



FORM 10-K

WATERS CORP /DE/ - WAT

Filed: March 27, 2001 (period: December 31, 2000)

Annual report which provides a comprehensive overview of the company for the past year

Table of Contents

[10-K - FORM 10-K](#)

[PART I](#)

[PART I](#)

- [ITEM 1: BUSINESS](#)
- [ITEM 2: PROPERTIES](#)
- [ITEM 3: LEGAL PROCEEDINGS](#)
- [ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS](#)

[PART II](#)

- [ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS](#)
- [ITEM 6: SELECTED FINANCIAL DATA](#)
- [ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS](#)
- [ITEM 7a: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK](#)
- [ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)
- [ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND](#)

[PART III](#)

- [ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT](#)
- [ITEM 11: EXECUTIVE COMPENSATION](#)
- [ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT](#)
- [ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS](#)

[PART IV](#)

- [ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K](#)
- [SIGNATURES](#)
- [EX-10.23 \(FOURTH AMENDMENT TO RESTATED CREDIT AGREEMENT\)](#)
- [EX-10.43 \(AMENDMENT TO EMPLOYEE STOCK PURCHASE PLAN\)](#)
- [EX-10.44 \(AMENDMENT TO EMPLOYEE STOCK PURCHASE PLAN\)](#)
- [EX-13.1 \(2000 ANNUAL REPORT TO STOCKHOLDERS\)](#)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000

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 13-3668640
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

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 Act:

Common Stock, par value \$.01 per share
New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

None

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 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.

State the aggregate market value of the registrant's common stock held by
non-affiliates of the registrant as of March 19, 2001: \$6,195,863,995.

Indicate the number of shares outstanding of the registrant's common stock
as of March 19, 2001: 130,439,242

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2000 Annual Report to Stockholders are incorporated by
reference in Parts I and II.

Portions of the proxy statement for the 2001 Annual Meeting of Stockholders
are incorporated by reference in Part III.

WATERS CORPORATION AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10K

INDEX

Index
No.

Page

PART I

<C>	<S>	<C>
1.	Business.....	1
2.	Properties.....	6
3.	Legal Proceedings.....	7
4.	Submission of Matters to a Vote of Security Holders.....	7
	Executive Officers.....	8

PART II

5.	Market for Registrant's Common Equity and Related Stockholder Matters.....	9
6.	Selected Financial Data.....	9
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10
7a.	Quantitative and Qualitative Disclosures About Market Risk.....	10
8.	Financial Statements and Supplementary Data.....	10
9.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.....	10

PART III

10.	Directors and Executive Officers of the Registrant.....	11
11.	Executive Compensation.....	11
12.	Security Ownership of Certain Beneficial Owners and Management...	11
13.	Certain Relationships and Related Transactions.....	11

PART IV

14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K..	11
	Signatures.....	14

</TABLE>

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 2000 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 Micromass, 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 TAI, 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

1

components for analysis by the detector, which measures the presence and amount of 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 and data products 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 2000, no customer accounted for more than 2% of the Company's net sales.

Research and Development

Waters maintains an active research and development program focused on the development and commercialization of products which both complement and updates the existing product offering. The Company's research and development expenditures for 2000, 1999 and 1998, were \$42.5 million, \$36.1 million and \$34.4 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 400 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 with approximately 1,100 field representatives in 86 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 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. The Wexford facility also manufactures and distributes certain data and software components for the Company's HPLC and mass spectrometry product lines. 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.

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 process 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 3,200 employees, 54% of whom 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 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

4

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) general changes in the economy or marketplace including currency fluctuations, in particular with regard to the Eurocurrency, (iii) changes in the competitive marketplace, including new products and pricing changes by the Company's competitors and (iv) the ability of the Company to generate increased sales and profitability from new product introductions, as well as additional risk factors set forth below. Actual 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 64% of the Company's net sales in 2000 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 57% of Waters' 2000 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 17 United States facilities and 71 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	465
Taunton, MA.....	M	Owned	32
Etten-Leur, Netherlands.....	S, D, A	Leased	37
St. Quentin, France.....	S, A	Leased	30
Singapore.....	S, A	Leased	6
Tokyo, Japan.....	R, S, A	Leased	28
Wexford, Ireland.....	M, R, S	Leased	28
New Castle, DE.....	M, R, S, D, A	Leased	71
Leatherhead, England.....	M, R, S, D	Leased	10
Beverly, MA.....	S, D, A	Leased	66
Cheshire, England.....	M, R, S	Leased	28
Manchester, England.....	M, R, S, D, A	Leased	54(2)

 (1) M = Manufacturing; R = Research; S = Sales; D = Distribution; A = Administration
 (2) Excludes 35 thousand square feet of additional space for research, sales and administration purposes presently under construction and scheduled for occupancy in the spring of 2001.

Waters operates and maintains 12 field offices in the United States and 64 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	International		
Tustin, CA	Australia	India	Sweden
Wood Dale, IL	Austria	Italy	Switzerland
Fairfax, VA	Belgium	Japan	Taiwan
Cary, NC	Brazil	Korea	United Kingdom
Morristown, NJ	Canada	Mexico	
Houston, TX	Czech Republic	Netherlands	
Dublin, CA	Denmark	Norway	
Ann Arbor, MI	Finland	People's Republic of China	
Capitola, CA	France	Poland	
Rolling Meadows, IL	Germany	Puerto Rico	
Spring, TX	Hong Kong	Russia	
	Hungary	Spain	

(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"). 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 appealed the District Court judgment in favor of TAI to the federal appellate court. The District Court's judgment, with respect to PE's infringement of the TAI patents, was affirmed. The District Court's judgment with respect to TAI's non-infringement of the PE patent was reversed and remanded to the District Court for further proceedings. PE appealed the appellate court decision, that PE failed to preserve certain arguments on appeal, to the U.S. Supreme Court and that appeal was 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 Germany, France and England, HP and its successor, Agilent Technologies Deutschland GmbH, have 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 several products in a large product line infringe 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 by the Company with a high temperature gel permeation chromatography instrument is an infringement of two of its 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 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 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.

7

EXECUTIVE OFFICERS

Douglas A. Berthiaume, 52, 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, 49, 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, 60, 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. Mr. Feller is scheduled to retire in fiscal 2001.

John R. Nelson, 57, 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, 45, 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.

Brian K. Mazar, 43, 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 Inc.

Devette W. Russo, 48, 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, 43, 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

8

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 19, 2001, the Company had approximately 259 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 29, 2000, the Board of Directors approved an amendment to the Company's Certificate of Incorporation to increase authorized common stock from one hundred million to two hundred million shares, contingent upon shareholder approval at the Company's Annual Meeting. On May 4, 2000, shareholders approved the amendment.

On July 13, 2000, the Board of Directors approved a two-for-one common stock split, in the form of a 100% stock dividend. Shareholders of record on August 4, 2000 received the stock dividend on or about August 25, 2000.

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, 1999.....	27 1/16	18 1/8
June 30, 1999.....	28 1/4	23 1/4
September 30, 1999.....	33 13/16	24 3/8
December 31, 1999.....	33 1/16	18 1/2
March 31, 2000.....	53 3/8	22
June 30, 2000.....	64 3/4	38 23/32
September 30, 2000.....	90 3/8	59 5/16
December 31, 2000.....	88 1/2	62 11/16

ITEM 6: SELECTED FINANCIAL DATA

Reference is made to information contained in the section entitled "Selected Financial Data" on page 44 of the 2000 Annual Report, which information is incorporated herein by reference.

9

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

Reference is made to the information on pages 19 to 23 of the 2000 Annual Report, which information is incorporated herein by reference.

ITEM 7a: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to the information on page 22 of the 2000 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 25 to 45 of the 2000 Annual Report together with the "Report of Independent Accountants" dated January 23, 2001 on page 24 and including "Quarterly Results" on pages 42 and 43, which information is incorporated herein by reference.

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

None.

