GENERATING INFINITE OPPORTUNITY
WATERS CORPORATION (NYSE: WAT) IS THE WORLD’S LEADING SUPPLIER OF HIGH PERFORMANCE LIQUID CHROMATOGRAPHY, MASS SPECTROMETRY, THERMAL ANALYSIS AND RHEOMETRY PRODUCTS AND SERVICES. AROUND THE WORLD, WATERS® PRODUCTS ARE USED BY PHARMACEUTICAL, LIFE SCIENCE, BIOCHEMICAL, 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.

<p>|</p>
<table>
<thead>
<tr>
<th></th>
<th>ADJUSTED FINANCIAL RESULTS (A):</th>
<th>2002</th>
<th>2001</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ in thousands, except per share data)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$ 889,967</td>
<td>$859,208</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$ 196,411</td>
<td>$149,527</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Adjusted operating income as a percentage of sales</td>
<td>24.1%</td>
<td>26.1%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$ 147,712</td>
<td>$114,543</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Adjusted net income</td>
<td>$ 168,841</td>
<td>$174,413</td>
<td>-3%</td>
<td></td>
</tr>
<tr>
<td>Net income per diluted common share</td>
<td>$ 1.24</td>
<td>$ 1.27</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>Adjusted net income per diluted common share</td>
<td>$ 219,646</td>
<td>$189,150</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>17.8%</td>
<td>22.1%</td>
<td>4.3%</td>
<td></td>
</tr>
<tr>
<td>Adjusted return on average assets</td>
<td>25.4%</td>
<td>31.6%</td>
<td>6.2%</td>
<td></td>
</tr>
<tr>
<td>At year end:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 1,010,947</td>
<td>$886,911</td>
<td>0.2%</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (including restricted cash)</td>
<td>$ 313,256</td>
<td>$226,798</td>
<td>39.7%</td>
<td></td>
</tr>
<tr>
<td>Stockholders’ equity</td>
<td>$ 665,310</td>
<td>$581,745</td>
<td>14.8%</td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>$ 316,241</td>
<td>$241,738</td>
<td>30.7%</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>3,587</td>
<td>3,483</td>
<td>2.9%</td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation of reported operating income, net income and net income per diluted common share with adjusted results (A) 2002 2001

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income, net income and net income per diluted common share, respectively</td>
<td>$196,411</td>
<td>$149,527</td>
</tr>
<tr>
<td>Litigation provisions</td>
<td>7,900</td>
<td>5,359</td>
</tr>
<tr>
<td>Impairment of long-lived intangible asset</td>
<td>2,445</td>
<td>1,589</td>
</tr>
<tr>
<td>Restructuring and other unusual charges</td>
<td>7,404</td>
<td>5,701</td>
</tr>
<tr>
<td>Other expense, write down of certain equity investments</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>4,506</td>
<td>—</td>
</tr>
<tr>
<td>Adjusted operating income, net income and net income per diluted common share, respectively</td>
<td>$214,160</td>
<td>$224,527</td>
</tr>
</tbody>
</table>

(A) The adjusted results above are used by management of the Company to measure performance with prior periods and are not in accordance with generally accepted accounting principles (GAAP). The above reconciliation identifies those activities and transactions management has excluded. Management feels these activities or transactions may not be indicative of understanding the performance of the business or its future outlook.
2002 SHAREHOLDER LETTER


WE WERE ABLE TO IMPROVE OPERATIONAL IN SPITE OF DIFFICULT CONDITIONS. IN RESPONSE TO REDUCED MASS SPECTROMETRY REVENUES, AND IN ORDER TO ADDRESS A LONG-TERM TREND OF PRODUCT CONVERGENCE, WE IMPLEMENTED A RESTRUCTURING TO INTEGRATE OUR MASS SPECTROMETRY AND HPLC FIELD ORGANIZATIONS ACROSS THE WORLD. THIS RESTRUCTURING WAS WELL ADVANCED BY THE END OF 2002 AND PREPARES US TO ADDRESS THE TECHNOLOGY AND PRODUCT NEEDS OF OUR CUSTOMERS IN A UNIFIED FASHION, AS WELL AS INCREASE THE OVERALL PRODUCTIVITY OF OUR FIELD SALES AND SERVICE ORGANIZATIONS.

OUR OPERATING FOCUS CONTINUED TO DELIVER GOOD FINANCIAL PERFORMANCE IN A DIFFICULT CLIMATE. IN 2002, ALTHOUGH SALES GREW 4%, ADJUSTED EARNINGS PER SHARE GROWTH, EXCLUDING UNUSUAL CHARGES, WAS ESSENTIALLY FLAT. WE RESPONDED TO THE LOWER THAN EXPECTED SALES GROWTH WITH COST REDUCTION ACTIONS IN 2002; HOWEVER, THE FULL EFFECT OF THESE EXPENSE REDUCTIONS WON'T BE REALIZED UNTIL 2003. ALTHOUGH ADJUSTED EARNINGS PER SHARE DIDN'T GROW, FREE CASH FLOW INCREASED SIGNIFICANTLY FROM $146 MILLION IN 2001 TO $192 MILLION IN 2002. BECAUSE OF OUR FINANCIAL STRENGTH, THE BOARD OF DIRECTORS AUTHORIZED A $200 MILLION STOCK BUYBACK IN THE THIRD QUARTER AND, BY DECEMBER 31ST, WE HAD ACQUIRED APPROXIMATELY $100 MILLION OF STOCK. DEPENDING ON BUSINESS AND MARKET CONDITIONS, THE BOARD OF DIRECTORS WILL PERIODICALLY RECONSIDER WHETHER ADDITIONAL STOCK BUYBACKS ARE APPROPRIATE.

