



FORM 10-K405

WATERS CORP /DE/ - WAT

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Annual report. The Regulation S-K Item 405 box on the cover page is checked

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 01-14010

WATERS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation
or organization)

13-3668640
(I.R.S. Employer Identification No.)

34 MAPLE STREET
MILFORD, MASSACHUSETTS 01757
(Address, including zip code, of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (508) 478-2000

Securities registered pursuant to Section 12(b) of the Common Stock, par value \$.01 per share
Act: New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the None
Act:

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. /X/

State the aggregate market value of the registrant's common stock held by
non-affiliates of the registrant as of March 22, 2000: \$6,026,575,227.

Indicate the number of shares outstanding of the registrant's common stock
as of March 22, 2000: 63,271,131.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1999 Annual Report to Stockholders are incorporated by
reference in Parts I and II.

Portions of the proxy statement for the 2000 Annual Meeting of Stockholders
are incorporated by reference in Part III.

WATERS CORPORATION AND SUBSIDIARIES
ANNUAL REPORT ON FORM 10K
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PART I

ITEM 1: BUSINESS

GENERAL

Waters Corporation ("Waters" or the "Company") is a holding company which owns only and all of the outstanding common stock of Waters Technologies Corporation, the operating subsidiary. Waters Corporation was established to acquire ("Acquisition") the predecessor Waters Chromatography Division ("Predecessor") of Millipore Corporation ("Millipore") on August 18, 1994. Waters Corporation became a publicly traded company with its initial public offering ("IPO") in November 1995. The Company has made two significant acquisitions since its inception: Micromass Limited ("Micromass") in September 1997 and TA Instruments, Inc. ("TAI") in May 1996.

BUSINESS SEGMENTS

The Company operates in the analytical instrument industry, with manufacturing and distribution expertise in three complementary technologies: high performance liquid chromatography ("HPLC") instruments, chromatography columns and other consumables, and related service; mass spectrometry instruments that can be integrated and used along with other analytical instruments, especially HPLC; and thermal analysis and rheology instruments. The Company also operates in several geographic segments. See Footnote 15 to the Financial Statements for detailed results by geographic segment and products and service revenue found in the 1999 Annual Report which is incorporated herein by reference.

BUSINESS

Waters, an analytical instrument manufacturer, is the world's largest manufacturer and distributor of HPLC instruments, chromatography 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 subsidiary, Waters is a market leader in the development, manufacture, and distribution of mass spectrometry instruments, which are complementary products that can be integrated and used along with other analytical instruments, especially HPLC.

Through its TAI subsidiary, Waters is also the world's leader in thermal analysis, a prevalent and complementary technique used in the analysis of polymers.

Developed in the 1950's, HPLC today is the standard technique used to identify and analyze the constituent components of a variety of chemicals and materials. HPLC's unique performance capabilities enable it to separate and identify 80% of all known chemicals and materials. As a result, HPLC is used to analyze substances in a wide variety of industries for research and development purposes, quality control and process engineering applications. Within the pharmaceutical and life science industries, its most significant end-use market, HPLC is used extensively to identify new drugs, to develop manufacturing methods, and to assure the potency and purity of new pharmaceuticals. HPLC is used to identify food content for nutritional labeling in the food and beverages industry and to test water and air purity within the environmental testing industry. HPLC is also used in a variety of applications in other industries, such as chemical and consumer products, as well as by universities and government agencies. In many instances, Food and Drug Administration ("FDA") and Environmental Protection Agency ("EPA") regulations, and those of their international counterparts, mandate testing that requires HPLC instrumentation.

Waters manufactures over 100 HPLC instrument types. A complete HPLC system consists of five basic components: the solvent delivery system, the sample injector, the separation column, the detector and the data acquisition unit. The solvent delivery system pumps the solvent through the HPLC system, while the sample injector injects the sample into the solvent flow. The separation column then separates the sample into its components for analysis by the detector which measures the presence and amount of

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the constituents. The data acquisition unit then records and stores the information from the detector. Consumable products primarily are columns packed with separation media used in the HPLC testing process and are replaced at regular intervals. The separation column contains one of several types of packing, typically stationary phase packing made from silica. As the sample flows through the column, it is separated into its constituent components.

The acquisition of Micromass expanded the Company's product offerings in mass spectrometry instruments. Micromass is a world leader in the development, manufacture, sale and support of organic, inorganic, stable isotope and inductively-coupled plasma ("ICP") mass spectrometers typically combined with HPLC, chemical electrophoresis, chemical electrophoresis chromatography, gas chromatography or elemental analysis systems. Mass spectrometry is a powerful analytical technique that is used to identify unknown compounds, to quantify known materials, and to elucidate the structural and chemical properties of molecules by measuring the masses of individual molecules that have been converted into ions. These products supply a diverse market with a strong emphasis on the life science, pharmaceutical, biomedical, clinical, environmental and geochemistry markets worldwide. With the acquisition of Micromass, Waters became one of the leading worldwide manufacturers of HPLC-MS systems; "hyphenated" analytical systems that bring together HPLC and mass spectrometry detection. Design innovations in HPLC-MS interfacing technology have drastically improved the operating efficiencies of these systems, greatly simplifying their operation, driving down their overall cost and making them much more affordable for the average analytical laboratory. These laboratories previously relied on expert mass spectrometrists to provide them the information they now get in minutes. The largest market for HPLC-MS is the pharmaceutical market where new drug development technologies are placing greater demands on laboratories to screen and analyze new drug compounds.

The acquisition of TAI expanded the Company's product offerings to include thermal analysis and rheology products. TAI develops, manufactures, sells and services thermal analysis and rheology instruments which are used for the physical characterization of polymers and related materials. Thermal analysis measures the physical characteristics of materials as a function of temperature. Changes in temperature affect several characteristics of materials such as their physical state, weight, dimension and mechanical and electrical properties, which may be measured by one or more thermal analysis techniques. Consequently, thermal analysis techniques are widely used in the development, production and characterization of materials in various industries such as plastics, chemicals, automobiles, pharmaceuticals and electronics. Rheology instruments complement thermal analyzers in characterizing materials. Rheology characterizes the flow properties of materials and measures their viscosity, elasticity and deformation under different types of loading. The information obtained provides insight with regard to a material's behavior during manufacture, transport, usage and storage.

Instruments comprise about two thirds of the Company's total revenue. Consumable products and service comprise the remaining one third.

CUSTOMERS

Waters has a broad and diversified customer base that includes pharmaceutical accounts, other industrial accounts, universities and government agencies. The pharmaceutical segment represents the Company's largest sector and includes multinational pharmaceutical companies, generic drug manufacturers and biotechnology companies. The Company's other industrial customers include chemical manufacturers, polymer manufacturers, food and beverage companies and

environmental testing laboratories. The Company also sells to various universities and government agencies worldwide and Waters' technical support staff work closely with these customers in developing and implementing applications that meet their full range of analytical requirements.

The Company does not rely on any one customer or group of customers for a material portion of its sales. During fiscal 1999, no customer accounted for more than 2% of the Company's net sales.

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RESEARCH AND DEVELOPMENT

Waters maintains an active research and development program focused on the development and commercialization of products which both complement and update the existing product offering. The Company's research and development expenditures for 1999, 1998 and 1997, were \$36.1 million, \$34.4 million and \$25.8 million, respectively. Nearly all of the current HPLC products of the Company have been developed at the main research and development center in Milford, Massachusetts, with input and feedback from Waters' extensive field organization. The majority of the mass spectrometry products have been developed at facilities in England and nearly all of the current thermal analysis products have been developed at the Company's research and development center in New Castle, Delaware. There are approximately 350 employees involved in the Company's research and development efforts.

SALES AND SERVICE

Waters has the largest sales and service team focused exclusively on HPLC in the industry. Across all technologies, using respective specialized sales and service forces, the Company serves its customer base through over 1,000 field representatives in 83 sales offices throughout the world. The sales representatives have direct responsibility for account relationships, while service representatives work in the field to install instruments and minimize instrument downtime for customers. Technical support representatives work directly with customers, helping them to develop customized applications and procedures. Waters provides customers with comprehensive product literature and also makes consumable products available through a dedicated catalog.

MANUFACTURING

Waters provides high quality HPLC products by controlling each stage of production of its instruments and columns. The Company assembles most of its instruments at its facility in Milford, Massachusetts, where it performs machining, wiring, assembly and testing. The Milford facility employs manufacturing techniques that meet the strict ISO 9002 quality manufacturing standards and FDA mandated Good Manufacturing Practices. The Company outsources manufacturing of certain electronic components such as computers, monitors and circuit boards to outside vendors that can meet the Company's quality requirements.

The Company manufactures its HPLC columns at its facilities in Taunton, Massachusetts and Wexford, Ireland, where it processes, sizes and treats silica and polymer media that are packed into columns, solid phase extraction cartridges and bulk shipping containers. These facilities meet the same ISO and FDA standards met by the Milford, Massachusetts facility and are approved by the FDA to produce Class 1 medical devices.

The Company manufactures its Mass spectrometry products at its facilities in Manchester, England and Cheshire, England. Thermal analysis products are manufactured at the Company's New Castle, Delaware facility and rheology products are manufactured at the Company's Leatherhead, England facility.

COMPETITION

The analytical instrument and systems market is highly competitive. The Company encounters competition from several worldwide instrument manufacturers in both domestic and foreign markets. Waters competes in its markets primarily on the basis of instrument performance, reliability and service and, to a lesser extent, price. Some competitors have instrument businesses that are much larger than the Company's business, but are typically less focused on Waters' chosen markets. Certain competitors have greater financial and other resources than the Company.

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The market for consumable HPLC products, including separation columns, is also highly competitive but is more fragmented than the analytical instruments market. Waters encounters competition in the columns market from chemical companies that produce column chemicals and small specialized companies that pack and distribute columns. The Company believes that it is one of the few suppliers that processes silica, packs columns, and distributes its own product. Waters competes in this market on the basis of reproducibility, reputation and performance, and, to a lesser extent, price.

PATENTS, TRADEMARKS AND LICENSES

Waters owns a number of United States and foreign patents and has patent applications pending in the United States and abroad. Certain technology and

software is licensed from third parties. Waters also owns a number of trademarks. While the patents, licenses and trademarks are viewed as valuable assets, the Company's patent position is not of material importance to its operations.

EMPLOYEES

Waters employs approximately 3,000 employees. 55% of the Company's employees are located in the United States. Labor relations are considered to be excellent, and Waters employees are not represented by any union.

ENVIRONMENTAL MATTERS

The Company is subject to Federal, state and local laws, regulations and ordinances that (i) govern activities or operations that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal practices for solid and hazardous wastes, and (ii) impose liability for the costs of cleaning up, and certain damages resulting from sites of past spills, disposals or other releases of hazardous substances. The Company believes that it currently conducts its operations, and in the past has operated its business, in substantial compliance with applicable environmental laws. From time to time, operations of the Company have resulted or may result in noncompliance with or liability for cleanup pursuant to environmental laws. The Company does not currently anticipate any material adverse effect on its operations, financial condition or competitive position as a result of its efforts to comply with environmental laws.

With respect to the Predecessor operations of the Company's HPLC business, Millipore has been notified that the United States Environmental Protection Agency has determined that a release or a threat of a release of hazardous substances as defined by CERCLA has occurred at certain sites to which chemical wastes generated by its manufacturing operations have been sent. In each instance, Millipore was only one of a large number of corporations and entities which received such notification, and anticipates that any ultimate liability for remedial costs will be shared by others. In any instances involving chemical wastes generated by the Predecessor, Millipore has entered into partial settlements, paid its proportionate financial obligation and received partial releases.

In connection with the Acquisition, Millipore agreed to retain environmental liabilities resulting from pre-acquisition operations of the Company's facilities. Notwithstanding this contractual agreement, under CERCLA and similar environmental laws, the Company may remain primarily liable to certain persons for environmental cleanup costs.

RISK FACTORS

FORWARD-LOOKING STATEMENTS

Certain of the statements in this Form 10-K and the documents incorporated in this Form (including portions of our Annual Report) are forward-looking statements, including statements regarding, among other items, (i) the impact of the Company's new products, (ii) the Company's growth strategies, including

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its intention to make acquisitions and introduce new products, (iii) anticipated trends in the Company's business and (iv) the Company's ability to continue to control costs and maintain quality. You can identify these forward-looking statements by our use of the words "believes", "anticipates", "plans", "expects", "may", "will", "would", "intends", "estimates" and similar expressions, whether in the negative or affirmative. These statements are subject to various risks and uncertainties, many of which are outside the control of the Company, including (i) changes in the HPLC, mass spectrometry and thermal analysis portions of the analytical instrument marketplace as a result of economic or regulatory influences, (ii) changes in the competitive marketplace, including new products and pricing changes by the Company's competitors and (iii) the ability of the Company to generate increased sales and profitability from new product introductions, as well as additional risk factors set forth below. Factual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make, whether because of these factors or for other reasons. We do not assume any obligations to update any forward-looking statement we make.

COMPETITION AND THE ANALYTICAL INSTRUMENT MARKET

The analytical instrument market; in particular, the portion related to the Company's HPLC, mass spectrometry and thermal analysis product lines; is highly competitive, and the Company encounters competition from several international instrument manufacturers and other companies in both domestic and foreign markets. Certain competitors are divisions of significantly larger companies which have greater financial and other resources than the Company. There can be no assurances that the Company's competitors will not introduce more effective and less costly products than those of the Company, or that the Company will be able to increase its sales and profitability from new product introductions. Additionally, the market may, from time to time, experience low sales growth. Approximately 61% of the Company's net sales in 1999 were to the worldwide pharmaceutical industry, which may be periodically subject to unfavorable market conditions and consolidations. Unfavorable industry conditions could have a

material adverse effect on the Company's results of operations.

RISK OF DISRUPTION

The Company manufactures HPLC instruments at its facility in Milford, Massachusetts, separation columns at its facilities in Taunton, Massachusetts and Wexford, Ireland, mass spectrometry products at its facilities in Manchester, England and Cheshire, England, thermal analysis products at its facility in New Castle, Delaware and rheology products at its facility in Leatherhead, England. Any prolonged disruption to the operations at these facilities, whether due to labor difficulties, destruction of or damage to either facility or other reasons, could have a material adverse effect on the Company's results of operations and financial condition.

FOREIGN OPERATIONS AND EXCHANGE RATES

Approximately 59% of Waters' 1999 net sales were outside of the United States and were primarily denominated in foreign currencies. As a result, a significant portion of the Company's sales and operations are subject to certain risks, including adverse developments in the foreign political and economic environment, tariffs and other trade barriers, difficulties in staffing and managing foreign operations and potentially adverse tax consequences.

Additionally, the U.S. dollar value of the Company's net sales varies with currency exchange rate fluctuations. Significant increases in the value of the U.S. dollar relative to certain foreign currencies could have a material adverse effect on Waters' result of operations.

RELIANCE ON KEY MANAGEMENT

The operation of the Company requires managerial and operational expertise. None of the key management employees has an employment contract with the Company, and there can be no assurance that such individuals will remain with the Company. If, for any reason, such key personnel do not continue to be active in management, the Company's operations could be adversely affected.

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 competition, information technology systems, currency risk and 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.

