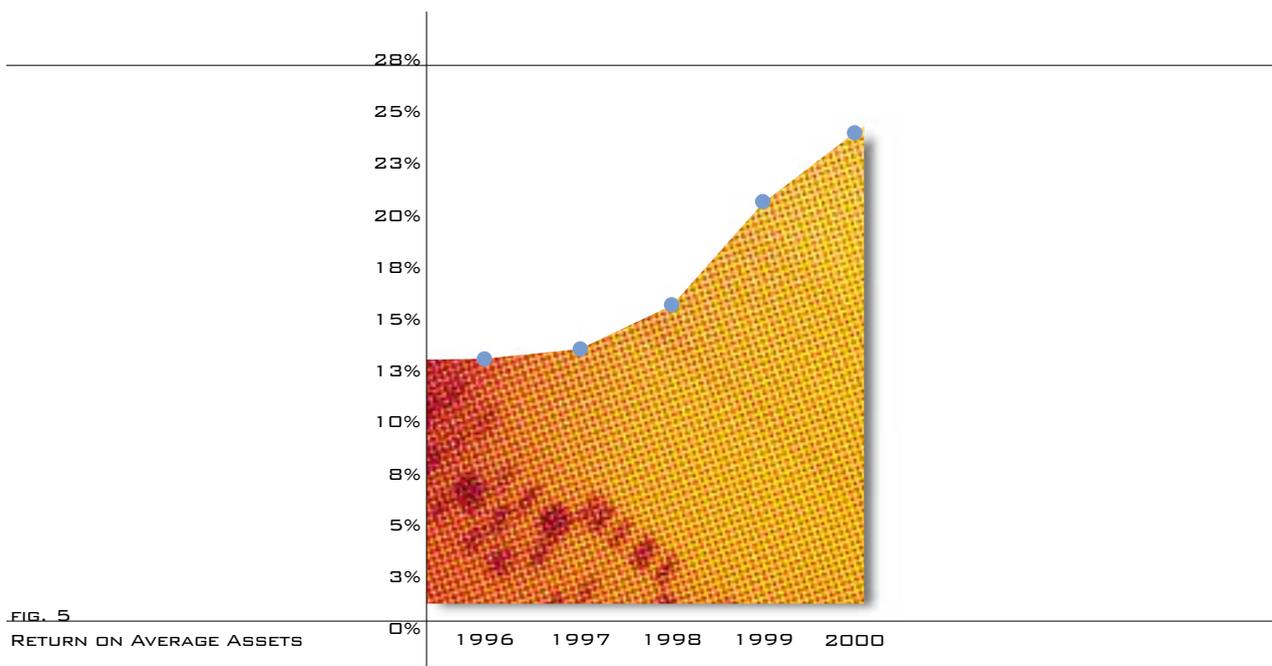
millions of small molecules that are potential candidates for becoming new drugs. HPLC and MS are the primary tools used to make decisions about which compounds to select as potential drug candidates. Our Alliance® HT HPLC System, ZQ Mass Detector, FractionLynx™ Autopurification Systems, LCT™ Mass Spectrometer with

MUX Technology™ XTerra® Prep Columns, and MassLynx™ Mass Spectrometry Software help chemists to more quickly and accurately pinpoint the compounds most likely to survive the clinical trial process. Our unique ability to create automated systems that link together separations chemistries, separations

systems, mass spectrometry and software technologies will continue to position Waters at the forefront of this emerging market.

**WHERE THERE ARE BILLIONS OF PEOPLE, THERE ARE BILLIONS OF GENETIC OPPORTUNITIES.**

Genomics and proteomics, two new fields of science, are expanding the scope of the drug discovery process. Genomics is the

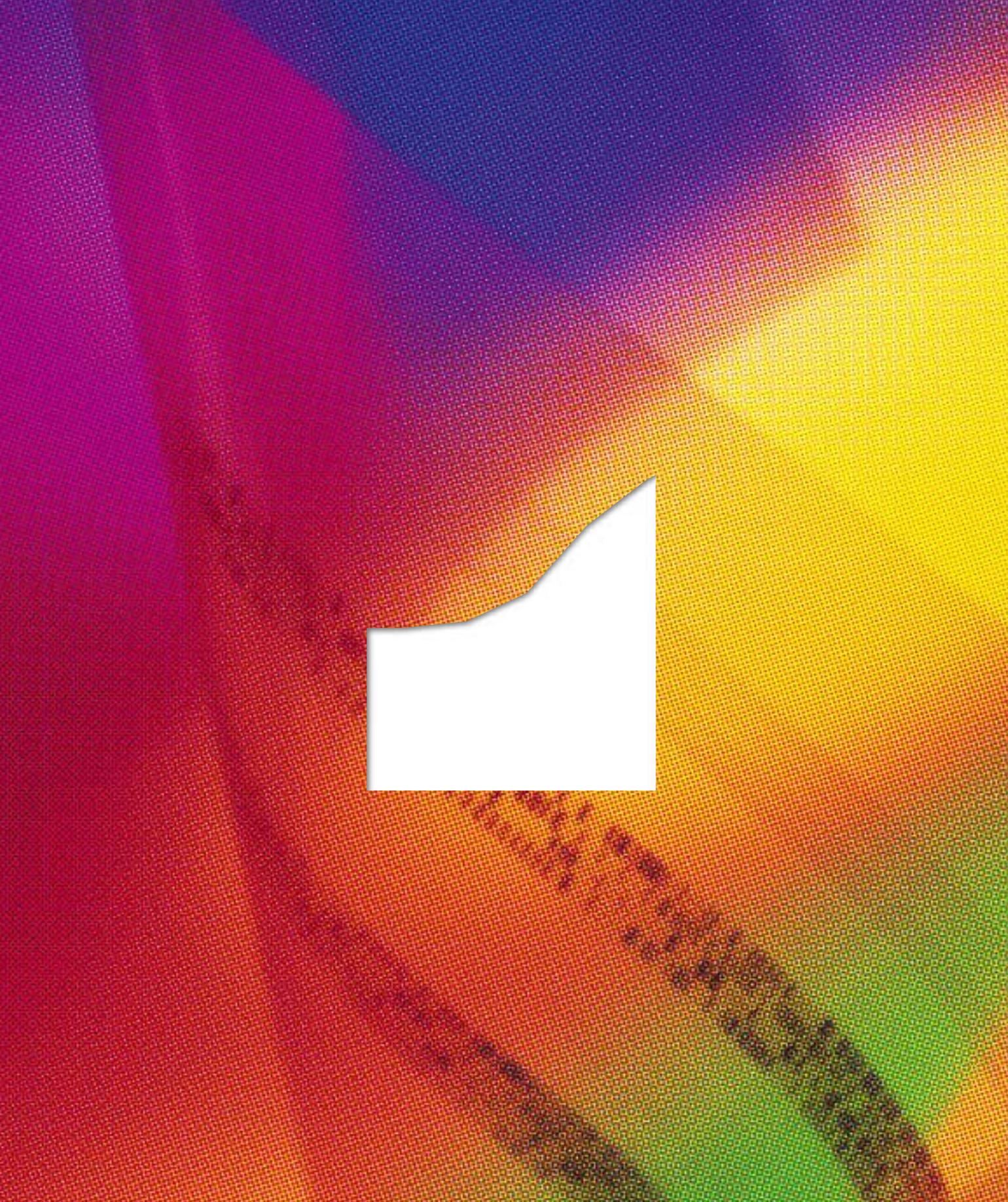


**FIG. 5**  
RETURN ON AVERAGE ASSETS

study of the collection of genes within an organism. The goal of proteomics is to define the proteins that genes express, their interactions with each other, and their relationships to disease states. Genomic- and proteomic-based discovery efforts have also led to the creation of the field of pharmacogenomics – the use of information about an individual's genome

to predict that individual's response to drugs. Scientists foresee a day when drugs can be targeted to groups of people, or individual patients, most likely to respond positively to them. Research of this magnitude requires the most advanced separations, mass spectrometry and mass informatic technologies available to interpret these highly complex data sets.

The search for new drug targets, the pursuit of personalized medicines, and the anticipated growth in the number of associated clinical trials ultimately increase the demand for Waters separations systems used in combination with the Micromass Quattro Ultima™ Q-TOF Ultima™ Q-TOF *micro*™ and M@LDI HT™ Mass Spectrometers.



*To date, marketable drugs are aimed at approximately 400-500 disease targets, or proteins. This number is projected to increase tenfold over the next decade.* IN THE FUTURE, GENOMICS AND PROTEOMICS WILL SIGNIFICANTLY ACCELERATE THE SEARCH FOR NEW DRUG TARGETS AND INCREASE THE OPPORTUNITY TO CREATE HIGHLY PERSONALIZED MEDICINE. THROUGH INTERNAL AND EXTERNAL INVESTMENTS, WATERS WILL LEVERAGE TECHNOLOGIES THAT POSITION THE COMPANY AS AN ESSENTIAL ELEMENT IN THIS FUTURE.



**DOUGLAS A. BERTHIAUME**  
Chairman, President  
and Chief Executive Officer



**BOB WILLIAMS**  
Chairman,  
Micromass UK, Limited



**NORMAN LYNAUGH**  
Managing Director,  
Micromass UK, Limited



**DEVETTE W. RUSSO**  
Senior Vice President,  
Chromatography  
Consumables Division



**PAT HOWARD**  
President,  
TA Instruments, Inc.



**JOHN ORNELL**  
Vice President,  
Operations



**JOHN R. NELSON**  
Senior Vice President,  
Research, Development  
and Engineering



**BRIAN K. MAZAR**  
Senior Vice President,  
Human Resources  
and Investor Relations



**THOMAS W. FELLER**  
Senior Vice President,  
E-Business Initiative



**PHILIP S. TAYMOR**  
Senior Vice President,  
Finance and Administration  
and Chief Financial Officer



**ARTHUR G. CAPUTO**  
Senior Vice President,  
Worldwide Sales  
and Marketing



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## OVERVIEW

Waters Corporation ("Waters" or the "Company"), an analytical instrument manufacturer, is the world's largest manufacturer and distributor of high performance liquid chromatography ("HPLC") instruments, columns and other consumables, and related service. The Company has the largest HPLC market share in the United States, Europe and non-Japan Asia and has a leading position in Japan. HPLC, the largest product segment of the analytical instrument market, 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. Through its Micromass Limited ("Micromass") subsidiary, the Company is a market leader in the development, manufacture and distribution of mass spectrometry ("MS") instruments, which are complementary products that can be integrated and used along with other analytical instruments, especially HPLC. Through its TA Instruments, Inc. ("TAI") subsidiary, the Company is also the world's leader in thermal analysis, a prevalent and complementary technique used in the analysis of polymers. As discussed in Note 15 to the financial statements, these three operating segments have been aggregated into one reporting segment for financial statement purposes.

Sales grew by 13% in 2000 and by 14% in 1999. Sales grew by 17% in 2000 excluding currency effects, while 1999 growth was virtually unaffected by currency comparisons. Sales growth, before currency effects, in both years reflected increased customer demand for new products and generally was broad-based geographically. Operating income for the year ended December 31, 2000 was \$210.8 million, a 19% increase over the \$176.5 million generated in 1999. Earnings per diluted common share, before the cumulative effect of a change in accounting principle, were \$1.14 in 2000, a 24% increase over the \$.92 in 1999.