10

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 25 to 45 of the 2000 Annual Report, which information is incorporated herein by reference.
- (2) Financial Statement Schedules:

11

WATERS CORPORATION AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
for the years ended December 2000, 1999 and 1998

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
	-----	-----	-----	-----
Allowance for Doubtful Accounts and Sales Returns:				
2000.....	\$3,741	\$1,263	\$(2,189)	\$2,815
1999.....	\$2,966	\$1,197	\$(422)	\$3,741
1998.....	\$2,785	\$ 617	\$(436)	\$2,966

(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. (1)
3.11	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, as amended May 12, 1999. (3)
3.12	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, as amended July 27, 2000. (6)
3.2	Amended and Restated Bylaws of Waters Corporation, as amended to date. (1)
10.1	Amended and Restated Credit Agreement, dated as of June 16, 1997 among Waters Corporation, Waters Technologies Corporation, Bankers Trust Company and other Lenders party thereto. (5)

- 10.2 First Amendment to Amended and Restated Credit Agreement dated as of September 4, 1997. (5)
- 10.21 Second Amendment to Amended and Restated Credit Agreement, dated as of February 7, 2000. (5)
- 10.22 Third Amendment to Amended and Restated Credit Agreement dated as of September 14, 2000. (7)
- 10.23 Fourth Amendment to Amended and Restated Credit Agreement, dated as of March 15, 2001.
- 10.3 Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan. (5)
- 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. (4)
- 10.42 March 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan. (4)
- 10.43 June 1999 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.
- 10.44 July 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.

12

Exhibit Number -----	Description of Document -----
10.5	Waters Corporation 1996 Non-Employee Director Deferred Compensation Plan. Incorporated by reference to Exhibit C of the 1996 Proxy Statement.
10.51	First Amendment to the Waters Corporation 1996 Non-Employee Director Deferred Compensation Plan. (5)
10.6	Waters Corporation Amended and Restated 1996 Non-Employee Director Stock Option Plan. (5)
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 (including Form of Amended and Restated Stock Option Agreement). (2)
10.91	Amendment to the WCD Investors, Inc. Amended and Restated 1994 Stock Option Plan. (5)
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)
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. (3)
13.1	2000 Annual Report to Stockholders.
21.1	Subsidiaries of Waters Corporation. (1)

-
- (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-Q dated August 11, 1999.
 - (4) Incorporated by reference to the Registrant's Report on Form 10-K dated March 30, 2000.
 - (5) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 8, 2000.
 - (6) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 8, 2000.
 - (7) Incorporated by reference to the Registrant's Report on Form 10-Q dated November 14, 2000.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the three-month period ended December 31, 2000, except those for informational purposes only.

(c) See (3) above.

(d) Not Applicable.

13

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.

Waters Corporation

/s/ Philip S. Taymor

By: _____
Philip S. Taymor
Senior Vice President, Finance
and Administration and Chief
Financial Officer

Date: March 27, 2001

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 27, 2001.

Signature -----	Title -----
<p>/s/ Douglas A. Berthiaume _____ Douglas A. Berthiaume</p>	<p>Chairman of the Board of Directors, Chief Executive Officer and President (principal executive officer)</p>
<p>/s/ Philip S. Taymor _____ Philip S. Taymor</p>	<p>Senior Vice President, Finance and Administration and Chief Financial Officer (principal financial officer and principal accounting officer)</p>
<p>/s/ Joshua Bekenstein _____ Joshua Bekenstein</p>	<p>Director</p>
<p>/s/ Dr. Michael J. Berendt _____ Dr. Michael J. Berendt</p>	<p>Director</p>
<p>/s/ Philip Caldwell _____ Philip Caldwell</p>	<p>Director</p>
<p>/s/ Edward Conard _____ Edward Conard</p>	<p>Director</p>
<p>/s/ Dr. Laurie H. Glimcher _____ Dr. Laurie H. Glimcher</p>	<p>Director</p>

Dr. Laurie H. Glimcher

/s/ William J. Miller Director

William J. Miller

/s/ Thomas P. Salice Director

Thomas P. Salice

FOURTH AMENDMENT

FOURTH AMENDMENT (this "Amendment"), dated as of March 15, 2001, among Waters Corporation ("Holdings"), Waters Technologies Corporation (the "Borrower"), the lenders listed on the signature pages hereof (the "Banks"), and Bankers Trust Company, as Agent (in such capacity, the "Agent"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided for such terms in the Credit Agreement referred to below.

WITNESSETH:

WHEREAS, Holdings, the Borrower, the Banks of the Credit Agreement and the Agent are parties to a Credit Agreement, dated as of November 22, 1995 and amended and restated as of June 16, 1997 (as further amended, modified and supplemented to date, the "Credit Agreement"); and

WHEREAS, the parties hereto wish to amend the Credit Agreement as herein provided;

NOW, THEREFORE, it is agreed:

1. Section 6.20 of the Credit Agreement is hereby amended by inserting the text "liabilities incurred under Section 8.04 (m) and" immediately after the text "other than" appearing in the second parenthesis appearing therein.

2. Section 8.01(b) of the Credit Agreement is hereby amended by deleting the reference to "and (k)" at the end of clause (ii) thereof, and inserting in lieu thereof the text ", (k) and (m)".

3. Section 8.04 of the Credit Agreement is hereby amended by deleting sub-clause (m) thereof in its entirety and inserting the following new sub-clause (m) in lieu thereof:

"(m) Indebtedness of Holdings and its Subsidiaries consisting of guaranties of the lease payments owing by their customers in connection with vendor financing programs under which products of the Borrower and/or its Subsidiaries are sold to third party financing institutions which lease such products to such customers, provided that the aggregate amount of all such guaranties described in this Section 8.04(m) outstanding at any time shall not exceed \$25,000,000;"

4. In order to induce the Banks to enter into this Amendment, each of Holdings and the Borrower hereby represents and warrants that (i) the representations, warranties and agreements contained in Section 6 of the Credit Agreement are true and correct in all material respects on the Fourth Amendment Effective Date (as defined in Section 8 of this

1

Amendment after giving effect thereto) both before and after giving effect to the Amendment with the same effect as though such representations and warranties had been made on and as of the Fourth Amendment Effective Date (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date) and (ii) there exists no Default or Event of Default on the Fourth Amendment Effective Date, both before and after giving effect to this Amendment.

5. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Document.

6. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Borrower and the Agent.

7. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

8. This Amendment shall become effective on the date (the "Fourth Amendment Effective Date") when each of Holdings, the Borrower and the Required Banks shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile transmission) the same to the Agent at its address for notice provided for in the Credit Agreement;

* * *

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

WATERS CORPORATION

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

2

WATERS TECHNOLOGIES CORPORATION

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

WATERS FRANCE HOLDING CORP.

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

WATERS INVESTMENTS LIMITED

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

NIHON WATERS LIMITED

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

3

WFE HOLDING, INC.

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

WATERS ASIA LIMITED

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

WATERS OPERATING CORP.

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

T.A. INSTRUMENTS, INC.

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial

WATERS OPERATING COMPANY, L.L.C.

By: /s/ Philip S. Taymor

Title: Senior Vice President, Finance and
Administration and Chief Financial
Officer

BANKERS TRUST COMPANY,
Individually, as Agent
and as Collateral Agent

By: /s/ Bankers Trust Company

Title:

FLEET BANK, N.A.

By: /s/ Fleet Bank, N.A.

Title:

CREDIT INDUSTRIEL ET COMMERCIAL

By: _____

Title:

ABN AMRO BANK N.V.

By: /s/ ABN Amro Bank N.V.

THE BANK OF NEW YORK

By: _____

Title:

THE BANK OF NOVA SCOTIA

By: _____

Title:

BANK OF SCOTLAND

By: /s/ Bank of Scotland

THE BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By: _____

Title:

CREDIT AGRICOLE INDOSUEZ

By: _____

Title:

THE SAKURA BANK, LIMITED,
NEW YORK BRANCH

By: _____

Title:

WACHOVIA BANK, N.A.

By: /s/ Wachovia Bank, N.A.

7

FUJI BANK, LIMITED

By: _____

Title: _____

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ General Electric Capital Corporation

THE INDUSTRIAL BANK OF JAPAN

By: _____

Title: _____

MELLON BANK, N.A.

By: /s/ Mellon Bank, N.A.

8

THE CHUO MITSUI TRUST & BANKING CO., LTD.

By: _____

Title: _____

ALLIED IRISH BANKS, P.L.C.,
NEW YORK BRANCH

By: _____

Title: _____

CITIZENS BANK OF MASSACHUSETTS

By: _____

Title: _____

THE ROYAL BANK OF SCOTLAND,
PLC.

By: _____

Title: _____

USTRUST

By: _____

Title: _____

9

THIRD AMENDMENT TO THE WATERS CORPORATION
1996 EMPLOYEE STOCK PURCHASE PLAN

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

WHEREAS, the Company has paid a stock dividend effective as of June 10, 1999 ("Stock Dividend"), in the amount of one share of Common Stock for each share of Common Stock issued and outstanding and held of record as of May 27, 1999, in connection with which Stock Dividend and pursuant to the Plan, the Company has authorized that the aggregate number of shares of the Common Stock that may be issued under the Plan be doubled.