AS WE ASSESS OUR NEAR-TERM BUSINESS PROSPECTS, WE REMAIN CONFIDENT IN OUR PROGRAMS, TECHNOLOGIES AND FINANCIAL POSITION BUT ARE SOMEWHAT CAUTIOUS ABOUT GENERAL ECONOMIC CONDITIONS AND THE RATE OF CAPITAL SPENDING ACROSS OUR MAJOR CUSTOMER GROUPS.

OUR RESEARCH AND DEVELOPMENT ACTIVITY CONTINUES TO BE VERY PRODUCTIVE, AND WE EXPECT TO INTRODUCE MAJOR NEW MASS SPECTROMETRY PRODUCTS BY MID-2003 WHICH WILL ADDRESS THE PRODUCT VOID WE HAVE FACED SINCE THE FIRST QUARTER OF 2002. OUR HPLC COMPETITIVE POSITION HAS NEVER BEEN STRONGER, AND WE BELIEVE WE SHOULD EMERGE FROM THIS CURRENT ECONOMICALLY WEAK CLIMATE IN EVEN BETTER POSITION TO GROW FASTER THAN OUR COMPETITORS. AND IN JANUARY 2003, WE AUGMENTED OUR EXISTING PRODUCT POSITIONS WHEN WE COMPLETED THE PURCHASE OF THE RHEOLOGY PRODUCT LINE OF RHEOMETRIC SCIENTIFIC INC. FOR APPROXIMATELY $23 MILLION. THESE PRODUCTS FIT NICELY WITH OUR EXISTING TA INSTRUMENTS' PRODUCT LINE AND SHOULD ALLOW US TO PROFITABLY LEVERAGE OUR STRONG INDUSTRIAL POSITION.

THESE POSITIVES ARE TAKING PLACE, HOWEVER, AGAINST THE BACKDROP OF A CAUTIOUS LIFE SCIENCE CUSTOMER BASE AND A GENERAL ECONOMIC CLIMATE THAT SHOWS NO SIGNS OF MAJOR ACCELERATION. WE ARE NOT ANTICIPATING SIGNIFICANT IMPROVEMENT IN MARKET CONDITIONS IN THE NEAR TERM. LONG TERM, WE HAVE NO DOUBT THAT OUR PRODUCTS AND TECHNOLOGIES PROVIDE CRITICAL CAPABILITIES TO ENABLE OUR LIFE SCIENCE, PHARMACEUTICAL AND INDUSTRIAL CUSTOMERS TO DISCOVER, ENGINEER AND MANUFACTURE THE INNOVATIVE NEW PRODUCTS THAT WILL ADDRESS URGENT HEALTH CARE AND OTHER NEEDS. BECAUSE OF THE CAPABILITIES OF OUR OUTSTANDING EMPLOYEES, THE BREADTH OF OUR PRODUCT OFFERINGS AND THE LOYALTY OF OUR CUSTOMERS, WE BELIEVE WE CAN DELIVER PROFITABLE GROWTH EVEN DURING THESE DIFFICULT ECONOMIC TIMES.

SINCERELY,

Chairman and Chief Executive Officer
Waters is the only total-solutions provider in the industry capable of meeting the analytical needs of today’s highest-growth industries, from research to development to quality control.

The real value of our company lies in the high-value answers we provide. Waters’ industry-leading high performance liquid chromatography (HPLC), mass spectrometry (MS), thermal analysis (TA) and rheology products and services are synonymous with quality and performance in analytical labs around the world.

Today, we enjoy the highest market share in each major product category and the demand for our offerings has never been greater. Pricing pressures, intense competition and strict regulatory demands are challenging scientists and researchers to make important breakthroughs faster and more efficiently. Increasing productivity in their labs has become paramount.

That’s why some of today’s highest-growth, highly regulated industries – pharmaceutical, life science, biochemical and environmental – have all turned to Waters for help. We’re the only total-solutions provider of instruments, software, consumables and support services in the industry that can meet all of their needs across the entire spectrum, from research to development to quality control. Our products provide the highest-quality information per analysis possible.