During 2000, approximately 57% of the Company's combined net sales were derived from operations outside the United States. The Company believes that the geographic diversity of its sales reduces its dependence on any particular region. The U.S. dollar value of these revenues varies with currency exchange fluctuations, and such fluctuations can affect the Company's results from period to period.

## YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

### NET SALES

Net sales for 2000 were \$795.1 million, compared to \$704.4 million for the year ended December 31, 1999, an increase of 13%. Excluding the impact of currency on 2000 net sales compared to 1999, net sales increased 17%. Sales were particularly strong to life science customers and for mass spectrometry products in general. Sales of time-of-flight mass spectrometry products continued to perform well with sales growing in excess of 50% in 2000 as a result of expanding customers needs in proteomics, drug discovery and drug development application areas. Currency translation reduced sales growth rates by four percentage points in 2000 primarily due to weakening of European currencies, which was partially offset by appreciation of the Japanese yen.

### GROSS PROFIT

Gross profit for 2000 was \$506.8 million, compared to \$447.3 million for 1999, an increase of \$59.5 million or 13%. Gross profit as a percentage of sales increased to 63.7% in 2000 from 63.5% in 1999, as the Company continues to benefit from productivity improvements which were offset, to a certain extent, by the effects of currency translation.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for 2000 were \$246.4 million, compared to \$226.6 million for 1999. As a percentage of net sales, selling, general and administrative expenses decreased to 31.0% for 2000 from 32.2% for 1999 as a result of higher sales volume and expense controls. The \$19.8 million or 8.7% increase in total expenditures primarily resulted from increased headcount and related costs required to support increased sales levels, reduced by the effects of currency translation.

### RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses were \$42.5 million for 2000 compared to \$36.1 million for 1999, a \$6.4 million or 18% increase from prior year levels. The Company continued to invest significantly in the development of new and improved HPLC, thermal analysis, rheology and mass spectrometry products.

### GOODWILL AND PURCHASED TECHNOLOGY AMORTIZATION

Goodwill and purchased technology amortization for 2000 was \$7.1 million, compared to \$8.1 million for 1999, a decrease of \$1.0 million or 12%. The expense decreased because a portion of purchased technology reached full amortization in 1999.

### OPERATING INCOME

Operating income for 2000 was \$210.8 million, an increase of \$34.3 million or 19% from the prior year. Waters improved operating income levels on the strength of sales growth, volume leverage and continued focus on cost controls in all operating areas.

**INTEREST INCOME (EXPENSE), NET**

Net interest income was \$.1 million in 2000 compared to net interest expense of (\$8.9) million in 1999. The current year change primarily reflected payment of outstanding debt balances during the year under the Company's Bank Credit Agreement and investment of cash generated from operations.

**PROVISION FOR INCOME TAXES**

The Company's effective income tax rate was 26% in 2000 and 27% in 1999. The 2000 tax rate decreased primarily due to a favorable shift in the mix of taxable income to lower tax rate jurisdictions.

**INCOME BEFORE THE CUMULATIVE EFFECT OF AN ACCOUNTING CHANGE**

Income from operations before the cumulative effect of an accounting change for 2000 was \$156.1 million, compared to \$122.3 million for 1999, an increase of \$33.8 million or 28%. The improvement over the prior year was a result of sales growth, productivity improvement across all operating areas, a decline in interest expense and the impact of a decrease in the Company's effective income tax rate.

**CHANGE IN REVENUE RECOGNITION ACCOUNTING**

Effective January 1, 2000, the Company changed its method of revenue recognition for certain products requiring installation in accordance with Staff Accounting Bulletin ("SAB") 101, Revenue Recognition in Financial Statements. Previously, the Company recognized revenue related to both the sale and the installation of certain products at the time of shipment. The larger of the contractual cash holdback or the fair value of the installation service is now deferred when the product is shipped and recognized as a multiple element arrangement in accordance with SAB 101 when installation is complete. The cumulative effect of the change on prior years resulted in a charge to income of \$10.8 million (net of an income tax benefit of \$3.8 million), which is included in income for the year ended December 31, 2000. The adoption of SAB 101 had virtually no effect on the Company's 2000 results of operations excluding the cumulative effect. For the year ended December 31, 2000, the Company recognized \$17.6 million in revenue, which is the entire amount of revenue associated with the cumulative effect adjustment as of January 1, 2000.

**YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998****NET SALES**

Net sales for 1999 were \$704.4 million, compared to \$618.8 million for the year ended December 31, 1998, an increase of 14%. The impact of currency on 1999 net sales compared to 1998 net sales was negligible. Demand growth was strongest for our mass spectrometry product family, in particular, time-of-flight mass spectrometry products for protein analysis and high-throughput drug discovery. Pharmaceutical customer demand was particularly strong and generally was broad-based across all geographies.

**GROSS PROFIT**

Gross profit for 1999 was \$447.3 million, compared to \$369.8 million for 1998, an increase of \$77.5 million or 21%. Excluding the \$16.5 million nonrecurring charge for revaluation of acquired inventory in 1998 related to purchase accounting for the 1997 Micromass acquisition, gross profit increased by 16% in 1999. Gross profit as a percentage of sales excluding the inventory revaluation charge increased to 63.5% in 1999 from 62.4% in 1998, primarily as a result of increased efficiencies in the Company's manufacturing operations and lower raw material costs.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses for 1999 were \$226.6 million, compared to \$206.2 million for 1998. As a percentage of net sales, selling, general and administrative expenses decreased to 32.2% for 1999 from 33.3% for 1998 as a result of higher sales volume and expense controls. The \$20.4 million or 10% increase in total expenditures primarily resulted from increased headcount required to support increased sales levels.

**RESEARCH AND DEVELOPMENT EXPENSES**

Research and development expenses were \$36.1 million for 1999 compared to \$34.4 million for 1998, a \$1.7 million or 5% increase from prior year levels. The Company continued to invest significantly in the development of new and improved HPLC, thermal analysis, rheology and mass spectrometry products.

**GOODWILL AND PURCHASED TECHNOLOGY AMORTIZATION**

Goodwill and purchased technology amortization for 1999 was \$8.1 million, compared to \$9.4 million for 1998, a decrease of \$1.3 million or 14%. The expense decreased as a portion of purchased technology reached full amortization during the year.

## OPERATING INCOME

Operating income for 1999 was \$176.5 million, an increase of \$56.7 million or 47% from the prior year. Excluding the \$16.5 million nonrecurring charge for revaluation of acquired inventory, operating income was \$136.3 million for the year ended December 31, 1998, and 1999 results represented a \$40.2 million or 29% increase over 1998. Waters improved operating income levels on the strength of sales growth, volume leverage and continued focus on cost controls in all operating areas.

## INTEREST INCOME (EXPENSE), NET

Net interest expense decreased by \$9.4 million, or 51%, from (\$18.3) million in 1998 to (\$8.9) million in 1999. The current year decrease primarily reflected lower average debt levels as a result of repayments from the Company's cash flow.

## PROVISION FOR INCOME TAXES

The Company's effective income tax rate was 27% in 1999 and 23% in 1998, excluding the nonrecurring nondeductible charge related to the revaluation of acquired inventory. The 1999 tax rate increased primarily because a majority of the net operating loss carryforwards were utilized in 1998.

## NET INCOME

Net income for 1999 was \$122.3 million, compared to \$74.4 million for 1998, an increase of \$47.9 million or 64%. Excluding the nonrecurring acquisition related charge in 1998, the Company increased its \$90.9 million of income in 1998 to \$122.3 million in 1999. The improvement over the prior year was a result of sales growth, productivity improvement in all operating areas and a decline in interest expense, offset by the impact of an increase in the Company's effective income tax rate.

## EURO CURRENCY CONVERSION

Several countries of the European Union will adopt the euro as their legal currency effective July 1, 2002. A transition period has been established from January 1, 1999 to July 1, 2002 during which companies conducting business in these countries may use the euro or their local currency. The Company has considered the potential impact of the euro conversion on pricing strategies, information technology systems, currency risk and overall risk management. Currently, the Company does not expect that the euro conversion will result in any material increase in costs to the Company or have a material adverse effect on its business or financial condition.

## LIQUIDITY AND CAPITAL RESOURCES

During 2000, net cash provided by the Company's operating activities was \$175.6 million, primarily as a result of net income for the year after adding back depreciation, amortization and the tax benefit related to stock option activity, less working capital needs. In terms of working capital, \$35.6 million was used for accounts receivable and inventory growth related to current and future sales, and \$33.8 million was provided by an increase in accounts payable, deferred revenue and customer advances, and other current liabilities. In addition, the Company received \$23.8 million of proceeds from the exercise of stock options and its employee stock purchase plan, and \$15.2 million from the settlement of its debt swap agreements. Primary uses of cash flow during the year were \$90.4 million of net bank debt repayment, \$35.4 million of property, plant and equipment and software capitalization investments, and \$16.9 million for investments in unaffiliated companies and business acquisitions.

The Company believes that existing cash and cash equivalent balances of \$75.5 million and expected cash flow from operating activities together with borrowings available under the Bank Credit Agreement will be sufficient to fund working capital, capital spending and debt service requirements of the Company in the foreseeable future.

As a publicly held company, the Company has not paid any dividends and does not plan to pay any dividends in the foreseeable future.

## ENVIRONMENTAL MATTERS

The Company's facilities are subject to federal, state and local environmental requirements, including those relating to discharges to air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of properties affected by hazardous substances. The Company does not currently anticipate any material adverse effect on its operations or financial condition as a result of its efforts to comply with, or its liabilities under, such requirements. The Company does not currently anticipate any material capital expenditures for environmental control facilities. Some risk of environmental liability is inherent in the Company's business, however, and there can be no assurance that material environmental costs will not arise in the future. In particular, the Company might incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies. Although it is difficult to predict future environmental costs, the Company does not anticipate any material adverse effect on its operations, financial condition or competitive position as a result of future costs of environmental compliance. In connection with the acquisition of the predecessor HPLC business of Millipore Corporation ("Millipore") in August 1994, Millipore retained environmental liabilities resulting from pre-acquisition operations of the Company's facilities.

## RECENT ACCOUNTING STANDARDS CHANGES

In September 2000, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of SFAS 125. SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS 125’s provisions without reconsideration. This Statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. This Statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The application of SFAS 140 did not have a material impact on its financial position or results of operations.

In December 1999, the Securities and Exchange Commission (“SEC”) issued SAB 101, Revenue Recognition in Financial Statements, which provides expanded and, in some cases, modified guidance of standard practices related to revenue recognition. Before modification by SAB 101A, SAB 101 was to be effective with the first fiscal quarter of fiscal years beginning after December 15, 1999 and required companies to report any changes in revenue recognition as a cumulative change in accounting principle at the time of implementation. In March 2000, the SEC issued SAB 101A, Amendment: Revenue Recognition in Financial Statements, which delayed implementation of SAB 101 until the Company’s second fiscal quarter of 2000. SAB 101B, Second Amendment: Revenue Recognition in Financial Statements, was issued in June 2000 which further delayed implementation of SAB 101 until the Company’s fourth fiscal quarter of 2000. The Company implemented SAB 101 in the fourth quarter retroactive to January 1, 2000, restating the first three quarters of 2000 and recording a non-cash cumulative effect of change in accounting principle in the first quarter in the amount of (\$10.8) million or (\$.08) per diluted common share. SAB 101 in effect modified rules in one area, which in particular, affected the Company. Retroactive to January 1, 2000, the Company now recognizes that portion of revenue related to the installation of certain products when installation is complete. The adoption of SAB 101 had virtually no effect on the Company’s 2000 results of operations excluding the cumulative effect.