ITEM 2: PROPERTIES

Waters operates 16 United States facilities and 70 international facilities. The Company believes its facilities are suitable and adequate for its current production level and for reasonable growth over the next few years. The Company's primary facilities are summarized in the table below.

PRIMARY FACILITY LOCATIONS

LOCATION	FUNCTION (1)	OWNED/LEASED	SQUARE FEET (000'S)
Franklin, MA.....	D	Leased	30
Milford, MA.....	M, R, S, A	Owned	408 (2)
Taunton, MA.....	M	Owned	32
Etten-Leur, Netherland.....	D	Leased	26
St. Quentin, France.....	S, A	Leased	18
Singapore.....	S, A	Leased	5
Tokyo, Japan.....	R, S, A	Leased	17
Wexford, Ireland.....	M, R, S	Leased	28
New Castle, DE.....	M, R, S, D, A	Leased	53
Leatherhead, England.....	M, R, S, D	Leased	10
Beverly, MA.....	S, D, A	Leased	50
Cheshire, England.....	M, R, S	Leased	28
Manchester, England.....	M, R, S, D, A	Leased	54

(1) M = Manufacturing; R = Research; S = Sales; D = Distribution; A = Administration

(2) Excludes 57 thousand square feet of additional space for administration purposes presently under construction and scheduled for occupancy in the fall of 2000.

Waters operates and maintains 11 field offices in the United States and 62 field offices abroad in addition to sales offices in the primary facilities listed above. The Company's field office locations are listed below.

FIELD OFFICE LOCATIONS (3)

UNITED STATES

 Tustin, CA
 Wood Dale, IL
 Fairfax, V
 Cary, NC
 Morristown, NJ
 Houston, TX
 Dublin, CA
 Ann Arbor, MI
 Capitola, CA
 Rolling Meadows, IL
 Spring, TX

INTERNATIONAL

 Australia India
 Austria Italy
 Belgium Japan
 Brazil Mexico
 Canada Netherlands
 Czech Republic Norway
 Denmark People's Republic of China
 Finland Poland
 France Puerto Rico
 Germany Russia
 Hong Kong Spain
 Hungary Sweden
 Switzerland
 Taiwan
 United Kingdom

(3) Waters operates more than one office within certain states and foreign countries.

ITEM 3: LEGAL PROCEEDINGS

From time to time, the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of its business. The Company does not believe that the matters in which it or its subsidiaries are currently involved, either individually or in the aggregate, are material to the Company or its subsidiaries.

The Company, through its subsidiary TAI, asserted a claim against The Perkin-Elmer Corporation ("PE") alleging patent infringement of three patents owned by TAI ("the TAI patents"). PE counterclaimed for infringement of a patent owned by PE ("the PE patent"). PE withdrew its claim for infringement preserving its right to appeal rulings interpreting the claims of the PE patent. The U.S. District Court for the District of Delaware granted judgment as a matter of law in favor of TAI and enjoined PE from infringing the TAI patents. PE has appealed the District Court judgment in favor of TAI. PE has also filed a motion for post-judgment relief which motion has been denied. The Company believes it has meritorious arguments and should prevail, although the outcome is not certain. The Company believes that any outcome will not be material to the Company.

The Company has filed suit in the U.S. against Hewlett-Packard Company and Hewlett-Packard GmbH ("HP"), seeking a declaration that certain products sold under the mark Alliance do not constitute an infringement of one or more patents owned by HP or its foreign subsidiaries ("the HP patents"). The action in the U.S. was dismissed for lack of controversy. Actions seeking revocation or nullification of foreign HP patents have been filed by the Company in Germany, France and England. A German patent tribunal found the HP German patent to be valid. The Company is appealing the German decision. In England and Germany, HP has brought an action alleging certain features of the Alliance pump may infringe the HP patent. The Company believes it has meritorious arguments and should prevail, although the outcome is not certain. The Company believes that any outcome of the proceedings will not be material to the Company.

Cohesive Technologies, Inc. ("Cohesive") has filed infringement actions against the Company alleging that one product, out of many in a large product line, infringes one or more Cohesive patents. The Company has denied infringement. The Company believes it has meritorious arguments and should prevail, although the outcome is not certain. The Company believes that any outcome of the proceedings will not be material to the Company.

Viscotek Corporation ("Viscotek") has filed a civil action against the Company alleging one option offered with a high temperature gel permeation chromatography instrument is an infringement of two patents. These patents are owned by E. I. Du Pont de Nemours and Company ("Du Pont") and claimed to be exclusively licensed to Viscotek. Du Pont is not a party to the suit. The Company has answered the complaint and believes it does not infringe the patents. The Company believes it has meritorious arguments and should prevail, although the outcome is not certain. The Company believes that any outcome of the proceedings will not be material to the Company.

PE Corporation, MDS Inc. and Perkin-Elmer Sciex Instruments have filed a civil action against the Micromass UK Limited and Micromass, Inc. wholly owned subsidiaries of the Company alleging one or more mass spectroscopy instrument products infringes upon a patent. The Company has not yet been served with the

complaint. The Company believes that it does not infringe the patent. The Company believes it has meritorious arguments and should prevail, although the outcome is not certain. The Company believes that any outcome of the proceedings will not be material to the Company.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS

Douglas A. Berthiaume, 51, has served as Chairman of the Board of Directors of the Company since February 1996 and has served as President, Chief Executive Officer and a Director of the Company since August 1994. From 1990 to 1994, Mr. Berthiaume served as President of the Waters Chromatography Division of Millipore. Mr. Berthiaume is a Director of Genzyme Corporation.

Arthur G. Caputo, 48, has been Senior Vice President, Worldwide Sales and Marketing of the Company since August 1994. He joined the Predecessor in October 1977 and has held a number of positions in sales within the Predecessor and Millipore. Prior to his current position, he was Senior Vice President and General Manager of Millipore's North American Business Operations responsible for establishing the Millipore North American Sales Subsidiary and also served as the General Manager of Waters' North American field sales, support and marketing functions.

Thomas W. Feller, 59, has been Senior Vice President, E-Business Initiative of the Company since January 2000. Prior to his current position, he was Senior Vice President, Operations of the Company from August 1994 to December 1999. He joined Millipore in 1977 and moved to the Predecessor as Vice President of Operations in 1980. Mr. Feller returned to Millipore Operations in 1985 before becoming Senior Vice President of Manufacturing Operations for the Predecessor in January 1991. Prior to joining Millipore, Mr. Feller held various production and manufacturing positions at Johnson and Johnson, Jensen Speaker and Baxter Travenol.

John R. Nelson, 56, has been Senior Vice President, Research, Development and Engineering of the Company since August 1994. He joined the Predecessor in August 1976 and has held a variety of positions in marketing as well as research and development, including Vice President Waters Research Development and Engineering, Senior Vice President Worldwide Marketing Operations and Senior Vice President of Product Development. Mr. Nelson is also responsible for the Company's Micromass Limited and TA Instruments, Inc. operations.

Philip S. Taymor, 44, has been Senior Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Assistant Secretary of the Company since August 1994. He joined Millipore in May 1981 and held several positions in the Millipore organization, including Corporate Controller, Director of Finance of Millipore's Membrane Division and Manager of Corporate Accounting. Mr. Taymor joined the Predecessor in early 1992. His current responsibilities include business and financial planning, accounting and financial reporting, treasury operations, legal, tax and information systems. Mr. Taymor joined Millipore from Grant Thornton & Company, Certified Public Accountants.

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Brian K. Mazar, 42, Senior Vice President, Human Resources and Investor Relations, has directed Human Resources and Investor Relations since August 1994. He joined the Predecessor in 1991 as Director of Human Resources with responsibility for worldwide human resources functions. From 1986 to 1991, Mr. Mazar was Director of Human Resources of GeneTrak Systems. Prior thereto, Mr. Mazar worked at Exxon Corporation and Corning Glass Works.

Devette W. Russo, 47, Senior Vice President, Chromatography Consumables Division, has directed the Chromatography Consumables Division since 1990. She joined the Predecessor in 1975 as a Marketing Communications Account Manager, and has held a variety of positions within the Predecessor and Millipore in marketing before assuming her current responsibilities as Senior Vice President, Chromatography Consumables Division. Prior positions include Director of Corporate Communications for Millipore and Vice President of Marketing for the Chemistry Division. Ms. Russo held various marketing and application support roles before joining the Millipore organization.

John A. Ornell, 42, has been Vice President, Operations of the Company since January 2000. He joined Waters in 1990 and most recently was Vice President of Manufacturing and Engineering. During his years at Waters, he has had responsibility for Operations Finance and Distribution and had a senior role in the successful implementation of the Company's worldwide business systems.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is registered under the Securities Exchange Act of 1934 and is listed on the New York Stock Exchange under the symbol WAT. As of March 22, 2000, the Company had approximately 286 common stockholders of record. The Company has not declared or paid any dividends on its Common Stock in the past two years and does not plan to pay dividends in the foreseeable future.

On February 25, 1999, the Board of Directors approved an amendment to the Company's Certificate of Incorporation to increase authorized common stock from fifty million to one hundred million shares. The Board of Directors also approved a two-for-one common stock split through the payment of a stock dividend in an amount equal to one share of common stock for each share of common stock issued and outstanding, contingent upon shareholder approval of the amendment to the Certificate of Incorporation at the Company's Annual Meeting. On May 4, 1999, shareholders approved the amendment. Shareholders of record on May 27, 1999 received the stock dividend on or about June 10, 1999.

The quarterly range of high and low sales prices for the Common Stock as reported by the New York Stock Exchange (adjusted to reflect the two-for-one stock split discussed above) is as follows:

FOR THE QUARTER ENDED	PRICE RANGE	
	HIGH	LOW
March 31, 1998.....	26	18 1/4
June 30, 1998.....	31 7/16	24 21/32
September 30, 1998.....	34 5/32	26 3/16
December 31, 1998.....	43 3/4	26 9/16
March 31, 1999.....	54 1/8	36 1/4
June 30, 1999.....	56 1/2	46 1/2
September 30, 1999.....	67 5/8	48 3/4
December 31, 1999.....	66 1/8	37

ITEM 6: SELECTED FINANCIAL DATA

Reference is made to information contained in the section entitled "Selected Financial Data" on page 52 of the 1999 Annual Report, which information is incorporated herein by reference.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the information on pages 19 to 25 of the 1999 Annual Report, which information is incorporated herein by reference.

RECENT ACCOUNTING STANDARDS CHANGES

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 101, Revenue Recognition in Financial Statements which provides guidance related to revenue recognition based on interpretations and practices followed by the SEC. SAB 101 is effective the first fiscal quarter of fiscal years beginning after December 15, 1999 and requires companies to report any changes in revenue recognition as a cumulative change in accounting principle at the time of implementation in accordance with Accounting Principles Board Opinion 20, Accounting Changes. In March 2000, the SEC issued SAB 101A, Amendment Revenue Recognition in Financial Statements which delays implementation of SAB 101 until the Company's second fiscal quarter of 2000. The Company will adopt SAB 101 and is currently in the process of evaluating what impact, if any, SAB 101 will have on the financial position or results of operations of the Company.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to the information on page 24 of the 1999 Annual Report, which information is incorporated herein by reference.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Company's consolidated financial statements and notes thereto on pages 27 to 51 of the 1999 Annual Report together with the "Report of Independent Accountants" dated January 21, 2000 on page 26 and including "Quarterly Results" on page 50, which information is incorporated herein by reference.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

a. Information concerning the Registrant's directors is set forth in the Proxy Statement under the headings "Election of Directors" and "Directors

Meetings and Compensation." Such information is incorporated herein by reference.

b. Information required by Item 405 of Regulation S-K is set forth in the Proxy Statement under the heading "Section 16(A) Beneficial Ownership Reporting Compliance". Such information is incorporated herein by reference.

ITEM 11: EXECUTIVE COMPENSATION

Information concerning compensation of the Registrant's executive officers is set forth in the Proxy Statement under the heading "Management Compensation." Such information is incorporated herein by reference.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is set forth in the Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners." Such information is incorporated herein by reference.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is set forth in the Proxy Statement under the heading "Certain Relationships and Related Transactions." Such information is incorporated herein by reference.

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report

(1) Financial Statements: Reference is made to the Company's consolidated financial statements and notes thereto on pages 27 to 51 of the 1999 Annual Report, which information is incorporated herein by reference.

(2) Financial Statement Schedules:

WATERS CORPORATION AND SUBSIDIARIES
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
for the years ended December 1999, 1998, and 1997

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	DEDUCTIONS	BALANCE AT END OF PERIOD
	-----	-----	-----	-----
Allowance for Doubtful Accounts:				
1999.....	\$2,966	\$1,197	\$(422)	\$3,741
1998.....	\$2,785	\$ 617	\$(436)	\$2,966
1997.....	\$1,712	\$1,471	\$(398)	\$2,785

(3) Exhibits:

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
-----	-----
2.1	Agreement for the Sale and Purchase of Micromass Limited dated as of September 12, 1997, between Micromass Limited, Schroder UK Buy-Out Fund III Trust I and Others, Waters Corporation and Waters Technologies Corporation. Incorporated by reference to the Registrant's Report on Form 8-K, filed on October 8, 1997 and amended on December 5, 1997.
3.1	Second Amended and Restated Certificate of Incorporation of Waters Corporation, as amended to date. (1)

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
-----	-----
3.11	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, as amended May 12, 1999. (4)

3.2	Amended and Restated Bylaws of Waters Corporation, as amended to date. (1)
10.1	Credit Agreement, dated as of November 22, 1995, among Waters Corporation, Waters Technologies Corporation, Bankers Trust Company and other Lenders party thereto. (2)
10.2	First Amendment to Credit Agreement, dated as of March 6, 1996 among Waters Corporation, Waters Technologies Corporation, Bankers Trust Company and other Lenders party thereto. (2)
10.3	Waters Corporation 1996 Long-Term Performance Incentive Plan. Incorporated by reference to Exhibit A of the Proxy Statement for the 1996 Annual Meeting of Stockholders ("1996 Proxy Statement").
10.31	May 1998 Amendment to the Waters Corporation 1996 Long-Term Performance Incentive Plan. (3)
10.32	November 1998 Amendment to the Waters Corporation 1996 Long-Term Performance Incentive Plan. (3)
10.4	Waters Corporation 1996 Employee Stock Purchase Plan. Incorporated by reference to Exhibit B of the 1996 Proxy Statement.
10.41	December 1999 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.
10.42	March 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.
10.5	Waters Corporation 1996 Non-Employee Director Deferred Compensation Plan. Incorporated by reference to Exhibit C of the 1996 Proxy Statement.
10.6	Waters Corporation 1996 Non-Employee Director Stock Option Plan. Incorporated by reference to Exhibit D of the 1996 Proxy Statement.
10.61	March 2000 Amendment to the Waters Corporation 1996 Non-Employee Director Stock Option Plan.
10.7	Agreement and Plan of Merger among Waters Corporation, TA Merger Sub, Inc. and TA Instruments, Inc. dated as of March 28, 1996. Incorporated by reference to the Registrant's Report on Form 8-K dated March 29, 1996.
10.8	Offer to Purchase and Consent Solicitation Statement, dated March 7, 1996, of Waters Technologies Corporation. Incorporated by reference to the Registrant's Report on Form 8-K dated March 11, 1996.
10.9	WCD Investors, Inc. Amended and Restated 1994 Stock Option Plan, as amended (including Form of Amended and Restated Stock Option Agreement). (2)
10.10	Waters Corporation Retirement Plan. (2)
10.11	Registration Rights Agreement made as of August 18, 1994, by and among WCD Investors, Inc., AEA Investors, Inc., certain investment funds controlled by Bain Capital, Inc. and other stockholders of Waters Corporation. (2)
10.12	Form of Indemnification Agreement, dated as of August 18, 1994, between WCD Investors, Inc. and its directors and executive officers. (2)

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
10.13	Form of Management Subscription Agreement, dated as of August 18, 1994, between WCD Investors, Inc. and certain members of management. (2)
10.14	1999 Management Incentive Plan. (4)
13.1	1999 Annual Report to Stockholders.
21.1	Subsidiaries of Waters Corporation. (1)

23.1 Consent of PricewaterhouseCoopers LLP

27.1 Financial Data Schedule.

(1) Incorporated by reference to the Registrant's Report on Form 10-K dated March 29, 1996.