WHEREAS, as of June 10, 1999, a total of 198,216 shares of the Company's Common Stock were reserved for issuance pursuant to the Plan, and that as a result of the Stock Dividend, such number of shares reserved for issuance was doubled to 396,432 shares.

NOW, THEREFORE, in accordance with the power of amendment contained in Section 20 of the Plan, the Company having heretofore taken all necessary action to amend the Plan, the Plan is hereby amended, as follows:

1. Section 3 is hereby amended by (a) replacing the number "250,000" in the second line of the first sentence thereof with the number "500,000" and (b) adding the words "occurring after June 10, 1999" after the words "subject to adjustment" on the second line of Section 3.
2. Section 10 is hereby amended by replacing the number "250,000" that appears on lines nine (9), eleven (11) and thirteen (13) of the single paragraph comprising Section 10, in each case, with the number "500,000."

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

WATERS CORPORATION

By: /s/ Brian K. Mazar

Brian K. Mazar

Its: Sr. VP, Human Resources

FOURTH 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 to clarify that upon a change in the outstanding shares of Common Stock that there is a corresponding change in the number of shares available under the Plan;

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

Section 20 of the Plan is amended by adding the following paragraph at the end thereof:

In the event of any changes in the outstanding Common Stock by reason of stock dividends, split-ups, spin-offs, recapitalizations, mergers, consolidations, combinations or exchanges of shares and the like, the aggregate number and class of shares available under Section 3 of the Plan and the limitations contained in Section 10 of the Plan will be appropriately adjusted.

IN WITNESS WHEREOF, the Company has caused this amendment to be signed on its behalf by the duly authorized representative this 14th day of July, 2000.

WATERS CORPORATION

By: /s/ Brian K. Mazar

Brian K. Mazar

Its: Sr. VP, Human Resources

(Front Cover)

WATERS ANNUAL REPORT 2000
 SUCCEEDING ON A MOLECULAR LEVEL

(Inside Front Cover: Corporate Description)

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

Page 1

FINANCIAL HIGHLIGHTS

ADJUSTED FINANCIAL RESULTS (A):

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

</TABLE>

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

1

Pages 2 and 3, Two page spread.

2000 LETTER TO SHAREHOLDERS

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

The year 2000 was one of significant accomplishment for Waters, both strategic and financial. Our success continued to build on our ability to bring innovative new products to market year after year. This relentless pursuit of improved capabilities and technological breakthroughs has produced a stream of products driving strong revenue growth. In 2000, our revenues grew 13% despite unfavorable currency translation effects, without which our sales grew by an even more robust 17%. Products introduced in the last two years - including our Q-TOF II mass spectrometer, Quattro Ultima mass spectrometer, ZQ Mass Detector, FractionLynx Autopurification System, Alliance HT and CapLC chromatographs, and XTerra family of chromatographic columns - were major reasons for this growth.

Source: WATERS CORP /DE/, 10-K, March 27, 2001

Our success has been most pronounced in the key life science research market. Our Time-of-Flight mass spectrometers have been extremely well received in both the fast-growing field of proteomics research and the equally fast-growing drug metabolism analysis segment within the pharmaceutical industry. High throughput LC/MS systems, like the Alliance HT in combination with the ZQ mass detector, have also established strong market positions. Our combination of world leadership in high performance liquid chromatography (HPLC) and in mass spectrometry is providing life science researchers with the tools necessary to develop breakthrough drugs to treat disease and improve health care.

By building on these strengths and focusing on operational excellence, we have been able to convert our strategic position into outstanding financial performance. In 2000, while our revenues were up 13%, earnings per share, excluding the nonrecurring cumulative effect of an accounting change, grew 24%. Our balance sheet also continued to strengthen. Midway through 2000, we became net debt free, and by the end of the year we had accumulated \$75 million of cash and short-term investments. Our businesses generated over \$140 million of free cash in 2000, excluding financing and acquisition activities. Because of the flexibility this provided, we were able to invest in longer-term life science initiatives, including a strategic relationship with Variagenics, Inc. to develop "SNP" (single nucleotide polymorphisms) analysis capabilities for the emerging field of pharmacogenomics, and a strategic partnership with Caprion Pharmaceuticals Inc. aimed at developing advanced proteomics tools.

We plan to pursue similar opportunities in the future, where we can combine Waters advanced technologies, and financial capabilities with promising life science research from innovative partners in order to accelerate symbiotic new products into the market. We are optimistic about the future. Our customers, in both life science and other industries, continue to demand more innovation, more throughput and better decision-making tools in their quest for faster product development. For 2001, we have planned a series of product launches across all our technology platforms - new chromatography systems, new mass spectrometry systems and, importantly, a major new product launch for our thermal analysis business - which promise to extend our record of profitable innovation.

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

Sincerely,
/s/ Douglas A. Berthiaume
Douglas A. Berthiaume
President, Chairman and Chief Executive Officer

Pages 4 and 5, Two-page spread.

Left-hand page carries a vertical bar graph titled Fig. 1 WORLDWIDE REVENUE 1996-2000 (IN MILLIONS) showing annual corporate revenue figures (Y axis) for five-year period 1996 - 2000 (X axis).

[Sales graph:

Worldwide Revenues (in millions)

1996 - \$391
1997 - \$465

1998 - \$619
1999 - \$704
2000 - \$795]

[Above and below the graph is the following:]

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

for Waters high performance liquid chromatography (HPLC), mass spectrometry (MS) and thermal analysis (TA) instrumentation, software and separation chemistries span the entire industrial analytical spectrum - from research to development to quality control. Reliability, speed and accuracy-the advantages of all our technologies-have helped Waters products become indispensable for customers in 48 countries. Today, Waters enjoys a reputation as the global market-leading provider of HPLC, MS and TA products. Our international sales represent nearly 57% of total company revenue. Researchers around the world view our products as "sample-to-knowledge converters"- the research tools and information networks that let them extract the knowledge they need from their samples to make critical decisions about their products. That fact, coupled with our ability to seamlessly link critical instrumentation, chemistries, separation technologies, and software, uniquely positions us to deliver value-added solutions to our customers.

[On right-hand page is an extreme close-up of laboratory glassware under which is the following caption:]

WATERS ENJOYS A REPUTATION AS THE GLOBAL MARKET-LEADING PROVIDER OF HPLC, MS AND TA PRODUCTS AND SERVICES. Every day, more and more companies around the world are using our industry-leading HPLC, MS and TA products. Without our tools and

the links we create between them, scientists couldn't make many of the critical decisions that lead to important breakthroughs.

Pages 6 and 7, Two-page spread.

[On left-hand page is a photo of a female laboratory chemist examining the contents of a beaker under which is the following caption:]

WATERS HAS ENJOYED 21 CONSECUTIVE QUARTERS OF POST-IPO DOUBLE-DIGIT EARNINGS GROWTH. Maintaining operational excellence and profitable growth on a global scale are our top priorities. Over the past five years, we've made a number of strategic company acquisitions and have introduced many new products. As a result, we've successfully expanded our technology base and taken our profitability to entirely new heights.

[Right-hand page carries an area graph titled Fig. 2 EARNINGS PER SHARE 1996-2000 (EXCLUDING NONRECURRING CHARGES) showing annual corporate earnings per share figures (Y axis) for five-year period 1996 - 2000 (X axis).

[Earnings per share (excluding nonrecurring charges) graph:

1996 - \$0.35
1997 - \$0.48
1998 - \$0.70
1999 - \$0.92
2000 - \$1.14]

[Above and below the graph is the following:]

WE'RE MAKING THE MOST OUT OF THE LITTLE THINGS IN LIFE. December 31, 2000 marked

the closing of the company's 21st consecutive quarter of post-IPO double-digit earnings growth (excluding nonrecurring charges). We attribute our success to our 3,200 employees, averaging 10 years of experience with the company, who develop, manufacture, and market our products and provide our world-renowned customer service. Thanks to these dedicated people, we've achieved a level of expertise no other company in the industry can match. This expertise has allowed us to realize our vision of becoming the premiere analytical chromatography, consumables, thermal analysis and mass spectrometry product company in the world. Over the past five years, we've successfully launched a series of new products including our market-leading Alliance(R) HPLC Systems, Oasis(R) Sample Preparation Products, Millennium(R) 32 Chromatography Software and XTerra(R) Columns. In addition, we acquired TA Instruments(R), Inc. and Micromass(R) UK Limited, significantly expanding our mass spectrometry knowledge base and product line. Combine these accomplishments with plans to launch more new technologies in the years to come, and you've got the perfect formula for long-term financial growth.