In June 1999, the FASB issued SFAS 137, Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of SFAS 133. SFAS 137 amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities, which was issued in June 1998 and was to be effective previously for all fiscal quarters of fiscal years beginning after June 15, 1999. SFAS 137 defers the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. Earlier application is permitted. In June 2000, the FASB issued SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS 138 establishes accounting and reporting standards for a limited number of derivative instruments and hedging activities when implementing SFAS 133. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company has implemented SFAS 133 and SFAS 138 on January 1, 2001, subsequent to the accompanying financial statements. The transition effect of implementing the new standard was not material to the Company.

## FORWARD-LOOKING INFORMATION

### SAFE HARBOR STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1996

Certain statements contained herein are forward looking. Many factors could cause actual results to differ from these statements, including, but not limited to, obsolescence resulting from the introduction of technologically advanced products by other companies, pressure on prices from competitors with significantly greater financial resources, regulatory obstacles to new product introductions, reduction in capital spending of pharmaceutical customers, and market risk described below. Please refer also to the Company’s Form 10K for additional risk factors.

### MARKET RISK

The Company is exposed to financial risk in several areas including changes in foreign exchange rates and interest rates. The Company attempts to minimize its exposures by using certain financial instruments, for purposes other than trading, in accordance with the Company’s overall risk management guidelines. Further information regarding the Company’s accounting policies for financial instruments and disclosures of financial instruments can be found in Notes 2 and 6 to the Company’s consolidated financial statements.

### FOREIGN EXCHANGE

The Company has operations in various countries and currencies throughout the world. As a result, the Company’s financial position, results of operations and cash flows can be affected by fluctuations in foreign currency exchange rates. The Company has in the past and may in the future use debt swap agreements to mitigate partially such effects.

In February 1999, the Company closed certain outstanding debt swap agreements and entered into new debt swap agreements in European currencies, which hedged foreign exchange exposures. These new debt swap agreements also extended the time period of the agreements until February 2001. These agreements, combined with other outstanding debt swap agreements that the Company maintained at December 31, 1999,

effectively swapped higher U.S. dollar fixed rate borrowings for lower fixed rate borrowings denominated in the respective currencies. The effect of these debt swap agreements and interest income earned from the investment of cash offset annual interest costs for 2000, 1999 and 1998, by \$4,451, \$3,239 and \$2,547, respectively. The Company closed all outstanding debt swap agreements in December 2000, for which a realized gain of \$15.2 million was recognized in accumulated other comprehensive (loss). At December 31, 1999, the fair market value of these instruments was an unrealized gain of \$6.1 million.

The Company enters into forward foreign exchange contracts principally to hedge the impact of currency fluctuations on certain intercompany balances. The periods of these forward contracts typically range from three months to one year. At December 31, 2000 and 1999, the Company held forward foreign exchange contracts with notional amounts totaling approximately \$60 million and \$30 million, respectively.

#### INTEREST RATES

The Company is exposed to risk of interest rate fluctuations in connection with its Bank Credit Agreement. As a result, the Company attempts to minimize its interest rate exposures by using certain financial instruments described below for purposes other than trading.

In November 1999, the Company closed an interest swap agreement with Bankers Trust Company and entered into a new agreement with decreased notional amounts. During 2000, the Company swapped at progressively reduced levels ranging from \$103 million to zero dollars, and throughout 1999 the Company swapped \$103 million, all in notional amount of floating rate LIBOR borrowings for an equivalent notional amount of borrowings at a fixed interest rate of 6.3%. The interest swap agreement entered into in November 1999 reduced notional amounts progressively over a thirteen-month period scheduled to expire on December 29, 2000. In March 2000, the Company amended the swap agreement to accelerate the progressive reduction in the outstanding notional amounts and change the termination date to July 2000. The notional amount of the interest swap exceeded the aggregate borrowings at December 31, 1999 by \$21.9 million. At December 31, 1999, the fair market value of the swap agreements was an unrealized loss of \$16 thousand.

**TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF WATERS CORPORATION:**

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of Waters Corporation and Subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Company changed its method of revenue recognition in 2000.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

Boston, Massachusetts

January 23, 2001

## CONSOLIDATED BALANCE SHEETS

WATERS CORPORATION AND SUBSIDIARIES

December 31 (In thousands, except per share data)	2000	1999
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 75,509	\$ 3,803
Accounts receivable, less allowances for doubtful accounts of \$2,815 and \$3,741 at December 31, 2000 and 1999, respectively	167,713	149,271
Inventories	87,275	80,363
Other current assets	13,299	15,801
Total current assets	343,796	249,238
Property, plant and equipment, net	102,608	91,841
Other assets	80,486	74,530
Goodwill, less accumulated amortization of \$19,464 and \$16,068 at December 31, 2000 and 1999, respectively	165,455	170,736
Total assets	\$ 692,345	\$ 586,345
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 4,879	\$ 14,164
Accounts payable	43,310	34,771
Accrued compensation	18,299	16,087
Deferred revenue and customer advances	40,044	31,406
Accrued retirement plan contributions	4,405	5,181
Accrued income taxes	45,653	30,958
Accrued other taxes	3,590	4,026
Other current liabilities	60,353	63,156
Total current liabilities	220,533	199,749
Long-term debt	—	81,105
Other liabilities	20,031	13,329
Total liabilities	240,564	294,183
Stockholders' equity:		
Common stock, par value \$.01 per share, 200,000 shares authorized, 129,811 and 124,519 shares issued and outstanding at December 31, 2000 and 1999, respectively	1,298	1,245
Additional paid-in capital	213,261	194,833
Deferred stock option compensation	—	(166)
Retained earnings	245,383	100,041
Accumulated other comprehensive (loss)	(8,161)	(3,791)
Total stockholders' equity	451,781	292,162
Total liabilities and stockholders' equity	\$ 692,345	\$ 586,345

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

## CONSOLIDATED STATEMENTS OF OPERATIONS

WATERS CORPORATION AND SUBSIDIARIES

Year Ended December 31 (In thousands, except per share data)	2000	1999	1998
Net sales	\$ 795,071	\$ 704,400	\$ 618,813
Cost of sales	288,264	257,136	232,497
Revaluation of acquired inventory	—	—	16,500
Gross profit	506,807	447,264	369,816
Selling, general and administrative expenses	246,390	226,593	206,211
Research and development expenses	42,513	36,094	34,433
Goodwill and purchased technology amortization	7,077	8,068	9,347
Operating income	210,827	176,509	119,825
Interest income (expense), net	135	(8,948)	(18,278)
Income from operations before income taxes	210,962	167,561	101,547
Provision for income taxes	54,849	45,243	27,148
Income before cumulative effect of change in accounting principle	156,113	122,318	74,399
Cumulative effect of change in accounting principle (Note 2)	(10,771)	—	—
Net Income	145,342	122,318	74,399
Accretion of and 6% dividend on preferred stock	—	(825)	(963)
Gain on redemption of preferred stock	—	383	—
Net income available to common stockholders	\$ 145,342	\$ 121,876	\$ 73,436
Income per basic common share:			
Net income per basic common share before cumulative effect of change in accounting principle	\$ 1.22	\$ .99	\$ .61
Cumulative effect of change in accounting principle	(.08)	—	—
Net income per basic common share	\$ 1.14	\$ .99	\$ .61
Weighted average number of basic common shares	127,568	123,013	119,720
Income per diluted common share:			
Net income per diluted common share before cumulative effect of change in accounting principle	\$ 1.14	\$ .92	\$ .57
Cumulative effect of change in accounting principle	(.08)	—	—
Net income per diluted common share	\$ 1.06	\$ .92	\$ .57
Weighted average number of diluted common shares and equivalents	136,743	132,632	129,284

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

WATERS CORPORATION AND SUBSIDIARIES

Year Ended December 31 (In thousands)	2000	1999	1998
Cash flows from operating activities:			
Net income	\$145,342	\$ 122,318	\$ 74,399
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(4,444)	1,499	(10,366)
Depreciation	17,380	15,663	14,820
Amortization	11,321	13,284	12,428
Amortization of debt issuance costs	736	737	1,240
Compensatory stock option expense	166	220	220
Tax benefit related to stock option plans	14,430	9,747	7,623
Revaluation of acquired inventory	—	—	16,500
Change in operating assets and liabilities, net of acquisitions:			
(Increase) in accounts receivable	(25,140)	(15,566)	(21,978)
(Increase) in inventories	(10,455)	(1,474)	(8,230)
Increase in accounts payable and other current liabilities	24,854	6,251	14,034
Increase in deferred revenue and customer advances	8,925	2,406	4,284
Other, net	(7,529)	(4,877)	5,196
Net cash provided by operating activities	175,586	150,208	110,170
Cash flows from investing activities:			
Additions to property, plant, equipment, software capitalization and other intangibles	(35,368)	(24,416)	(20,616)
Investments in unaffiliated companies	(15,223)	(2,412)	—
Business acquisitions, net of cash acquired	(1,710)	—	(3,157)
Loans to officers	614	1,098	187
Net cash (used in) investing activities	(51,687)	(25,730)	(23,586)
Cash flows from financing activities:			
Net (repayment) borrowings of bank debt	(90,390)	(127,240)	(90,225)
Redemption of preferred stock	—	(9,500)	—
Proceeds from stock plans	23,813	11,173	6,588
Proceeds from debt swap	15,202	—	—
Net cash (used in) provided by financing activities	(51,375)	(125,567)	(83,637)
Effect of exchange rate changes on cash and cash equivalents	(818)	(605)	(563)
Increase (decrease) in cash and cash equivalents	71,706	(1,694)	2,384
Cash and cash equivalents at beginning of period	3,803	5,497	3,113
Cash and cash equivalents at end of period	\$ 75,509	\$ 3,803	\$ 5,497
Supplemental cash flow information:			
Income taxes paid	\$ 26,456	\$ 29,014	\$ 14,993
Interest paid	\$ 3,497	\$ 12,214	\$ 19,601
Supplemental non-cash transaction:			
Issuance of note for acquisition	\$ 2,834	\$ —	\$ —

