



# **FORM 10-K**

**WATERS CORP /DE/ - WAT**

**Filed: March 01, 2007 (period: December 31, 2006)**

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

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**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, 2006

or

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

**Commission File Number: 01-14010**

**Waters Corporation**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

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

**34 Maple Street**  
**Milford, Massachusetts 01757**  
*(Address, including zip code, of principal executive offices)*

**Registrant's telephone number, including area code: (508) 478-2000**

Securities registered pursuant to Section 12(b) of the Act:	Common Stock, par value \$0.01 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 is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

State the aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of July 1, 2006: \$4,545,672,000.

Indicate the number of shares outstanding of the registrant's common stock as of February 23, 2007: 101,531,747

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement for the 2007 Annual Meeting of Stockholders are incorporated by reference in Part III, including, specifically, the Compensation Committee Report to be included in that proxy statement.

**WATERS CORPORATION AND SUBSIDIARIES**  
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## PART I

### Item 1: *Business*

#### General

Waters Corporation (“Waters” or the “Company”), an analytical instrument manufacturer, designs, manufactures, sells and services, through its Waters Division, high performance liquid chromatography (“HPLC”), ultra performance liquid chromatography (“UPLC” and together with HPLC, herein referred to as “LC”) and mass spectrometry (“MS”) instrument systems and support products, including chromatography columns, other consumable products and comprehensive post-warranty service plans. These systems are complementary products that can be integrated together and used along with other analytical instruments. Through its TA Division (“TA”), the Company designs, manufactures, sells and services thermal analysis and rheometry instruments which are used primarily in predicting the suitability of polymers and viscous liquids for various industrial, consumer goods and health care products. The Company is also a developer and supplier of software based products that interface with the Company’s instruments as well as other instrument manufacturers’ instruments.

The Company’s products are used by pharmaceutical, life science, biochemical, industrial, academic and government customers working in research and development, quality assurance and other laboratory applications. The Company’s LC and MS instruments are utilized in this broad range of industries to detect, identify, monitor and measure the chemical, physical and biological composition of materials as well as to purify a full range of compounds. These instruments are used in drug discovery and development, including clinical trial testing, the analysis of proteins in disease processes (known as “proteomics”), food safety analyses and environmental testing. The Company’s thermal analysis and rheometry instruments are used in predicting the suitability of fine chemicals and polymers for uses in various industrial, consumer goods and health care products.

The Company typically experiences a seasonal increase in sales in its fourth quarter, as a result of purchasing habits for capital goods by customers who tend to exhaust their spending budgets by calendar year-end.

Waters is a holding company that owns all of the outstanding common stock of Waters Technologies Corporation, its operating subsidiary. Waters became a publicly traded company with its initial public offering (“IPO”) in November 1995. Since the IPO, the Company has added two significant and complementary technologies to its range of products with the acquisitions of TA Instruments in May 1996 and Micromass Limited (“Micromass”) in September 1997.

#### Business Segments

The Company’s business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the Chief Executive Officer. As a result of this evaluation, the Company determined that it has two operating segments: Waters Division and TA Division. As indicated above, the Company operates in the analytical instruments industry, manufacturing, distributing and servicing products in three complementary technologies: LC and MS instruments, columns and other consumables, and thermal analysis and rheometry instruments. The Company’s two operating segments, Waters Division and TA, have similar economic characteristics, product processes, products and services, types and classes of customers, methods of distribution, and regulatory environments. Because of these similarities, the two segments have been aggregated into one reporting segment for financial statement purposes.

Information concerning revenues and long-lived assets attributable to each of the Company’s geographic areas is set forth in Note 17 of Notes to the Consolidated Financial Statements, which is incorporated herein by reference.

#### WATERS DIVISION

##### *High Performance and Ultra Performance Liquid Chromatography*

Developed in the 1950’s, HPLC is the standard technique used to identify and analyze the constituent components of a variety of chemicals and other materials. The Company believes that HPLC’s performance capabilities enable it to separate and identify approximately 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.

The most significant end-use markets for HPLC are those served by the pharmaceutical and life science industries. In these markets, HPLC is used extensively to identify new drugs, to develop manufacturing methods, and to assure the potency and purity of new pharmaceuticals. HPLC is also used in a variety of other applications, such as analyses of foods and beverages for nutritional labeling and compliance with safety regulations, the testing of water and air purity within the environmental testing industry, as well as applications in other industries, such as chemical and consumer products. HPLC is also used by universities, research institutions and government agencies, and in many instances, the United States Food and Drug Administration (“FDA”) and the United States Environmental Protection Agency (“EPA”) and their international counterparts who mandate testing that requires HPLC instrumentation.

Traditionally, a typical HPLC system has consisted of five basic components: solvent delivery system, sample injector, separation column, detector and data acquisition unit. The solvent delivery system pumps the solvent through the HPLC system, while the sample injector introduces the sample into the solvent flow. The chromatography column then separates the sample into its components for analysis by the detector, which measures the presence and amount of the constituents. The data acquisition unit, usually referred to as the instrument’s software or data system, then records and stores the information from the detector.

In March 2004, Waters introduced a novel technology that the Company described as Ultra-Performance Liquid Chromatography that utilizes a packing material with small, uniform diameter particles and a specialized instrument, the ACQUITY UPLC<sup>®</sup>, to accommodate the increased pressure and narrow chromatographic bands that are generated by these small particles. By using the ACQUITY UPLC, researchers and analysts are able to achieve more comprehensive chemical separations and faster analysis times in comparison with many analyses performed by HPLC. In addition, in using ACQUITY UPLC, researchers have the potential to extend the range of application beyond that of HPLC, enabling the uncovering of new levels of scientific information. Though it offers significant performance advantages, ACQUITY UPLC is compatible with the Company’s software products and the general operating protocols of HPLC. For these reasons, the Company’s customers and field sales and support organizations are well positioned to utilize this new technology and instrument. The Company began shipping the ACQUITY UPLC in the third quarter of 2004. During 2006 and 2005, the Company experienced growth in the instrument systems product line primarily from the sales of the ACQUITY UPLC.

The primary consumable products for LC are chromatography columns. These columns are packed with separation media used in the LC testing process and are replaced at regular intervals. The chromatography column contains one of several types of packing, typically stationary phase particles made from silica. As the sample flows through the column, it is separated into its constituent components.

Waters HPLC columns can be used on Waters-branded, as well as competitors’, LC systems. The Company believes that it is one of the few suppliers in the world that processes silica, packs columns and distributes its own products. In doing so, the Company believes it can better ensure product consistency, a key attribute for its customers in quality control laboratories, and react quickly to new customer requirements. At this time, the Company believes that its ACQUITY UPLC lines of columns are used nearly exclusively on its ACQUITY UPLC instrument and, furthermore, that its ACQUITY UPLC instrument will primarily use ACQUITY UPLC columns. In 2006 and 2005, excluding the small impact from acquisitions mentioned below, the Company experienced growth in its LC chromatography column and sample preparation businesses, especially in the XBridge<sup>™</sup>, SunFire<sup>™</sup> and ACQUITY UPLC columns, as well as in Oasis<sup>®</sup> sample preparation cartridges.

In February 2006, the Company acquired the net assets of the food safety business of VICAM Limited Partnership (“VICAM”) for \$13.8 million in cash. VICAM is a leading provider of tests to identify and quantify toxins in various agricultural commodities. The Company’s test kits provide reliable, quantitative detection of particular toxins through the choice of fluorometer or HPLC. In December 2006, the Company acquired all of the outstanding capital stock of Environmental Resources Associates, Inc. (“ERA”), a provider of environmental testing products for quality control, proficiency testing and specialty calibration chemicals used in environmental laboratories, for \$62.5 million in cash and the assumption of \$3.8 million of debt. ERA also provides product



support services required to help laboratories with their federal and state mandated accreditation requirements or with quality control over critical pharmaceutical analysis.

Based upon reports from independent marketing research firms and publicly disclosed sales figures from competitors, the Company believes that it is one of the world's largest manufacturers and distributors of LC instruments, chromatography columns and other consumables and related services. The Company also believes that it has the leading LC market share in the United States, Europe and Asia and believes it has a leading market share position in Japan.

Waters manufactures LC instruments that are offered in configurations that allow for varying degrees of automation, from component configured systems for academic research applications to fully automated Alliance® 2795 systems for high speed screening, and with a variety of detection technologies, from ultra-violet ("UV") absorbance to MS, optimized for certain analyses. The Company also manufactures tailored LC systems for the analysis of biologics as well as an LC detector utilizing evaporative light scattering technology to expand the usage of LC to compounds that are not amenable to UV absorbance detection.