Together, our research tools and information networks create “sample-to-knowledge converters.” These allow researchers to extract important information from sample analyses and make critical decisions with unparalleled speed, reliability and accuracy. And growth in the industries we serve hasn’t nearly reached its full potential. As new challenges and problems continue to arise, we’ll continue to provide the solutions scientists and researchers need to meet them.
Waters customer loyalty has reached new heights. Our huge installed base of customers continues to drive revenue. That’s because we anticipate our customers’ needs and have the know-how, drive and dedication to develop new solutions that will meet those needs. In fact, we’ve brought more innovative new products to market than any other company in our field. Over the past five years alone, we’ve successfully launched a series of major new products including the market-leading Alliance® HPLC systems, Oasis® sample preparation products, MassLynx™ software and Empower™ software, Q Series™ thermal analysis and XTerra® column brands. We’ve also successfully taken existing products and combined them in novel ways, increasing both the uses and the demand for them. Waters is also home to Micromass® mass spectrometry brands, significantly expanding our mass spectrometry knowledge base and product line. This is allowing us to accelerate and optimize the convergence of HPLC and MS technologies with products such as MassLynx software, Q-Tof™, ZQ™ and Quattro micro® brands. It’s also what gives us the experience and expertise to drive MS innovation further every day. Thanks to these products and the innovative minds behind them, we’re enabling thousands of researchers around the world to be more innovative and productive. And with each new product we provide, innovative ideas for new solutions are being stimulated and new opportunities for growth are being born.
Reliability, speed and accuracy are absolutely critical during all phases of the discovery, development and manufacturing process, particularly for companies operating in regulated industries. Any shortcomings during these processes can significantly handicap a lab’s productivity. This not only costs both time and money, for some labs, but it could also cost them their businesses. Our solutions significantly reduce time-to-market and laboratory operating costs. They seamlessly link together critical instrumentation, chemistries and separation technologies to provide the most efficient means of extracting the information scientists and researchers need—faster, more accurately and without fear of system failure. They can run twenty-four hours day, seven days a week and achieve the highest level of accuracy. That’s why they are setting the industry benchmark for performance in MS, HPLC and thermal analysis technologies. For example, our new software algorithms impart forms of “intelligence” into our solutions, allowing them to carry out complex tasks. They accurately and thoroughly document analytical processes, keeping customers compliant with industry regulations. And all our products are backed by Connections®, our industry-leading service organization, to help researchers maximize uptime and their investment on a global scale. With these unique products and services, we’re helping laboratories achieve new levels of speed, accuracy and performance. That’s what our customers expect from us today—and why you can expect Waters to continue to grow tomorrow.
Infinite Opportunity

We’re preparing to help scientists face the biggest challenge of all—the future.

Today, Waters enjoys a reputation as the leading global provider of HPLC, MS and TA products, maintaining the industry’s largest installed base of products for these technologies. Our products have become indispensable for customers in 48 countries around the world. Our international sales represent over 60% of total company revenue. As that installed base grows, so does the demand for our aftermarket services, consumables and software products, generating a continuous and stable revenue stream. In addition, there are thousands of scientists who have yet to discover how we can help them extract the most accurate information they can from a single analysis. They’re perfect prospects for our benchtop, easy-to-use, affordable ZQ mass spectrometry detectors and a huge potential source of future revenue. In order to tap into this market, we intend to make mass spectrometry an everyday product and not just one that MS experts can use. To do this, we intend to leverage our worldwide sales and support organization, the largest and most highly skilled of its kind, and our global distribution network, the largest and most productive of any in the industry. Moving forward, the word that best describes what the future holds for our customers, our company and our investors is opportunity. Opportunity for our customers to be more productive by getting to the right answer faster. Opportunity for our company to be more innovative. And opportunity for investors to distribute their investment across a wide range of growth markets. It’s a plan that’s been successful for more than forty years. And one our customers are counting on to be successful for many more.
Directors
Joshua Bekenstein
Managing Director
Bain Capital, Inc.

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

Douglas A. Berthiaume
Chairman 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
Vice Chairman
AEA Investors, LLC

Executive Officers
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Chairman, President and
Chief Executive Officer

Arthur G. Caputo
Executive Vice President and
President, Waters Division

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URL: www.waters.info

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Stockholders’ Meeting
Date: Tuesday, May 6, 2003, 11 a.m.
Place: Waters Corporation
34 Maple Street
Milford, Massachusetts

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

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Vice President, Investor Relations
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2002 COMPANY OFFICERS (left to right)

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Joshua Bekenstein
Managing Director
Bain Capital, Inc.

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

Douglas A. Berthiaume
Chairman and
Chief Executive Officer
Waters Corporation

Philip Caldwell
Chairman of the Board and
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Professor of Immunology and Medicine
Harvard School of Public Health and
Harvard Medical School

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Independent Investor and Consultant

Thomas P. Salice
Vice Chairman
AEA Investors, LLC

Executive Officers
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Chairman, President and
Chief Executive Officer

Arthur G. Caputo
Executive Vice President and
President, Waters Division

Attorneys
Bingham McCutchen LLP
150 Federal Street
Boston, Massachusetts 02110-1726

Form 10-K
A copy of the Company’s 10-K, filed
with the Securities and Exchange
Commission, is available without
charge upon written request to:
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Milford, Massachusetts 01757

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Investor Relations
Eugene G. Cassis
Vice President, Investor Relations
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gene.cassis@waters.com

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