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

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
AND COMPREHENSIVE INCOME**

WATERS CORPORATION AND SUBSIDIARIES

(In thousands)	Common Stock	Additional Paid-in Capital	Deferred Stock Option Compensation	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total	Statement of Comprehensive Income
Balance December 31, 1997	\$1,184	\$160,588	\$(606)	\$(96,096)	\$(2,773)	\$ 62,297	
Comprehensive income, net of tax:							
Net income	—	—	—	74,399	—	74,399	\$ 74,399
Other comprehensive (loss):							
Foreign currency translation adjustments	—	—	—	—	(45)	(45)	(45)
Other comprehensive (loss)	—	—	—	—	(45)	(45)	(45)
Comprehensive income	—	—	—	—	—	—	<u>\$ 74,354</u>
Accretion of preferred stock	—	(363)	—	—	—	(363)	
Dividend payable on preferred stock	—	(600)	—	—	—	(600)	
Issuance of common stock for Employee Stock							
Purchase Plan	1	865	—	—	—	866	
Compensatory stock option expense	—	—	220	—	—	220	
Stock options exercised	27	5,695	—	—	—	5,722	
Tax benefit related to stock option plans	—	7,623	—	—	—	7,623	
Balance December 31, 1998	<u>\$1,212</u>	<u>\$173,808</u>	<u>\$(386)</u>	<u>\$(21,697)</u>	<u>\$(2,818)</u>	<u>\$150,119</u>	
Comprehensive income, net of tax:							
Net income	—	—	—	122,318	—	122,318	\$122,318
Other comprehensive (loss):							
Foreign currency translation adjustments	—	—	—	—	(973)	(973)	(973)
Other comprehensive (loss)	—	—	—	—	(973)	(973)	(973)
Comprehensive income	—	—	—	—	—	—	<u>\$121,345</u>
Accretion of preferred stock	—	(92)	—	(230)	—	(322)	
Dividend payable on preferred stock	—	(153)	—	(350)	—	(503)	
Gain on redemption of preferred stock	—	383	—	—	—	383	
Issuance of common stock for Employee Stock							
Purchase Plan	—	1,251	—	—	—	1,251	
Compensatory stock option expense	—	—	220	—	—	220	
Stock options exercised	33	9,889	—	—	—	9,922	
Tax benefit related to stock option plans	—	9,747	—	—	—	9,747	
Balance December 31, 1999	<u>\$1,245</u>	<u>\$194,833</u>	<u>\$(166)</u>	<u>\$100,041</u>	<u>\$(3,791)</u>	<u>\$292,162</u>	
Comprehensive income, net of tax:							
Net income	—	—	—	145,342	—	145,342	\$145,342
Other comprehensive (loss):							
Foreign currency translation adjustments	—	—	—	—	(3,624)	(3,624)	(3,624)
Unrealized loss on investments, net	—	—	—	—	(746)	(746)	(746)
Other comprehensive (loss)	—	—	—	—	(4,370)	(4,370)	(4,370)
Comprehensive income	—	—	—	—	—	—	<u>\$140,972</u>
Issuance of common stock for Employee Stock							
Purchase Plan	1	1,608	—	—	—	1,609	
Compensatory stock option expense	—	—	166	—	—	166	
Stock options exercised	52	22,152	—	—	—	22,204	
Tax benefit related to stock option plans	—	14,430	—	—	—	14,430	
Valuation allowance related to stock option deferred tax asset	—	(19,762)	—	—	—	(19,762)	
Balance December 31, 2000	<u>\$1,298</u>	<u>\$213,261</u>	<u>\$ —</u>	<u>\$245,383</u>	<u>\$(8,161)</u>	<u>\$451,781</u>	

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share data)

WATERS CORPORATION AND SUBSIDIARIES

### 1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

Waters Corporation (“Waters” or the “Company”), an analytical instrument manufacturer, is the world’s largest manufacturer and distributor of high performance liquid chromatography (“HPLC”) instruments, chromatography columns and other consumables, and related service. HPLC, the largest product segment of the analytical instrument market, 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. Through its Micromass Limited (“Micromass”) subsidiary, the Company is also a market leader in the development, manufacture, and distribution of mass spectrometry (“MS”) instruments, which are complementary products that can be integrated and used along with other analytical instruments, especially HPLC. Through its TA Instruments, Inc. (“TAI”) subsidiary, the Company is also the world’s leader in thermal analysis, a prevalent and complementary technique used in the analysis of polymers.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the dates of the financial statements and (iii) the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

#### RECLASSIFICATION

Certain amounts in previous years’ financial statements have been reclassified to conform to current presentation.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, most of which are wholly owned. The Company consolidates entities in which it owns or controls more than fifty percent of the voting shares unless control is likely to be temporary. All material intercompany balances and transactions have been eliminated.

#### TRANSLATION OF FOREIGN CURRENCIES

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 period. Any resulting translation gains or losses are included in accumulated other comprehensive (loss) in the consolidated balance sheets.

#### CASH AND CASH EQUIVALENTS

Cash equivalents primarily represent highly liquid investments, with original maturities of 90 days or less, in repurchase agreements and money market funds which are convertible to a known amount of cash and carry an insignificant risk of change in value. The Company has periodically maintained balances in various operating accounts in excess of federally insured limits.

#### CONCENTRATION OF CREDIT RISK

The Company sells its products and service to a significant number of large and small customers throughout the world, with approximately 64% of 2000 net sales to the pharmaceutical industry. None of the Company’s individual customers accounts for more than 2% of annual Company sales. The Company performs continuing credit evaluation of its customers and generally does not require collateral, but in certain circumstances may require letters of credit or deposits. Historically, the Company has not experienced significant bad debt losses.

#### INVENTORY

The Company values all of its inventories at the lower of cost or market on a first-in, first-out basis (FIFO).

#### INCOME TAXES

Deferred income taxes are recognized for temporary differences between financial statement and income tax basis of assets and liabilities.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost. Expenditures for maintenance and repairs are charged to expense while the costs of significant improvements are capitalized. Depreciation is provided using the straight-line method over the following estimated useful lives: buildings and improvements – thirty years, leasehold improvements – fifteen years or life of lease, and production and other equipment – three to ten years. Upon

retirement or sale, the cost of assets disposed and the related accumulated depreciation are eliminated from the balance sheet and related gains or losses are reflected in income.

#### SOFTWARE DEVELOPMENT COSTS

The Company capitalizes software development costs for products offered for sale in accordance with Statement of Financial Accounting Standard ("SFAS") 86. Capitalized costs are amortized to cost of sales on a straight-line basis over the estimated useful lives of the related software products, generally three to five years. Capitalized software costs included in other assets, net of accumulated amortization, were \$16,975 and \$15,430 at December 31, 2000 and 1999, respectively.

The Company capitalizes internal software development costs in accordance with Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Capitalized internal software development costs are amortized on a straight-line basis over ten years. For the years ended December 31, 2000 and 1999, capitalized internal software included in property, plant and equipment, net of accumulated amortization, totaled \$2,890 and \$3,275, respectively.

#### PURCHASED TECHNOLOGY AND GOODWILL

Purchased technology amounts are recorded at their fair market value as of the acquisition date and amortized over estimated useful lives ranging from four to fifteen years. Goodwill is amortized on a straight-line basis over its useful life, primarily forty years for current goodwill components. Under SFAS 121, impairment of purchased technology and goodwill is measured on the basis of whether anticipated future undiscounted operating cash flows expected from the acquired business will recover the recorded respective intangible asset balances over the remaining amortization period. At December 31, 2000, no assets have been determined to be impaired. Purchased technology included in other assets totaled \$24,703 and \$27,105, net of accumulated amortization of \$16,668 and \$14,282, at December 31, 2000 and 1999, respectively.

#### DEBT ISSUANCE COSTS

Debt issuance costs are amortized over the life of the related debt using the effective interest method. At December 31, 2000 and 1999, debt issuance costs included in other assets amounted to \$336 and \$1,072, net of accumulated amortization of \$3,327 and \$2,591, respectively.

#### INVESTMENTS

The Company accounts for its investments that represent less than twenty percent ownership using SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This standard requires that certain debt and equity securities be adjusted to market value at the end of each accounting period. Unrealized market gains and losses are charged to earnings if the securities are traded for short-term profit. Otherwise, these securities are considered available-for-sale investments and unrealized gains and losses are charged or credited to other comprehensive income (loss) in stockholders' equity. Realized gains and losses on sales of investments are included in the consolidated statements of operations.

Investments for which the Company does not have the ability to exercise significant influence and for which there is not a readily determinable market value are accounted for under the cost method of accounting. The Company periodically evaluates the carrying value of its investments accounted for under the cost method of accounting and carries them at the lower of cost or estimated net realizable value.

For investments in which the Company owns or controls between twenty and fifty percent of the voting shares, or over which it exerts significant influence over operating and financial policies, the equity method of accounting is used. The Company's share of net income or losses of equity investments is included in the consolidated statements of operations and was not material in any period presented.

All investments as of December 31, 2000 and 1999 are included in other assets.

#### STOCKHOLDERS' EQUITY

On July 13, 2000, the Board of Directors approved a two-for-one common stock split, in the form of a 100% stock dividend. Shareholders of record on August 4, 2000 received the stock dividend on or about August 25, 2000. All share and per share amounts have been retroactively restated to reflect the stock split.

On February 29, 2000, the Board of Directors approved an amendment to the Company's Certificate of Incorporation to increase authorized common stock from one hundred million to two hundred million shares, contingent upon shareholder approval at the Company's Annual Meeting. On May 4, 2000, shareholders approved the amendment.

#### HEDGE TRANSACTIONS

The Company maintains debt swap agreements which hedge the U.S. dollar value of the Company's investment in the net assets of certain foreign subsidiaries. The Company records any unrealized or realized gains or losses on these transactions in accumulated other comprehensive income (loss) in the consolidated balance sheets.

In June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS 137, Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of SFAS 133. SFAS 137 amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities, which was issued in June 1998 and was to be effective previously for all fiscal quarters of fiscal years beginning after June 15, 1999. SFAS 137 defers the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. Earlier application is permitted. In June 2000, the FASB issued SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. SFAS 138 establishes accounting and reporting standards for a limited number of derivative instruments and hedging activities when implementing SFAS 133. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company has implemented SFAS 133 and SFAS 138 on January 1, 2001, subsequent to these financial statements. The transition effect of implementing the new standard was not material to the Company.

#### REVENUE RECOGNITION AND CHANGE IN ACCOUNTING

Sales of products and services are generally recorded based on product shipment and performance of service, respectively. Proceeds received in advance of product shipment or performance of service are recorded as deferred revenue in the consolidated balance sheets.

Effective January 1, 2000, the Company changed its method of revenue recognition for certain products requiring installation in accordance with Staff Accounting Bulletin ("SAB") 101, Revenue Recognition in Financial Statements. Previously, the Company recognized revenue related to both the sale and the installation of certain products at the time of shipment. The larger of the contractual cash holdback or the fair value of the installation service is now deferred when the product is shipped and recognized as a multiple element arrangement in accordance with SAB 101 when installation is complete. The cumulative effect of the change on prior years resulted in a charge to income of \$10,771 (net of an income tax benefit of \$3,785), which is included in income for the year ended December 31, 2000. The adoption of SAB 101 had virtually no effect on the Company's 2000 results of operations excluding the cumulative effect. For the year ended December 31, 2000, the Company recognized \$17,561 in revenue, which is the entire amount of revenue associated with the cumulative effect adjustment as of January 1, 2000.

The following unaudited Pro Forma results of operations for the years ended December 31, 1999 and 1998, and for the three months ended December 31, 1999, give effect to the adoption of SAB 101 as if the change in accounting occurred at the beginning of that period.

<b>Unaudited Pro Forma Results</b>	<b>Year Ended December 31, 1999</b>	<b>Year Ended December 31, 1998</b>	<b>Three months ended December 31, 1999</b>
Net income available to common stockholders	\$118,860	\$75,570	\$40,331
Net income per basic common share	\$.97	\$.63	\$.32
Net income per diluted common share	\$.90	\$.58	\$.30

#### PRODUCT WARRANTY COSTS

The Company provides for estimated warranty costs at the point of sale which are included in cost of sales.