(2) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-3810).

(3) Incorporated by reference to the Registrant's Report on Form 10-K dated March 31, 1999.

(4) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 11, 1999.

(b) Reports on Form 8-K.
No reports on Form 8-K were filed during the three month period ended December 31, 1999.

(c) See (3) above.

(d) Not Applicable.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 30, 2000

WATERS CORPORATION

By: /s/ PHILIP S. TAYMOR

Philip S. Taymor
SENIOR VICE PRESIDENT, FINANCE AND
ADMINISTRATION AND CHIEF FINANCIAL OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on March 30, 2000.

SIGNATURE

TITLE

/s/ DOUGLAS A. BERTHIAUME

Douglas A. Berthiaume

Chairman of the Board of Directors, Chief Executive Officer, and President (principal executive officer)

/s/ PHILIP S. TAYMOR

Philip S. Taymor

Senior Vice President, Finance and Administration, and Chief Financial Officer (principal financial officer and principal accounting officer)

/s/ JOSHUA BEKENSTEIN

Joshua Bekenstein

Director

/s/ MICHAEL J. BERENDT

Michael J. Berendt, PhD

Director

/s/ PHILIP CALDWELL

Philip Caldwell

Director

/s/ EDWARD CONARD

Edward Conard

Director

/s/ LAURIE H. GLIMCHER

Dr. Laurie H. Glimcher

Director

/s/ WILLIAM J. MILLER

William J. Miller

Director

/s/ THOMAS P. SALICE

Director

Thomas P. Salice

FIRST AMENDMENT
TO THE
WATERS CORPORATION 1996 EMPLOYEE STOCK PURCHASE PLAN

WHEREAS, Waters Corporation (the "Company") has established and maintains an employee stock purchase plan for the benefit of certain employees of the Company entitled the Waters Corporation 1996 Employee Stock Purchase Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan in certain respects in order to adjust the purchase price of Company stock in the event of a dividend paid in Company stock, or in the event that shares of Company stock outstanding are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another company, whether through reorganization, recapitalization, split-up, combination of shares, merger, or consolidation;

NOW, THEREFORE, in accordance with the power of amendment contained in Section 20 of the Plan, the Plan is hereby amended, effective November 1, 1999, as follows:

1. Section 12 of the Plan is deleted in its entirety and the following new Section 12 is substituted therefor:

12. SHARE PURCHASES. The Plan Committee will use the entire balance of funds in participants' cash accounts to purchase Shares to be allocated to participants' share accounts by the fifteenth working day following each deduction crediting date. The cost per Share to participants will be the lesser of 90% of the closing price for the Shares on the New York Stock Exchange ("NYSE") on the first day of the Plan period or 100% of the closing price on the last day of the Plan period with respect to which such purchase was made; provided that if the last day of the Plan period is a day on which the NYSE is closed, the price for such day shall be determined as of the last preceding day on which the NYSE is open and if the first day is a day which is closed, the price for such day shall be determined as of the next following day on which the NYSE is open; and provided further that if during any Plan period there are any dividends paid in Company stock, or in the event that shares of Company stock outstanding are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another company, whether through reorganization, recapitalization, split-up, combination of shares, merger, or consolidation, and if the Plan Committee determines, in its sole discretion, that such change equitably requires an adjustment in the closing price as of the first day of the Plan period, the Plan Committee may adjust the purchase price accordingly and may make such adjusted purchase price effective for the entire Plan period.

IN WITNESS WHEREOF, the Company has caused this amendment to be signed on its behalf by its duly authorized representative this 10th day of December 1999.

WATERS CORPORATION

By: /s/ BRIAN K. MAZAR

Its: VICE PRESIDENT, HUMAN RESOURCES

SECOND AMENDMENT
TO THE
WATERS CORPORATION 1996 EMPLOYEE STOCK PURCHASE PLAN

WHEREAS, Waters Corporation (the "Company") has established and maintains an employee stock purchase plan for the benefit of certain employees of the Company entitled the Waters Corporation 1996 Employee Stock Purchase Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan in certain respects in order to include in the Plan domestic or foreign entities affiliated with the Company;

NOW THEREFORE, in accordance with the power of amendment contained in Section 20 of the Plan, the Plan is hereby amended, effective January 1, 2000, as follows:

1. Section 23 of the Plan is deleted in its entirety and the following new subsection is substituted therefore:

"23. ADOPTING SUBSIDIARIES. Any entity, foreign or domestic, affiliated with the Company may adopt the Plan on behalf of its employees either unilaterally or by collective bargaining by filing with the Company a certified copy of a resolution of the Board of Directors (or other appropriate authorization satisfactory to the Secretary of the Company) of such affiliated entity providing for such affiliated entity's adoption of the Plan and a certified copy of a resolution of the Board of Directors of the Company (or any delegate thereof) consenting to such adoption. Each such adopting entity is referred to herein as a 'Covered Entity.'"

IN WITNESS WHEREOF, the Company has caused this amendment to be signed on its behalf by its duly authorized representative this 1st day of March 2000.

WATERS CORPORATION

By: /s/BRIAN K. MAZAR

Its: VICE PRESIDENT, HUMAN RESOURCES

AMENDMENT TO THE WATERS CORPORATION
1996 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

WHEREAS, Waters Corporation (the "Company") has established and maintains a stock option plan for the benefit of non-employee directors of the Company entitled the Waters Corporation 1996 Non-Employee Director Stock Option Plan (the "Plan"); and

WHEREAS, the Company has previously taken action to amend the Plan in certain respects;

NOW, THEREFORE, in accordance with the power of amendment contained in Section 8 of the Plan, the Company having heretofore taken all necessary action to amend the Plan, the Plan is hereby amended, as follows:

1. The first paragraph of Section 4(b) of the Plan is deleted in its entirety and the following new first paragraph of Section 4(b) is substituted therefor:

4(b). ADJUSTMENT. The maximum number of Shares referred to in Section 4(a), and the number of Shares which may be purchased under any outstanding Option granted under Section 6 of the Plan shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding Shares as the result of (i) the declaration and payment of a dividend payable in Common Stock, or the division of the Common Stock outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) into a greater number of Shares without the receipt of consideration therefor by the Company, or any other increase in the number of such Shares of the Company outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) which is effective without the receipt of consideration therefor by the Company (exclusive of any Shares granted by the Company to employees of the Company or any of its Subsidiaries without receipt of separate consideration by the Company), or (ii) the consolidation of the Shares outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) into a smaller number of Shares without the payment of consideration thereof by the Company, or any other decrease in the number of such Shares outstanding at the date hereof (or the date of the grant of any such outstanding Option, as applicable) effected without the payment of consideration by the Company; PROVIDED, HOWEVER, that the total option price for all Shares which may be purchased upon the exercise of any Option granted pursuant to the Plan (computed by multiplying the number of Shares originally purchasable thereunder, reduced by the number of such Shares which have theretofore been purchased thereunder, by the original option price per share before any of the adjustments herein provided for) shall not be changed.

2. Section 6(a) of the Plan is deleted in its entirety and the following new Section 6(a) is substituted therefor:

6(a). ANNUAL GRANT OF OPTIONS. Beginning December 1, 1997, on December 1 of each year through and including December 1, 1998, 1,000 options shall automatically be granted to each Non-Employee Director serving on the Board on such date. Beginning January 1, 2000, on January 1 of each year, 2,000 options, subject to adjustment immediately upon the occurrence of any of the events described in Sections 4(b)(i) and/or 4(b)(ii) hereof occurring after December 9, 1999, such adjustment to be made in accordance with the provisions of Section 4(b) hereof, shall automatically be granted to each Non-Employee Director serving on the Board on such date (collectively, the "Annual Options").

3. Section 6(b) of the Plan is deleted in its entirety and the following new Section 6(b) is substituted thereof:

6(b). INITIAL GRANT OF OPTIONS. On July 1, 1996, each Non-Employee Director serving on the Board on such date shall automatically be granted 1,000 options (the "Initial Options"), which shall be exercisable on or after July 1, 1997. If after July 1, 1996, a Non-Employee Director is initially elected or appointed to the Board effective on any date other than January 1, such Non-Employee Director

shall automatically be granted at the time of such appointment or election, 1,000 Options if such date is prior to December 9, 1999, and 2000 options if such date is on or after December 9, 1999, in the latter case subject to adjustment immediately upon the occurrence of any of the events described in Sections 4(b)(i) and/or 4(b)(ii) hereof occurring after December 9, 1999, such adjustment to be made in accordance with the provisions of Section 4(b) hereof, which options shall be exercisable after the one-year anniversary of such grant.

4. Section 6(c) of the Plan is deleted in its entirety and the following new Section 6(c) is substituted thereof:

6(c) OPTION EXERCISE PRICE. The exercise price per Share for each Option shall be the Fair Market Value of a Share on the date of the grant, subject to Section 4(b).

5. Section 6(e) of the Plan is deleted in its entirety and the following new Section 6(e) is substituted thereof:

6(e). CONDITIONS AND LIMITATIONS ON EXERCISE. Unless otherwise approved by the Board in its discretion:

(i) VESTING.

A) Each Initial Option shall vest upon the first anniversary of the date of grant.

(B) Twenty percent of each grant of Annual Options shall vest on each December 1, as to Annual Options granted prior to January 1, 2000, and on each January 1 as to Annual Options granted on or after January 1, 2000, in each case, of each of the five years following the grant of such Annual Options beginning on the one-year anniversary of such grant.

(C) Upon the termination of a Non-Employee Director's tenure for any reason, the unvested portion of any outstanding Options shall expire.

(ii) EXERCISE. Each Option shall be exercisable in one or more installments and shall not be exercisable for less than 100 Shares, unless the exercise represents the entire remaining exercisable balance of a grant or grants. Each Option shall be exercised by delivery to the Company of written notice of intent to purchase a specific number of Shares subject to the Option. The option price of any Shares as to which an Option shall be exercised shall be paid in full at the time of the exercise. Payment may, at the election of the Non-Employee Director, be made in any one or any combination of the following forms:

(A) wire transfer of funds or check in such form as may be satisfactory to the Committee;

(B) Shares (so long as such shares were held by the Non-Employee Director for a period of six months prior to the date of exercise) valued at their Fair Market Value on the date of exercise or, if the date of exercise is not a business day, the next succeeding business day; or

(C) through simultaneous sale through a broker of unrestricted Shares acquired on exercise, as permitted under Regulation T of the Federal Reserve Board.

IN WITNESS WHEREOF, the Company has caused this amendment to be signed on its behalf by its duly authorized representative this 27th day of March, 2000.

WATERS CORPORATION

By: /s/ Brian Mazar

Its: Senior Vice President
Human Resources

(FRONT COVER)

1999 ANNUAL REPORT
ANALYZING THE TIME OF OUR LIVES 1900-2000 WATERS

(Cover Image: In background, depicted is line art of a draftsman's drawing of an early-model machine. Foreground pictures a modern-day device for high-throughput analysis of test tube samples).

(Inside Front Cover: Corporate Description)

Waters Corporation (NYSE: WAT) is the world's leading supplier of high-performance liquid chromatography (HPLC) instrumentation and consumables, as well as thermal analysis and mass spectrometry (MS) products. Around the world, Waters-Registered Trademark- products are used by pharmaceutical, life science, industrial, university and government scientists in research and development, quality assurance and in environmental testing laboratories. For these customers, we provide technology that gives them 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)	1999	1998	INCREASE
For the year:			
Net sales.....	\$704,400	\$618,813	14%
Operating			
income.....	\$176,509	\$136,325	29%
Percentage of sales.....	25.1%	22.0%	
Income from operations before income taxes.....	\$167,561	\$118,047	42%
Net income available to common stockholders.....	\$121,876	\$89,936	36%
Net income per basic common share.....	\$ 1.98	\$ 1.50	32%
Net income per diluted common share.....	\$ 1.84	\$ 1.39	32%
Return on average assets.....	21.0%	15.9%	
Return on average equity.....	55.1%	84.7%	
At year end:			
Total assets.....	\$584,437	\$577,701	
Stockholders' equity.....	\$292,162	\$150,119	
Employees.....	2,968	2,758	

(A) Adjusted financial results for 1998 reflect reported results of operations excluding a \$16,500 nonrecurring charge related to the September 1997 acquisition of Micromass Limited for revaluation of acquired inventory which had no related tax effect. 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 June 10, 1999.

1999 LETTER TO SHAREHOLDERS

[Photograph]

[Photograph of Douglas A. Berthiaume, Chairman, President, and Chief Executive Officer]

The past year was a notable one. The business and market factors that have driven the Company's growth over the last several years continued to build momentum, while at the same time, several new exciting initiatives took center

stage.

Pharmaceutical and biotechnology customer demand has been our strongest source of growth. These companies continue to invest heavily in technologies that increase the number of compounds being synthesized and screened for early stage drug discovery, and that accelerate promising compounds through the drug development phase. Waters products and service offerings help increase productivity at these companies, and appeal to their almost insatiable demand for increased detection sensitivity and higher throughput. The combination of our recently introduced HPLC systems--the Alliance-Registered Trademark- HT and the CapLC-TM---and our market-leading Micromass-Registered Trademark- mass spectrometry systems--the Quattro Ultima-TM-, the LCT-TM- with MUX Technology-TM- and the Q-TOF-TM---have fulfilled customer needs and generated significant revenues.

Demand from customers in the proteomics research segment of the life sciences market grew rapidly as 1999 progressed. In proteomics, scientists study the protein content of cells, typically in the search for new drug targets. In 1999, we partnered with Bio-Rad Laboratories, a well-known life science company, to introduce an integrated proteomics workstation and analysis system, anchored by our industry-leading Q-TOF mass spectrometer. We believe that the life science industry is in the early stages of investing in proteomics research, and we are in the process of bringing to market more high-value products to this important emerging area.

The combination of fast-growing markets, innovative products and a dedication to operational excellence has resulted in the company's industry-leading financial performance. In 1999, sales grew 14%, earnings per share grew 32% and free cash flow reached a record \$127 million. Our strong financial performance gives us the flexibility to pursue growth aggressively.