The servicing and support of LC and MS instruments and accessories is an important source of revenue for the Waters Division. These revenues are derived primarily through the sale of support plans, demand service, customer training and performance validation services. Support plans most typically involve scheduled instrument maintenance, a commitment to supply software and firmware upgrades and an agreement to promptly repair a non-functioning instrument in return for a fee described in a multi-year contract that is priced according to the configuration of the instrument.

### *Mass Spectrometry*

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.

The Company believes it is a market leader in the development, manufacture, sale and distribution of MS instruments. These instruments can be integrated and used along with other complementary analytical instruments and systems such as LC, chemical electrophoresis, chemical electrophoresis chromatography and gas chromatography. A wide variety of instrumental designs fall within the overall category of MS instrumentation, including devices that incorporate quadrupole, ion trap, time of flight ("ToF") and classical magnetic sector technologies. Furthermore, these technologies are often used in tandem to maximize the efficacy of certain experiments.

Currently, the Company offers and provides service, support and training for a wide range of MS instruments utilizing various combinations of quadrupole, ToF and magnetic sector designs. These instruments are used in drug discovery and development, as well as for environmental testing. The majority of mass spectrometers sold by the Company are designed to utilize an LC system as the sample introduction device. These products supply a diverse market with a strong emphasis on the life science, pharmaceutical, biomedical, clinical and environmental market segments worldwide. Service sales, included in Waters Division total service sales, are primarily related to the sale of parts and labor associated with instrument repair and routine maintenance.

The mass spectrometer is an increasingly important detection device for LC. The Company's smaller sized mass spectrometers (such as the SQD and the TQD) are often referred to as LC "detectors" and are either sold as part of an LC system or as an LC upgrade. Large quadrupole systems, such as the Waters Quattro micro™ and Quattro Premier™ XE instruments, are used primarily for experiments performed for late stage drug development, including clinical trial testing, and Q-ToF instruments, such as the Company's Q-ToF micro™ and Q-ToF Premier™ instruments, are often used to analyze the role of proteins in disease processes, an application sometimes referred to as "proteomics". In late 2006, the Company also introduced a new Tandem Quadrupole device, the TQD, and a new hybrid quadrupole — time of flight technology system, the Synapt™ HDMS. The Synapt HDMS system integrates ion mobility technology within a Q-ToF geometry instrument configuration and uniquely allows researchers to glean molecular shape information, a novel capability for a mass spectrometry instrument. The introduction of these new products has augmented the recent growth of the MS instrument systems. In 2005, the Company introduced a new enhanced tandem quadrupole instrument, the Quattro Premier XE and the LCT Premier™. The LCT Premier is

an LC, electrospray-Tof instrument designed to deliver a higher level of mass accuracy and the ability for more precise quantitative analysis. In 2004, the Company introduced a new Q-Tof configuration mass spectrometry system, the Q-Tof Premier to replace its Q-Tof Ultima® line of systems and offer a higher level of instrument performance to its customers. The Q-Tof Premier is a tandem mass spectrometry system developed to provide increased levels of sensitivity and specificity to customers involved in challenging analyses such as those often encountered in proteomics and metabolite profiling experiments. The Company began shipping the Q-Tof Premier in the fourth quarter of 2004. The Q-Tof Premier is compatible and often purchased with a specialized ACQUITY UPLC as an inlet, a device to efficiently introduce a separated sample into the mass spectrometer.

### ***LC-MS***

LC and MS are instrumental technologies often embodied within an analytical system tailored for either a dedicated class of analyses or as a general purpose analytical device. An increasing percentage of the Company's customers are purchasing LC and MS components simultaneously and it is becoming common for LC and MS instrumentation to be used within the same laboratory and be operated by the same user. The descriptions of LC and MS above reflect the historical segmentation of these analytical technologies and the historical categorization of their respective practitioners. Increasingly in today's instrument market, this segmentation and categorization is becoming obsolete as a high percentage of instruments used in the laboratory embody both LC and MS technologies as part of a single device. In response to this development and to further promote the high utilization of these hybrid instruments, the Company has organized its Waters Division to develop, manufacture, sell, service and support integrated LC-MS systems.

## **TA DIVISION**

### ***Thermal Analysis***

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.

Rheometry instruments complement thermal analyzers in characterizing materials. Rheometry characterizes the flow properties of materials and measures their viscosity, elasticity and deformation under different types of "loading" or conditions. The information obtained under such conditions provides insight to a material's behavior during manufacturing, transport, usage and storage.

Thermal analysis and rheometry instruments are heavily used in material testing laboratories and, in many cases, provide information useful in predicting the suitability of polymers and viscous liquids for various industrial, consumer goods and health care products. As with systems offered through the Waters Division, a range of instrumental configurations are available with increasing levels of sample handling and information processing automation. In addition, systems and accompanying software packages can be tailored for specific applications. For example, the Q-Series™ family of differential scanning calorimeters includes a range of instruments from basic dedicated analyzers to more expensive systems that can accommodate robotic sample handlers and a variety of sample cells and temperature control features for analyzing a broad range of materials. In 2006, TA introduced four new differential scanning calorimeters. During 2005, TA introduced a new thermogravimetric analyzer ("TGA"), the Q5000IR TGA, and a new AR-G2 rheometer. The introduction of these new products significantly helped grow the TA business in 2006 and 2005.

In August 2006, the Company acquired all of the outstanding capital stock of Thermometric AB ("Thermometrics"), a manufacturer of high performance microcalorimeters, for \$2.5 million in cash and the assumption of \$1.2 million in debt. Thermometrics' flagship product, the TAM III, is a modular calorimeter that employs proprietary technology to deliver unparalleled calorimetric sensitivity and temperature stability. It is routinely used to characterize materials, and their interactions, in the fields of pharmaceuticals, life and materials sciences. The TAM III systems complement TA's industry leading Q-Series differential scanning calorimeter product line and enhances TA's position as the world's leading supplier of thermal analysis instrumentation.

The Company sells, supports and services these product offerings through TA, headquartered in New Castle, Delaware. TA operates independently from the Waters Division though several of its overseas offices are situated in Waters facilities. TA has dedicated field sales and service operations. Service sales are primarily derived from the sale of replacement parts and from billed labor fees associated with the repair, maintenance and upgrade of installed systems.

### **Customers**

The Company 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 multi-national 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. The Company's technical support staff works closely with its customers in developing and implementing applications that meet their full range of analytical requirements.

The Company does not rely on any single customer or one group of customers for a material portion of its sales. During fiscal years 2006 and 2005, no single customer accounted for more than 3% of the Company's net sales.

### **Sales and Service**

The Company has one of the largest sales and service organizations in the industry focused exclusively on its LC, MS and thermal analysis installed base. Across these product technologies, using respective specialized sales and service forces, the Company serves its customer base with approximately 2,400 field representatives in 82 sales offices throughout the world as of December 31, 2006, compared to approximately 2,400 field representatives in 87 sales offices as of December 31, 2005. The Company's 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. The Company provides customers with comprehensive product literature and also makes consumable products available through a dedicated catalog.

### **Manufacturing**

The Company provides high quality LC products by controlling each stage of production of its instruments, columns and chemical reagents. The Company currently assembles a substantial portion of its LC instruments at its facility in Milford, Massachusetts, where it performs machining, assembly and testing. The Milford facility maintains a Quality Management System in accordance with the requirements of ISO 9001:2000, ISO 13485:2003 and applicable regulatory requirements (including FDA QSR and the European IVD Directives). 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. In 2006, the Company transitioned the manufacturing of the Alliance HPLC instrument system to a company in Singapore. The Company expects to continue to pursue other outsourcing opportunities in the future. During 2006, the Company added four manufacturing locations in connection with the ERA, VICAM and Thermometrics acquisitions. ERA manufactures environmental proficiency kits in Arvada, Colorado. VICAM manufactures antibody resin and magnetic beads that are packed into columns and kits in Watertown, Massachusetts and Nixa, Missouri. Thermometrics manufactures high performance microcalorimeters in Sweden.

The Company manufactures its LC columns at its facilities in Taunton, Massachusetts and Wexford, Ireland, where it processes, sizes and treats silica and polymeric media that are packed into columns, solid phase extraction cartridges and bulk shipping containers. The Wexford facility also manufactures and distributes certain data, instruments and software components for the Company's LC, MS and thermal analysis product lines. These facilities meet the same ISO and FDA standards met by the Milford, Massachusetts facility and are registered with the FDA.

The Company manufactures most of its MS products at its facilities in Manchester, England, Cheshire, England and Wexford, Ireland. Certain components or modules of the Company's MS instruments are

manufactured by long-standing outside contractors. Each stage of this supply chain is closely monitored by the Company to maintain its high quality and performance standards. The instruments, components or modules are then returned to the Company's facilities where its engineers perform final assembly, calibrations to customer specifications and quality control procedures. The Company's MS facilities meet similar ISO and FDA standards met by the Milford, Massachusetts facility and are registered with the FDA.