Pages 8 and 9, Two-page spread.

[Left-hand page carries a horizontal bar graph titled Fig. 3 WORLDWIDE R&D SPENDING BY PHARMACEUTICAL AND BIOTECH COMPANIES* 1996 - 2000 (IN MILLIONS) showing spending figures (Y axis) for five-year period 1996 - 2000 (X axis).

[Worldwide R & D spending by pharmaceutical and biotech research graph * (in billions):

1996-\$ 43
1997-\$ 45
1998-\$ 48
1999-\$ 53
2000-\$ 57]

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

[Above and below the graph is the following:]

HEALTHY GROWTH IS DIRECTLY RELATED TO THE SUM OF OUR PARTS. Spending on R&D in

the life sciences field is at an all-time high, and it's rising steadily. Waters technologies are critical to all phases of the drug discovery, development and manufacturing processes. In fact, we're the leading supplier of HPLC and MS tools to the \$335 billion and rapidly growing life sciences market, and we work with virtually all of the world's largest drug companies. During the drug discovery process, our products help these companies to determine which of the thousands of compounds they generate shows the most promise of becoming a new drug. Once a compound has been selected for development into a potential drug, our technologies are critical in assessing how these candidates can be most effectively and safely delivered to humans. Accurate and thorough documentation of this entire process is critical and requires software, such as our own, for proper submittal of test data to regulatory agencies. Once a drug reaches the post-approval stage, our Alliance HPLC instruments, Symmetry and XTerra columns and our Millennium32 software are essential for analyzing production batches of

prescription and non-prescription drug formulations and for maintaining accurate and accessible records of all tests.

[On right-hand page is an extreme close-up of glass pipettes in a glass beaker under which is the following caption:]

WATERS IS THE LEADING SUPPLIER OF HPLC AND MS TOOLS TO THE LIFE SCIENCES MARKET. Historically, our success has been tied to pharmaceutical research, development and quality control, which have fueled our growth since 1995. Today, approximately 70% of our revenue is derived from the life science industry. As life science spending continues to increase significantly, so will our success.

Pages 10 and 11, Two-page spread.

[On left-hand page is an extreme close-up of a male laboratory chemist examining the contents of a petri dish under which is the following caption:]

IN THE FUTURE, SCIENTISTS AND RESEARCHERS WILL NEED TO ANALYZE AND PURIFY THOUSANDS OF COMPOUNDS PER DAY. Scientists are constantly looking for new and better ways to examine the causes of diseases. Waters products are redefining the drug discovery process by setting new standards for speed, sensitivity and accuracy.

[Right-hand page carries a vertical bar graph titled Fig. 4 FREE CASH FLOW (BEFORE FINANCING ACTIVITIES AND ACQUISITION EXPENDITURES) 1996-2000 (IN MILLIONS) showing annual corporate free cash flow figures (Y axis) for five-year period 1996 - 2000 (X axis).

[Free cash flow (before financing activities and acquisition expenditures) (in millions) graph:

1996-\$	28
1997-\$	60
1998-\$	89
1999-\$	126
2000-\$	140]

[Above and below the graph is the following:]

THE DEEPER WE DIG, THE MORE WE FIND. A revolution is occurring in drug discovery

that has led to a dramatic increase in the need for analysis and purification. This need has been driven by the creation of libraries containing millions of small molecules that are potential candidates for becoming new drugs. HPLC and MS are the primary tools used to make decisions about which compounds to select as potential drug candidates. Our Alliance (R) HT HPLC System, ZQ Mass Detector, FractionLynx Autopurification Systems, LCT(TM) Mass Spectrometer with MUX Technology(TM), XTerra Prep Columns, and MassLynx(TM) Mass Spectrometry Software help chemists to more quickly and accurately pinpoint the compounds most likely to survive the clinical trial process. Our unique ability to create automated systems that link together separations chemistries, separations systems, mass spectrometry and software technologies will continue to position Waters at the forefront of this emerging market.

Pages 12 and 13, Two-page spread.

[Left-hand page carries an area graph titled Fig. 5 RETURN ON AVERAGE ASSETS 1996 - 2000 showing annual return on average asset figures (Y axis) for five-year period 1996 - 2000 (X axis).

[Return on average assets graph:

1996	13.3%
1997	13.6%
1998	15.9%
1999	21.0%
2000	24.0%]

[Above and below the graph is the following:]

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

Genomics and proteomics, two new fields of science, are expanding the scope of the drug discovery process. Genomics is the study of the collection of genes within an organism. The goal of proteomics is to define the proteins that genes express, their interactions with each other, and their relationships to disease states. Genomic- and proteomic-based discovery efforts have also led to the creation of the field of pharmacogenomics-the use of information about an individual's genome to predict that individual's response to drugs. Scientists foresee a day when drugs can be targeted to groups of people, or individual patients, most likely to respond positively to them. Research of this magnitude requires the most advanced separations, mass spectrometry and mass informatic technologies available to interpret these highly complex data sets. The search

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

[On right-hand page is an image of an electrophoretic gel under which is the following caption:]

TO DATE, MARKETABLE DRUGS ARE AIMED AT APPROXIMATELY 400-500 DISEASE TARGETS, OR PROTEINS. THIS NUMBER IS PROJECTED TO INCREASE TENFOLD OVER THE NEXT DECADE. In the future, genomics and proteomics will significantly accelerate the search for new drug targets and increase the opportunity to create highly personalized medicine. Through internal and external investments, Waters will leverage technologies that position the company as an essential element in this future.

[Pages 14 and 15, two page spread of photos of Company officers]

[2000 Company Officers photos shown horizontally:]

Douglas A. Berthiaume
Chairman, President and Chief Executive Officer

Bob Williams
Chairman,
Micromass UK, Limited

Norman Lynaugh
Managing Director,
Micromass UK, Limited

Devette W. Russo
Senior Vice President,
Chromatography Consumables Division

Pat Howard
President,
TA Instruments Inc.

John Ornell
Vice President,
Operations

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

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

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

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

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

[Inside Back Cover]
[Listing of Directors, Officers, Independent Accountants, Attorneys,
Stockholders' Meeting, Stocklist Symbol and Offices.]

DIRECTORS

Joshua Bekenstein
Managing Director
Bain Capital, Inc.

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

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

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

Edward Conard
Managing Director
Bain Capital, Inc.

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

William J. Miller
Independent Investor and Consultant

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

OFFICERS

Douglas A. Berthiaume
Chairman, President and Chief Executive Officer

Arthur G. Caputo
Senior Vice President
Worldwide Sales and Marketing

Thomas W. Feller
Senior Vice President
E-Business Initiative

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

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

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

Devette W. Russo
Senior Vice President
Chromatography Consumables Division

John Ornell
Vice President
Operations

TRANSFER AGENT

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

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
One Post Office Square
Boston, Massachusetts 02109

ATTORNEYS

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

STOCKHOLDERS' MEETING

Date: May 3, 2001, 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

Waters, Micromass, Q-TOF, TA Instruments, Quattro Ultima, LCT, M@LDI HT, Oasis, Millennium, XTerra, ZQ, FractionLynx, Mass Lynx, Quattro, MUX Technology, Q-TOF micro, Symmetry and Alliance are trademarks of Waters Corporation.

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[Back Cover Photo]

Extreme close-up of microscope slides.

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. As discussed in Note 15 to the financial statements, these three operating segments have been aggregated into one reporting segment for financial statement purposes.

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

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

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

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

Gross Profit. Gross profit for 2000 was \$506.8 million, compared to \$447.3

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

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

9

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

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

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

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

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

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

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

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

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

Gross Profit. Gross profit for 1999 was \$447.3 million, compared to \$369.8 million for 1998, an increase of \$77.5 million or 21%. Excluding the \$16.5 million nonrecurring charge for revaluation of acquired inventory in 1998 related to purchase accounting for the 1997 Micromass acquisition, gross profit increased by 16% in 1999. Gross profit as a percentage of sales excluding the inventory revaluation charge increased to 63.5% in

10

1999 from 62.4% in 1998, primarily as a result of increased efficiencies in the

Company's manufacturing operations and lower raw material costs.