I want to thank our customers and our employees across our business units--Waters, TA Instruments and Micromass--for their dedicated efforts and contributions to our success.

The key to our growth has been our rich pipeline of new products, and the year 2000 is shaping up as yet another stellar new product year. We plan major introductions and enhancements to our HPLC and HPLC-MS product lines that should continue our strong leadership positions. In the fast-moving mass spectrometry field, the number of major new product launches planned for 2000 is evidence of our innovative capacity and our ability to rapidly commercialize these innovations.

As we survey the field of new opportunities before us--evolving customer needs in high-throughput combinatorial chemistry for drug discovery, the impact of proteomics on understanding disease causation and the much anticipated contribution of genomics on drug development and personalized medicine--we are confident that Waters is in an extraordinary position to apply our technologies and continue to produce outstanding business performance.

/s/ Douglas Berthiaume

Douglas A. Berthiaume
Chairman, President and Chief Executive Officer

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DISCOVERING NEW WAYS TO MAKE DISEASE HISTORY.

[Photographs]

[Period photographs illustrating pages 4 - 5 include photos of Alexander Fleming, a polio victim in an iron lung, two photos of children being vaccinated, and a photo of surgeons at work.]

1929--ALEXANDER FLEMING DISCOVERS THE BACTERIA-KILLING PROPERTIES OF PENICILLIN NOTATUM, PAVING THE WAY FOR FUTURE EXPERIMENTATION THAT LEADS TO THE INTRODUCTION OF PENICILLIN.

1938--THE U.S. FOOD, DRUG, AND COSMETIC ACT REPLACES THE 1906 FOOD AND DRUGS ACT, CREATING THE U.S. FOOD AND DRUG ADMINISTRATION (FDA).

1953--JONAS SALK REFINES THE POLIO VACCINE AND SUCCESSFULLY TESTS IT ON HUMANS FOR THE FIRST TIME.

1954--FIRST SUCCESSFUL KIDNEY TRANSPLANT USHERS IN A NEW ERA OF HUMAN ORGAN TRANSPLANTATION.

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1988--U.S. SURGEON GENERAL C. EVERETT KOOP RELEASES THE SURGEON GENERAL'S REPORT ON NUTRITION AND HEALTH, THE FEDERAL GOVERNMENT'S FIRST FORMAL RECOGNITION OF THE ROLE OF DIET IN CERTAIN CHRONIC DISEASES.

1990'S--THANKS TO CHOLESTEROL-LOWERING STATIN DRUGS, HIGH BLOOD PRESSURE, HEART FAILURE, IRREGULAR HEARTBEATS AND HEART ATTACKS ALL BECOME TREATABLE CONDITIONS.

1991--INTERNATIONAL CONFERENCE ON HARMONIZATION BEGINS THE TASK OF "HARMONIZING" THE TECHNICAL REQUIREMENTS FOR REGISTERING PHARMACEUTICAL PRODUCTS AMONG THE EUROPEAN UNION, JAPAN AND THE U.S.

Today--The pharmaceutical industry has never held more promise than it does today. Every day, discoveries are made leading to the development of new lifesaving drugs. Waters products play a critical role in a broad range of processes throughout drug discovery, development and manufacturing. Our industry-leading high performance liquid chromatography (HPLC), mass spectrometry (MS) and separation chemistry products are helping researchers break substances down to their most fundamental, molecular level, and test them for safety and effectiveness more efficiently than ever before. Our chromatography software allows researchers to work more efficiently with their data, build better audit trails and keep ahead of the curve by maintaining compliance with the newest FDA regulations. As a result, our products help pharmaceutical companies close the gap between the development of lifesaving drugs for diseases like cancer and AIDS, and the availability of those drugs to the people who need them most.

Tomorrow--Over the next five years, drugs accounting for \$60 billion in annual sales will come off patent. And pharmaceutical companies are racing to create new drugs to replace old ones. Our products assist drug companies in determining which of the thousands of compounds they generate using medicinal and combinatorial chemistry show the most promise of becoming a new drug. In fact, we're the leading supplier of HPLC and MS tools to the rapidly growing \$335 billion pharmaceutical market. These tools are far and away the most prevalent techniques found in the pharmaceutical laboratory. In 1999, we launched several new products for pre-clinical, drug discovery purposes. These new HPLC, MS and separation chemistry products are all redefining automated high-throughput drug analysis, shattering traditional HPLC/MS boundaries. And as the demand for powerful new drugs increases--pharmaceutical research and development spending is forecasted to double by the year 2005--the need for our products will, too.

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SEARCHING FOR THE SECRET OF LIFE.

[Photographs]

[Period photographs illustrating pages 6 - 7 include photos of Archibald Garrod, a chemist eyeing a sample through a microscope, of James Watson and Francis Crick together, and a photo of Cary Mullis. Background illustration--double helix structure of DNA.]

1909--ARCHIBALD GARROD FIRST PROPOSES THAT GENES MIGHT BE INVOLVED IN CREATING THE PROTEINS THAT CARRY OUT THE CHEMICAL REACTIONS OF METABOLISM.

1924--MICROSCOPE STUDIES OF DNA AND PROTEIN SHOW THAT BOTH SUBSTANCES ARE PRESENT IN CHROMOSOMES.

1953--JAMES WATSON AND FRANCIS CRICK DECIPHER THE STRUCTURE OF DNA, THE MOLECULE THAT CARRIES THE GENETIC CODE.

1973--HERBERT BOYER AND STANLEY COHEN PIONEER RECOMBINANT DNA TECHNOLOGY, USHERING IN THE MODERN BIOTECHNOLOGY ERA.

1982--GENENTECH LICENSES THE MARKETING RIGHTS TO THE FIRST RECOMBINANT PROTEIN--HUMAN INSULIN--TO ELI LILLY AND CO.

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1983--KARY MULLIS CONCEIVES OF THE POLYMERASE CHAIN REACTION (PCR), ENABLING DNA FINGERPRINTING, GENETIC DISEASE DIAGNOSIS AND DETECTION OF BACTERIA AND VIRUSES (PARTICULARLY THE AIDS VIRUS).

1990--THE INTERNATIONAL HUMAN GENOME PROJECT IS INITIATED IN AN ATTEMPT TO IDENTIFY THE ESTIMATED 100,000 GENES IN HUMAN DNA.

W. FRENCH ANDERSON PERFORMS THE FIRST GENE THERAPY ON A HUMAN PATIENT IN AN EFFORT TO REPAIR A FAULTY IMMUNE SYSTEM.

Today--Fundamental advances are being made in understanding the relationship between human genes, the proteins they encode and their impact on disease. Key to this understanding is the use of sophisticated HPLC/MS instruments and software available exclusively through the Micromass division of Waters. Today, Waters technologies allow researchers to fully characterize biomolecules that are present in inconceivably small quantities. As a result, drugs can be developed that target the cause rather than the symptom of disease. And thanks to our global distribution network, scientists can quickly and efficiently access all of the critical instrumentation and software they require to expedite

their research.

Tomorrow--In 1990, a group of talented scientists initiated the International Human Genome Project, a plan to sequence the estimated 100,000 genes in human DNA. If successful, this project could identify 25,000 or more new targets for disease analysis. A subsequent mammoth undertaking will attempt to determine the relationship between the DNA sequence, the proteins they produce and what role those proteins play in human health. Known as "proteomics," this new field of scientific endeavor will call for the most advanced automated mass spectrometry systems. And Waters will be the company to deliver those technologies. Our HPLC/MS systems will be instrumental in helping scientists push the boundaries of proteomic research and will set new performance standards in the painstaking process of finding cures for gene-related diseases.

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LEADING LONGER, MORE FULFILLING LIVES.

[Photographs]

[Period photographs illustrating pages 8 - 9 include photos of Felix Hoffman, woman with birth control pill dispenser, man and woman, Linus Pauling, thermometers in glass beaker (background--top half of page 8) and microbes as seen through microscope (background--bottom half of page 8)].

1900--FELIX HOFFMAN FORMULATES ACETYLSALICYLIC ACID, WHICH BAYER CORPORATION LATER MARKETS UNDER THE NAME ASPIRIN-Registered Trademark-.

1912--FREDERICK HOPKINS AND CASIMIR FUNK ADVANCE THE VITAMIN HYPOTHESIS OF DEFICIENCY, POSTULATING THAT THE ABSENCE OF SUFFICIENT AMOUNTS OF A VITAMIN MAY LEAD TO CERTAIN DISEASES.

1945--SYNTHETIC DRUGS KNOWN AS ANTIHISTAMINES ARE INTRODUCED TO COMBAT COMMON ALLERGIES.

GRAND RAPIDS, MICHIGAN, BECOMES THE FIRST CITY TO FLUORIDATE ITS DRINKING WATER TO WARD OFF DENTAL CARIES.

1960--G.D. SEARLE AND COMPANY INTRODUCES THE FIRST ORAL CONTRACEPTIVE, ENOVID-Registered Trademark-, DRAMATICALLY ALTERING THE FUTURE LIVES OF WOMEN AND THE FAMILY.

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1970--LINUS PAULING PUBLISHES "VITAMIN C AND THE COMMON COLD," SINGLE-HANDEDLY MAKING VITAMIN C THE WORLD'S FAVORITE DIETARY SUPPLEMENT.

1997--PFIZER INC. INTRODUCES VIAGRA-Registered Trademark-, SPOTLIGHTING THE POPULARITY OF LIFESTYLE DRUGS.

Today--In 1900, life expectancy in the United States was 48 years. Today it is 76. Thanks to discoveries made in health and nutrition, researchers are empowering people to make informed dietary and lifestyle decisions that greatly improve their quality of life. Today, effective treatments for conditions like hair loss, allergies, and physical dysfunction are fueling greater demand for lifestyle drugs. And as nutraceuticals like Ginseng Root, Melatonin and St. John's Wort gain in popularity, so too, do our products. They provide both the pharmaceutical and nutraceutical companies with the tools they need to develop, test and deliver high-quality supplements.

Tomorrow--In the U.S., the functional foods market is expected to multiply three times over the next ten years, from an estimated \$20 billion industry to a \$60 billion industry in 2010. Because natural products are highly complex, understanding their chemical nature requires sophisticated HPLC/MS tools. And as more people turn to dietary supplements, the industry invokes the scrutiny of the FDA. The companies that can prove their products are pure, contain consistent levels of active ingredients and can prove efficacy to an increasingly discerning consumer are the companies that will succeed. That means future opportunity for our analytical instrumentation within the lifestyle industry is strong. As government agencies and pharmaceutical companies keep working together to find better ways to help people lead longer, quality lives, our products will continue to push the limits of research farther.

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DEVELOPING A HEALTHIER CLIMATE FOR THE NEXT GENERATION.

[Photographs]

[Period photographs illustrating pages 10 - 11 include photos of men enjoying an outing aboard a wooden rowboat, of Rachel Carson, a lakeshore, and chemical storage drums. Background illustration on page 10--orienteeing map.]

1916--THE U.S. NATIONAL PARK SERVICE IS FOUNDED TO PROTECT THE BIO-DIVERSITY OF LARGE TRACTS OF WILDERNESS.

1935--THE WILDERNESS SOCIETY IS FOUNDED TO DEVELOP A NATIONWIDE NETWORK OF WILD LANDS THROUGH PUBLIC EDUCATION, SCIENTIFIC ANALYSIS AND ADVOCACY.

1962--RACHEL CARSON'S BOOK "SILENT SPRING" INAUGURATES THE WORLDWIDE ENVIRONMENTAL MOVEMENT, SHOWING HOW INDUSTRIAL CHEMICAL CONTAMINATION HARMS THE ENVIRONMENT.

1970--EARTH DAY IS CELEBRATED FOR THE FIRST TIME.

THE U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA) IS CREATED IN RESPONSE TO CONFUSING AND INEFFECTIVE STATE AND MUNICIPAL ENVIRONMENTAL PROTECTION LAWS.

1980--COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT IS PASSED, ESTABLISHING THE SUPERFUND PROGRAM TO CLEAN UP CONTAMINATED SITES COLLECTIVELY DUBBED THE NATIONAL PRIORITIES LIST.

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1992--FRAMEWORK CONVENTION ON CLIMATE CHANGE IN RIO DE JANEIRO, BRAZIL, COMMITS SIGNATORIES TO REDUCE LEVELS OF GREENHOUSE GASES.

1997--THE SUPERFUND PROGRAM COMPLETES CLEAN UP OF 35% OF HAZARDOUS WASTE SITES ON THE EPA'S NATIONAL PRIORITIES LIST.

Today--Waters products are helping people everywhere to breathe a little easier. Even before the worldwide environmental movement gained momentum in the early '60s, Waters maintained a dual commitment, both internally and externally, to the environment. Today, reports of dangerously high pesticide levels found in fruits, vegetables and drinking water have created a demand for stricter regulations regarding pesticide use. Our HPLC and MS products ensure that pesticide levels in water, soil and food are within safe limits. Our MS systems are the instruments of choice for ultra low-level, trace dioxin analysis, a process that is being given special attention, especially in Japan. In addition, they are favored by numerous government agencies investigating the relationships between suspected contaminants and adverse health effects in birds, fish and mammals.

Tomorrow--World economic growth brings with it challenges to control pollution in our air, water and soil. Our products are being used around the world by countries and companies that have made point-of-source monitoring, prevention, recycling and waste reduction not only a priority, but a mandate. Recently, the EPA launched the Endocrine Disruptor Research Initiative. This initiative will investigate the hypothesis that there are chemicals present in our environment causing adverse health effects by interacting with the human endocrine system. Understanding the molecular make-up of these compounds, where they exist, how they bind to cells and what happens when they do is significant. And all of our HPLC and MS products will be tools used to aid in these discovery processes.

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REFINING THE NATURE OF THINGS.

[Photographs]

[Period photographs illustrating pages 12 - 13 include photos of Wallace Carothers, a woman with nylon stockings, Dr. William DeVries with Barney Clark and two background photos of workers engaged in making plastic domes.]

1907--CHARLES GOODYEAR PERFECTS THE ACCELERATED VULCANIZATION PROCESS FOR MAKING RUBBER.

1909--LEO BAEKELAND INVENTS BAKELITE-Registered Trademark-, THE FIRST THERMOSETTING PLASTIC THAT DOESN'T SOFTEN WHEN HEATED.

1935--WALLACE CAROTHERS INVENTS NYLON AND POLYESTER.

1940--DUPONT INTRODUCES NYLON STOCKINGS, SELLING FIVE MILLION PAIRS IN ONE DAY TO A RIOTOUS PUBLIC.

1979--TOTAL VOLUME PRODUCTION OF PLASTICS SURPASSES THAT OF STEEL IN THE U.S.

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1980'S--WALTER KAMINSKY AND HANS BRUITZINGER DEMONSTRATE THAT METALLOCENE-BASED POLYMERS ARE SUPERIOR IN MANY WAYS TO TODAY'S COMMODITY PLASTICS.

1982--DR. WILLIAM DEVRIES SUSTAINS BARNEY CLARK FOR 112 DAYS WITH THE FIRST ARTIFICIAL HEART MADE OF POLYURETHANE AND DACRON-Registered Trademark- POLYESTER FIBER MESH.