Thermal analysis and rheology products are manufactured at TA. Thermal analysis products are manufactured at the Company's New Castle, Delaware facility. Rheometry products are manufactured at the Company's New Castle, Delaware and Crawley, England facilities. Similar to MS, certain elements of TA's products are manufactured by outside contractors and are then returned to the Company's facilities for final assembly, calibration and quality control. The Company's thermal analysis facilities are certified to ISO 9001:2000 standards.

## **Research and Development**

The Company maintains an active research and development program focused on the development and commercialization of products that both complement and update the existing product offering. The Company's research and development expenditures for 2006, 2005 and 2004 were \$77.3 million, \$66.9 million and \$65.2 million, respectively. Included in the 2006 expense is \$5.1 million associated with the adoption of Statement of Financial Accounting Standard ("SFAS") No. 123(R), "Share-based Payment". Nearly all of the current LC products of the Company have been developed at the Company's main research and development center located in Milford, Massachusetts, with input and feedback from the Company's extensive field organizations. The majority of the MS 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. At December 31, 2006, there were approximately 571 employees involved in the Company's research and development efforts, compared to 555 employees in 2005. The Company has increased research and development expenses relating to acquisitions and the Company's continued commitment to invest significantly in new product development and existing product enhancements. Despite the Company's active research and development programs, there can be no assurances that the Company's product development and commercialization efforts will be successful or that the products developed by the Company will be accepted by the marketplace.

## **Employees**

The Company employed approximately 4,700 employees, with 45% located in the United States, and approximately 4,500 employees, with 47% located in the United States, at December 31, 2006 and 2005, respectively. The increase of 4% over 2005 is primarily due to increases in manufacturing operations, research and development and from acquisitions. The Company considers its employee relations, in general, to be good. The Company's employees are not unionized or affiliated with any internal or external labor organizations. The Company believes that its future success depends, in a large part, upon its continued ability to attract and retain highly skilled employees. In February 2006, the Company implemented a cost reduction and expense reallocation plan, primarily in the U.S. and Europe, resulting in the employment of approximately 74 employees being terminated, all of which had left the Company as of December 31, 2006.

## **Competition**

The analytical instrument and systems market is competitive. The Company encounters competition from several worldwide instrument manufacturers in both domestic and foreign markets for each of its three technologies. The Company competes in its markets primarily on the basis of instrument performance, reliability and service and, to a lesser extent, price. Some competitors' businesses are generally more diversified and less focused on the Company's primary instrument markets. Some competitors have greater financial and other resources than the Company.

In the markets served by LC, MS and LC-MS, the Company's principal competitors include: Applied BioSystems, Inc., Agilent Technologies, Inc., Thermo Fisher Scientific Inc., Varian, Inc., Shimadzu Corporation and Bruker BioSciences Corporation. In the markets served by TA, the Company's principal competitors include: PerkinElmer Inc., Mettler-Toledo International Inc., NETZSCH-Geraetebau GmbH, Thermo Fisher Scientific Inc.,

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Malvern Instruments Ltd. and Anton-Paar. The Company is not currently aware of a competitor that it believes offers an instrument system comparable to its ACQUITY UPLC.

The market for consumable HPLC products, including separation columns, is highly competitive and more fragmented than the analytical instruments market. The Company encounters competition in the consumable 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. The Company competes in this market on the basis of reproducibility, reputation and performance and, to a lesser extent, price. The Company's principal competitors for consumable products include: Phenomenex, Supelco Inc., Agilent Technologies, Inc., Alltech International Holdings, Inc., Thermo Fisher Scientific Inc. and Merck and Co., Inc. The ACQUITY UPLC instrument is designed to offer a predictable level of performance when used with ACQUITY UPLC columns to effect the chemical separation. UPLC columns are both fluidically and electronically connected to the ACQUITY UPLC instrument to allow users to simultaneously employ and track the performance status of the UPLC column. The Company believes that the expansion of ACQUITY UPLC technology will enhance its chromatographic column business because of the high level of synergy between ACQUITY UPLC columns and the ACQUITY UPLC instrument.

### **Patents, Trademarks and Licenses**

The Company 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. The Company also owns a number of trademarks. The Company's patents, trademarks and licenses are viewed as valuable assets to its operations. However, the Company believes that no one patent or group of patents, trademark or license is, in and of itself, essential to the Company such that its loss would materially affect the Company's business as a whole.

### **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.

### **Available Information**

The Company files all required reports with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The Company is an electronic filer and the SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC electronic filing web-site is <http://www.sec.gov>. The Company also makes available free of charge on its web-site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The Internet address for Waters Corporation is <http://www.waters.com> and SEC filings can be found under the caption About Waters > Investor Information.

### **Forward-Looking Statements**

Certain of the statements in this Form 10-K and the documents incorporated in this form may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E

of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), regarding future results and events, 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 the use of the words “believes”, “anticipates”, “plans”, “expects”, “may”, “will”, “would”, “intends”, “estimates”, “projects”, and similar expressions, whether in the negative or affirmative. These statements are subject to various risks and uncertainties, many of which are outside the control of the Company, including and without limitation, fluctuations in capital expenditures by our customers, in particular large pharmaceutical companies, regulatory and/or administrative obstacles to the timely completion of purchase order documentation, introduction of competing products by other companies, such as improved research-grade mass spectrometers, higher speed and/or more sensitive liquid chromatographs, pressures on prices from competitors and/or customers, regulatory obstacles to new product introductions, lack of acceptance of new products, other changes in the demands of the Company’s healthcare and pharmaceutical company customers, risks associated with lawsuits and other legal actions particularly involving claims for infringement of patents and other intellectual property rights, and foreign exchange rate fluctuations potentially adversely affecting translation of the Company’s future non-U.S. operating results 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, whether because of these factors or for other reasons. The Company does not assume any obligation to update any forward-looking statements.

**Item 1A: Risk Factors**

*Competition and the Analytical Instrument Market:*

The analytical instrument market and, in particular, the portion related to the Company’s HPLC, UPLC, MS, LC-MS, thermal analysis and rheometry product lines, is highly competitive, and the Company encounters competition from several international instrument manufacturers and other companies in both domestic and foreign markets. Some competitors’ businesses are generally more diversified and less focused on the Company’s primary instrument markets. 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. There can be no assurances that the Company’s sales and marketing forces will compete successfully against its competitors in the future.

Additionally, the analytical instrument market may, from time to time, experience low sales growth. Approximately 52% and 54% of the Company’s net sales in 2006 and 2005, respectively, were to the worldwide pharmaceutical and biotechnology industries, 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 or financial condition.

*Risk of Disruption:*

The Company manufactures LC instruments at facilities in Milford, Massachusetts and Singapore, separation columns at its facilities in Taunton, Massachusetts and Wexford, Ireland, MS products at its facilities in Manchester, England, Cheshire, England and Wexford, Ireland, thermal analysis products at its facility in New Castle, Delaware and rheometry products at its facilities in New Castle, Delaware and Crawley, England. Any prolonged disruption to the operations at any of 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 or financial condition.

*Foreign Operations and Exchange Rates:*

Approximately 68% and 66% of the Company’s 2006 and 2005 net sales, respectively, 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 the Company's results of operations or financial condition.

*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 results of operations or financial condition could be adversely affected.

*Protection of Intellectual Property:*

The Company vigorously protects its intellectual property rights and seeks patent coverage on all developments that it regards as material and patentable. However, there can be no assurances that any patents held by the Company will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide competitive advantages to the Company. Conversely, there could be successful claims against the Company by third party patent holders with respect to certain Company products that may infringe the intellectual property rights of such third parties. The Company's patents, including those licensed from others, expire on various dates. If the Company is unable to protect its intellectual property rights, it could have an adverse and material effect on the Company's results of operations or financial condition.

*Reliance on Customer Demand:*

The demand for the Company's products is dependent upon the size of the markets for its LC, MS, thermal analysis and rheometry products, the level of capital expenditures of the Company's customers, the rate of economic growth in the Company's major markets and competitive considerations. There can be no assurances that the Company's results of operations or financial condition will not be adversely impacted by a change in any of the factors listed above.

*Reliance on Suppliers:*

Most of the raw materials, components and supplies purchased by the Company are available from a number of different suppliers; however, a number of items are purchased from limited or single sources of supply and disruption of these sources could have a temporary adverse effect on shipments and the financial results of the Company. The Company believes alternative sources could ordinarily be obtained to supply these materials, but a prolonged inability to obtain certain materials or components could have an adverse effect on the Company's financial condition or results of operations and could result in damage to its relationships with its customers and, accordingly, adversely affect the Company's business.

