

# Waters

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

The 2014 - 2012 adjusted amounts presented below are used by the management of the Company to measure operating performance against prior periods and forecasts and are not in accordance with generally accepted accounting principles (GAAP). These Non-GAAP amounts should be considered supplemental to, and not a substitute for, financial performance in accordance with GAAP. The Company believes that the use of Non-GAAP measures, such as Adjusted Non-GAAP Earnings Per Share (EPS) and Adjusted Non-GAAP Operating Income, help management and investors gain a better understanding of our core operating results, and is consistent with how management measures performance for purposes of executive compensation and forecasts the Company's performance. The reconciliation identifies items management has excluded as non-operational items. Management has excluded the following items:

- Purchased Intangibles Amortization was excluded to allow for comparisons of operating results that are consistent over periods of time.
- Acquired In-Process Research and Development was excluded as the Company believes that the costs to license certain intellectual property are infrequent and are not indicative of normal operating costs. In 2014, the Company entered into licensing arrangements for mass spectrometry technologies, primarily related to new medically-focused applications.
- Restructuring Costs, Asset Impairments, Acquisition-Related Costs and Other One-Time Costs were excluded as the Company believes that costs to consolidate operations, reduce overhead and complete acquisitions are infrequent or unusual and are not indicative of normal operating costs.
- Litigation Provisions and Non-Income Tax Audit Settlement Provisions were excluded as these costs are isolated, unpredictable and not expected to recur regularly.
- Infrequent Income Tax Items were excluded as these costs and benefits are typically the result of audit examination settlements, updates in management's assessment of ongoing examinations or other unusual tax items and are not indicative of the Company's normal or future income tax expense.

**Waters Corporation**  
**Annual Reconciliation of GAAP to Adjusted Non-GAAP Financials**  
**2014 - 2012**

(Dollars in thousands, except EPS)

	2014	2013	2012
GAAP Gross Profit	\$ 1,164,431	\$ 1,120,762	\$ 1,106,027
Asset Impairments	-	-	1,903
<b>Adjusted Non-GAAP Gross Profit</b>	<b>\$ 1,164,431</b>	<b>\$ 1,120,762</b>	<b>\$ 1,107,930</b>
GAAP Selling and Administrative Expenses (including Purchased Intangibles Amortization and Litigation Provisions)	\$ (523,341)	\$ (502,883)	\$ (498,533)
Purchased Intangibles Amortization & Step-Up Expenses	10,634	9,964	14,420
Restructuring Costs, Asset Impairments, Acquisitions & Other One-Time Costs	17,697	9,499	5,843
Litigation Provisions	-	-	7,434
Non-Income Tax Audit Settlement Provisions	-	-	484
<b>Adjusted Non-GAAP Selling &amp; Administrative Expenses</b>	<b>\$ (495,010)</b>	<b>\$ (483,420)</b>	<b>\$ (470,352)</b>
GAAP Research & Development Expenses (including Acquired In-Process Research and Development)	\$ (123,182)	\$ (100,536)	\$ (96,004)
Acquired In-Process Research and Development	15,456	-	-
<b>Adjusted Non-GAAP Research &amp; Development</b>	<b>\$ (107,726)</b>	<b>\$ (100,536)</b>	<b>\$ (96,004)</b>
GAAP Operating Income	\$ 517,908	\$ 517,343	\$ 511,490
Purchased Intangibles Amortization & Step-Up Expenses	10,634	9,964	14,420
Restructuring Costs, Asset Impairments, Acquisitions & Other One-Time Costs	17,697	9,499	7,746
Litigation Provisions	-	-	7,434
Non-Income Tax Audit Settlement Provisions	-	-	484
Acquired In-Process Research and Development	15,456	-	-
<b>Adjusted Non-GAAP Operating Income</b>	<b>\$ 561,695</b>	<b>\$ 536,806</b>	<b>\$ 541,574</b>
GAAP Provision for Income Taxes	\$ (59,120)	\$ (40,102)	\$ (26,182)
Purchased Intangibles Amortization & Step-Up Expenses	(3,024)	(2,849)	(4,601)
Restructuring Costs, Asset Impairments, Acquisitions & Other One-Time Costs	(4,979)	(3,186)	(2,864)
Litigation Provisions	-	-	(2,788)
Non-Income Tax Audit Settlement Provisions	-	-	(182)
Acquired In-Process Research and Development	(3,323)	-	-
Infrequent Income Tax Items	2,383	(27,467)	(42,285)
<b>Adjusted Non-GAAP Provision for Income Taxes</b>	<b>\$ (68,063)</b>	<b>\$ (73,604)</b>	<b>\$ (78,902)</b>
GAAP Net Income	\$ 431,620	\$ 450,003	\$ 461,443
Purchased Intangibles Amortization & Step-Up Expenses	7,610	7,115	9,819
Restructuring Costs, Asset Impairments, Acquisitions & Other One-Time Costs	12,718	6,313	4,882
Litigation Provisions	-	-	4,646
Non-Income Tax Audit Settlement Provisions	-	-	302
Acquired In-Process Research and Development	12,133	-	-
Infrequent Income Tax Items	2,383	(27,467)	(42,285)
<b>Adjusted Non-GAAP Net Income</b>	<b>\$ 466,464</b>	<b>\$ 435,964</b>	<b>\$ 438,807</b>
GAAP EPS	\$ 5.07	\$ 5.20	\$ 5.19
Purchased Intangibles Amortization & Step-Up Expenses	0.09	0.08	0.11
Restructuring Costs, Asset Impairments, Acquisitions & Other One-Time Costs	0.15	0.07	0.05
Litigation Provisions	-	-	0.05
Non-Income Tax Audit Settlement Provisions	-	-	-
Acquired In-Process Research and Development	0.14	-	-
Infrequent Income Tax Items	0.03	(0.32)	(0.48)
<b>Adjusted Non-GAAP EPS</b>	<b>\$ 5.48</b>	<b>\$ 5.04</b>	<b>\$ 4.93</b>