Today--Researchers are forever discovering new and innovative ways to expand the role polymers play in our lives. From the most mundane plastic product, to multi-layered engineered materials, researchers rely on Waters thermal analysis and gel permeation chromatography products to help them design and develop stronger and better performing materials, constituting the basis for a myriad of innovative products. And these advances will grow more frequent in the year 2000, with our launch of the most advanced gel permeation chromatography system ever created. This remarkable instrument's performance characteristics are unavailable in competitive products, providing just what polymer scientists need to develop tomorrow's advanced materials.

Tomorrow--Tomorrow will be the age of micro-thermal analysis, a process combining the capabilities of thermal analysis with atomic force microscopy. As scientists and astronauts venture farther into space and surgeons venture farther into the realm of artificial organ transplants, micro-thermal analysis will analyze the polymer-based materials used in these mission-critical applications. Combinatorial synthesis techniques will become more practical as a means of combining synthetic molecules into new and useful classes of polymers, many of which will only lend themselves to high temperature analysis. And the most capable instrumentation available for next generation room-to-high temperature polymer analysis is our Alliance-Registered Trademark- GPC 2000. So you can expect to see it being used for everything from testing various space shuttle materials to artificial heart valves.

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1999 COMPANY OFFICERS

[Photographs]

[10 photographs of company officers on pages 14 - 15. Captions read as follows:]

Douglas A. Berthiaume
Chairman, President and Chief Executive Officer

John Ornell
Vice President, Operations

Philip S. Taymor
Senior Vice President and Chief Financial Officer

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

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Devette W. Russo
Vice President, Chromatography Consumables Division

Arthur G. Caputo
Senior Vice President, Worldwide Sales and Marketing

Bob Williams
Chairman, Micromass, Limited

Norman Lynaugh
Managing Director, Micromass, Limited

Thomas W. Feller
Senior Vice President, E-Business Initiative

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

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FORWARD THINKING

[Photograph]

[Photograph of rows of test tubes.]

Time marches on. And it's clear that, at Waters, our ingenuity does too. Today, we're looking forward to our role in the adventure called "Tomorrow," and to strengthening and solidifying our position as the leading supplier of value-added solutions to the industries we serve. And yet, that focus represents only part of our commitment to the analytical instrumentation industry as a whole. We take special pride in providing our customers with industry-leading,

global service and support programs and instrumentation training. Doing so reinforces the value we bring to our customer, our industry and to you, our investors. By using our time wisely and bringing the best minds, products and services together today, we're accelerating the discovery of the best solutions for tomorrow's toughest problems.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Sales grew by 14% in 1999 and by 33% in 1998. Sales growth in both years reflected increased customer demand for new products and in 1998 was augmented by the effect of 1997 acquisitions. Operating income for the year ended December 31, 1999 was \$176.5 million, a 29% increase over the \$136.3 million generated in 1998, excluding a \$16.5 million nonrecurring charge in 1998 for revaluation of acquired inventory related to the purchase of Micromass. Earnings per diluted common share were \$1.84 in 1999, a 32% increase over the \$1.39 in 1998 excluding the nonrecurring charge.

During 1999, approximately 59% 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, 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%. 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 EXPENSE, NET. Net interest expense decreased by \$9.3 million, or 51%, from \$18.3 million in 1998 to \$9.0 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.

INCOME FROM OPERATIONS. Income from operations 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.

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Waters Corporation and Subsidiaries

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

NET SALES. Net sales for 1998 were \$618.8 million, compared to \$465.5 million for the year ended December 31, 1997, an increase of 33%. Excluding the adverse effects of a stronger U.S. dollar, net sales increased by 35% in 1998. The Company's core HPLC and thermal analysis products grew by 12%, while the impact of the Micromass acquisition resulted in the remaining 23% points of growth. HPLC growth was generally broad based across all geographies except the Pacific Rim, and particularly strong in the U.S. and Europe offsetting declines in the Pacific Rim. Japan had moderate sales growth for the year. Pharmaceutical customer demand was especially strong across all geographies. Sales of the Company's mass spectrometry products grew strongly as well with increased use of mass spectrometry as an analytical tool within the pharmaceutical industry, especially in conjunction with HPLC.

GROSS PROFIT. Gross profit for 1998 was \$369.8 million, compared to \$275.7 million for 1997, an increase of \$94.1 million or 34%. Excluding each \$16.5 million nonrecurring charge in 1997 and 1998 for revaluation of acquired inventory related to purchase accounting for the Micromass acquisition, gross profit increased by 32% in 1998. Gross profit as a percentage of sales excluding the inventory revaluation charges decreased to 62.4% in 1998 from 62.8% in 1997, reflecting the inclusion of Micromass results after its September 1997 acquisition. (Micromass mass spectrometry gross margins were lower than Waters HPLC historical gross margins, but its operating expenses were commensurately lower, and its overall operating margins were comparable to those of Waters.) Excluding the impact of Micromass results, gross profit as a percentage of sales increased 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 1998 were \$206.2 million, compared to \$167.3 million for 1997. As a percentage of net sales, selling, general and administrative expenses decreased to 33.3% for 1998 from 35.9% for 1997 as a result of higher sales volume and expense controls. The \$38.9 million or 23% increase in total expenditures primarily resulted from including the expenses of Micromass.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses were \$34.4 million for 1998 compared to \$25.8 million for 1997, an \$8.6 million or 33% increase from prior year levels. Spending increased in 1998 due to the inclusion of acquired company expenses. 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 1998 was \$9.4 million, compared to \$6.5 million for 1997, an increase of \$2.9 million or 45%. This increase primarily was related to the acquisition of Micromass.

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Waters Corporation and Subsidiaries

OPERATING INCOME. Operating income for 1998 was \$119.8 million, an increase of \$98.6 million from the prior year. Operating income in 1998 included a \$16.5 million nonrecurring acquisition related charge while 1997 included \$71.5 million of similar charges. Excluding the revaluation of acquired inventory charges in 1998 and 1997 and the expensed in-process research and development charge in 1997, all in connection with the Micromass acquisition, operating income was \$136.3 million for the year ended December 31, 1998 and represented a \$43.6 million or 47% increase over 1997. As in 1997, Waters continued to improve operating income levels in 1998 on the strength of sales growth, volume leverage, continued focus on cost reduction in all operating areas and the accretive impact of acquisitions.

INTEREST EXPENSE, NET. Net interest expense increased by \$4.6 million, or 34%, from \$13.7 million in 1997 to \$18.3 million in 1998. The 1998 increase reflected higher average 1998 debt levels as a result of borrowings which financed the late 1997 acquisition of Micromass, reduced by 1998 repayments from the Company's cash flow.

PROVISION FOR INCOME TAXES. The Company's effective income tax rate, excluding nonrecurring nondeductible charges related to the revaluation of acquired inventory in 1998 and revaluation of acquired inventory and expensed in-process research and development in 1997, was 23% in 1998 and 20% in 1997.

INCOME (LOSS) FROM OPERATIONS. Income from operations for 1998 was \$74.4 million, compared to an \$(8.3) million loss from operations for 1997. Excluding nonrecurring acquisition related charges in 1998 and 1997, the Company generated \$90.9 million of income in 1998 compared to \$63.2 million in 1997. The improvement over 1997 was a result of sales growth, continued focus on cost reductions in all operating areas and the accretive impact of the Micromass acquisition.

YEAR 2000

The Company engaged in a concerted effort to ready its business systems and products in anticipation of Year 2000 ("Y2K"). The Company did not experience any significant Y2K related issues at year end and believes its internal systems and related software are Y2K compliant. The Company has experienced no signs of disruption to its business and will continue to monitor its material software and systems. Corrective action, if necessary, will be taken to minimize any significant detrimental effects on operations.

While the Company believes its efforts have provided reasonable assurance that future material disruptions are not likely to occur, the potential for interruption and adverse effects still remotely exists. However, the company does not expect that any potential Y2K disruptions would have a material effect on the Company. In addition, recovery under existing insurance policies may be available depending upon the circumstances of a Y2K related event. To date, approximately \$11.0 million has been spent over the past four years in connection with bringing the Company's internal systems into compliance, primarily capital expenditures for entirely new business and communications systems that replaced predecessor systems. These costs do not include any allocation for the time devoted by regular employees of the Company addressing Y2K problems, as the Company did not separately track such time.

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Waters Corporation and Subsidiaries

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 competition, information technology systems, currency risk and 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 1999, net cash provided by the Company's operating activities was \$150.2 million, primarily as a result of net income for the year after adding back depreciation and amortization. In addition, the Company received \$11.2 million of proceeds from the exercise of stock options and its employee stock purchase plan. Primary uses of this cash flow during the year were \$127.2 million of net bank debt repayment, \$24.4 million of property, plant and equipment and software capitalization investments, and a \$9.5 million redemption of its preferred stock.

The Company believes that existing cash balances and current 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.

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Waters Corporation and Subsidiaries

RECENT ACCOUNTING STANDARDS CHANGES

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("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 June 15, 2000. Earlier application is permitted. 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. While management has not determined the impact of the new standard, it is not expected to be 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 10-K 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 all over 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 uses 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 lowers overall annual interest cost by approximately \$3.3 million over the lives of the swap agreements at interest rates in effect under the respective contracts on December 31, 1999. The Company

Waters Corporation and Subsidiaries

could incur higher or lower principal payments over the term of the swap agreements. At currency exchange rates in effect on December 31, 1999, the fair market value of those instruments was an unrealized gain of \$6.1 million. Details of these swap agreements are as follows:

GEOGRAPHY	NOTIONAL AMOUNT (IN THOUSANDS)	COMPOSITE INTEREST RATE	EXPIRATION DATES
Japan.....	\$ 32,933	1.10%	January 2001
Europe.....	73,000	4.20%	February 2001
Canada.....	6,400	4.05%	January 2000
Total.....	\$112,333		

Assuming a hypothetical adverse change of 10% in year-end exchange rates (a weakening of the U.S. dollar), the fair market value of those instruments would decrease by \$11.2 million.

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 1999 and 1998, the Company swapped \$103 million and \$135 million, respectively, 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 reduces notional amounts progressively to zero over a thirteen-month period and expires on December 29, 2000. The notional amount of the interest swap exceeded the aggregate borrowings at December 31, 1999 by \$21.9 million. At December 31, 1999 and 1998, the fair market value of the swap agreements was an unrealized loss of \$16 thousand and \$4.4 million, respectively. At December 31, 1999, a one percentage point decrease in the LIBOR rate would decrease the fair market value by approximately \$.5 million.

The Company's debt swap agreements also fix the interest rate on its Bank Credit Agreement. At December 31, 1999, a one percentage point decrease in the LIBOR rate would increase the fair market value of the debt swaps by approximately \$.6 million.

Waters Corporation and Subsidiaries

REPORT OF INDEPENDENT ACCOUNTANTS

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, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Waters Corporation and Subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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, 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 the opinion expressed above.

Boston, Massachusetts

PricewaterhouseCoopers LLP

January 21, 2000

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CONSOLIDATED BALANCE SHEETS

WATERS CORPORATION AND SUBSIDIARIES

	DECEMBER 31	
	1999	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 3,803	\$ 5,497
Accounts receivable, less allowances for doubtful accounts of \$3,741 and \$2,966 at December 31, 1999 and 1998, respectively.....	149,271	136,806
Inventories.....	80,363	80,281
Other current assets.....	13,893	16,448
	-----	-----
Total current assets.....	247,330	239,032
Property, plant and equipment, net.....	91,841	89,029
Other assets.....	74,530	72,146
Goodwill, less accumulated amortization of \$16,068 and \$12,281 at December 31, 1999 and 1998, respectively.....	170,736	177,494
	-----	-----
Total assets.....	\$584,437	\$577,701
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt.....	\$ 14,164	\$ 4,259
Accounts payable.....	34,771	36,510
Deferred revenue and customer advances.....	31,406	29,706
Accrued retirement plan contributions.....	5,181	5,934
Accrued income taxes.....	16,350	16,112
Accrued other taxes.....	4,026	4,225
Other current liabilities.....	91,943	88,827
	-----	-----
Total current liabilities.....	197,841	185,573
Long-term debt.....	81,105	218,250
Redeemable preferred stock.....	--	9,058
Other liabilities.....	13,329	14,701
	-----	-----
Total liabilities.....	292,275	427,582
Stockholders' equity:		
Common stock, par value \$0.01 per share, 100,000 shares authorized, 62,259 and 60,594 shares issued and outstanding at December 31, 1999 and 1998, respectively.....	623	606
Additional paid-in capital.....	195,455	174,414
Deferred stock option compensation.....	(166)	(386)
Retained earnings (deficit).....	100,041	(21,697)
Accumulated other comprehensive (loss).....	(3,791)	(2,818)
	-----	-----
Total stockholders' equity.....	292,162	150,119
	-----	-----
Total liabilities and stockholders' equity.....	\$584,437	\$577,701
	=====	=====

</TABLE>

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

WATERS CORPORATION AND SUBSIDIARIES

YEAR ENDED DECEMBER 31 (IN THOUSANDS, EXCEPT PER SHARE DATA)	1999	1998	1997
Net sales.....	\$704,400	\$618,813	\$465,470
Cost of sales.....	257,136	232,497	173,275
Revaluation of acquired inventory.....	--	16,500	16,500
Gross profit.....	447,264	369,816	275,695
Selling, general and administrative expenses.....	226,593	206,211	167,290
Research and development expenses.....	36,094	34,433	25,750
Goodwill and purchased technology amortization.....	8,068	9,347	6,468
Expensed in-process research and development.....	--	--	55,000
Operating income.....	176,509	119,825	21,187
Interest expense, net.....	8,948	18,278	13,720
Income from operations before income taxes.....	167,561	101,547	7,467
Provision for income taxes.....	45,243	27,148	15,755
Net income (loss).....	122,318	74,399	(8,288)
Accretion of and 6% dividend on preferred stock.....	(825)	(963)	(942)
Gain on redemption of preferred stock.....	383	--	--
Net income (loss) available to common stockholders.....	\$121,876	\$ 73,436	\$ (9,230)
Net income (loss) per basic common share.....	\$ 1.98	\$ 1.23	\$ (.16)
Weighted average number of basic common shares.....	61,506	59,860	58,254
Net income (loss) per diluted common share.....	\$ 1.84	\$ 1.14	\$ (.16)
Weighted average number of diluted common shares and equivalents.....	66,316	64,642	58,254

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

WATERS CORPORATION AND SUBSIDIARIES

YEAR ENDED DECEMBER 31 (IN THOUSANDS)	1999	1998	1997
Cash flows from operating activities:			
Net income (loss).....	\$ 122,318	\$ 74,399	\$ (8,288)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Deferred income taxes.....	3,407	(10,366)	(5,891)
Depreciation and amortization.....	28,947	27,248	20,010
Amortization of debt issuance costs.....	737	1,240	1,085
Compensatory stock option expense.....	220	220	220
Tax benefit related to stock option plans.....	9,747	7,623	2,976
Expensed in-process research and development.....	--	--	55,000
Revaluation of acquired inventory.....	--	16,500	16,500
Change in operating assets and liabilities, net of acquisitions:			
(Increase) in accounts receivable.....	(15,566)	(21,978)	(8,127)
(Increase) in inventories.....	(1,474)	(8,230)	(2,270)
Increase in accounts payable and other current liabilities.....	4,343	14,034	11,399
Increase in deferred revenue and customer advances.....	2,406	4,284	5,375