*Reliance on Outside Manufacturers:*

Certain components or modules of the Company's MS instruments are manufactured by long-standing outside contractors. In 2006, the Company transitioned the manufacturing of the Alliance HPLC instrument system to a company in Singapore. Disruptions of service by these outside contractors could have an adverse effect on the supply chain and the financial results of the Company. The Company believes that it could obtain alternative sources for these components or modules, but a prolonged inability to obtain these components or modules could have an adverse effect on the Company's financial condition or results of operations.

**Item 1B: *Unresolved Staff Comments***

None.

**Item 2: Properties**

Waters operates 21 United States facilities and 71 international facilities, including field offices. The Company believes its facilities are suitable and adequate for its current production level and for reasonable growth over the next several years. The Company's primary facilities are summarized in the table below.

**Primary Facility Locations**

<u>Location</u>	<u>Function (1)</u>	<u>Owned/Leased</u>
Franklin, MA	D	Leased
Milford, MA	M, R, S, A	Owned
Taunton, MA	M	Owned
Watertown, MA	M, R, S, A	Leased
Nixa, MO	M, S, D, A	Leased
Arvada, CO	M, R, S, D, A	Leased
Etten-Leur, Netherlands	S, D, A	Owned
St. Quentin, France	S, A	Leased
Singapore	S, D, A	Leased
Tokyo, Japan	S, A	Leased
Wexford, Ireland	M, D, A	Owned
New Castle, DE	M, R, S, D, A	Leased
Crawley, England	M, R, S, D, A	Leased
Cheshire, England	M, R, D, A	Leased
Manchester, England	M, R, S, A	Leased
Romania	R, A	Leased
Sweden	M, R, D, S, A	Leased

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

The Company operates and maintains 12 field offices in the United States and 59 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 (2)**

<u>United States</u>	<u>International</u>		
Dublin, CA	Australia	India	Switzerland
Irvine, CA	Austria	Ireland	Taiwan
Schaumburg, IL	Belgium	Italy	United Kingdom
Wood Dale, IL	Brazil	Japan	
Beverly, MA	Canada	Korea	
Columbia, MD	Czech Republic	Mexico	
Ann Arbor, MI	Denmark	Netherlands	
		People's Republic of	
Cary, NC	Finland	China	
Parsippany, NJ	France	Poland	
Huntingdon, PA	Germany	Puerto Rico	
Bellaire, TX	Hong Kong	Spain	
Spring, TX	Hungary	Sweden	

(2) The Company operates more than one office within certain states and foreign countries.



**Item 3: Legal Proceedings**

*Hewlett-Packard Company:*

The Company filed suit in the United States against Hewlett-Packard Company and Hewlett-Packard GmbH (collectively, "HP"), seeking a declaration that certain products sold under the mark "Alliance" did not constitute an infringement of one or more patents owned by HP or its foreign subsidiaries (the "HP patents"). The action in the United States was dismissed for lack of controversy. Actions seeking revocation or nullification of foreign HP patents were filed by the Company in Germany, France and England. A German patent tribunal found the HP German patent to be valid. In Germany, France and England, HP and its successor, Agilent Technologies Deutschland GmbH ("Agilent"), brought actions alleging that certain features of the Alliance pump may infringe the HP patents. In England, the Court of Appeal found the HP patent valid and infringed. The Company's petitions for leave to appeal to the House of Lords were denied. A trial on damages was scheduled for November 2004.

In March 2004, Agilent brought a new action against the Company alleging that certain features of the Alliance pump continued to infringe the HP patents. At a hearing held in the UK in June 2004, the UK court postponed the previously scheduled November 2004 damages trial until March 2005. Instead, the court scheduled the trial in the new action for November 2004. In December 2004, following a trial in the new action, the UK court ruled that the Company did not infringe the HP patents. Agilent filed an appeal in that action, which was heard in July 2005, and the UK Appellate Court upheld the lower court's ruling of non-infringement. The damages trial scheduled for March 2005 was postponed pending this appeal and rescheduled for December 2005. In December 2005, a trial on damages commenced in the first action and continued for six days prior to a holiday recess. In February 2006, the Company, HP and Agilent entered into a settlement agreement (the "Agilent Settlement Agreement") with respect to the first action and a consent order dismissing the case was entered. The Agilent Settlement Agreement provides for the release of the Company and its UK affiliate from each and every claim under Agilent's European patent (UK) number 309,596 arising out of the prior sale by either of them of Alliance Separations Modules incorporating the patented technology. In consideration of entering into the Agilent Settlement Agreement and the consent order, the Company made a payment to Agilent of 3.5 million British Pounds, in full and final settlement of Agilent's claim for damages and in relation to all claims for costs and interest in the case.

In France, the Paris District Court has found the HP patent valid and infringed by the Alliance pump. The Company appealed the French decision and, in April 2004, the French appeals court affirmed the Paris District Court's finding of infringement. The Company has filed a further appeal in the case. The Company has sought a declaration from the French court that, as was found in both the UK and Germany, certain modified features of the Alliance pump do not infringe the HP patents. A hearing on this matter is currently scheduled for June 2007. In the German case, a German court has found the patent infringed. The Company appealed the German decision and, in December 2004, the German appeals court reversed the trial court and issued a finding of non-infringement in favor of the Company. Agilent is seeking an appeal in that action and, in July 2005, brought a new action against the Company alleging that certain features of the Alliance pump continue to infringe the HP patents. In August 2006, following a trial in this new action the German court ruled that the Company did not infringe the HP patents. Agilent has filed an appeal in this action.

The Company recorded provisions in the quarters ended June 30, 2002, April 3, 2004, and December 31, 2005 for estimated damages, legal fees, and court costs incurred with respect to this ongoing litigation. The provisions represent management's best estimate of the probable and reasonably estimable loss related to the litigations.

**Item 4: Submission of Matters to a Vote of Security Holders**

None.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

Officers of the Company are elected annually by the Board of Directors and hold office at the discretion of the Board of Directors. The following persons serve as executive officers of the Company:

Douglas A. Berthiaume, 58, has served as Chairman of the Board of Directors of the Company since February 1996 and has served as Chief Executive Officer and a Director of the Company since August 1994. Mr. Berthiaume

also served as President of the Company from August 1994 to January 2002. In March 2003, Mr. Berthiaume once again became President of the Company. From 1990 to 1994, Mr. Berthiaume served as President of the Waters Chromatography Division of Millipore. Mr. Berthiaume is the Chairman of the Children's Hospital Trust Board, and a Trustee of the Children's Hospital Medical Center, The University of Massachusetts Amherst Foundation and a Director of Genzyme Corporation.

Arthur G. Caputo, 55, became an Executive Vice President in March 2003 and has served as President of the Waters Division since January 2002. Previously, he was the Senior Vice President, Worldwide Sales and Marketing of the Company since August 1994. He joined Millipore in October 1977 and held a number of positions in sales. Previous roles include Senior Vice President and General Manager of Millipore's North American Business Operations responsible for establishing the Millipore North American Sales Subsidiary and General Manager of Waters' North American field sales, support and marketing functions.

Elizabeth B. Rae, 49, became Vice President of Human Resources in October 2005 and has served as Vice President of Worldwide Compensation and Benefits since January 2002. She joined Waters Corporation in January 1996 as Director of Worldwide Compensation. Prior to joining Waters she has held senior human resources positions in retail, healthcare and financial services companies.

John Ornell, 49, became Vice President, Finance and Administration and Chief Financial Officer in June 2001. He joined Millipore in 1990 and previously served as Vice President, Operations. During his years at Waters, he has also been Vice President of Manufacturing and Engineering, had responsibility for Operations Finance and Distribution and had a senior role in the successful implementation of the Company's worldwide business systems.

Mark T. Beaudouin, 52, became Vice President, General Counsel and Secretary of the Company in April 2003. Prior to joining Waters, he served as Senior Vice President, General Counsel and Secretary of PAREXEL International Corporation, a bio/pharmaceutical services company, from January 2000 to April 2003. Previously, from May 1985 to January 2000, Mr. Beaudouin served in several senior legal management positions, including Vice President, General Counsel and Secretary of BC International, Inc., a development stage biotechnology company, First Senior Vice President, General Counsel and Secretary of J. Baker, Inc., a diversified retail company, and General Counsel and Secretary of GenRad, Inc., a high technology test equipment manufacturer.