#### FIELD SERVICE EXPENSES

All expenses of the Company's field service organization are included in selling, general and administrative expenses in the consolidated statements of operations.

#### ADVERTISING COSTS

All advertising costs are expensed as incurred and included in selling, general and administrative expenses in the consolidated statements of operations.

#### RESEARCH AND DEVELOPMENT COSTS

Internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work is performed.

#### INCOME (LOSS) PER SHARE

In accordance with SFAS 128, Earnings Per Share, the Company presents two earnings per share ("EPS") amounts. Income (loss) per basic common share is based on income available to common shareholders and the weighted average number of common shares outstanding during the periods presented. Income (loss) per diluted common share includes additional dilution from potential common stock, such as stock issuable pursuant to the exercise of stock options outstanding and the conversion of debt. Accretion, cumulative dividends and gain on redemption of preferred stock have been included in computing income (loss) per share.

**COMPREHENSIVE INCOME (LOSS)**

The Company accounts for comprehensive income (loss) in accordance with SFAS 130, Reporting Comprehensive Income. The statement establishes standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. The statement requires that all components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements.

**RETIREMENT PLAN**

The Company adopted SFAS 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. The statement standardizes employer disclosure requirements about pension and other postretirement benefit plans by requiring additional information on changes in the benefit obligations and fair values of plan assets and eliminating certain disclosures that are no longer useful. It does not change the measurement or recognition of those plans.

**3. BUSINESS INVESTMENTS**

In June 2000, the Company formed a strategic alliance with Variagenics, Inc. ("Variagenics") to develop and commercialize genetic variance reagent kits for use in the clinical development of pharmaceutical products. Variagenics is a leader in applying genetic variance information to the drug development process. In July 2000, the Company paid Variagenics \$7.5 million for a minority common stock equity ownership and \$3.0 million for a license to manufacture and sell reagents, and warrants to purchase common stock. The warrants to purchase Variagenics common stock are exercisable at \$14 per share for a period of 5 years. The warrants were valued at approximately \$.7 million using the Black-Scholes model. The Company could pay up to \$4.0 million in future milestone payments and is obligated to pay royalties on net sales of the reagent kits. The common stock and warrant investments in Variagenics are included in other assets and carried at fair value with unrealized gains and losses reported as a separate component of other comprehensive income (loss). The license is being amortized on a straight-line basis over its useful life of 15 years.

In December 2000, the Company entered into an agreement to make a minority equity investment of \$7.5 million in Caprion Pharmaceuticals Inc. ("Caprion"). Caprion applies proprietary processes in sub-cellular biology in combination with its use of the Company's mass spectrometry products. As of December 31, 2000, the Company had paid \$3.5 million under this agreement. The investment in Caprion is included in other assets and has been accounted for under the cost method of accounting.

During 2000, the Company also made another minority equity investment and a business acquisition totaling \$5.3 million. The minority equity investment is included in other assets and has been accounted for under the cost method of accounting. The business acquisition was accounted for as a purchase and the results of operations of the acquired company have been included in the consolidated results of the Company from the acquisition date.

**4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of the following:

<b>December 31</b>	<b>2000</b>	<b>1999</b>
Land and land improvements	\$ 3,840	\$ 3,887
Buildings and leasehold improvements	43,605	35,321
Production and other equipment	117,341	103,855
Construction in progress	6,179	5,190
Total property, plant and equipment	170,965	148,253
Less: accumulated depreciation and amortization	(68,357)	(56,412)
Property, plant and equipment, net	<u>\$ 102,608</u>	<u>\$ 91,841</u>

**5. INVENTORIES**

Inventories are classified as follows:

<b>December 31</b>	<b>2000</b>	<b>1999</b>
Raw materials	\$32,760	\$27,155
Work in progress	20,269	14,446
Finished goods	34,246	38,762
Total inventories	<u>\$87,275</u>	<u>\$80,363</u>

## 6. DEBT AND FINANCIAL INSTRUMENTS

The Company's Bank Credit Agreement ("Agreement") provides a \$450,000 line of credit through June 2002. Loans under the Agreement bear interest for each calendar quarter at an annual rate equal to, at the Company's option, 1) the applicable LIBOR rate plus a varying margin between .30% and 1.00% or 2) prime rate. Margins on LIBOR borrowings vary with the Company's financial performance. At December 31, 2000, the Company had no aggregate borrowings outstanding under the Agreement and had additional amounts available to borrow of \$442,781, after outstanding letters of credit. At December 31, 1999, the Company had aggregate borrowings outstanding under the Agreement of \$81,105 and had additional amounts available to borrow of \$354,978, after outstanding letters of credit. The weighted average interest rate on the borrowings at December 31, 1999 was 6.54%. Borrowings are collateralized by substantially all of the Company's assets. The Company is also required to meet certain covenants, none of which is considered restrictive to operations. The Company's foreign subsidiaries also had available short-term lines of credit totaling \$33,154 at December 31, 2000 and \$32,413 at December 31, 1999. At December 31, 2000 and 1999, related short-term borrowings were \$2,045 at a weighted average interest rate of 7.70% and \$4,189 at a weighted average interest rate of 5.25%, respectively. In addition, at December 31, 2000 the Company had a short-term note payable of \$2,834 related to an acquisition which bears interest at a fixed rate of 6.0%. At December 31, 1999 the Company also had promissory notes of \$9,975 due, and paid in September 2000, in conjunction with its Micromass acquisition. These notes bore interest at a fixed rate of 6.25% payable semiannually.

In November 1999, the Company terminated its interest swap agreement with Bankers Trust Company and entered into a new agreement with decreased notional amounts. During 2000, the Company swapped at progressively reduced levels ranging from \$103 million to zero dollars, and throughout 1999 the Company swapped \$103 million, all in notional amount of floating rate LIBOR borrowings for an equivalent notional amount of borrowings at a fixed interest rate of 6.3%. The new interest swap agreement originally reduced notional amounts progressively over a thirteen-month period scheduled to expire on December 29, 2000. In March 2000, the Company amended the swap agreement to accelerate the progressive reduction in the outstanding notional amounts and change the termination date to July 2000. The notional amount of the interest swap exceeded the aggregate borrowings at December 31, 1999 by \$21,895. At December 31, 1999, the fair market value of this agreement was an unrealized loss of \$16.

In February 1999, the Company terminated certain outstanding debt swap agreements and entered into new debt swap agreements in European currencies which hedged foreign exchange exposures. These new debt swap agreements also extended the time period of the agreements until February 2001. These agreements, combined with other outstanding debt swap agreements, effectively swapped higher U.S. dollar fixed rate borrowings for lower fixed rate borrowings denominated in the respective currencies. The effect of these debt swap agreements and interest income earned from the investment of cash offset annual interest costs for 2000, 1999 and 1998, by \$4,451, \$3,239 and \$2,547, respectively. At December 31, 1999, the total notional principal amount of the debt swap agreements was \$112,333 at interest rates ranging from 1.10% to 4.20%. At exchange rates in effect on December 31, 1999, the fair market value of those instruments was an unrealized gain of \$6,104. The Company closed all outstanding debt swap agreements in December 2000 for which a realized gain of \$15,202 was recognized in accumulated other comprehensive (loss).

The Company enters into forward foreign exchange contracts principally to hedge the impact of currency fluctuations on certain intercompany balances. The periods of these forward contracts typically range from three months to one year. Gains and losses on these forward contracts are recorded in selling, general and administrative expenses in the consolidated statement of operations. At December 31, 2000 and 1999, the Company held forward foreign exchange contracts with notional amounts totaling approximately \$60,000 and \$30,000, respectively.

## 7. INCOME TAXES

Income tax data for 2000, 1999 and 1998 follow in the tables below:

Year Ended December 31	2000	1999	1998
The components of income from operations before income taxes were as follows:			
Domestic	\$ 54,263	\$ 66,082	\$ 62,873
Foreign	156,699	101,479	38,674
Total	\$ 210,962	\$167,561	\$101,547
The components of the current and deferred income tax provision from operations were as follows:			
Current	\$ 59,293	\$ 41,560	\$ 34,264
Deferred	(4,444)	3,683	(7,116)
Total	\$ 54,849	\$ 45,243	\$ 27,148
The components of the provision for income taxes from operations were as follows:			
Federal	\$ 13,589	\$ 16,428	\$ 6,001
State	2,195	1,187	1,336
Foreign	39,065	27,628	19,811
Total	\$ 54,849	\$ 45,243	\$ 27,148
The differences between income taxes computed at the United States statutory rate and the provision for income taxes are summarized as follows:			
Federal tax computed at U.S. statutory income tax rate	\$ 73,837	\$ 58,646	\$ 35,541
Foreign sales corporation	(2,999)	(3,075)	(2,333)
State income tax, net of federal income tax benefit	1,427	772	868
Deferred tax assets (benefited)	(5,498)	(4,891)	(13,254)
Net effect of foreign operations	(12,814)	(7,243)	(191)
Non deductible acquisition costs	—	—	5,775
Other	896	1,034	742
Provision for income taxes	\$ 54,849	\$ 45,243	\$ 27,148
The tax effects of temporary differences and carryforwards which gave rise to deferred tax assets and deferred tax (liabilities) were as follows:			
Tax benefit of net operating loss and credits	\$ 96,534	\$ 27,778	\$ 18,006
Goodwill amortization	6,426	10,496	10,598
Deferred compensation	9,610	9,908	7,984
Inventory	3,794	2,586	6,388
Other	7,176	645	540
Depreciation and capitalized software	(10,760)	(9,890)	(7,620)
Valuation allowance	(109,139)	(22,565)	(15,439)
Total deferred taxes	\$ 3,641	\$ 18,958	\$ 20,457

The income tax benefits associated with nonqualified stock option compensation expense recognized for tax purposes and credited to additional paid-in capital were \$14,430, \$9,747 and \$7,623 for the years ended December 31, 2000, 1999 and 1998, respectively. Because of the magnitude of the stock option exercises, the Company believes that it is more likely than not that the U.S. deferred tax assets will not be realized, therefore, a valuation allowance has reduced to zero all the deferred tax assets relating to U.S. income. The remaining deferred tax assets relate to foreign deferred tax assets which are expected to be utilized in 2001. To the extent that the deferred tax assets relate to stock option deductions, the resultant benefits, if and when realized, will be credited to stockholders' equity.

Deferred tax assets included in other current assets totaled \$3,641, \$5,591 and \$7,865 at December 31, 2000, 1999 and 1998, respectively. Deferred tax assets included in other assets totaled \$0, \$13,367 and \$12,592 at December 31, 2000, 1999 and 1998, respectively. The goodwill amortization amount arises from the difference between the book and tax treatment of goodwill and in-process research and development charges.

At December 31, 2000, there were unremitted earnings of foreign subsidiaries of approximately \$153 million. The Company has not provided U.S. income taxes or foreign withholding taxes on these earnings as it is the Company's intention to permanently reinvest the earnings outside the U.S.

The Company's effective tax rate before the nondeductible acquisition related expenses for the years ended December 31, 2000, 1999 and 1998 was 26%, 27% and 23%, respectively.