Source: WATERS CORP /DE/, 10-K405, March 30, 2000

Other, net.....	(4,877)	5,196	8,377
Net cash provided by operating activities.....	150,208	110,170	96,366
Cash flows from investing activities:			
Additions to property, plant and equipment.....	(19,399)	(15,040)	(18,216)
Software capitalization and other intangibles.....	(5,017)	(5,576)	(5,177)
Business acquisitions, net of cash acquired.....	(2,412)	(3,157)	(160,985)
Loans to officers.....	1,098	187	(136)
Net cash (used in) investing activities.....	(25,730)	(23,586)	(184,514)
Cash flows from financing activities:			
Net (repayment) borrowings of bank debt.....	(127,240)	(90,225)	87,452
Redemption of preferred stock.....	(9,500)	--	--
Proceeds from stock plans.....	11,173	6,588	2,491
Other, net.....	--	--	1,113
Net cash (used in) provided by financing activities...	(125,567)	(83,637)	91,056
Effect of exchange rate changes on cash and cash equivalents.....	(605)	(563)	(434)
(Decrease) increase in cash and cash equivalents.....	(1,694)	2,384	2,474
Cash and cash equivalents at beginning of period.....	5,497	3,113	639
Cash and cash equivalents at end of period.....	\$ 3,803	\$ 5,497	\$ 3,113

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Supplemental cash flow information:			
Income taxes paid.....	\$ 29,014	\$ 14,993	\$ 10,022
Interest paid.....	\$ 12,214	\$ 19,601	\$ 12,754
Supplemental noncash transactions:			
Issuance of common stock for acquisition.....	\$ --	\$ --	\$ 11,241
Issuance of notes for acquisition.....	\$ --	\$ --	\$ 9,975

</TABLE>

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

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, 1996.....	\$578	\$145,428	\$ (826)	\$ (87,808)	\$ 408	\$ 57,780	
Comprehensive (loss), net of tax:							
Net (loss).....	--	--	--	(8,288)	--	(8,288)	\$ (8,288)
Other comprehensive (loss):							
Foreign currency translation adjustments.....	--	--	--	--	(3,181)	(3,181)	(3,181)
Other comprehensive (loss).....	--	--	--	--	(3,181)	(3,181)	(3,181)
Comprehensive (loss).....	--	--	--	--	--	--	\$ (11,469)
Accretion of preferred stock.....	--	(342)	--	--	--	(342)	
Dividend payable on preferred stock.....	--	(600)	--	--	--	(600)	
Issuance of common stock for acquisition.....	6	11,235	--	--	--	11,241	
Issuance of common stock for Employee Stock Purchase Plan...	2	316	--	--	--	318	
Compensatory stock option expense.....	--	--	220	--	--	220	
Stock options exercised.....	6	2,167	--	--	--	2,173	
Tax benefit related to stock option plans.....	--	2,976	--	--	--	2,976	
Balance December 31, 1997.....	\$592	\$161,180	\$ (606)	\$ (96,096)	\$ (2,773)	\$ 62,297	

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)

Comprehensive income, net of tax:							
Net income.....	--	--	--	--	74,399	--	74,399
Other comprehensive (loss):							
Foreign currency translation adjustments.....	--	--	--	--	--	(45)	(45)

Other comprehensive (loss).....	--	--	--	--	(45)	(45)
Comprehensive income.....	--	--	--	--	--	--
Accretion of preferred stock.....	--	(363)	--	--	--	(363)
Dividend payable on preferred stock.....	--	(600)	--	--	--	(600)
Issuance of common stock for Employee Stock Purchase Plan...	2	864	--	--	--	866
Compensatory stock option expense.....	--	--	220	--	--	220
Stock options exercised.....	12	5,710	--	--	--	5,722
Tax benefit related to stock option plans.....	--	7,623	--	--	--	7,623
Balance December 31, 1998.....	\$606	\$174,414	\$(386)	\$(21,697)	\$(2,818)	\$150,119
Comprehensive income, net of tax: Net income.....	--	--	--	122,318	--	122,318
Other comprehensive (loss): Foreign currency translation adjustments.....	--	--	--	--	(973)	(973)
Other comprehensive (loss).....	--	--	--	--	(973)	(973)
Comprehensive income.....	--	--	--	--	--	--
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	1,250	--	--	--	1,251
Compensatory stock option expense.....	--	--	220	--	--	220
Stock options exercised.....	16	9,906	--	--	--	9,922
Tax benefit related to stock option plans.....	--	9,747	--	--	--	9,747
Balance December 31, 1999.....	\$623	\$195,455	\$(166)	\$100,041	\$(3,791)	\$292,162

</TABLE>

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

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.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, most of which are wholly owned. 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.

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Waters Corporation and Subsidiaries

CONCENTRATION OF CREDIT RISK

The Company sells its products to a significant number of large and small customers throughout the world, with approximately 61% of 1999 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 bases 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 included in other assets, net of accumulated amortization, was \$15,430 and \$14,191 at December 31, 1999 and 1998, 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, 1999 and 1998, capitalized internal software included in property, plant and equipment, net of accumulated amortization, totaled \$3,275 and \$3,375, 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, forty years for current goodwill components. Under SFAS 121, impairment of purchased technology and goodwill are 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, 1999, no amounts have been determined to be impaired. Purchased technology included in other assets totaled \$27,105 and \$30,034, net of accumulated amortization of \$14,282 and \$11,360, at December 31, 1999 and 1998, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

DEBT ISSUANCE COSTS

Debt issuance costs are amortized over the life of the related debt using the effective interest method. At December 31, 1999 and 1998, debt issuance costs included in other assets amounted to \$1,072 and \$1,809, net of accumulated amortization of \$2,591 and \$1,854, respectively.

STOCKHOLDERS' EQUITY

On February 25, 1999, the Board of Directors approved a two-for-one common stock split, in the form of a 100% stock dividend, contingent upon shareholder approval of a charter amendment increasing authorized common stock. At the Company's Annual Meeting on May 4, 1999, shareholders approved the charter amendment. Shareholders of record on May 27, 1999 received the stock dividend on or about June 10, 1999. All share and per share amounts have been retroactively restated to reflect the stock split.

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 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 previously was to be effective 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. 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. While management has not determined the impact of the new standard, it is not expected to be material to the Company.

REVENUE RECOGNITION

Sales of products and services are 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.

PRODUCT WARRANTY COSTS

The Company provides for estimated warranty costs at the point of sale.

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.

RECLASSIFICATION

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

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 (LOSS) INCOME

The Company accounts for comprehensive (loss) income under SFAS 130, Reporting Comprehensive Income. The statement establishes standards for reporting and displaying comprehensive income and its components (revenues, expenses, gains, and losses) 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.

BUSINESS SEGMENTS

The Company discloses business segments under SFAS 131, Disclosures about Segments of an Enterprise and Related Information. The statement establishes standards for reporting information about operating segments in annual financial statements of public business enterprises and in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers.

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

3 BUSINESS COMBINATIONS

MICROMASS LIMITED ACQUISITION

On September 23, 1997, the Company acquired all of the capital stock of Micromass Limited, a company headquartered in England, for approximately \$175,000 in cash, common stock (750 shares) and promissory notes. The acquisition principally was financed through borrowings under the Company's Bank Credit Agreement. Micromass develops, manufactures, and distributes mass spectrometry instruments, products that are complementary to Waters' existing product offering. Micromass offers products ranging from high-end stand-alone instruments to smaller, easier-to-use detectors that can be integrated and used along with other analytical instruments, especially HPLC. Micromass is a global market leader in the field of mass spectrometry. Net sales for Micromass were approximately \$76,600 for the period from January 1, 1997 to September 30, 1997.

The acquisition of Micromass was accounted for by the purchase method and the results of its operations have been consolidated with the Company's results from September 30, 1997, the effective accounting date of the acquisition. In conjunction with the acquisition, the Company recorded a non-recurring charge of \$55,000 for the write-off of acquired in-process research and development and revalued acquired inventory by \$33,000, which amount was amortized to cost of sales over a period of approximately six months commencing October 1, 1997. The technological feasibility of in-process research and development projects had not been established at the date of acquisition and had no alternative future use. The Company recorded purchased technology in the transaction of \$24,200 and goodwill of \$66,914 which will be amortized for a period of fifteen and forty years, respectively, on a straight line basis. The Company recorded \$8,500 of purchase accounting liabilities in conjunction with the acquisition in 1997, and reversed \$4,000 of those purchase accounting liabilities against goodwill in 1998.

YMC, INC. ACQUISITION

On July 31, 1997, the Company acquired all of the capital stock of YMC, Inc. ("YMC"), a U.S. based company for approximately \$9,000 in cash. The acquisition of YMC was accounted for by the purchase method. YMC is a manufacturer and distributor of chromatography chemicals and supplies which augment the Waters consumables product line. Net sales for YMC were approximately \$4,300 for the period from January 1, 1997 to July 31, 1997.

PRO FORMA RESULTS OF OPERATIONS

The following unaudited Pro Forma results of operations for the year ended December 31, 1997 give effect to the Company's acquisitions as if the transactions had occurred at the beginning of that period. The financial data are based on the historical consolidated financial statements for the Company,

Micromass and YMC and include related adjustments. The Pro Forma results of operations exclude the nonrecurring charges that were recorded in conjunction with the Micromass acquisition in 1997 and do not purport to represent (i) what the Company's results of operations actually would have been if the acquisitions had occurred as of the beginning of the period or (ii) what such results will be for any future periods. The financial data are based upon assumptions that the Company believes are reasonable and should be read in conjunction with the consolidated financial statements and accompanying notes thereto included elsewhere in this report. As there were no significant acquisitions made in 1998 and 1999, reference is hereby made to the consolidated statements of operations for 1998 and 1999 financial data.

UNAUDITED PRO FORMA RESULTS FOR THE YEAR ENDED
DECEMBER 31, 1997

Net sales.....	\$542,045
Income before extraordinary item.....	67,204
Net income.....	66,262
Net income per basic common share.....	\$ 1.13
Net income per diluted common share.....	\$ 1.02

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	DECEMBER 31	
	1999	1998
	-----	-----
Land and land improvements.....	\$ 3,887	\$ 3,146
Buildings and leasehold improvements.....	35,321	34,087
Production and other equipment.....	103,855	92,592
Construction in progress.....	5,190	4,625
	-----	-----
Total property, plant and equipment.....	148,253	134,450
Less: accumulated depreciation and amortization.....	(56,412)	(45,421)
	-----	-----
Property, plant and equipment, net.....	\$ 91,841	\$ 89,029
	=====	=====

5 INVENTORIES

Inventories are classified as follows:

	DECEMBER 31	
	1999	1998
	-----	-----
Raw material.....	\$27,155	\$27,327
Work in progress.....	14,446	9,572
Finished goods.....	38,762	43,382
	-----	-----
Total inventories.....	\$80,363	\$80,281
	=====	=====

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

The Company has a Bank Credit Agreement ("Agreement") that was renegotiated in 1997 which 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 Company financial performance. At December 31, 1999 and 1998, the Company had aggregate borrowings outstanding under the Agreement of \$81,105 and \$208,275, respectively, and had additional amounts available to borrow of \$354,978 and \$228,617, respectively, after outstanding letters of credit. The weighted average interest rate on the borrowings at December 31, 1999 and 1998 was 6.54% and 5.64%, respectively. 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 was in compliance with all covenants as of December 31, 1999 and 1998. The Company's foreign subsidiaries also had available short-term lines of credit totaling \$32,413 at December 31, 1999 and \$31,616 at December 31, 1998. At December 31, 1999 and 1998, related short-term borrowings were \$4,183 at a weighted average interest rate of 5.25% and \$4,144 at a weighted average interest rate of 3.1%, respectively. In addition, the Company has promissory notes of \$9,975 due in September 2000 in conjunction with the Micromass acquisition. These notes bear interest at a fixed rate of 6.25% payable semiannually.

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 1999 and 1998, the Company swapped \$103,000 and \$135,000, respectively, 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 reduces notional amounts progressively to zero over a thirteen-month period and expires on December 29, 2000. The notional amount of the interest swap exceeded the aggregate borrowings at December 31, 1999 by \$21,895. At December 31, 1999 and 1998, the fair value of this agreement was an unrealized loss of \$16 and \$4,437, respectively.

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 lowers overall annual interest cost by approximately \$3,348 over the lives of the swap agreements at interest rates in effect under the respective contracts on December 31, 1999. The Company could incur higher or lower principal payments over the term of the swap agreements. At currency exchange rates in effect on December 31, 1999, the fair market value of those instruments was an unrealized gain of \$6,104. Details of these swap agreements are as follows:

GEOGRAPHY	NOTIONAL AMOUNT	COMPOSITE INTEREST RATE	EXPIRATION DATES
-----	-----	-----	-----
Japan.....	\$ 32,933	1.10%	January 2001
Europe.....	73,000	4.20%	February 2001
Canada.....	6,400	4.05%	January 2000

Total.....	\$112,333		
	=====		

Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

7 INCOME TAXES

Income tax data for 1999, 1998 and 1997 follow in the tables below:

	YEAR ENDED DECEMBER 31		
	1999	1998	1997
	-----	-----	-----

The components of income from operations before income taxes were as follows:			
Domestic.....	\$ 66,082	\$ 62,873	\$ 64,751
Foreign.....	101,479	38,674	(57,284)
	-----	-----	-----
Total.....	\$167,561	\$101,547	\$ 7,467
	=====	=====	=====

The components of the current and deferred income tax provision from operations were as follows:			
Current.....	\$ 41,560	\$ 34,264	\$ 20,280
Deferred.....	3,683	(7,116)	(4,525)
	-----	-----	-----
Total.....	\$ 45,243	\$ 27,148	\$ 15,755
	=====	=====	=====

The components of the provision for income taxes from operations were as follows:			
Federal.....	\$ 16,428	\$ 6,001	\$ 9,383
State.....	1,187	1,336	878

	YEAR ENDED DECEMBER 31		
	1999	1998	1997
	-----	-----	-----
Foreign.....	27,628	19,811	5,494
	-----	-----	-----
Total.....	\$ 45,243	\$ 27,148	\$ 15,755
	=====	=====	=====

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.....	\$ 58,646	\$ 35,541	\$ 2,613
Foreign sales corporation.....	(3,075)	(2,333)	(1,826)
State income tax, net of federal income tax benefit.....	772	868	570
Deferred tax assets (benefited).....	(4,891)	(13,254)	(12,307)
Net effect of foreign operations.....	(7,243)	(191)	1,005
Nondeductible acquisition costs.....	--	5,775	25,025
Other.....	1,034	742	675
	-----	-----	-----
Provision for income taxes.....	\$ 45,243	\$ 27,148	\$ 15,755
	=====	=====	=====

The tax effects of temporary differences and carryforwards which gave rise to deferred tax assets and deferred tax (liabilities) were as follows:			
Acquired net operating loss carryforwards.....	\$ --	\$ 608	\$ 2,516
Tax benefit of net operating loss and credits.....	27,778	18,006	4,133
Goodwill amortization.....	8,588	10,598	10,866
Deferred compensation.....	9,908	7,984	3,605
Inventory.....	2,586	6,388	2,452
Other.....	645	(68)	2,296
Depreciation and capitalized software.....	(9,890)	(7,620)	(6,481)
Valuation allowance.....	(22,565)	(15,439)	(9,296)
	-----	-----	-----
Total deferred taxes.....	\$ 17,050	\$ 20,457	\$ 10,091
	=====	=====	=====

At December 31, 1999, the Company had foreign net operating loss carryforwards of approximately \$1,570, some of which begin to expire in the year 2001 and some of unlimited duration. The goodwill amortization represents the difference between the book and tax treatment for both goodwill and in-process research and development. Deferred tax assets included in other current assets totaled \$5,591 and \$7,865 at December 31, 1999 and 1998, respectively. Deferred tax assets included in other assets totaled \$11,459 and \$12,592 at December 31, 1999 and 1998, respectively. The valuation allowance relates to foreign net operating losses and foreign tax credits, the realization of which is contingent upon future taxable income.