## PART II

### **Item 5: *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

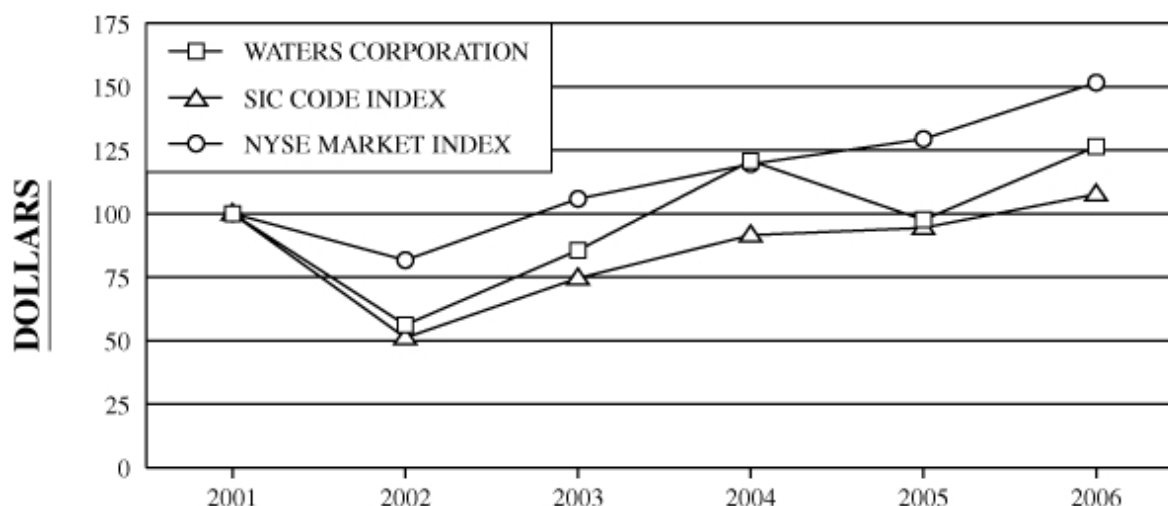
Equity compensation plan information is incorporated by reference from Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this document, and should be considered an integral part of this Item 5. The Company's Common Stock is registered under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), and is listed on the New York Stock Exchange under the symbol WAT. As of February 23, 2007, the Company had approximately 247 common stockholders of record. The Company has not declared or paid any dividends on its Common Stock in its past three fiscal years and does not plan to pay dividends in the foreseeable future.

The Company has not made any sales of unregistered securities in the years ended December 31, 2006, 2005 or 2004.

### STOCK PRICE PERFORMANCE GRAPH

The following graph compares the cumulative total return on \$100 invested as of December 31, 2001 (the last day of public trading of the Company's Common Stock in fiscal year 2001) through December 29, 2006 (the last day of public trading of the Common Stock in fiscal year 2006) in the Company's Common Stock, the NYSE Market Index and the SIC Code 3826 Index. The return of the indices is calculated assuming reinvestment of dividends during the period presented. The Company has not paid any dividends since its initial public offering. The stock price performance shown on the graph below is not necessarily indicative of future price performance.

**COMPARISON OF CUMULATIVE TOTAL RETURN SINCE  
DECEMBER 31, 2001 AMONG WATERS CORPORATION,  
NYSE MARKET INDEX AND SIC CODE 3826 — LABORATORY ANALYTICAL INSTRUMENTS**



	2001	2002	2003	2004	2005	2006
WATER CORPORATION	100.00	56.21	85.57	120.75	97.55	126.37
SIC CODE INDEX	100.00	51.13	74.59	91.53	94.40	107.64
NYSE MARKET INDEX	100.00	81.69	105.82	119.50	129.37	151.57

The quarterly range of high and low sales prices for the Common Stock as reported by the New York Stock Exchange is as follows:

For the quarter ended	Price Range	
	High	Low
April 2, 2005	\$ 51.57	\$ 35.51
July 2, 2005	\$ 40.85	\$ 33.99
October 1, 2005	\$ 46.43	\$ 37.42
December 31, 2005	\$ 43.79	\$ 35.11
April 1, 2006	\$ 44.88	\$ 37.06
July 1, 2006	\$ 46.98	\$ 40.40
September 30, 2006	\$ 45.41	\$ 38.38
December 31, 2006	\$ 51.64	\$ 44.43

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The following table provides information about purchases by the Company during the three months ended December 31, 2006 of equity securities registered by the Company under to the Exchange Act (in thousands, except per share data):

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Programs (2)</u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs</u>
October 1 to 28, 2006	—	\$ —	—	\$ 56,144
October 29 to November 25, 2006	—	—	—	56,144
November 26 to December 31, 2006	430	49.85	430	34,709
Total	430	49.85	430	34,709

- (1) The Company purchased an aggregate of 11.3 million shares of its common stock in open market transactions pursuant to a repurchase program (the “Program”) that was announced on October 25, 2005.
- (2) The Company’s Board of Directors approved the repurchase by the Company of up to \$500.0 million of its outstanding common stock pursuant to the Program. The expiration date of the Program is October 25, 2007.

### **Item 6: Selected Financial Data**

Reference is made to information contained in the section entitled “Selected Financial Data” on page 77 of this Form 10-K, included in Item 8, Financial Statements and Supplementary Data.

### **Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations**

#### **Business and Financial Overview:**

The Company’s sales were \$1,280.2 million, \$1,158.2 million and \$1,104.5 million in 2006, 2005 and 2004, respectively. Sales grew 11% in 2006 over 2005 and 5% in 2005 over 2004. Overall, the sales growth achieved in these years can be primarily attributed to the Company’s introduction of new products and sustained growth in Asia. The 2006 and 2005 sales growth benefited from the introduction of the ACQUITY UPLC® and the Quattro Premier™ XE based systems and an increase in chemistry consumable sales. In addition, the 2006 sales growth also benefited from the introduction of the new SQD, TQD and Synapt™ HDMS mass spectrometry systems which were introduced in the second-half of 2006.

The effect of currency translation benefited the 2006 sales growth rate by less than 1%, principally in Europe, and was neutral to the 2005 sales growth rates. U.S. sales increased 4% and 2%; European sales grew 12% and 3%; and Asian sales (including Japan) grew 19% and 10% during 2006 and 2005, respectively. Asian sales growth was strongest in India and China.

In 2006, global sales to pharmaceutical customers rebounded from 2005 levels and industry-wide sales grew 8%, as these customers increased their capital spending on the Company’s new products. Global sales to pharmaceutical customers were weak in 2005 as the Company’s large pharmaceutical customers decreased capital spending as these customers dealt with various new drug pipeline, merger and acquisition and litigation issues. Global sales to industrial and food safety customers continued its positive trend as sales grew 13% in 2006 over 2005. The TA Division (“TA”) sales, a business with a heavy industrial focus, grew 9% and 8% for 2006 and 2005, respectively, and the sales growth can be attributed to new product introductions and expansion of its Asian businesses.

The Waters Division sales grew by 11% in 2006 and 4% in 2005. The Waters Division’s products and services consist of LC & MS instrument systems which include high performance liquid chromatography (“HPLC”), ultra performance liquid chromatography (“UPLC” and together with HPLC, herein referred to as “LC”), mass

spectrometry (“MS”) products, chemistry consumable products, and LC and MS services. The sales growth is strongly influenced by ACQUITY UPLC sales and sales growth in the chemistry consumables business.

In 2006, the Company continued to enhance its operations in Asia by expanding an existing partnership to manufacture instrumentation in Singapore. The Company transitioned the manufacturing of the Alliance® instrument system and, while the Company expects to achieve cost savings efficiencies in the future, the overall impact during the ramp-up in 2006 was slightly negative on gross profit margin percentages in 2006 compared to 2005.

Operating income was \$295.2 million, \$283.2 million and \$284.9 million in 2006, 2005 and 2004, respectively. Operating income was primarily impacted by the following:

- The \$12.0 million net increase in 2006 operating income from 2005 is primarily a result of the increased sales volume being partially offset by the \$28.0 million of the additional stock-based compensation costs incurred as a result of the adoption of Statement of Financial Accounting Standard (“SFAS”) No. 123(R) “Share-Based Payment” and \$8.5 million of restructuring costs incurred relating to the February 2006 cost reduction initiative. The Company does not expect to incur any significant additional restructuring costs for this initiative in the future.
- The \$1.7 million net decrease in operating income in 2005 from 2004 is primarily attributable to a litigation provision of \$3.1 million related to a patent litigation settlement with Hewlett-Packard Company in February 2006 that was recorded in the fourth quarter of 2005. The remaining increase in 2005 operating income was primarily a result of sales growth. The 2004 operating income included the benefit of a litigation judgment in the amount of \$17.1 million from Perkin-Elmer Corporation partially offset by litigation provisions of \$7.8 million and a technology license asset impairment of \$4.0 million.