## 8. LEASES

Lease agreements, expiring at various dates through 2019, cover buildings, office equipment and automobiles. Rental expense was approximately \$12,695 in 2000, \$11,812 in 1999 and \$10,766 in 1998. Future minimum rents payable as of December 31, 2000 under non-cancelable leases with initial terms exceeding one year were as follows:

2001	\$12,770
2002	11,909
2003	9,173
2004	6,773
2005	5,338
Thereafter	18,864

## 9. REDEEMABLE PREFERRED STOCK

In conjunction with the August 18, 1994 acquisition of the predecessor HPLC business of Millipore Corporation ("Millipore"), the Company authorized and issued one hundred shares of Redeemable Preferred Stock ("Preferred Stock") with a par value of \$.01 per share. The Preferred Stock had a liquidation value of \$10,000 and earned an annual 6% cumulative dividend on the liquidation value with any accumulated but unpaid dividends added to the liquidation value. The Company could, at any time, redeem the Preferred Stock at the current liquidation value but in no event later than August 18, 2006. The Preferred Stock was recorded at its estimated fair value of \$5,000 on the date of issuance. The excess of the liquidation value over the fair market value was being accreted by periodic charges to additional paid-in capital or available retained earnings since the date of issue.

On November 2, 1999, the Company redeemed all outstanding shares of Preferred Stock, including cumulative unpaid dividends, for \$9,500 in cash. The carrying value of the one hundred shares of Preferred Stock and cumulative dividends payable was \$9,883 on that date and the transaction resulted in a gain on redemption of \$383, which was credited to additional paid-in capital.

During the years ended December 31, 1999 and 1998, \$322 and \$363, respectively, for accretion and \$503 and \$600, respectively, for unpaid dividends were charged against additional paid-in capital or available retained earnings.

## 10. STOCK COMPENSATION AND PURCHASE PLANS

### BASIS OF ACCOUNTING

The Company has four stock-based compensation plans, which are described below. The Company uses the intrinsic value method of accounting prescribed by the Accounting Principles Board Opinion 25, Accounting for Stock Issued to Employees, and related interpretations for its plans. Accordingly, no compensation expense has been recognized for its fixed stock option plans and its stock purchase plan under SFAS 123, Accounting for Stock-Based Compensation. Had compensation expense for the Company's four stock-based compensation plans been recorded based on the fair value of awards at grant date consistent with the alternative method prescribed by SFAS 123, the Company's pro forma net income for 2000, 1999 and 1998, would have been \$135,404, \$115,857 and \$70,043, respectively. Basic income per share for 2000, 1999, and 1998 would have been \$1.06, \$.94 and \$.59, respectively. Diluted income per share for 2000, 1999, and 1998 would have been \$.99, \$.87 and \$.54, respectively. The pro forma amounts include amortized fair values attributable to options granted after December 31, 1994 only and, therefore, are not likely to be representative of the effects on reported net income for future years.

The fair value of each option grant under SFAS 123 was estimated on the date of grant using the Black-Scholes option-pricing model. Relevant data are described below:

<b>Significant Assumptions Used to Estimate Option Fair Values</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Options issued	1,733	1,868	2,112
Risk-free interest rate	5.4%	6.2%	4.7%
Expected life in years	7.5	7.5	7.5
Expected volatility	0.524	0.437	0.454
Expected dividends	0	0	0

<b>Weighted Average Exercise Price and Fair Values of Options on the Date of Grant</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Exercise price	\$70.64	\$23.06	\$19.64
Fair value	\$42.85	\$13.31	\$10.93

The following table details the weighted average remaining contractual life of options outstanding at December 31, 2000 by range of exercise prices:

<b>Exercise Price Range</b>	<b>Number of Shares Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Remaining Contractual Life of Options Outstanding</b>	<b>Number of Shares Exercisable</b>	<b>Weighted Average Exercise Price</b>
\$ 0.00 to \$ 2.00	280	\$ 1.02	3.8 years	280	\$ 1.02
\$ 2.01 to \$ 5.00	7,949	\$ 3.73	3.7 years	7,949	\$ 3.73
\$ 5.01 to \$10.00	940	\$ 8.55	5.4 years	662	\$ 8.56
\$10.01 to \$15.00	1,521	\$10.69	6.9 years	785	\$10.69
\$15.01 to \$20.00	1,872	\$19.68	7.9 years	648	\$19.68
\$20.01 to \$40.00	1,824	\$23.10	8.9 years	324	\$23.06
\$40.01 to \$75.00	1,705	\$71.38	9.9 years	0	\$ 0.00
	<u>16,091</u>	<u>\$15.84</u>	<u>5.8 years</u>	<u>10,648</u>	<u>\$ 6.03</u>

## STOCK OPTION PLANS

On May 7, 1996, the Company's shareholders approved the 1996 Long-Term Incentive Plan ("1996 Plan"), which provides for the granting of 4,000 shares of Common Stock, in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock or other types of awards. Under the 1996 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. On December 2, 1997, the Board of Directors approved an additional 8,000 shares of Common Stock for issue under the 1996 Plan. The 1996 Plan is scheduled to terminate on May 7, 2006, unless extended for a period of up to five years by action of the Board of Directors. 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. A SAR may be granted alone or in conjunction with an option or other award. No SARs, restricted stock, or other types of awards were outstanding as of December 31, 2000.

The Company's 1994 Stock Option Plan ("1994 Plan") provided for the granting of 20,141 options to purchase shares of common stock to certain key employees of the Company. The exercise price of the options was determined by a committee of the Board of Directors of the Company. Options granted have a term of ten years and vest in five equal installments on the first five anniversaries after the grant.

On May 7, 1996, the Company's shareholders approved the 1996 Non-Employee Director Deferred Compensation Plan ("Deferred Compensation Plan") and the 1996 Non-Employee Director Stock Option Plan ("Director Stock Option Plan"). Under the Deferred Compensation Plan, outside directors may elect to defer their fees and credit such fees to either a cash account which earns interest at a market-based rate or to a common stock unit account, for which four hundred thousand shares of Common Stock have been reserved. Under the Director Stock Option Plan, each outside director will receive an annual option to purchase four thousand shares of Common Stock. Two hundred thousand shares of Common Stock may be issued under the plan. Options have a term of ten years and, with the exception of options granted in 1996, which vest in one year, vest in five equal installments on the first five anniversaries following the date of grant and have option prices no less than fair market value at the date of grant.

The following table summarizes stock option activity for the plans:

	Number of Shares	Price Per Share	Weighted Average Exercise Price
Outstanding at December 31, 1997	21,840	\$ 1.02 to \$10.69	\$ 4.05
Granted	2,112	\$ 9.39 to \$19.68	\$19.64
Exercised	(2,776)	\$ 1.02 to \$10.69	\$ 2.07
Canceled	(28)	\$ 8.05 to \$10.69	\$ 9.92
Outstanding at December 31, 1998	21,148	\$ 1.02 to \$19.68	\$ 5.86
Granted	1,868	\$23.06	\$23.06
Exercised	(3,272)	\$ 1.02 to \$19.68	\$ 3.03
Canceled	(62)	\$ 8.56 to \$19.68	\$12.29
Outstanding at December 31, 1999	19,682	\$ 1.02 to \$23.06	\$ 7.94
Granted	1,733	\$25.75 to \$72.06	\$70.64
Exercised	(5,239)	\$ 1.02 to \$23.06	\$ 4.24
Canceled	(85)	\$ 8.05 to \$23.06	\$17.59
Outstanding at December 31, 2000	16,091	\$ 1.02 to \$72.06	\$15.84

Options exercisable at December 31, 2000, 1999 and 1998 were 10,648, 14,058 and 13,128, respectively. The weighted average exercise prices of options exercisable at December 31, 2000, 1999 and 1998 were \$6.03, \$4.45 and \$3.67, respectively. Available stock options for grant at December 31, 2000 were 3,392.

## EMPLOYEE STOCK PURCHASE PLAN

On February 26, 1996, the Company adopted the 1996 Employee Stock Purchase Plan under which eligible employees may contribute up to 15% of their earnings toward the quarterly purchase of the Company's Common Stock. The plan makes available 1,000 shares of the Company's Common Stock commencing October 1, 1996. As of December 31, 2000, approximately 290 shares have been issued under the plan. Each plan period lasts three months beginning on January 1, April 1, July 1 and October 1 of each year. The purchase price for each share of stock is the lesser of 90% of the market price on the first day of the plan period or 100% of the market price on the last day of the plan period. No compensation expense is recorded in connection with the plan.

## 11. EARNINGS PER SHARE

Basic and diluted EPS calculations are detailed as follows:

Year Ended 2000	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income per basic common share before the cumulative effect of change in accounting principle	\$156,113	127,568	\$1.22
Effect of dilutive securities:			
Options outstanding		7,882	
Options exercised		1,293	
Income per diluted common share before the cumulative effect of change in accounting principle	\$156,113	136,743	\$1.14
<b>Year Ended 1999</b>			
Net income per basic common share before the cumulative effect of change in accounting principle	\$122,318		
Accretion of and 6% dividend on preferred stock	(825)		
Gain on redemption of preferred stock	383		
Income per basic common share	\$121,876	123,013	\$ .99
Effect of dilutive securities:			
Options outstanding		8,787	
Options exercised		832	
Income per diluted common share	\$121,876	132,632	\$ .92
<b>Year Ended 1998</b>			
Net income per basic common share before the cumulative effect of change in accounting principle	\$ 74,399		
Accretion of and 6% dividend on preferred stock	(963)		
Income per basic common share	\$ 73,436	119,720	\$ .61
Effect of dilutive securities:			
Options outstanding		8,808	
Options exercised		756	
Income per diluted common share	\$ 73,436	129,284	\$ .57

For the years ended December 31, 2000, 1999 and 1998, the Company had 114, 0 and 2,100 stock option securities that were antidilutive, respectively. These securities were not included in the computation of diluted EPS. The effect of dilutive securities was calculated using the treasury stock method.

## 12. COMPREHENSIVE INCOME

Comprehensive income details follow:

Year Ended December 31	2000	1999	1998
Net income	\$145,342	\$122,318	\$74,399
Foreign currency translation adjustments before income taxes	(4,897)	(1,333)	(58)
Income tax (benefit)	(1,273)	(360)	(13)
Foreign currency translation adjustments, net of tax	(3,624)	(973)	(45)
Unrealized (loss) on investments before income taxes	(1,008)		
Income tax (benefit)	(262)		
Unrealized (loss) on investments, net of tax	(746)		
Other comprehensive (loss)	(4,370)	(973)	(45)
Comprehensive income	\$140,972	\$121,345	\$74,354

### 13. RETIREMENT PLANS

The Company has two retirement plans for employees: the Waters Employee Investment Plan, a defined contribution plan, and the Waters Retirement Plan, a defined benefit cash balance plan.

U.S. employees are eligible to participate in the Waters Employee Investment Plan after one month of service. Employees may contribute from 1% to 20% of eligible pay on a pre-tax basis. The Company makes a matching contribution of 50% for contributions up to 6% of eligible pay. Employees are 100% vested in company matching contributions after one year of service. For the years ended December 31, 2000, 1999 and 1998, the Company's matching contributions amounted to \$2,136, \$1,984 and \$1,839, respectively. Effective January 1, 1998, the Micromass, Inc. 401(k) Plan was merged into and YMC employees joined the Waters Employee Investment Plan.