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

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

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

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

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

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

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

Euro Currency Conversion

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

Liquidity and Capital Resources

During 2000, net cash provided by the Company's operating activities was \$175.6 million, primarily as a result of net income for the year after adding back depreciation, amortization and the tax benefit related to stock option activity, less working capital needs. In terms of working capital, \$35.6 million was used for

accounts receivable and inventory growth related to current and future sales, and \$33.8 million was provided by an increase in accounts payable, deferred revenue and customer advances, and other current liabilities. In addition, the Company received \$23.8 million of proceeds from the exercise of stock options and its employee stock purchase plan, and \$15.2 million from the settlement of its debt swap agreements. Primary uses of cash flow during the year were \$90.4 million of net bank debt repayment, \$35.4 million of property, plant and equipment and software capitalization investments, and \$16.9 million for investments in unaffiliated companies and business acquisitions.

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

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

Environmental Matters

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

Recent Accounting Standards Changes

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

In December 1999, the Securities and Exchange Commission ("SEC") issued SAB 101, Revenue Recognition in Financial Statements, which provides expanded and, in some cases, modified guidance of standard practices related to revenue recognition. Before modification by SAB 101A, SAB 101 was to be effective with the first fiscal quarter of fiscal years beginning after December 15, 1999 and required companies to report any changes in revenue recognition as a cumulative change in accounting principle at the time of implementation. In March 2000, the SEC issued SAB 101A, Amendment: Revenue Recognition in Financial Statements, which delayed implementation of SAB 101 until the Company's second fiscal quarter of 2000. SAB 101B, Second Amendment: Revenue Recognition in Financial Statements, was issued in June 2000 which further delayed implementation of SAB 101 until the Company's fourth fiscal quarter of 2000. The Company

12

implemented SAB 101 in the fourth quarter retroactive to January 1, 2000, restating the first three quarters of 2000 and recording a non-cash cumulative effect of a change in accounting principle in the first quarter in the amount of (\$10.8) million or (\$.08) per diluted common share. SAB 101 in effect modified rules in one area, which in particular, affected the Company. Retroactive to January 1, 2000, the Company now recognizes that portion of revenue related to the installation of certain products when installation is complete. The adoption of SAB 101 had virtually no effect on the Company's 2000 results of operations excluding the cumulative effect.

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

Forward-Looking Information

Safe Harbor Statement under Private Securities Litigation Reform Act of 1996

Certain statements contained herein are forward looking. Many factors could cause actual results to differ from these statements, including, but not limited to, obsolescence resulting from the introduction of technologically advanced products by other companies, pressure on prices from competitors with significantly greater financial resources, regulatory obstacles to new product introductions, reduction in capital spending of pharmaceutical customers, and market risk described below. Please refer also to the Company's Form 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 throughout the world. As a result, the Company's financial position, results of operations and cash flows can be affected by fluctuations in foreign currency exchange rates. The Company has in the past and may in the future use debt swap agreements to mitigate partially such effects.

In February 1999, the Company closed certain outstanding debt swap agreements and entered into new debt swap agreements in European currencies, which hedged foreign exchange exposures. These new debt swap agreements also extended the time period of the agreements until February 2001. These agreements, combined with other outstanding debt swap agreements that the Company maintained at December 31, 1999, effectively swapped higher U.S. dollar fixed rate borrowings for lower fixed rate borrowings denominated in the respective currencies. The effect of these debt swap agreements and interest income earned from the investment of cash

13

offset annual interest costs for 2000, 1999 and 1998, by \$4,451, \$3,239 and \$2,547, respectively. The Company closed all outstanding debt swap agreements in December 2000, for which a realized gain of \$15.2 million was recognized in accumulated other comprehensive (loss). At December 31, 1999, the fair market value of these instruments was an unrealized gain of \$6.1 million.

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

Interest Rates

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

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

14

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, of stockholders' equity and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of Waters Corporation and Subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States

of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

/s/ Pricewaterhouse Coopers LLP

PricewaterhouseCoopers LLP

Boston, Massachusetts
January 23, 2001

15

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2000	1999
	(In thousands, except per share data)	
ASSETS		

Current assets:		
Cash and cash equivalents.....	\$ 75,509	\$ 3,803
Accounts receivable, less allowances for doubtful accounts of \$2,815 and \$3,741 at December 31, 2000 and 1999, respectively.....	167,713	149,271
Inventories.....	87,275	80,363
Other current assets.....	13,299	15,801
	-----	-----
Total current assets.....	343,796	249,238
Property, plant and equipment, net.....	102,608	91,841
Other assets.....	80,486	74,530
Goodwill, less accumulated amortization of \$19,464 and \$16,068 at December 31, 2000 and 1999, respectively.....	165,455	170,736
	-----	-----
Total assets.....	\$692,345	\$586,345
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Notes payable and current portion of long-term debt.....	\$ 4,879	\$ 14,164
Accounts payable.....	43,310	34,771
Accrued compensation.....	18,299	16,087
Deferred revenue and customer advances.....	40,044	31,406
Accrued retirement plan contributions.....	4,405	5,181
Accrued income taxes.....	45,653	30,958
Accrued other taxes.....	3,590	4,026
Other current liabilities.....	60,353	63,156
	-----	-----
Total current liabilities.....	220,533	199,749
Long-term debt.....	--	81,105
Other liabilities.....	20,031	13,329
	-----	-----
Total liabilities.....	240,564	294,183
Stockholders' equity:		
Common stock, par value \$.01 per share, 200,000 shares authorized, 129,811 and 124,519 shares issued and outstanding at December 31, 2000 and 1999, respectively.....	1,298	1,245
Additional paid-in capital.....	213,261	194,833
Deferred stock option compensation.....	--	(166)
Retained earnings.....	245,383	100,041
Accumulated other comprehensive (loss).....	(8,161)	(3,791)
	-----	-----

Total stockholders' equity.....	451,781	292,162
Total liabilities and stockholders' equity.....	\$692,345	\$586,345

</TABLE>

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

16

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

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

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

17

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

WATERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME

	Additional	Deferred	Retained	Accumulated	Total	Statement of
Common	Paid-in	Stock	Earnings	Other	Stockholders'	Comprehensive
Stock	Capital	Option	(Deficit)	Comprehensive	Equity	Income
		Compensation		(Loss)		
(In thousands)						

Balance December 31,

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

2000.....	\$1,298	\$213,261	\$ --	\$245,383	\$(8,161)	\$451,781
	=====	=====	=====	=====	=====	=====

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

19

WATERS CORPORATION AND SUBSIDIARIES

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.

Reclassification

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

Principles of Consolidation

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

Translation of Foreign Currencies

For most of the Company's foreign operations, assets and liabilities are translated into U.S. dollars at exchange rates prevailing on the balance sheet date while revenues and expenses are translated at average exchange rates prevailing during the period. Any resulting translation gains or losses are included in accumulated other comprehensive (loss) in the consolidated balance sheets.

Cash and Cash Equivalents

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

20

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Concentration of Credit Risk

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

or deposits. Historically, the Company has not experienced significant bad debt losses.

Inventory

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

Income Taxes

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

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Expenditures for maintenance and repairs are charged to expense while the costs of significant improvements are capitalized. Depreciation is provided using the straight-line method over the following estimated useful lives: buildings and improvements--thirty years, leasehold improvements--fifteen years or life of lease, and production and other equipment--three to ten years. Upon retirement or sale, the cost of assets disposed and the related accumulated depreciation are eliminated from the balance sheet and related gains or losses are reflected in income.

Software Development Costs

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

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

Purchased Technology and Goodwill

Purchased technology amounts are recorded at their fair market value as of the acquisition date and amortized over estimated useful lives ranging from four to fifteen years. Goodwill is amortized on a straight-line basis over its useful life, primarily forty years for current goodwill components. Under SFAS 121, impairment of purchased technology and goodwill is measured on the basis of whether anticipated future undiscounted operating cash flows expected from the acquired business will recover the recorded respective intangible asset balances over the remaining amortization period. At December 31, 2000, no assets have been

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

determined to be impaired. Purchased technology included in other assets totaled \$24,703 and \$27,105, net of accumulated amortization of \$16,668 and \$14,282, at December 31, 2000 and 1999, respectively.

Debt Issuance Costs

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

Investments

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

Investments for which the Company does not have the ability to exercise significant influence and for which there is not a readily determinable market value are accounted for under the cost method of accounting. The Company

periodically evaluates the carrying value of its investments accounted for under the cost method of accounting and carries them at the lower of cost or estimated net realizable value.