The Company continuously evaluates its equity investments for impairment and, as a result, the Company recorded, in net other expense, a net write-down of certain equity investments in the amount of \$5.8 million, \$3.1 million and \$1.0 million in 2006, 2005 and 2004, respectively. Included in the 2005 net write-down is a gain on the sale of an equity investment of \$1.7 million.

Operating cash flow was \$263.6 million, \$298.1 million and \$259.4 million in 2006, 2005 and 2004, respectively. Included in the 2006 operating cash flow was a \$9.0 million tax payment associated with the American Jobs Creation Act (“AJCA”), a \$3.5 million litigation payment and \$7.0 million of severance and other facility related payments made in connection with the cost reduction initiative. The 2005 operating cash flow included an AJCA payment of approximately \$10.0 million. The decline in the 2006 operating cash flow can also be attributed to an increase in inventories of \$29.9 million over 2005. The inventory increase is attributable to the ramp-up of new product introductions and an increase in the safety stock levels resulting from the outsourcing of the Alliance instrument system manufacturing. Operating cash flows continue to benefit from the improvement in accounts receivable collection measured in days-sales-outstanding (“DSO”). DSO’s were 64 days, 70 days and 76 days at December 31, 2006, 2005 and 2004, respectively.

In cash flows used in investing activities, capital expenditures related to property, plant, equipment, software capitalization and other intangibles were \$51.4 million, \$51.0 million and \$66.2 million, in 2006, 2005 and 2004, respectively. Capital expenditures have remained substantially unchanged over the last three years. Capital expenditures in 2004 included \$18.1 million for the purchase of a building adjacent to the Company’s headquarters.

The Company continues to evaluate the acquisition of businesses, product lines and technologies to augment the Waters and TA operating divisions. On December 15, 2006, the Company acquired all of the outstanding capital stock of Environmental Resources Associates, Inc., (“ERA”), a provider of environmental testing products for quality control, proficiency testing and specialty calibration chemicals used by environmental laboratories, for approximately \$62.5 million in cash and the assumption of \$3.8 million of debt. The Company expects that ERA will add approximately \$17.0 million of product sales and be about neutral to earnings in 2007 after debt service costs. In February 2006, the Company acquired the net assets of the food safety business of VICAM Limited Partnership (“VICAM”) for approximately \$13.8 million. VICAM products added approximately \$8.0 million to sales and were about neutral to earnings for the year ended December 31, 2006 after debt service costs. VICAM product sales in 2007 are expected to be approximately \$10.0 million. In August 2006, the Company acquired all of

the outstanding capital stock of Thermometric AB (“Thermometrics”), a manufacturer of high performance microcalorimeters, for a total of \$2.5 million in cash and the assumption of \$1.2 million of debt. Thermometrics’ products added approximately \$1.5 million to sales and were neutral to earnings for the year ended December 31, 2006. Thermometrics sales are expected to be approximately \$4.0 million in 2007.

During 2006, management continued to apply the Company’s net cash flow to repurchase shares of Company stock through the \$500.0 million program authorized by the Company’s Board of Directors in October 2005. During 2006, the Company purchased 5.8 million shares of its common stock at a cost of \$249.2 million. The Company has repurchased an aggregate of 11.3 million shares of its common stock under this program at a cost of \$465.3 million, leaving \$34.7 million authorized for future repurchases. The Company believes that the share repurchase programs are beneficial to shareholders by increasing earnings per share through reducing the number of outstanding shares. The Company also believes that it has the financial flexibility to fund these share repurchases given current cash and debt levels, and invest in research, technology and business acquisitions to further grow the Company’s sales and profits.

In January 2007, the Company terminated multiple term loan and revolving credit agreements entered into 2005 and 2004. The Company refinanced the credit agreement facilities to expand its debt capacity to \$1.1 billion, reduce its borrowing rates and extend the maturity by two years.

### **Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

#### *Net Sales:*

Net sales for 2006 and 2005 were \$1,280.2 million and \$1,158.2 million, respectively, an increase of 11%. Foreign currency translation benefited the 2006 sales growth rate by less than 1%. Product sales were \$922.5 million and \$834.7 million for 2006 and 2005, respectively, an increase of 11% over 2005. The increase in product sales was primarily due to the overall positive growth in LC, MS and TA instrument systems sales, an increase in chemistry consumables sales and the effect of acquisitions. Service sales were \$357.7 million and \$323.6 million in the 2006 and 2005, respectively, an increase of 11%. The increase was primarily attributable to growth in the Company’s installed base of instruments and higher sales of service contracts.

The following commentary discusses the Company’s sales performance by product line.

#### *Waters Division Net Sales:*

The Waters Division sales grew approximately 11% in 2006. The effect of foreign currency translation benefited the 2006 Waters Division sales growth by less than 1%. Chemistry consumables sales grew approximately 18% in 2006. This growth was driven by increased column sales of ACQUITY UPLC proprietary column technology, new XBridge™ columns, Oasis® sample preparation products and the sales associated with the acquired VICAM product line. LC and MS service sales grew 9% in 2006 due to increased sales of service plans to the higher installed base of customers. LC and MS instrument systems sales grew 9% in 2006. The increase in LC and MS instrument sales during 2006 is primarily attributable to higher sales of ACQUITY UPLC systems and higher MS triple quadrupole system sales, offset by a decline in lower-end MS systems sales. Waters Division sales by product mix was substantially unchanged in 2006 and 2005 with instruments, chemistry and service representing approximately 57%, 16% and 27% respectively. Geographically, Waters Division sales in the U.S., Europe and Asia (including Japan) strengthened approximately 4%, 12% and 19%, respectively, in 2006. The effects of foreign currency translation increased sales growth by 2% in Europe and decreased sales growth in Asia by 3% in 2006. The growth in Europe was broad-based across most major countries, particularly in Eastern Europe, while Asia’s growth was primarily driven by increased sales in India and China. U.S. sales growth in 2006 was primarily due to higher demand from the Company’s pharmaceutical and industrial customers.

#### *TA Division Net Sales:*

TA Division’s sales grew 9% in 2006 as a result of TA’s new product introductions and expansion of its Asian businesses. Foreign currency translation had no impact to this overall sales growth rate. Instrument sales grew 4% as TA introduced four new differential scanning calorimeters during 2006 and, in late August 2006, the Company entered the field of microcalorimetry through the acquisition of Thermometrics. Instrument system sales represented approximately 70% and 73% of sales in 2006 and 2005, respectively. TA service sales grew 22% in 2006 and

can be attributed to the increased sales of service plans to the higher installed base of customers. Geographically, sales growth for 2006 was predominantly in Europe and Asia.

*Gross Profit:*

Gross profit for 2006 was \$744.0 million compared to \$679.9 million for 2005, an increase of \$64.1 million or 9% and is generally consistent with the increase in net sales. Gross profit as a percentage of sales decreased to 58.1% in 2006 from 58.7% in 2005. The 2006 gross profit was negatively impacted by \$4.3 million of stock-based compensation costs relating to the adoption of SFAS No. 123(R). The remaining slight decrease in gross profit percentage in 2006 as compared to 2005 is primarily due to product transition costs to Singapore and product introduction costs on new MS instruments.

*Selling and Administrative Expenses:*

Selling and administrative expenses for 2006 and 2005 were \$357.7 million and \$321.7 million, respectively. As a percentage of net sales, selling and administrative expenses were 27.9% for 2006 compared to 27.8% for 2005. The \$36.0 million or 11% increase in total selling and administrative expenses for 2006 is primarily due to additional stock-based compensation costs of \$18.6 million, annual merit increases across most divisions, other headcount additions and related fringe benefits and indirect costs of \$11.6 million. Other increases in selling and administration expenses were offset by decreases related to the February 2006 cost saving initiative. The Company has made investments in Asia, largely in the second half of 2006, in support of growing business opportunities and management expects expenses to continue to grow at a modest rate in the future as compared to 2006.

*Research and Development Expenses:*

Research and development expenses were \$77.3 million for 2006 and \$66.9 million for 2005, an increase of \$10.4 million or 16% primarily due to stock-based compensation costs of \$5.1 million relating to the adoption of SFAS No. 123(R) and the merit increases across most divisions, other headcount additions and related fringe benefits and indirect costs. The remaining increases in research and development expenses in 2006 as compared to 2005 reflects the costs of introducing multiple new MS instruments in the second half of 2006.

*2006 Restructuring:*

In February 2006, the Company implemented a cost reduction plan primarily affecting operations in the U.S. and Europe that resulted in the employment of 74 employees being terminated, all of which had left the Company as of December 31, 2006. In addition, the Company closed a sales and demonstration office in the Netherlands in the second quarter of 2006. The Company implemented this cost reduction plan primarily to realign its operating costs with business opportunities around the world.