The Company's effective tax rate before the nondeductible acquisition related expenses for the years ended December 31, 1999, 1998 and 1997 was 27%, 23% and 20%, respectively.

8 LEASES

Lease agreements, expiring at various dates through 2019, cover buildings, office equipment and automobiles. Rental expense was approximately \$11,812 in 1999, \$10,766 in 1998 and \$8,666 in 1997.

Future minimum rents payable as of December 31, 1999 under non-cancelable leases with initial terms exceeding one year were as follows:

2000.....	\$11,230
2001.....	9,064
2002.....	6,400
2003.....	4,637
2004.....	3,870
Thereafter.....	9,521

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. 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.

Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

During the years ended December 31, 1999, 1998 and 1997, \$322, \$363 and \$342, respectively, for accretion and \$503, \$600 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 (loss) for 1999, 1998 and 1997, would have been \$115,857, \$70,043, and \$(10,821), respectively. Basic income (loss) per share for 1999, 1998, and 1997 would have been \$1.88, \$1.17, and \$(0.19), respectively. Diluted income (loss) per share for 1999, 1998, and 1997 would have been \$1.75, \$1.09, and \$(0.19),

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:

SIGNIFICANT ASSUMPTIONS USED TO ESTIMATE OPTION FAIR VALUES	1999	1998	1997
Options issued.....	934	1,056	998
Risk-free interest rate.....	6.2%	4.7%	5.8%
Expected life in years.....	7.5	7.5	7.2
Expected volatility.....	0.437	0.454	0.609
Expected dividends.....	0	0	0

WEIGHTED AVERAGE EXERCISE PRICE AND FAIR VALUES OF OPTIONS ON THE DATE OF GRANT	1999	1998	1997
Options exercise prices are less than the market price			
Exercise price.....			\$15.75
Fair value.....			\$ 6.75
Options exercise prices are equal to the market price			
Exercise price.....	\$46.13	\$39.27	\$21.38
Fair value.....	\$26.62	\$21.86	\$14.58

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table details the weighted average remaining contractual life of options outstanding at December 31, 1999 by range of exercise prices:

EXERCISE PRICE RANGE	NUMBER OF SHARES OUTSTANDING	EXERCISE PRICE	REMAINING CONTRACTUAL LIFE OF OPTIONS OUTSTANDING	NUMBER OF SHARES EXERCISABLE	EXERCISE PRICE
\$0.00 to \$ 4.00....	754	\$ 2.04	4.7 years	703	\$ 2.04
\$4.01 to \$10.00....	5,609	\$ 7.33	4.7 years	5,457	\$ 7.37
\$10.01 to \$20.00...	605	\$17.08	6.4 years	327	\$17.10
\$20.01 to \$30.00...	898	\$21.36	7.9 years	333	\$21.34
\$30.01 to \$40.00...	1,041	\$39.37	8.9 years	209	\$39.37
\$40.01 to \$50.00...	934	\$46.13	9.9 years	0	\$ 0.00
	-----	-----	-----	-----	-----
	9,841	\$15.87	6.1 years	7,029	\$ 8.90
	=====	=====	=====	=====	=====

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 2,000 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 4,000 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. An 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, 1999.

The Company's 1994 Stock Option Plan ("1994 Plan") provided for the granting of 10,070 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 two hundred shares of Common Stock have been reserved. Under the Director Stock Option Plan, each outside director will receive an annual option to purchase two thousand shares of Common Stock. One 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.

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table summarizes stock option activity for the plans:

	NUMBER OF SHARES	PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----	-----
Outstanding at December 31, 1996.....	10,524	\$ 2.04 to \$17.25	\$ 6.66
Granted.....	998	\$16.10 to \$21.38	\$ 21.20
Exercised.....	(530)	\$ 2.04 to \$17.11	\$ (3.95)
Canceled.....	(72)	\$ 4.75 to \$17.11	\$(10.03)

Outstanding at December 31, 1997.....	10,920	\$ 2.04 to \$21.38	\$ 8.10
Granted.....	1,056	\$18.78 to \$39.38	\$ 39.27
Exercised.....	(1,388)	\$ 2.04 to \$21.38	\$ (4.13)
Canceled.....	(14)	\$16.10 to \$21.38	\$(19.84)

Outstanding at December 31, 1998.....	10,574	\$ 2.04 to \$39.38	\$ 11.71
Granted.....	934	\$ 46.13	\$ 46.13
Exercised.....	(1,636)	\$ 2.04 to \$39.38	\$ (6.06)
Canceled.....	(31)	\$17.11 to \$39.38	\$(24.57)

Outstanding at December 31, 1999.....	9,841	\$ 2.04 to \$46.13	\$ 15.87
	=====	=====	=====

Options exercisable at December 31, 1999, 1998, and 1997 were 7,029, 6,564 and 6,056, respectively. The weighted average exercise prices of options exercisable at December 31, 1999, 1998, and 1997 were \$8.90, \$7.33 and \$6.22, respectively. Available stock options for grant at December 31, 1999 were 2,527.

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 500 shares of the Company's Common Stock commencing October 1, 1996. As of December 31, 1999, approximately 123 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.

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

11 EARNINGS PER SHARE

Basic and diluted EPS calculations are detailed as follows:

	YEAR ENDED 1999		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Net income.....	\$122,318		
Accretion of and 6% dividend on preferred stock.....	(825)		
Gain on redemption of preferred stock.....	383		
	-----	-----	-----
Income per basic common share from operations.....	\$121,876	61,506	\$1.98
	=====	=====	=====
Effect of dilutive securities:			
Options outstanding.....		4,394	
Options exercised.....		416	
	-----	-----	-----
Income per diluted common share from operations.....	\$121,876	66,316	\$1.84
	=====	=====	=====

	YEAR ENDED 1998		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Net income.....	\$74,399		
Accretion of and 6% dividend on preferred stock.....	(963)		
	-----	-----	-----
Income per basic common share from operations.....	\$73,436	59,860	\$1.23
	=====	=====	=====
Effect of dilutive securities:			
Options outstanding.....		4,404	
Options exercised.....		378	
	-----	-----	-----
Income per diluted common share from operations.....	\$73,436	64,642	\$1.14
	=====	=====	=====

	YEAR ENDED 1997		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Net (loss).....	\$ (8,288)		
Accretion of and 6% dividend on preferred stock.....	(942)		
	-----	-----	-----
(Loss) per basic common share from operations.....	\$ (9,230)	58,254	\$ (.16)
	=====	=====	=====
Effect of dilutive securities.....	--		
	-----	-----	-----
(Loss) per diluted common share from operations.....	\$ (9,230)	58,254	\$ (.16)
	=====	=====	=====

For the years ended December 31, 1999, 1998, and 1997, the Company had 0, 1,050, and 10,920 stock option securities that were antidilutive, respectively. These securities were not included in the computation of diluted EPS.

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Water Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

12 COMPREHENSIVE INCOME

Comprehensive income details follow:

YEAR ENDED DECEMBER 31		
1999	1998	1997
-----	-----	-----

Net income (loss).....	\$122,318	\$74,399	\$ (8,288)
Foreign currency translation adjustments before income taxes.....	(1,333)	(58)	(3,976)
Income tax (benefit).....	(360)	(13)	(795)
	-----	-----	-----
Foreign currency translation adjustments, net of tax.....	(973)	(45)	(3,181)
	-----	-----	-----
Other comprehensive (loss).....	(973)	(45)	(3,181)
	-----	-----	-----
Comprehensive income (loss).....	\$121,345	\$74,354	\$(11,469)
	=====	=====	=====

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.

In conjunction with its 1994 acquisition of the predecessor HPLC business of Millipore, the Company had asserted a claim contending that Millipore had understated the amount of assets it was obligated to transfer from the Millipore retirement plan to the Waters Retirement Plan. The Federal court subsequently ruled in favor of Millipore's position with respect to the claim. On appeal, the Federal court ruling was upheld, and \$2,440 was transferred to the Waters Retirement Plan on June 2, 1998.

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, 1999, 1998 and 1997, the Company's matching contributions amounted to \$1,984, \$1,839 and \$1,559, 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 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

Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

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:

RECONCILIATION OF PROJECTED BENEFIT OBLIGATION	1999	1998
-----	-----	-----
Benefit obligation, January 1.....	\$20,930	\$15,904

RECONCILIATION OF PROJECTED BENEFIT OBLIGATION	1999	1998
-----	-----	-----

Service cost.....	2,878	2,513
Interest cost.....	1,696	1,369
Employee rollovers.....	45	160
Actuarial (gain) loss.....	(2,544)	1,312
Disbursements.....	(295)	(328)
	-----	-----
Benefit obligation, December 31.....	\$22,710	\$20,930
	=====	=====

RECONCILIATION OF FAIR VALUE OF ASSETS	1999	1998
-----	-----	-----
Fair value of assets, January 1.....	\$17,162	\$16,008
Actual return on plan assets.....	1,896	1,322
Company contributions.....	4,078	--
Disbursements.....	(295)	(328)
Employee rollovers.....	45	160
	-----	-----
Fair value of assets, December 31.....	\$22,886	\$17,162
	=====	=====

RECONCILIATION OF FUNDED STATUS, DECEMBER 31	1999	1998
-----	-----	-----
Projected benefit obligation.....	\$ (22,710)	\$ (20,930)
Fair value of plan assets.....	22,886	17,162
	-----	-----
Projected benefit obligation less than (in excess of) fair value of plan assets.....	176	(3,768)
Unrecognized prior service cost.....	(1,225)	(1,324)
Unrecognized net actuarial (gain) loss.....	(2,597)	198
	-----	-----
Accrued benefit (liability).....	\$ (3,646)	\$ (4,894)
	=====	=====

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

Discount rate.....	8.00%	7.00%
Return on assets.....	9.00%	9.00%
Increases in compensation levels.....	4.75%	4.75%

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

COMPONENTS OF NET PERIODIC PENSION COST, YEAR ENDED DECEMBER 31	1999	1998	1997
-----	-----	-----	-----
Service cost.....	\$2,878	\$2,513	\$2,043
Interest cost.....	1,696	1,369	1,054
Return on plan assets.....	(1,645)	(1,391)	(1,190)
Net amortization:			
Prior service cost.....	(99)	(99)	(99)
Net actuarial (gain).....	--	--	(39)
	-----	-----	-----
Net periodic pension cost.....	\$2,830	\$2,392	\$1,769
	=====	=====	=====

RECONCILIATION OF (ACCRUED) PENSION COST	1999	1998	1997
-----	-----	-----	-----
(Accrued) pension cost, January 1.....	\$ (4,894)	\$ (2,502)	\$ (1,208)
FAS 87 (cost).....	(2,830)	(2,392)	(1,769)
Contributions made during the year.....	4,078	--	475
	-----	-----	-----
(Accrued) pension cost, December 31.....	\$ (3,646)	\$ (4,894)	\$ (2,502)
	=====	=====	=====

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 \$2,596 and \$2,532 at December 31, 1999 and 1998, 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 bear interest at 5.83% per annum and mature on December 1, 2000. The 1996 loans bear interest at 5.65% per annum and mature on January 8, 2001. Loans receivable of \$1,337 at December 31, 1999 and \$2,436 at December 31, 1998 are included in other assets in the consolidated balance sheets.

In connection with the acquisition of the predecessor HPLC business on August 18, 1994, the Company and Millipore entered into a Transition Support and Service Agreement ("Transition Agreement") whereby Millipore agreed to (i) lease office space, (ii) transfer certain personnel, (iii) provide management information systems, administrative, distribution and facilities management support, (iv) provide access to its telephone network and (v) supply professional support services. The Transition was substantially complete as of December 31, 1996. The Company believes that the costs incurred under the Transition Agreement were representative of charges that would have been levied by independent third parties for similar services. The Company incurred net expenses, primarily rent, pursuant to this agreement of \$875, \$1,178 and \$1,273, for the years ended December 31, 1999, 1998, and 1997, respectively. These expenses are included in selling, general and administrative expenses in the consolidated statements of operations.

During the years ended December 31, 1999, 1998 and 1997, the Company sold products and service totaling \$66, \$148 and \$32, respectively, to Millipore. These sales are included in net sales in the consolidated statements of operations.

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

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	1999	1998	1997
-----	-----	-----	-----
Products.....	\$569,504	\$504,956	\$371,928
Service.....	134,896	113,857	93,542
	-----	-----	-----
Total.....	\$704,400	\$618,813	\$465,470
	=====	=====	=====

Geographic information is presented below:

	UNITED STATES	EUROPE	JAPAN	ASIA	OTHER INT'L	ELIMINATION	TOTAL
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

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Waters Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

Geographic Information (continued):

	UNITED STATES	EUROPE	JAPAN	ASIA	OTHER INT'L	ELIMINATION	TOTAL
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
1997							
Sales:							
Unaffiliated sales.....	\$187,136	\$138,591	\$46,077	\$29,635	\$37,744	\$ --	\$439,183
Unaffiliated export sales to Japan.....	74	4,132	--	--	--	--	4,206
Unaffiliated export sales to Asia.....	8,009	1,792	--	--	--	--	9,801
Unaffiliated export sales to Other Int'l.....	12,280	--	--	--	--	--	12,280
Transfers between areas.....	131,441	12,471	--	--	--	(143,912)	--
Total sales.....	\$338,940	\$156,986	\$46,077	\$29,635	\$37,744	\$(143,912)	\$465,470
Long-lived assets:							
Unaffiliated.....	\$230,258	\$103,500	\$ 2,444	\$ 550	\$ 5,808	\$ --	\$342,560
Between affiliates.....	219,149	20,550	2,181	--	24	(241,904)	--
Total long-lived assets.....	\$449,407	\$124,050	\$ 4,625	\$ 550	\$ 5,832	\$(241,904)	\$342,560

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.