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

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

Stockholders' Equity

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

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

Hedge Transactions

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

In June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS 133. SFAS 137

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

Revenue Recognition and Change in Accounting

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

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

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

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

Product Warranty Costs

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

Field Service Expenses

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

23

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Advertising Costs

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

Research and Development Costs

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

Income (Loss) Per Share

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

Comprehensive Income (Loss)

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

Retirement Plan

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

3 Business Investments

In June 2000, the Company formed a strategic alliance with Variagenics, Inc. ("Variagenics") to develop and commercialize genetic variance reagent kits for use in the clinical development of pharmaceutical products. Variagenics is a leader in applying genetic variance information to the drug development process. In July 2000, the Company paid Variagenics \$7.5 million for a minority common stock equity ownership and \$3.0 million for a license to manufacture and sell reagents, and warrants to purchase common stock. The warrants to purchase Variagenics common stock are exercisable at \$14 per share for a period of 5 years. The warrants were valued at approximately \$.7 million using the Black-Scholes model. The Company could pay up to \$4.0 million in future milestone payments and is obligated to pay royalties on net sales of the reagent kits.

The common stock and warrant investments in Variagenics are included in other assets and carried at fair value with unrealized gains and losses reported as a separate component of other comprehensive income (loss). The license is being amortized on a straight-line basis over its useful life of 15 years.

In December 2000, the Company entered into an agreement to make a minority equity investment of \$7.5 million in Caprion Pharmaceuticals Inc. ("Caprion"). Caprion applies proprietary processes in sub-cellular

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

biology in combination with its use of the Company's mass spectrometry products. As of December 31, 2000, the Company had paid \$3.5 million under this agreement. The investment in Caprion is included in other assets and has been accounted for under the cost method of accounting.

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

4 Property, Plant and Equipment

Property, plant and equipment consists of the following:

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

5 Inventories

Inventories are classified as follows:

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

6 Debt and Financial Instruments

The Company's Bank Credit Agreement ("Agreement") provides a \$450,000 line of credit through June 2002. Loans under the Agreement bear interest for each calendar quarter at an annual rate equal to, at the Company's option, 1) the applicable LIBOR rate plus a varying margin between .30% and 1.00% or 2) prime rate. Margins on LIBOR borrowings vary with the Company's financial performance. At December 31, 2000, the Company had no aggregate borrowings outstanding under the Agreement and had additional amounts available to borrow of \$442,781, after outstanding letters of credit. At December 31, 1999, the Company had aggregate borrowings outstanding under the Agreement of \$81,105 and had additional amounts available to borrow of \$354,978, after outstanding letters of credit. The weighted average interest rate on the borrowings at December 31, 1999 was 6.54%. Borrowings are collateralized by substantially all of the Company's assets. The Company is also required to meet certain covenants, none of which is considered restrictive to operations. The

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Company's foreign subsidiaries also had available short-term lines of credit totaling \$33,154 at December 31, 2000 and \$32,413 at December 31, 1999. At December 31, 2000 and 1999, related short-term borrowings were \$2,045 at a weighted average interest rate of 7.70% and \$4,189 at a weighted average interest rate of 5.25%, respectively. In addition, at December 31, 2000 the Company had a short-term note payable of \$2,834 related to an acquisition which bears interest at a fixed rate of 6.0%. At December 31, 1999 the Company also had promissory notes of \$9,975 due, and paid in September 2000, in conjunction with its Micromass acquisition. These notes bore interest at a fixed rate of 6.25% payable semiannually.

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

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

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

7 Income Taxes

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

	Year Ended December 31		
	2000	1999	1998
The components of income from operations before income taxes were as follows:			
Domestic.....	\$ 54,263	\$ 66,082	\$ 62,873
Foreign.....	156,699	101,479	38,674
Total.....	\$210,962	\$167,561	\$101,547

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	Year Ended December 31		
	2000	1999	1998

The components of the current and deferred income tax provision from operations were as follows:			
Current.....	\$ 59,293	\$41,560	\$34,264
Deferred.....	(4,444)	3,683	(7,116)
Total.....	\$ 54,849	\$45,243	\$27,148

The components of the provision for income taxes from operations were as follows:			
Federal.....	\$ 13,589	\$16,428	\$ 6,001
State.....	2,195	1,187	1,336
Foreign.....	39,065	27,628	19,811
Total.....	\$ 54,849	\$45,243	\$27,148

The differences between income taxes computed at the United States statutory rate and the provision for income taxes are summarized as follows:			
Federal tax computed at U.S. statutory income tax rate.....	\$ 73,837	\$58,646	\$35,541
Foreign sales corporation.....	(2,999)	(3,075)	(2,333)
State income tax, net of federal income tax benefit.....	1,427	772	868
Deferred tax assets (benefited).....	(5,498)	(4,891)	(13,254)
Net effect of foreign operations.....	(12,814)	(7,243)	(191)
Nondeductible acquisition costs.....	--	--	5,775
Other.....	896	1,034	742
Provision for income taxes.....	\$ 54,849	\$45,243	\$27,148

The tax effects of temporary differences and carryforwards which gave rise to deferred tax assets and deferred tax (liabilities) were as follows:			
Tax benefit of net operating loss and credits..	\$ 96,534	\$27,778	\$18,006
Goodwill amortization.....	6,426	10,496	10,598
Deferred compensation.....	9,610	9,908	7,984
Inventory.....	3,794	2,586	6,388
Other.....	7,176	645	540
Depreciation and capitalized software.....	(10,760)	(9,890)	(7,620)
Valuation allowance.....	(109,139)	(22,565)	(15,439)
Total deferred taxes.....	\$ 3,641	\$18,958	\$20,457

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

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

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

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

8 Leases

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

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

9 Redeemable Preferred Stock

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

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

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

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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 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 employee stock option plans and its employee stock purchase plan under SFAS 123, Accounting for Stock-Based Compensation. Had compensation expense for the Company's four stock-based compensation plans been recorded based on the fair value of awards at grant date consistent with the alternative method prescribed by SFAS 123, the Company's pro forma net income for 2000, 1999 and 1998, would have been \$135,404, \$115,857 and \$70,043, respectively. Basic income per share for 2000, 1999, and 1998 would have been \$1.06, \$.94 and \$.59, respectively. Diluted income per share for 2000, 1999, and 1998 would have been \$.99, \$.87 and \$.54, respectively. The pro forma amounts include amortized fair values attributable to options granted after December 31, 1994 only and, therefore, are not likely to be representative of the effects on reported net income for future years.

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

	2000	1999	1998
	-----	-----	-----
Significant Assumptions Used to Estimate Option Fair Values			
Options issued.....	1,733	1,868	2,112
Risk-free interest rate.....	5.4%	6.2%	4.7%
Expected life in years.....	7.5	7.5	7.5
Expected volatility.....	.524	0.437	0.454
Expected dividends.....	0	0	0
Weighted Average Exercise Price and Fair Values of			

Options on the Date of Grant			
Exercise price.....	\$70.64	\$23.06	\$19.64
Fair value.....	\$42.85	\$13.31	\$10.93

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

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

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Stock Option Plans

On May 7, 1996, the Company's shareholders approved the 1996 Long-Term Incentive Plan ("1996 Plan"), which provides for the granting of 4,000 shares of Common Stock, in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock or other types of awards. Under the 1996 Plan, the exercise price for stock options may not be less than the fair market value of the underlying stock at the date of grant. On December 2, 1997, the Board of Directors approved an additional 8,000 shares of Common Stock for issue under the 1996 Plan. The 1996 Plan is scheduled to terminate on May 7, 2006, unless extended for a period of up to five years by action of the Board of Directors. Options generally will expire no later than ten years after the date on which they are granted and will become exercisable as directed by the Compensation Committee of the Board of Directors. A SAR may be granted alone or in conjunction with an option or other award. No SARs, restricted stock, or other types of awards were outstanding as of December 31, 2000.