U.S. employees are eligible to participate in the Waters Retirement Plan after one year of service. The Company makes an annual contribution to each employee's account as a percentage of eligible pay based on years of service. In addition, each employee's account is credited for investment returns at the beginning of each year for the prior year at the average 12-month Treasury Bill rate plus 0.5%, limited to a minimum rate of 5% and a maximum rate of 10%. An employee does not vest until the completion of five years of service at which time the employee becomes 100% vested.

The net periodic pension cost under SFAS 87, Employers' Accounting for Pensions, is made up of several components that reflect different aspects of the Company's financial arrangements as well as the cost of benefits earned by employees. These components are determined using the projected unit credit actuarial cost method and are based on certain actuarial assumptions. The Company's accounting policy is to reflect in the projected benefit obligation all benefit changes to which the Company is committed as of the current valuation date; use a market-related value of assets to determine pension expense; amortize increases in prior service costs on a straight-line basis over the expected future service of active participants as of the date such costs are first recognized; and amortize cumulative actuarial gains and losses in excess of 10% of the larger of the market-related value of plan assets and the projected benefit obligation over the expected future service of active participants. Summary data for the Waters Retirement Plan are presented in the following tables:

<b>Reconciliation of Projected Benefit Obligation</b>	<b>2000</b>	<b>1999</b>
Benefit obligation, January 1	\$22,710	\$20,930
Service cost	2,695	2,878
Interest cost	2,010	1,696
Employee rollovers	149	45
Actuarial loss (gain)	941	(2,544)
Disbursements	(656)	(295)
Benefit obligation, December 31	\$27,849	\$22,710
<b>Reconciliation of Fair Value of Assets</b>	<b>2000</b>	<b>1999</b>
Fair value of assets, January 1	\$22,886	\$17,162
Actual return on plan assets	(2,666)	1,896
Company contributions	3,240	4,078
Disbursements	(656)	(295)
Employee rollovers	149	45
Fair value of assets, December 31	\$22,953	\$22,886

<b>Reconciliation of Funded Status, December 31</b>	<b>2000</b>	<b>1999</b>
Projected benefit obligation	\$(27,849)	\$(22,710)
Fair value of plan assets	22,953	22,886
Projected benefit obligation (in excess of) less than fair value of plan assets	(4,896)	176
Unrecognized prior service cost	(1,126)	(1,225)
Unrecognized net actuarial loss (gain)	3,186	(2,597)
Accrued (liability)	\$ (2,836)	\$ (3,646)

The projected benefit obligation was calculated using the following weighted average assumptions:

Discount rate	7.50%	8.00%
Return on assets	9.00%	9.00%
Increases in compensation levels	4.75%	4.75%

<b>Components of Net Periodic Pension Cost, Year Ended December 31</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Service cost	\$ 2,695	\$ 2,878	\$ 2,513
Interest cost	2,010	1,696	1,369
Return on plan assets	(2,171)	(1,645)	(1,391)
Net amortization:			
Prior service cost	(99)	(99)	(99)
Net actuarial (gain)	(5)	—	—
Net periodic pension cost	\$ 2,430	\$ 2,830	\$ 2,392

<b>Reconciliation of (Accrued) Pension Cost</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
(Accrued) pension cost, January 1	\$(3,646)	\$(4,894)	\$(2,502)
FAS 87 (cost)	(2,430)	(2,830)	(2,392)
Contributions made during the year	3,240	4,078	—
(Accrued) pension cost, December 31	\$(2,836)	\$(3,646)	\$(4,894)

The Company also sponsors several unfunded defined benefit post-retirement plans covering U.S. employees. The plans provide medical insurance benefits and are, depending on the plan, either contributory or non-contributory. The Company's accrued post-retirement benefit obligation was \$2,636 and \$2,596 at December 31, 2000 and 1999, respectively, and is included in other liabilities in the consolidated balance sheets.

#### 14. RELATED PARTY TRANSACTIONS

In 1996 and 1995, the Company made loans to certain executive officers of the Company. The loans are collateralized by a pledge of shares of common stock held by these executive officers. The 1995 loans bore interest at 5.83% per annum and matured on December 1, 2000. The 1996 loans bear interest at 5.65% per annum and mature on January 8, 2001. Loans receivable of \$723 at December 31, 2000 and \$1,337 at December 31, 1999 are included in other assets in the consolidated balance sheets.

#### 15. BUSINESS SEGMENT INFORMATION

SFAS 131 establishes standards for reporting information about operating segments in annual financial statements of public business enterprises. It also establishes standards for related disclosures about products and service, geographic areas and major customers. The Company evaluated its business activities that are regularly reviewed by the Chief Executive Officer for which discrete financial information is available. As a result of this evaluation, the Company determined that it has three operating segments: Waters, TAI and Micromass.

Waters is in the business of manufacturing and distributing HPLC instruments, columns and other consumables, and related service; Micromass is in the business of manufacturing and distributing mass spectrometry instruments that can be integrated and used along with other analytical instruments, particularly HPLC; and TAI is in the business of manufacturing and distributing thermal analysis and rheology instruments. For all three of these operating segments within the analytical instrument industry; economic characteristics, production processes, products and services, types and classes of customers, methods of distribution, and regulatory environments are similar. Because of these similarities, the three segments have been aggregated into one reporting segment for financial statement purposes. The accounting policies of the reportable segment are the same as those described in the Summary of Significant Accounting Policies. Please refer to the consolidated financial statements for financial information regarding the one reportable segment of the Company. The Company sells products and service within this reportable segment, detailed as follows:

Revenue	2000	1999	1998
Products	\$640,654	\$569,504	\$504,956
Service	154,417	134,896	113,857
Total	\$795,071	\$704,400	\$618,813

Geographic information is presented below:

	United States	Europe	Japan	Asia	Other Int'l	Elimination	Total
2000							
Sales:							
Unaffiliated sales	\$343,336	\$228,971	\$64,228	\$34,512	\$60,982	\$ —	\$732,029
Unaffiliated export sales to Japan	—	26,581	—	—	—	—	26,581
Unaffiliated export sales to Asia	7,677	10,927	—	—	—	—	18,604
Unaffiliated export sales to Other Int'l	12,929	4,928	—	—	—	—	17,857
Transfers between areas	162,935	93,344	—	—	—	(256,279)	—
Total sales	\$526,877	\$364,751	\$64,228	\$34,512	\$60,982	\$(256,279)	\$795,071
Long-lived assets:							
Unaffiliated	\$230,048	\$97,606	\$3,298	\$3,408	\$14,190	\$ —	\$348,550
Between affiliates	272,294	24,011	2,181	—	3,811	(302,297)	—
Total long-lived assets	\$502,342	\$121,617	\$5,479	\$3,408	\$18,001	\$(302,297)	\$348,550
1999							
Sales:							
Unaffiliated sales	\$289,538	\$228,181	\$65,137	\$27,603	\$51,134	\$ —	\$661,593
Unaffiliated export sales to Japan	—	16,119	—	—	—	—	16,119
Unaffiliated export sales to Asia	5,831	5,007	—	—	—	—	10,838
Unaffiliated export sales to Other Int'l	14,326	1,524	—	—	—	—	15,850
Transfers between areas	182,471	59,510	—	—	—	(241,981)	—
Total sales	\$492,166	\$310,341	\$65,137	\$27,603	\$51,134	\$(241,981)	\$704,400
Long-lived assets:							
Unaffiliated	\$221,907	\$100,516	\$3,279	\$192	\$11,213	\$ —	\$337,107
Between affiliates	227,246	24,011	2,181	—	3,795	(257,233)	—
Total long-lived assets	\$449,153	\$124,527	\$5,460	\$192	\$15,008	\$(257,233)	\$337,107
1998							
Sales:							
Unaffiliated sales	\$258,050	\$208,168	\$46,098	\$21,923	\$44,578	\$ —	\$578,817
Unaffiliated export sales to Japan	—	12,199	—	—	—	—	12,199
Unaffiliated export sales to Asia	5,276	6,896	—	—	—	—	12,172
Unaffiliated export sales to Other Int'l	12,347	3,278	—	—	—	—	15,625
Transfers between areas	153,666	49,148	—	—	—	(202,814)	—
Total sales	\$429,339	\$279,689	\$46,098	\$21,923	\$44,578	\$(202,814)	\$618,813
Long-lived assets:							
Unaffiliated	\$225,811	\$98,058	\$2,775	\$367	\$11,658	\$ —	\$338,669
Between affiliates	234,652	20,963	2,180	—	3,790	(261,585)	—
Total long-lived assets	\$460,463	\$119,021	\$4,955	\$367	\$15,448	\$(261,585)	\$338,669

The United States category includes Puerto Rico. The other category includes Canada, South America, Australia, India, Eastern Europe and Central Europe. Transfer sales between geographical areas are generally made at a discount from list price. None of the Company's individual customers accounts for more than 2% of annual Company sales.

## 16. QUARTERLY RESULTS

The Company's unaudited quarterly results are summarized below:

2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	\$180,202	\$197,408	\$191,953	\$225,508	\$795,071
Cost of sales	66,340	71,777	70,293	79,854	288,264
Gross profit	113,862	125,631	121,660	145,654	506,807
Selling, general and administrative expenses	60,395	61,060	59,712	65,223	246,390
Research and development expenses	10,362	10,557	10,394	11,200	42,513
Goodwill and purchased technology amortization	1,811	1,760	1,755	1,751	7,077
Operating income	41,294	52,254	49,799	67,480	210,827
Interest (expense) income, net	(701)	(343)	322	857	135
Income from operations before income taxes	40,593	51,911	50,121	68,337	210,962
Provision for income taxes	10,545	13,506	13,030	17,768	54,849
Income before cumulative effect of change in accounting principle	30,048	38,405	37,091	50,569	156,113
Cumulative effect of change in accounting principle	(10,771)	—	—	—	(10,771)
Net Income	\$ 19,277	\$ 38,405	\$ 37,091	\$ 50,569	\$ 145,342
Income per basic common share:					
Net income per basic common share before cumulative effect of change in accounting principle	\$ .24	\$ .30	\$ .29	\$ .39	\$ 1.22
Cumulative effect of change in accounting principle	(.09)	—	—	—	(.08)
Net income per basic common share	\$ .15	\$ .30	\$ .29	\$ .39	\$ 1.14
Weighted average number of basic common shares	125,602	126,914	128,485	129,347	127,568
Income per diluted common share:					
Net income per diluted common share before cumulative effect of change in accounting principle	\$ .22	\$ .28	\$ .27	\$ .37	\$ 1.14
Cumulative effect of change in accounting principle	(.08)	—	—	—	(.08)
Net income per diluted common share	\$ .14	\$ .28	\$ .27	\$ .37	\$ 1.06
Weighted average number of diluted common shares and equivalents	135,184	136,222	137,430	137,795	136,743
Stock price range	22 – 53 <sup>3</sup> / <sub>8</sub>	38 <sup>23</sup> / <sub>32</sub> – 64 <sup>3</sup> / <sub>4</sub>	59 <sup>5</sup> / <sub>16</sub> – 90 <sup>3</sup> / <sub>8</sub>	62 <sup>11</sup> / <sub>16</sub> – 88 <sup>1</sup> / <sub>2</sub>	22 – 90 <sup>3</sup> / <sub>8</sub>