The following is a summary of activity of the Company's 2006 restructuring liability (in thousands):

	Balance December 31, 2005	Charges	Utilization	Balance December 31, 2006
Severance	\$ —	\$ 6,443	\$ (5,010)	\$ 1,433
Other	—	2,041	(1,993)	48
Total	\$ —	\$ 8,484	\$ (7,003)	\$ 1,481

The Company does not expect to incur any additional charges connection with the February 2006 restructuring initiative. The Company achieved approximately \$4.4 million of cost savings in 2006 from this initiative, mostly in the second half of 2006, and expects to achieve approximately \$7.4 million in cost savings annually as a result of this restructuring. Other charges include approximately \$0.7 million of leasehold improvement assets, net of accumulated amortization, written-off as a result of the closure of the facility in the Netherlands.

*Litigation Provisions:*

Litigation provisions in 2005 were \$3.1 million relating to patent litigation with Agilent Corporation and Hewlett-Packard Company ("Hewlett-Packard"). This patent litigation was settled in February 2006 and recorded in the 2005 statement of operations. No additional provisions were made in 2006.

*Other (Expense) Income, Net:*

In the fourth quarter of 2006, the Company recorded a \$5.8 million charge for an other-than-temporary impairment to an equity investment in Caprion Pharmaceuticals Inc. (“Caprion”). The charge was recorded in 2006 when the Company learned that Caprion’s financial condition had deteriorated and a merger was in process that, in the Company’s assessment, would result in the Company’s investment being substantially diminished. The remaining value of the Caprion investment was approximately \$1.7 million as of December 31, 2006.

In the fourth quarter of 2005, the Company sold all of its equity investment in Nuvelo, Inc. and recorded a gain of \$1.7 million. In the fourth quarter of 2005, the Company also recorded a \$4.8 million charge for an other-than-temporary impairment for the full value of the Company’s investment in Beyond Genomics, Inc. This charge was recorded based on the Company’s assessment of Beyond Genomics, Inc.’s financial condition.

*Interest Expense:*

Interest expense was \$51.7 million and \$24.7 million for 2006 and 2005, respectively. The increase in 2006 interest expense is primarily attributable to increases in interest rates on the Company’s outstanding debt and an increase in average borrowings in the U.S. to fund the stock repurchase programs.

*Interest Income:*

Interest income for 2006 and 2005 was \$25.3 million and \$19.3 million, respectively. The increase in interest income is primarily due to higher interest rate yields.

*Provision for Income Taxes:*

The Company’s effective tax rates for 2006 and 2005 were 15.5% and 26.4%, respectively. Included in the 2005 effective tax rate is the effect of \$24.0 million of income tax expense related to the repatriation of funds from the Company’s foreign subsidiaries under the ACJA. The remaining decrease in the effective tax rates for 2006 compared to 2005 is primarily attributable to the proportionate increase in income in international jurisdictions with lower effective tax rates, primarily Ireland and Singapore. In addition, the adoption of SFAS No. 123(R) resulted in the recognition of a tax benefit at a higher effective tax rate in 2006.

**Year Ended December 31, 2005 Compared to Year Ended December 31, 2004**

*Net Sales:*

Net sales in 2005 were \$1,158.2 million, an increase of 5% compared to sales of \$1,104.5 million in 2004. Foreign currency translation had no significant effect overall on sales growth in 2005. In 2005, product sales increased \$27.9 million or 3% and service sales increased \$25.8 million or 9% over sales in 2004. The increase in product sales is primarily due to the continued strength of LC, MS and TA instrument sales growth, increases in sales of chemistry consumables and, particularly, the full-year sales in 2005 of the ACQUITY UPLC system. The increase in service sales is primarily due to growth in the Company’s instrument installed base and sales of service contracts.

*Waters Division Net Sales:*

Waters Division’s sales in 2005 grew approximately 4%. The effect of foreign currency translation decreased overall sales by 1%. The growth in LC and MS instrument system sales in 2005 was 2%. This growth was due principally to the full-year impact of products introduced in 2004, such as the ACQUITY UPLC instrument, in combination with demand for existing LC instruments, and an increase in Q-ToF Premier and Quattro Premier XE system sales substantially offset by weak single quadrupole and magnetic sector instrument sales. In 2005, the sales of chemistry consumables (sample preparation devices and chromatography columns) grew 8% primarily as a result of continued strength in demand from the introduction of the new XBridge, SunFire™ and ACQUITY UPLC chromatography columns and Oasis sample preparation cartridges. Service sales in 2005 grew 8% over 2004 due to increased sales of service plans to the Company’s growing installed base of customers. Service sales growth was geographically broad-based and was driven by increased demand, primarily from large multi-national customers, for service plans to maintain a higher percentage of their installed Waters instruments and their newly purchased Waters instruments. The 2005 Waters Division sales product mix for instruments, chemistry and service was approximately 57%, 16% and 27%, respectively. The 2004 Waters Division sales product mix for instruments, chemistry and service was approximately 59%, 14% and 27%, respectively.



Geographically, Waters Division sales grew 10% in Asia and 7% in Japan while the U.S. and European sales grew 1% and 3%, respectively. Foreign currency translation had no significant impact on sales growth in 2005; except in Japan where sales were negatively impacted by 3%. Sales growth rates in Asia and Japan were driven by business associated with pharmaceutical industry demand in India and more broad-based growth in China. Increased regulations for food and drinking water testing also contributed to sales growth in Japan and in Asia.

*TA Division Net Sales:*

Sales for thermal analysis instruments, rheometry instruments and related service sales grew 8% in 2005. Instrument system sales grew 6% as strong demand for TA products from customers outside of the U.S. contributed to the division's overall sales growth. Instrument system sales represented approximately 73% of sales in 2005 and 2004. Sales growth for TA outside of the U.S. was 13% in 2005 compared to 2004. TA's positive sales growth performance can be attributed to the strong demand for TA's products in Japan and Asia and TA's worldwide expanded sales and marketing efforts. Sales in the U.S. and Europe grew 3% while sales in Japan and Asia grew 20% and 39% in 2005, respectively. In 2005, service sales grew approximately 15% primarily as a result of providing service to a larger installed base of instruments.

*Gross Profit:*

Gross profit for 2005 was \$679.9 million compared to \$649.7 million for 2004, an increase of \$30.2 million or 5% and generally consistent with the increase in net sales. Gross profit as a percentage of sales decreased to 58.7% in 2005 from 58.8% in 2004. The slight decline in gross profit percentage is primarily attributable to a higher mix of more costly new products, in particular the ACQUITY UPLC instrument, as well as lower sales of higher margin MS instruments. These factors negatively affecting gross profit percentage were partially offset by an increased mix of higher margin chemistry consumables and service sales.

*Selling and Administrative Expenses:*

Selling and administrative expenses for 2005 and 2004 were \$321.7 million and \$300.2 million, respectively. As a percentage of net sales, selling and administrative expenses increased to 27.8% for 2005 from 27.2% for 2004. The \$21.5 million or 7% increase in total selling and administrative expenses for 2005 is primarily attributable to the following: an increase of approximately \$4.1 million as a result of foreign currency effects; annual merit increases and other headcount additions and related fringe benefits and indirect costs of approximately \$15.4 million; an increase in travel expenses of approximately \$6.4 million; and an increase in expenses associated with a new building in Milford, Massachusetts acquired in 2004. The impact of these increases was primarily offset by lower sales commissions and management incentive compensation expense derived from 2005 financial results.

*Research and Development Expenses:*

Research and development expenses were \$66.9 million for 2005 and \$65.2 million for 2004, an increase of \$1.7 million or 3%. The increase is primarily attributable to an increase in headcount as the Company continues to invest in the development of new and improved LC, MS, thermal analysis and rheometry products.

*Litigation Provisions and Settlement:*

Net litigation settlements and provisions for 2005 were a \$3.1 million charge compared to a \$9.3 million net benefit for 2004. In 2005, the Company recorded a provision of \$3.1 million relating to patent litigation with Hewlett-Packard. This patent litigation was settled in February 2006. In 2004, the Company recorded the benefit of a litigation judgment in the amount of \$17.1 million and a provision expense of \$7.8 million. The benefit in 2004 is related to the conclusion of the Company's litigation with Perkin-Elmer. The provision in 2004 was related to the on-going patent infringement suit with Hewlett-Packard. In 2005, the Company made payments for legal fees regarding the Hewlett-Packard litigation in the amount of approximately \$2.3 million.

*Impairment of Long-Lived Asset:*

In 2004, the Company recorded a \$4.0 million charge for an other-than-temporary impairment of its technology license with Sandia National Laboratories, as a significant portion of the technology collaboration program was suspended. There was no such charge in 2005. The remaining value of the license was approximately \$0.8 million and \$1.0 million as of December 31, 2005 and 2004, respectively.