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

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

The following table summarizes stock option activity for the plans:

	Number of Shares	Price Per Share	Weighted Average Exercise Price
Outstanding at December 31, 1997.....	21,840	\$1.02 to \$10.69	\$ 4.05
Granted.....	2,112	9.39 to 19.68	19.64
Exercised.....	(2,776)	1.02 to 10.69	2.07
Canceled.....	(28)	8.05 to 10.69	9.92

Outstanding at December 31, 1998.....	21,148	1.02 to 19.68	5.86
Granted.....	1,868	23.06	23.06
Exercised.....	(3,272)	1.02 to 19.68	3.03
Canceled.....	(62)	8.56 to 19.68	12.29
Outstanding at December 31, 1999.....	19,682	1.02 to 23.06	7.94
Granted.....	1,733	25.75 to 72.06	70.64
Exercised.....	(5,239)	1.02 to 23.06	4.24
Canceled.....	(85)	8.05 to 23.06	17.59
Outstanding at December 31, 2000.....	16,091	\$1.02 to \$72.06	\$15.84

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

30

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Employee Stock Purchase Plan

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

11 Earnings per Share

Basic and diluted EPS calculations are detailed as follows:

	Year Ended 2000		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income per basic common share before the cumulative effect of change in accounting principle.....	\$156,113	127,568	\$1.22
Effect of dilutive securities:			
Options outstanding.....		7,882	
Options exercised.....		1,293	
Income per diluted common share before the cumulative effect of change in accounting principle.....	\$156,113	136,743	\$1.14

	Year Ended 1999		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income per basic common share before the cumulative effect of change in accounting principle.....	\$122,318		
Accretion of and 6% dividend on preferred stock.....	(825)		
Gain on redemption of preferred stock.....	383		
Income per basic common share.....	\$121,876	123,013	\$.99
Effect of dilutive securities:			
Options outstanding.....		8,787	

Options exercised.....		832	
Income per diluted common share.....	\$121,876	132,632	\$.92

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	Year Ended 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income per basic common share before the cumulative effect of change in accounting principle.....	\$74,399		
Accretion of and 6% dividend on preferred stock.....	(963)		
Income per basic common share.....	\$73,436	119,720	\$.61
Effect of dilutive securities:			
Options outstanding.....		8,808	
Options exercised.....		756	
Income per diluted common share.....	\$73,436	129,284	\$.57

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

12 Comprehensive Income

Comprehensive income details follow:

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

13 Retirement Plans

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

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

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

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

each year for the prior year at the average 12 month Treasury Bill rate plus 0.5%, limited to a minimum rate of 5% and a maximum rate of 10%. An employee does not vest until the completion of five years of service at which time the employee becomes 100% vested.

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

	2000	1999
	-----	-----
Reconciliation of Projected Benefit Obligation		
Benefit obligation, January 1.....	\$ 22,710	\$ 20,930
Service cost.....	2,695	2,878
Interest cost.....	2,010	1,696
Employee rollovers.....	149	45
Actuarial loss (gain).....	941	(2,544)
Disbursements.....	(656)	(295)
	-----	-----
Benefit obligation, December 31.....	\$ 27,849	\$ 22,710
	=====	=====

	2000	1999
	-----	-----
Reconciliation of Fair Value of Assets		
Fair value of assets, January 1.....	\$ 22,886	\$ 17,162
Actual return on plan assets.....	(2,666)	1,896
Company contributions.....	3,240	4,078
Disbursements.....	(656)	(295)
Employee rollovers.....	149	45
	-----	-----
Fair value of assets, December 31.....	\$ 22,953	\$ 22,886
	=====	=====

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

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

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

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

	Year Ended December 31		
	2000	1999	1998
Components of Net Periodic Pension Cost			
Service cost.....	\$ 2,695	\$ 2,878	\$ 2,513
Interest cost.....	2,010	1,696	1,369
Return on plan assets.....	(2,171)	(1,645)	(1,391)
Net amortization:			
Prior service cost.....	(99)	(99)	(99)
Net actuarial (gain).....	(5)	--	--
Net periodic pension cost.....	\$ 2,430	\$ 2,830	\$ 2,392
	=====	=====	=====
	2000	1999	1998
	-----	-----	-----
Reconciliation of (Accrued) Pension Cost			
(Accrued) pension cost, January 1.....	\$ (3,646)	\$ (4,894)	\$ (2,502)
FAS 87 (cost).....	(2,430)	(2,830)	(2,392)
Contributions made during the year.....	3,240	4,078	--
(Accrued) pension cost, December 31.....	\$ (2,836)	\$ (3,646)	\$ (4,894)
	=====	=====	=====

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

14 Related Party Transactions

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

15 Business Segment Information

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

Waters is in the business of manufacturing and distributing HPLC instruments, columns and other consumables, and related service; Micromass is in the business of manufacturing and distributing mass spectrometry instruments that can be integrated and used along with other analytical instruments, particularly

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

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

Geographic information is presented below:

	United States	Europe	Japan	Asia	Other Int'l	Elimination	Total
2000							
Sales:							
Unaffiliated sales.....	\$343,336	\$228,971	\$64,228	\$34,512	\$60,982	\$ --	\$732,029
Unaffiliated export sales to Japan.....	--	26,581	--	--	--	--	26,581
Unaffiliated export sales to Asia.....	7,677	10,927	--	--	--	--	18,604
Unaffiliated export sales to Other Int'l..	12,929	4,928	--	--	--	--	17,857
Transfers between areas.....	162,935	93,344	--	--	--	(256,279)	--
Total sales.....	<u>\$526,877</u>	<u>\$364,751</u>	<u>\$64,228</u>	<u>\$34,512</u>	<u>\$60,982</u>	<u>\$(256,279)</u>	<u>\$795,071</u>
Long-lived assets:							
Unaffiliated.....	\$230,048	\$97,606	\$3,298	\$3,408	\$14,190	\$ --	\$348,550
Between affiliates.....	272,294	24,011	2,181	--	3,811	(302,297)	--
Total long-lived assets.....	<u>\$502,342</u>	<u>\$121,617</u>	<u>\$5,479</u>	<u>\$3,408</u>	<u>\$18,001</u>	<u>\$(302,297)</u>	<u>\$348,550</u>
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.....	<u>\$492,166</u>	<u>\$310,341</u>	<u>\$65,137</u>	<u>\$27,603</u>	<u>\$51,134</u>	<u>\$(241,981)</u>	<u>\$704,400</u>
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.....	<u>\$449,153</u>	<u>\$124,527</u>	<u>\$5,460</u>	<u>\$192</u>	<u>\$15,008</u>	<u>\$(257,233)</u>	<u>\$337,107</u>

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(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

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 account for more than 2% of annual Company sales.

16 Quarterly Results

The Company's unaudited quarterly results are summarized below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2000					
Net sales.....	\$ 180,202	\$ 197,408	\$ 191,953	\$ 225,508	\$ 795,071
Cost of sales.....	66,340	71,777	70,293	79,854	288,264
Gross profit.....	113,862	125,631	121,660	145,654	506,807
Selling, general and administrative expenses.....	60,395	61,060	59,712	65,223	246,390
Research and development expenses.....	10,362	10,557	10,394	11,200	42,513
Goodwill and purchased technology amortization.....	1,811	1,760	1,755	1,751	7,077
Operating income.....	41,294	52,254	49,799	67,480	210,827
Interest (expense) income, net.....	(701)	(343)	322	857	135
Income from operations before income taxes...	40,593	51,911	50,121	68,337	210,962
Provision for income taxes.....	10,545	13,506	13,030	17,768	54,849
Income before cumulative effect of change in accounting principle.....	30,048	38,405	37,091	50,569	156,113
Cumulative effect of change in accounting principle.....	(10,771)	--	--	--	(10,771)
Net Income.....	\$ 19,277	\$ 38,405	\$ 37,091	\$ 50,569	\$ 145,342

Source: WATERS CORP /DE/, 10-K, March 27, 2001

Income per basic common share:					
Net income per basic common share before cumulative effect of change in accounting principle.....	\$.24	\$.30	\$.29	\$.39	\$ 1.22
Cumulative effect of change in accounting principle.....	(.09)	--	--	--	(.08)
Net income per basic common share	\$.15	\$.30	\$.29	\$.39	\$ 1.14
Weighted average number of basic common shares.....	125,602	126,914	128,485	129,347	127,568
Income per diluted common share:					
Net income per diluted common share before cumulative effect of change in accounting principle.....	\$.22	\$.28	\$.27	\$.37	\$ 1.14
Cumulative effect of change in accounting principle.....	(.08)	--	--	--	(.08)
Net income per diluted common share.....	\$.14	\$.28	\$.27	\$.37	\$ 1.06
Weighted average number of diluted common shares and equivalents.....	135,184	136,222	137,430	137,795	136,743
Stock price range.....	22-53 3/8	38 23/32-64 3/4	59 5/16-90 3/8	62 11/16-88 1/2	22-90 3/8