1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	\$160,362	\$172,280	\$171,090	\$200,668	\$704,400
Cost of sales	60,622	63,712	61,903	70,899	257,136
Gross profit	99,740	108,568	109,187	129,769	447,264
Selling, general and administrative expenses	54,504	55,537	57,075	59,477	226,593
Research and development expenses	8,686	9,021	8,634	9,753	36,094
Goodwill and purchased technology amortization	2,045	2,034	1,999	1,990	8,068
Operating income	34,505	41,976	41,479	58,549	176,509
Interest (expense), net	(3,033)	(2,379)	(1,794)	(1,742)	(8,948)
Income from operations before income taxes	31,472	39,597	39,685	56,807	167,561
Provision for income taxes	8,498	10,691	10,715	15,339	45,243
Net income	22,974	28,906	28,970	41,468	122,318
Accretion of and dividend on preferred stock	(244)	(245)	(247)	(89)	(825)
Gain on redemption of preferred stock	—	—	—	383	383
Net income available to common stockholders	\$ 22,730	\$ 28,661	\$ 28,723	\$ 41,762	\$ 121,876
Net income per basic common share	\$ .19	\$ .23	\$ .23	\$ .34	\$ .99
Weighted average number of basic common shares	121,788	122,444	123,509	124,408	123,013
Net income per diluted common share	\$ .17	\$ .22	\$ .22	\$ .31	\$ .92
Weighted average number of diluted common shares and equivalents	131,680	132,334	133,222	133,242	132,632
Stock price range	18 <sup>1</sup> / <sub>8</sub> – 27 <sup>1</sup> / <sub>16</sub>	23 <sup>1</sup> / <sub>4</sub> – 28 <sup>1</sup> / <sub>4</sub>	24 <sup>3</sup> / <sub>8</sub> – 33 <sup>13</sup> / <sub>16</sub>	18 <sup>1</sup> / <sub>2</sub> – 33 <sup>1</sup> / <sub>16</sub>	18 <sup>1</sup> / <sub>8</sub> – 33 <sup>13</sup> / <sub>16</sub>

**SELECTED FINANCIAL DATA**

WATERS CORPORATION AND SUBSIDIARIES

In thousands, except per share and employees data	The Company		
	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998
<b>STATEMENT OF OPERATIONS DATA:</b>			
Net sales	\$ 795,071	\$ 704,400	\$ 618,813
Cost of sales	288,264	257,136	232,497
Revaluation of acquired inventory (B)	—	—	16,500
Gross profit	506,807	447,264	369,816
Selling, general and administrative expenses	246,390	226,593	206,211
Research and development expenses	42,513	36,094	34,433
Goodwill and purchased technology amortization	7,077	8,068	9,347
Expensed in-process research and development (B)	—	—	—
Management fee (B)	—	—	—
Restructuring charge (B)	—	—	—
Operating income (loss)	210,827	176,509	119,825
Interest income (expense), net (C)	135	(8,948)	(18,278)
Gains on cash flow hedges (B)	—	—	—
Income (loss) from operations before income taxes	210,962	167,561	101,547
Provision for income taxes	54,849	45,243	27,148
Income (loss) from operations	156,113	122,318	74,399
Income (loss) from discontinued operations, net of tax (B)	—	—	—
Income (loss) before extraordinary item	156,113	122,318	74,399
Extraordinary item-(loss) on early retirement of debt (B)	—	—	—
Income (loss) before cumulative effect of change in accounting principle	156,113	122,318	74,399
Cumulative effect of change in accounting principle (B)	(10,771)	—	—
Net income (loss)	145,342	122,318	74,399
Less: Accretion of and dividend on preferred stock, net of gain	—	442	963
Net income (loss) available to common stockholders	\$ 145,342	\$ 121,876	\$ 73,436
Income (loss) per basic common share:			
Income (loss) per common share before extraordinary item	\$ 1.22	\$ .99	\$ .61
(Loss) per common share from discontinued operations	—	—	—
Extraordinary (loss) per common share	—	—	—
Cumulative effect of change in accounting principle	(.08)	—	—
Net income (loss) per common share	\$ 1.14	\$ .99	\$ .61
Weighted average number of basic common shares	127,568	123,013	119,720
Income (loss) per diluted common share:			
Income (loss) per common share before extraordinary item	\$ 1.14	\$ .92	\$ .57
(Loss) per common share from discontinued operations	—	—	—
Extraordinary (loss) per common share	—	—	—
Cumulative effect of change in accounting principle	(.08)	—	—
Net income (loss) per common share	\$ 1.06	\$ .92	\$ .57
Weighted average number of diluted common shares and equivalents	136,743	132,632	129,284
<b>BALANCE SHEET AND OTHER DATA (D):</b>			
Working capital	\$ 123,263	\$ 49,489	\$ 53,459
Total assets	\$ 692,345	\$ 586,345	\$ 577,701
Long-term debt, including current maturities (C)	—	\$ 91,080	\$ 218,250
Redeemable preferred stock	—	—	\$ 9,058
Stockholders' equity (deficit)/parent company investment	\$ 451,781	\$ 292,162	\$ 150,119
Employees	3,158	2,968	2,758
Depreciation and amortization for the period	\$ 28,701	\$ 28,947	\$ 27,248
Capital expenditures for the period	\$ 35,368	\$ 24,416	\$ 20,616

(A) Results of predecessor HPLC business of former parent Millipore Corporation acquired by Company on August 18, 1994.

(B) Nonrecurring charges and (gains).

The Company				Predecessor Business (A)		
Year Ended December 31, 1997	Year Ended December 31, 1996	Year Ended December 31, 1995	August 19 to December 31, 1994	January 1 to August 18, 1994	Year Ended December 31, 1993	Year Ended December 31, 1992
\$465,470	\$391,113	\$332,972	\$131,057	\$176,097	\$304,927	\$309,287
173,275	145,254	126,216	49,740	73,446	124,387	123,342
16,500	6,100	925	38,424	—	—	—
275,695	239,759	205,831	42,893	102,651	180,540	185,945
167,290	148,513	132,746	44,522	85,216	132,452	138,318
25,750	20,898	17,681	6,790	13,399	18,525	19,142
6,468	5,219	3,629	1,227	—	—	—
55,000	19,300	—	53,918	—	—	—
—	—	5,393	552	—	—	—
—	—	—	3,500	—	13,000	—
21,187	45,829	46,382	(67,616)	4,036	16,563	28,485
(13,720)	(14,740)	(30,315)	(12,011)	(828)	(2,072)	(2,107)
—	—	1,175	923	—	—	—
7,467	31,089	17,242	(78,704)	3,208	14,491	26,378
15,755	11,230	3,129	1,487	916	4,169	6,180
(8,288)	19,859	14,113	(80,191)	2,292	10,322	20,198
—	—	—	(7,213)	(448)	(9)	108
(8,288)	19,859	14,113	(87,404)	1,844	10,313	20,306
—	(22,264)	(12,112)	—	—	—	—
(8,288)	(2,405)	2,001	(87,404)	1,844	10,313	20,306
—	—	—	—	—	—	(2,228)
(8,288)	(2,405)	2,001	(87,404)	\$ 1,844	\$ 10,313	\$ 18,078
942	921	902	330			
\$ (9,230)	\$ (3,326)	\$ 1,099	\$ (87,734)			
\$ (.08)	\$ .16	\$ .15	\$ (.94)			
—	—	—	(.08)			
—	(.19)	(.14)	—			
—	—	—	—			
\$ (.08)	\$ (.03)	\$ .01	\$ (1.02)			
116,508	115,364	89,304	85,928			
\$ (.08)	\$ .15	\$ .13	\$ (.94)			
—	—	—	(.08)			
—	(.18)	(.12)	—			
—	—	—	—			
\$ (.08)	\$ (.03)	\$ .01	\$ (1.02)			
116,508	126,512	98,328	85,928			
\$ 45,843	\$ 61,227	\$ 56,385	\$ 87,357		\$100,528	\$112,905
\$552,059	\$365,502	\$299,816	\$331,598		\$189,592	\$199,513
\$305,340	\$210,470	\$158,500	\$275,000		—	—
\$ 8,096	\$ 7,153	\$ 6,232	\$ 5,330		—	—
\$ 62,297	\$ 57,780	\$ 58,118	\$ (22,670)		\$149,095	\$163,157
2,640	2,135	1,934	2,021	2,069	2,009	2,180
\$ 20,010	\$ 16,709	\$ 13,774	\$ 4,394	\$ 6,323	\$ 9,265	\$ 8,857
\$ 23,393	\$ 13,822	\$ 9,878	\$ 2,191	\$ 5,935	\$ 8,439	\$ 10,739

(C) Interest expense through August 18, 1994 was an allocation of Millipore's worldwide net interest expense based upon the ratio of the Predecessor's net assets to Millipore's net assets. No debt obligations of Millipore were reflected on the Predecessor's balance sheets.

(D) As a publicly held company, the Company has not declared or paid any dividends on common stock.

## Directors

Joshua Bekenstein  
Managing Director  
Bain Capital, Inc.

Dr. Michael J. Berendt  
Managing Director  
AEA Investors, Inc.

Douglas A. Berthiaume  
Chairman, President and  
Chief Executive Officer  
Waters Corporation

Philip Caldwell  
Chairman of the Board and  
Chief Executive Officer (Retired)  
Ford Motor Company

Edward Conard  
Managing Director  
Bain Capital, Inc.

Dr. Laurie H. Glimcher  
Professor of Immunology and Medicine  
Harvard School of Public Health and  
Harvard Medical School

William J. Miller  
Independent Investor and Consultant

Thomas P. Salice  
President and Chief Executive Officer  
AEA Investors, Inc.

## Officers

Douglas A. Berthiaume  
Chairman, President and  
Chief Executive Officer

Arthur G. Caputo  
Senior Vice President  
Worldwide Sales and Marketing

Thomas W. Feller  
Senior Vice President  
E-Business Initiative

John R. Nelson  
Senior Vice President  
Research, Development and Engineering

Philip S. Taymor  
Senior Vice President  
Finance and Administration  
and Chief Financial Officer

Brian K. Mazar  
Senior Vice President  
Human Resources and Investor Relations

Devette W. Russo  
Senior Vice President  
Chromatography Consumables Division

John Ornell  
Vice President  
Operations

## Transfer Agent

Fleet National Bank  
c/o EquiServe  
P.O. Box 8040  
Boston, Massachusetts 02266-8040  
781-575-3120  
www.equiserve.com

## Independent Accountants

PricewaterhouseCoopers LLP  
One Post Office Square  
Boston, Massachusetts 02109

## Attorneys

Bingham Dana LLP  
150 Federal Street  
Boston, Massachusetts 02110-1726

## Stockholders' Meeting

Date: May 3, 2001  
Time: 11 a.m.  
Place: Waters Corporation  
34 Maple Street  
Milford, Massachusetts

Directions: Call 800-252-4752, ext. 3314

## Stocklist Symbol

NYSE: WAT  
Form 10K

A copy of the Company's 10K, filed  
with the Securities and Exchange  
Commission, is available without  
charge upon written request to:

Waters Corporation  
34 Maple Street  
Milford, Massachusetts 01757

## Offices

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# Waters

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