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Waters Corporation and Subsidiaries

Source: WATERS CORP /DE/, 10-K405, March 30, 2000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

16 QUARTERLY RESULTS

The Company's unaudited quarterly results are summarized below:

1999	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER
Net sales.....	\$ 160,362	\$ 172,280	\$ 171,090
Cost of sales.....	60,622	63,712	61,903
Gross profit.....	99,740	108,568	109,187
Selling, general and administrative expenses.....	54,504	55,537	57,075
Research and development expenses.....	8,686	9,021	8,634
Goodwill and purchased technology amortization.....	2,045	2,034	1,999
Operating income.....	34,505	41,976	41,479
Interest expense, net.....	3,033	2,379	1,794
Income from operations before income taxes.....	31,472	39,597	39,685
Provision for income taxes.....	8,498	10,691	10,715
Net income.....	22,974	28,906	28,970
Accretion of and dividend on preferred stock.....	(244)	(245)	(247)
Gain on redemption of preferred stock.....	--	--	--
Net income available to common stockholders.....	\$ 22,730	\$ 28,661	\$ 28,723
Net income per basic common share.....	\$.37	\$.47	\$.47
Weighted average number of basic common shares.....	60,894	61,222	61,754
Net income per diluted common share.....	\$.35	\$.43	\$.43
Weighted average number of diluted common shares and equivalents...	65,840	66,167	66,611
Stock price range.....	36 1/4-54 1/8	46 1/2-56 1/2	48 3/4-67 5/8

1999	FOURTH QUARTER	TOTAL
Net sales.....	\$ 200,668	\$ 704,400
Cost of sales.....	70,899	257,136
Gross profit.....	129,769	447,264
Selling, general and administrative expenses.....	59,477	226,593
Research and development expenses.....	9,753	36,094
Goodwill and purchased technology amortization.....	1,990	8,068
Operating income.....	58,549	176,509
Interest expense, net.....	1,742	8,948
Income from operations before income taxes.....	56,807	167,561
Provision for income taxes.....	15,339	45,243
Net income.....	41,468	122,318
Accretion of and dividend on preferred stock.....	(89)	(825)
Gain on redemption of preferred stock.....	383	383
Net income available to common stockholders.....	\$ 41,762	\$ 121,876
Net income per basic common share.....	\$.67	\$ 1.98
Weighted average number of basic common shares.....	62,204	61,506
Net income per diluted common share.....	\$.63	\$ 1.84
Weighted average number of diluted common shares and equivalents...	66,621	66,316
Stock price range.....	37-66 1/8	36 1/4-67 5/8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

1998 ----	FIRST QUARTER	SECOND QUARTER
Net sales.....	\$ 138,725	\$ 149,311
Cost of sales.....	51,920	55,848
Revaluation of acquired inventory.....	16,500	--
Gross profit.....	70,305	93,463
Selling, general and administrative expenses.....	49,988	51,952
Research and development expenses.....	8,372	8,246
Goodwill and purchased technology amortization.....	2,275	2,231
Operating income.....	9,670	31,034
Interest expense, net.....	5,063	4,888
Income from operations before income taxes.....	4,607	26,146
Provision for income taxes.....	4,363	6,033
Net income.....	244	20,113
Accretion of and dividend on preferred stock.....	(239)	(240)
Net income available to common stockholders.....	\$ 5	\$ 19,873
Net income per basic common share.....	\$.00	\$.33
Weighted average number of basic common shares.....	59,416	59,754
Net income per diluted common share.....	\$.00	\$.30
Weighted average number of diluted common shares and equivalents.....	66,322	67,038
Stock price range.....	18 1/4-26	24 21/32-31 7/16
1998 ----	THIRD QUARTER	FOURTH QUARTER
Net sales.....	\$ 151,793	\$ 178,984
Cost of sales.....	57,832	66,897
Revaluation of acquired inventory.....	--	--
Gross profit.....	93,961	112,087
Selling, general and administrative expenses.....	49,276	54,995
Research and development expenses.....	8,512	9,303
Goodwill and purchased technology amortization.....	2,537	2,304
Operating income.....	33,636	45,485
Interest expense, net.....	4,416	3,911
Income from operations before income taxes.....	29,220	41,574
Provision for income taxes.....	7,264	9,488
Net income.....	21,956	32,086
Accretion of and dividend on preferred stock.....	(241)	(243)
Net income available to common stockholders.....	\$ 21,715	\$ 31,843
Net income per basic common share.....	\$.36	\$.53
Weighted average number of basic common shares.....	60,028	60,330
Net income per diluted common share.....	\$.33	\$.49
Weighted average number of diluted common shares and equivalents.....	64,822	65,228
Stock price range.....	26 3/16-34 5/32	26 9/16-43 3/4
1998 ----	TOTAL	
Net sales.....	\$ 618,813	
Cost of sales.....	232,497	
Revaluation of acquired inventory.....	16,500	
Gross profit.....	369,816	
Selling, general and administrative expenses.....	206,211	
Research and development expenses.....	34,433	
Goodwill and purchased technology amortization.....	9,347	
Operating income.....	119,825	
Interest expense, net.....	18,278	
Income from operations before income taxes.....	101,547	
Provision for income taxes.....	27,148	

Net income.....	74,399
Accretion of and dividend on preferred stock.....	(963)
Net income available to common stockholders.....	\$ 73,436
=====	
Net income per basic common share.....	\$ 1.23
=====	
Weighted average number of basic common shares.....	59,860
=====	
Net income per diluted common share.....	\$ 1.14
=====	
Weighted average number of diluted common shares and equivalents.....	64,642
=====	
Stock price range.....	18 1/4-43 3/4

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Waters Corporation and Subsidiaries

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AND EMPLOYEES DATA)

	THE COMPANY					
	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	AUGUST 19 TO DECEMBER 31, 1994
STATEMENT OF OPERATIONS DATA:						
Net sales.....	\$704,400	\$618,813	\$465,470	\$391,113	\$332,972	\$131,057
Cost of sales.....	257,136	232,497	173,275	145,254	126,216	49,740
Revaluation of acquired inventory (B).....	--	16,500	16,500	6,100	925	38,424

Gross profit.....	447,264	369,816	275,695	239,759	205,831	42,893
Selling, general and administrative expenses.....	226,593	206,211	167,290	148,513	132,746	44,522
Research and development expenses.....	36,094	34,433	25,750	20,898	17,681	6,790
Goodwill and purchased technology amortization.....	8,068	9,347	6,468	5,219	3,629	1,227
Expensed in-process research and development (B).....	--	--	55,000	19,300	--	53,918
Management fee (B).....	--	--	--	--	5,393	552
Restructuring charge (B).....	--	--	--	--	--	3,500

Operating income (loss).....	176,509	119,825	21,187	45,829	46,382	(67,616)
Interest expense, net (C).....	8,948	18,278	13,720	14,740	30,315	12,011
(Gains) on cash flow hedges (B)....	--	--	--	--	(1,175)	(923)

Income (loss) from operations before income taxes.....	167,561	101,547	7,467	31,089	17,242	(78,704)
Provision for income taxes.....	45,243	27,148	15,755	11,230	3,129	1,487

Income (loss) from operations....	122,318	74,399	(8,288)	19,859	14,113	(80,191)
Income (loss) from discontinued operations, net of tax (B).....	--	--	--	--	--	(7,213)

Income (loss) before extraordinary item.....	122,318	74,399	(8,288)	19,859	14,113	(87,404)
Extraordinary item-(loss) on early retirement of debt (B).....	--	--	--	(22,264)	(12,112)	--

Income (loss) before cumulative effect of change in accounting principle.....	122,318	74,399	(8,288)	(2,405)	2,001	(87,404)
Cumulative effect of change in accounting principle (B).....	--	--	--	--	--	--

Net income (loss).....	122,318	74,399	(8,288)	(2,405)	2,001	(87,404)
Less: Accretion of and dividend on preferred stock, net of gain.....	442	963	942	921	902	330

Net income (loss) available to common stockholders.....	\$121,876	\$ 73,436	\$ (9,230)	\$ (3,326)	\$ 1,099	\$ (87,734)
=====						

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Waters Corporation and Subsidiaries

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AND EMPLOYEES DATA)

Income (loss) per basic common share:						
Income (loss) per common share before extraordinary item.....	\$ 1.98	\$ 1.23	\$ (.16)	\$.33	\$.30	\$
(Loss) per common share from discontinued operations.....	--	--	--	--	--	--
Extraordinary (loss) per common share.....	--	--	--	(.39)	(.27)	--
	-----	-----	-----	-----	-----	-----
Net income (loss) per common share.....	\$ 1.98	\$ 1.23	\$ (.16)	\$ (.06)	\$.03	\$
	=====	=====	=====	=====	=====	=====
Weighted average number of basic common shares.....	61,506	59,860	58,254	57,682	44,652	
	=====	=====	=====	=====	=====	=====
Income (loss) per diluted common share:						
Income (loss) per common share before extraordinary item.....	\$ 1.84	\$ 1.14	\$ (.16)	\$.30	\$.27	\$
(Loss) per common share from discontinued operations.....	--	--	--	--	--	--
Extraordinary (loss) per common share.....	--	--	--	(.35)	(.25)	--
	-----	-----	-----	-----	-----	-----
Net income (loss) per common share.....	\$ 1.84	\$ 1.14	\$ (.16)	\$ (.05)	\$.02	\$
	=====	=====	=====	=====	=====	=====
Weighted average number of diluted common shares and equivalents....	66,316	64,642	58,254	63,256	49,164	
	=====	=====	=====	=====	=====	=====

<CAPTION>

	PREDECESSOR BUSINESS (A)		
	JANUARY 1 TO AUGUST 18, 1994	YEAR ENDED DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1992
	-----	-----	-----
<S>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:			
Net sales.....	\$176,097	\$304,927	\$309,287
Cost of sales.....	73,446	124,387	123,342
Revaluation of acquired inventory (B).....	--	--	--
	-----	-----	-----
Gross profit.....	102,651	180,540	185,945
Selling, general and administrative expenses.....	85,216	132,452	138,318
Research and development expenses.....	13,399	18,525	19,142
Goodwill and purchased technology amortization.....	--	--	--
Expensed in-process research and development (B).....	--	--	--
Management fee (B).....	--	--	--
Restructuring charge (B).....	--	13,000	--
	-----	-----	-----
Operating income (loss).....	4,036	16,563	28,485
Interest expense, net (C).....	828	2,072	2,107
(Gains) on cash flow hedges (B)....	--	--	--
	-----	-----	-----
Income (loss) from operations before income taxes.....	3,208	14,491	26,378
Provision for income taxes.....	916	4,169	6,180
	-----	-----	-----
Income (loss) from operations....	2,292	10,322	20,198
Income (loss) from discontinued operations, net of tax (B).....	(448)	(9)	108
	-----	-----	-----
Income (loss) before extraordinary item.....	1,844	10,313	20,306
Extraordinary item-(loss) on early retirement of debt (B).....	--	--	--
	-----	-----	-----
Income (loss) before cumulative effect of change in accounting principle.....	1,844	10,313	20,306
Cumulative effect of change in accounting principle (B).....	--	--	(2,228)
	-----	-----	-----
Net income (loss).....	\$ 1,844	\$ 10,313	\$ 18,078
	-----	-----	-----
Less: Accretion of and dividend on preferred stock, net of gain....			
Net income (loss) available to common stockholders.....			
Income (loss) per basic common share:			
Income (loss) per common share			

before extraordinary item.....
(Loss) per common share from
discontinued operations.....
Extraordinary (loss) per common
share.....
Net income (loss) per common
share.....
Weighted average number of basic
common shares.....
Income (loss) per diluted common
share:
Income (loss) per common share
before extraordinary item.....
(Loss) per common share from
discontinued operations.....
Extraordinary (loss) per common
share.....
Net income (loss) per common
share.....
Weighted average number of diluted
common shares and equivalents....
</TABLE>

	THE COMPANY					
	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	AUGUST 19 TO DECEMBER 31, 1994
BALANCE SHEET AND OTHER DATA (D):						
Working capital.....	\$ 49,489	\$ 53,459	\$ 45,843	\$ 61,227	\$ 56,385	\$ 87,357
Total assets.....	\$584,437	\$577,701	\$552,059	\$365,502	\$299,816	\$331,598
Long term debt, including current maturities (C).....	\$ 91,080	\$218,250	\$305,340	\$210,470	\$158,500	\$275,000
Redeemable preferred stock.....	--	\$ 9,058	\$ 8,096	\$ 7,153	\$ 6,232	\$ 5,330
Stockholders' equity (deficit)/parent company investment.....	\$292,162	\$150,119	\$ 62,297	\$ 57,780	\$ 58,118	\$(22,670)
Employees.....	2,968	2,758	2,640	2,135	1,934	2,021
Depreciation and amortization for the period.....	\$ 28,947	\$ 27,248	\$ 20,010	\$ 16,709	\$ 13,774	\$ 4,394
Capital expenditures for the period.....	\$ 24,416	\$ 20,616	\$ 23,393	\$ 13,822	\$ 9,878	\$ 2,191

	PREDECESSOR BUSINESS (A)		
	JANUARY 1 TO AUGUST 18, 1994	YEAR ENDED DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1992
BALANCE SHEET AND OTHER DATA (D):			
Working capital.....		\$100,528	\$112,905
Total assets.....		\$189,592	\$199,513
Long term debt, including current maturities (C).....		\$ --	\$ --
Redeemable preferred stock.....		\$ --	\$ --
Stockholders' equity (deficit)/parent company investment.....		\$149,095	\$163,157
Employees.....	2,069	2,009	2,180
Depreciation and amortization for the period.....	\$ 6,323	\$ 9,265	\$ 8,857
Capital expenditures for the period.....	\$ 5,935	\$ 8,439	\$ 10,739

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

(B) Nonrecurring charges and (gains).

(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.

1. PAGE 12, 13

Steiner Plastics Images courtesy of The Library of Congress, Prints and Photographs division, Gottscho-Schleisner collection.

2. PAGE 9

Linus Pauling image courtesy of The Archives, California Institute of Technology.

3. PAGE 12

Wallace Carothers image courtesy of The Hagley Museum & Library.

(Inside Back Cover)

DIRECTORS

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

Joshua Bekenstein
Managing Director
Bain Capital, Inc.

Dr. Michael J. Berendt
Senior Vice President
Bayer 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
Vice President
Human Resources and Investor Relations

Devette W. Russo
Vice President
Chromatography Consumables Division

John Ornell
Vice President

Operations

TRANSFER AGENT

BankBoston, N.A.
c/o EquiServe
P.O. Box 8040
Boston, Massachusetts 02216
781-575-3120
www.equiserve.com

AUDITORS

PricewaterhouseCoopers LLP
One Post Office Square
Boston, Massachusetts 02109

ATTORNEYS

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

STOCKHOLDERS' MEETING

Date: May 4, 2000, 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

Corporate Headquarters:
Waters Corporation
34 Maple Street
Milford, Massachusetts 01757
Phone: 508-478-2000
Toll free: 800-252-4752
FAX: 508-872-1990
Email: info@waters.com
URL: www.waters.com

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Aspirin is a registered trademark of Bayer Corporation.

Enovid is a trademark of G.D. Searle and Company.
1444-AR-00

(Back Cover)

(Front Cover Image wraps around to Back Cover)

34 Maple Street, Milford, MA 01757
Waters 2000

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-08191, 333-18371 and 333-81723) of Waters Corporation of our report dated January 21, 2000 relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 21, 2000 relating to the financial statement schedule, which appears in this Form 10-K.

Boston, Massachusetts
March 29, 2000

PricewaterhouseCoopers LLP

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