36

WATERS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1999					
Net sales.....	\$ 160,362	\$ 172,280	\$ 171,090	\$ 200,668	\$ 704,400
Cost of sales.....	60,622	63,712	61,903	70,899	257,136
Gross profit.....	99,740	108,568	109,187	129,769	447,264
Selling, general and administrative expenses.....	54,504	55,537	57,075	59,477	226,593
Research and development expenses.....	8,686	9,021	8,634	9,753	36,094
Goodwill and purchased technology amortization.....	2,045	2,034	1,999	1,990	8,068
Operating income.....	34,505	41,976	41,479	58,549	176,509
Interest (expense), net.....	(3,033)	(2,379)	(1,794)	(1,742)	(8,948)
Income from operations before income taxes...	31,472	39,597	39,685	56,807	167,561
Provision for income taxes.....	8,498	10,691	10,715	15,339	45,243
Net income.....	22,974	28,906	28,970	41,468	122,318
Accretion of and dividend on preferred stock.....	(244)	(245)	(247)	(89)	(825)
Gain on redemption of preferred stock.....	--	--	--	383	383

Source: WATERS CORP /DE/, 10-K, March 27, 2001

Net income available to common stockholders...	\$ 22,730	\$ 28,661	\$ 28,723	\$ 41,762	\$ 121,876
Net income per basic common share.....	\$.19	\$.23	\$.23	\$.34	\$.99
Weighted average number of basic common shares.....	121,788	122,444	123,509	124,408	123,013
Net income per diluted common share.....	\$.17	\$.22	\$.22	\$.31	\$.92
Weighted average number of diluted common shares and equivalents.....	131,680	132,334	133,222	133,242	132,632
Stock price range.....	18 1/8-27 1/16	23 1/4-28 1/4	24 3/8-33 13/16	18 1/2-33 1/16	18 1/8-33 13/16

38

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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, 2000	Year Ended December 31, 1999	Year Ended December 31, 1998	Year Ended December 31, 1997	Year Ended December 31, 1996
Statement of Operations Data:					
Net sales.....	\$ 795,071	\$ 704,400	\$ 618,813	\$ 465,470	\$ 391,113
Cost of sales.....	288,264	257,136	232,497	173,275	145,254
Revaluation of acquired inventory (B).....	--	--	16,500	16,500	6,100
Gross profit.....	506,807	447,264	369,816	275,695	239,759
Selling, general and administrative expenses.....	246,390	226,593	206,211	167,290	148,513
Research and development expenses.....	42,513	36,094	34,433	25,750	20,898
Goodwill and purchased technology amortization.....	7,077	8,068	9,347	6,468	5,219
Expensed in-process research and development (B).....	--	--	--	55,000	19,300
Management fee (B).....	--	--	--	--	--
Restructuring charge (B).....	--	--	--	--	--
Operating income (loss).....	210,827	176,509	119,825	21,187	45,829
Interest income (expense), net (C).....	135	(8,948)	(18,278)	(13,720)	(14,740)
Gains on cash flow hedges (B).....	--	--	--	--	--
Income (loss) from operations before income taxes.....	210,962	167,561	101,547	7,467	31,089
Provision for income taxes.....	54,849	45,243	27,148	15,755	11,230

Income (loss) from operations.....	156,113	122,318	74,399	(8,288)	19,859
Income (loss) from discontinued operations, net of tax (B).....	--	--	--	--	--
Income (loss) before extraordinary item...	156,113	122,318	74,399	(8,288)	19,859
Extraordinary item-(loss) on early retirement of debt (B).....	--	--	--	--	(22,264)
Income (loss) before cumulative effect of change in accounting principle.....	156,113	122,318	74,399	(8,288)	(2,405)
Cumulative effect of change in accounting principle (B).....	(10,771)	--	--	--	--
Net income (loss).....	145,342	122,318	74,399	(8,288)	(2,405)
Less: Accretion of and dividend on preferred stock, net of gain.....	--	442	963	942	921
Net income (loss) available to common stockholders.....	\$ 145,342	\$ 121,876	\$ 73,436	\$ (9,230)	\$ (3,326)
Income (loss) per basic common share:					
Income (loss) per common share before extraordinary item...	\$ 1.22	\$.99	\$.61	\$ (.08)	\$.16
(Loss) per common share from discontinued operations.....	--	--	--	--	--
Extraordinary (loss) per common share.....	--	--	--	--	(.19)
Cumulative effect of change in accounting principle.....	(.08)	--	--	--	--
Net income (loss) per common share.....	\$ 1.14	\$.99	\$.61	\$ (.08)	\$ (.03)
Weighted average number of basic common shares.....	127,568	123,013	119,720	116,508	115,364
Income (loss) per diluted common share:					
Income (loss) per common share before extraordinary item...	\$ 1.14	\$.92	\$.57	\$ (.08)	\$.15
(Loss) per common share from discontinued operations.....	--	--	--	--	--
Extraordinary (loss) per common share.....	--	--	--	--	(.18)
Cumulative effect of change in accounting principle.....	(.08)	--	--	--	--
Net income (loss) per common share.....	\$ 1.06	\$.92	\$.57	\$ (.08)	\$ (.03)
Weighted average number of diluted common shares and equivalents.....	136,743	132,632	129,284	116,508	126,512

Source: WATERS CORP /DE/, 10-K, March 27, 2001

	=====	=====	=====	=====	=====
Balance Sheet and Other Data (D):					
Working capital.....	\$ 123,263	\$ 49,489	\$ 53,459	\$ 45,843	\$ 61,227
Total assets.....	\$ 692,345	\$ 586,345	\$ 577,701	\$ 552,059	\$ 365,502
Long term debt, including current maturities (C).....	--	\$ 91,080	\$ 218,250	\$ 305,340	\$ 210,470
Redeemable preferred stock.....	--	--	\$ 9,058	\$ 8,096	\$ 7,153
Stockholders' equity (deficit)/parent company investment.....	\$ 451,781	\$ 292,162	\$ 150,119	\$ 62,297	\$ 57,780
Employees.....	3,158	2,968	2,758	2,640	2,135
Depreciation and amortization for the period.....	\$ 28,701	\$ 28,947	\$ 27,248	\$ 20,010	\$ 16,709
Capital expenditures for the period.....	\$ 35,368	\$ 24,416	\$ 20,616	\$ 23,393	\$ 13,822

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- (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.

39

Predecessor Business (A)				
Year Ended December 31, 1995	August 19 to December 31, 1994	January 1 to August 18, 1994	Year Ended December 31, 1993	Year Ended December 31, 1992
\$ 332,972	\$ 131,057	\$176,097	\$ 304,927	\$ 309,287
126,216	49,740	73,446	124,387	123,342
925	38,424	--	--	--
-----	-----	-----	-----	-----
205,831	42,893	102,651	180,540	185,945
132,746	44,522	85,216	132,452	138,318
17,681	6,790	13,399	18,525	19,142
3,629	1,227	--	--	--
--	53,918	--	--	--
5,393	552	--	--	--
--	3,500	--	13,000	--
-----	-----	-----	-----	-----
46,382	(67,616)	4,036	16,563	28,485
(30,315)	(12,011)	(828)	(2,072)	(2,107)
1,175	923	--	--	--
-----	-----	-----	-----	-----
17,242	(78,704)	3,208	14,491	26,378
3,129	1,487	916	4,169	6,180
-----	-----	-----	-----	-----
14,113	(80,191)	2,292	10,322	20,198
--	(7,213)	(448)	(9)	108
-----	-----	-----	-----	-----
14,113	(87,404)	1,844	10,313	20,306
(12,112)	--	--	--	--
-----	-----	-----	-----	-----
2,001	(87,404)	1,844	10,313	20,306
--	--	--	--	(2,228)
-----	-----	-----	-----	-----
2,001	(87,404)	\$ 1,844	\$ 10,313	\$ 18,078
-----	-----	=====	=====	=====
902	330			
-----	-----			
\$ 1,099	\$ (87,734)			
=====	=====			
\$.15	\$ (.94)			
--	(.08)			
(.14)	--			
-----	-----			
\$.01	\$ (1.02)			
=====	=====			
89,304	85,928			

=====	=====				
\$.13	\$ (.94)				
--	(.08)				
(.12)	--				
--	--				
-----	-----				
\$.01	\$ (1.02)				
=====	=====				
98,328	85,928				
=====	=====				
\$ 56,385	\$ 87,357		\$ 100,528	\$ 112,905	
\$ 299,816	\$ 331,598		\$ 189,592	\$ 199,513	
\$ 158,500	\$ 275,000		--	--	
\$ 6,232	\$ 5,330		--	--	
\$ 58,118	\$ (22,670)		\$ 149,095	\$ 163,157	
1,934	2,021	2,069	2,009	2,180	
\$ 13,774	\$ 4,394	\$ 6,323	\$ 9,265	\$ 8,857	
\$ 9,878	\$ 2,191	\$ 5,935	\$ 8,439	\$ 10,739	

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 23, 2001 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 23, 2001 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Boston, Massachusetts
March 26, 2001

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