*Other (Expense) Income, Net:*

In 2005, the Company sold all of its equity investment in Nuvelo, Inc. and recorded a gain of \$1.7 million. In 2005, the Company also recorded a \$4.8 million charge for an other-than-temporary impairment for the full value of the Company's investment in Beyond Genomics, Inc. This charge was recorded based on the Company's assessment of Beyond Genomics, Inc.'s financial condition. In 2004, the Company recorded a \$1.0 million pre-tax charge for an other-than-temporary impairment to the Company's remaining investment carrying value of GeneProt™. This charge was recorded based on the Company's assessment of GeneProt's financial condition.

*Interest Expense:*

Interest expense was \$24.7 million and \$10.1 million for 2005 and 2004, respectively. The increase in 2005 interest expense is primarily attributable to a combination of additional borrowings in the U.S. to fund the stock repurchase programs and higher interest rates on the Company's outstanding debt.

*Interest Income:*

Interest income for 2005 and 2004 was \$19.3 million and \$11.9 million, respectively. The increase in interest income is primarily due to higher cash balances and higher interest rate yields.

*Provision for Income Taxes:*

In October 2004, the AJCA was signed into law. The AJCA creates a temporary incentive for U.S. multi-national corporations to repatriate accumulated income abroad by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations. It previously had been the Company's practice to permanently reinvest all foreign earnings into foreign operations. On July 12, 2005, the Board of Directors of the Company approved the repatriation of \$500.0 million as a qualified distribution in accordance with the AJCA. The Company has used and will continue to use the repatriated cash to fund current and future operating expenses within the parameters of Internal Revenue Service guidance. During the third quarter of 2005, the Company recorded a tax liability of \$24.0 million for the federal, state and foreign taxes related to the qualified and base period distribution in accordance with SFAS No. 109, "Accounting for Income Taxes".

The Company's effective tax rates for 2005 and 2004 were 26.4% and 21.6%, respectively. Included in the 2005 effective tax rate is the effect of \$24.0 million of income tax expense related to the repatriation of funds from the Company's foreign subsidiaries under the AJCA. The 2004 effective tax rate was impacted by the net tax effect of the Perkin-Elmer litigation judgment received and the litigation provisions for the on-going patent infringement suit with Hewlett-Packard. The remaining change in effective tax rates is primarily attributable to the relative increase in income in international jurisdictions with lower effective tax rates, primarily Ireland.

**Liquidity and Capital Resources****Condensed Consolidated Statements of Cash Flows (in thousands):**

	Year Ended December 31		
	2006	2005	2004
Net income	\$ 222,200	\$ 201,975	\$ 224,053
Depreciation and amortization	46,159	43,685	41,926
Stock-based compensation	28,813	765	75
Deferred income taxes	506	10,235	1,468
Tax benefit related to stock option plans	—	4,872	32,012
Change in accounts receivable	(9,803)	(6,515)	(36,453)
Change in inventories	(29,853)	(6,973)	(11,575)
Change in accounts payable and other current liabilities	1,670	26,802	12,203
Change in accrued litigation	(4,420)	688	(16,095)
Change in deferred revenue and customer advances	1,230	7,551	1,526
Other changes	7,092	14,982	10,309
Net cash provided by operating activities	263,594	298,067	259,449
Net cash used in investing activities	(130,374)	(51,045)	(108,605)
Net cash (used in) provided by financing activities	(125,906)	(272,015)	21,507
Effect of exchange rate changes on cash and cash equivalents	13,264	(20,496)	9,945
Increase (decrease) in cash and cash equivalents	\$ 20,578	\$ (45,489)	\$ 182,296

**Cash Flow from Operating Activities****Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

Net cash provided by operating activities was \$263.6 million and \$298.1 million in 2006 and 2005, respectively. The \$34.5 million decline in net cash provided from operating activities in 2006 compared to 2005 is attributed primarily to the following significant changes in the sources and uses of net cash provided from operating activities, aside from the increase in net income and the impact of stock compensation under SFAS 123(R):

- The change in accounts receivable in 2006 compared to 2005 is primarily attributable to the timing of payments made by customers and the higher sales volume in 2006 as compared to 2005. The days-sales-outstanding (“DSO”) decreased to 64 days at December 31, 2006 from 70 days at December 31, 2005.
- The change in inventory in 2006 compared to 2005 results from the increase in inventory due to the ramp-up of new MS products, an increase in LC instrument inventory associated with the transition to higher production levels of ACQUITY systems from Alliance systems and a planned increase in the Alliance inventory levels during the outsourcing transition.
- The 2006 change in accounts payable and other current liabilities was impacted by cash payments made on increased inventory levels, severance and other facility related payments of \$7.0 million in connection with the cost reduction initiative and a litigation payment of \$3.5 million to settle the Hewlett-Packard litigation.
- Also included in the change in accounts payable and other current liabilities in 2006 was a tax payment in the amount of \$9.0 million related to the distribution and repatriation of cash under the AJCA. During 2005, the income tax accrual was increased by \$24.0 million resulting from the repatriation of funds under the AJCA.
- Net cash provided from deferred revenue and customer advances in both 2006 and 2005 was a result of the installed base of customers renewing annual service contracts.
- 2006 net cash provided by operating activities as compared to 2005 was impacted by the adoption of SFAS No. 123(R). Under SFAS No. 123(R), \$16.5 million of benefits of tax deductions in excess of recognized compensation costs were reported as cash from financing activities in 2006; prior to the adoption

of SFAS No. 123(R), this benefit of \$4.9 million in 2005 was reported as part of cash from operating activities.

***Year Ended December 31, 2005 Compared to Year Ended December 31, 2004***

Net cash provided by operating activities was \$298.1 million and \$259.4 million in 2005 and 2004, respectively. The \$38.7 million increase in the net cash provided from operating activities in 2005 compared to 2004 can be attributed primarily to the following significant changes in the sources and uses of the net cash provided from operating activities, aside from the increase in net income:

- Depreciation and amortization have increased as a result of higher capital spending on equipment and facilities, and the full-year impact of acquisitions, particularly in 2004.
- Deferred income taxes decreased in 2005 primarily as a result of the utilization of a portion of the net operating loss carryforwards.
- The change in accounts receivable is primarily related to the timing of the Company's sales within the quarter, the timing of cash receipts from customers and foreign currency translation. DSO at December 31, 2005 and 2004 were 70 days and 76 days, respectively.
- The growth in inventory over the two years is primarily related to the Company's sales growth and the introduction of new products. Although inventory levels have grown, they have not increased at the same rate as sales growth, thus resulting in improved inventory turns of 3.6 and 3.3 in 2005 and 2004, respectively.
- The changes in accounts payable and other current liabilities are primarily related to the increase in income tax accruals resulting from the repatriation of funds in 2005 and timing of payments of income tax, compensation, and retirement accruals.
- The 2005 change in accrued litigation is attributed to payment of legal fees directly associated with existing litigation accruals and a provision of \$3.1 million relating to patent litigation with Hewlett-Packard, which was settled in February 2006. The 2004 change in accrued litigation of \$16.1 million is primarily due to the \$18.1 million payment to Applied Biosystems/MDS Sciex Instruments for the settlement of a patent litigation matter and a \$7.8 million provision offset by approximately \$4.1 million of payments in connection with the Hewlett-Packard patent litigation matter.
- Net cash provided from deferred revenue and customer advances in both 2005 and 2004 was a result of the installed base of customers renewing annual service contracts.

**Cash Used in Investing Activities**

Net cash used in investing activities totaled \$130.4 million in 2006 compared to \$51.0 million in 2005 and \$108.6 million in 2004. Additions to fixed assets and intangible assets were \$51.4 million in 2006, \$51.0 million in 2005 and \$66.2 million in 2004. Included in 2004 was a building purchase adjacent to the Company's headquarters in Milford, Massachusetts for \$18.1 million, as well as approximately \$3.2 million of costs in construction-in-progress related to improvements made to the building. Aside from the purchase of this building, fixed asset and intangible asset additions were consistent with capital spending trends and expectations throughout the respective years to accommodate the Company's growth. Business acquisitions were \$79.0 million and \$42.4 million in 2006 and 2004, respectively. There were no business acquisitions in 2005.

**Cash Used in Financing Activities**

During 2006, the Company's net change in debt borrowings was a \$72.2 million increase compared to a \$369.6 million increase in 2005 and a \$210.4 million increase in 2004. As of December 31, 2006, the Company had \$885.0 million borrowed under two existing credit agreements and an amount available to borrow of \$163.4 million after outstanding letters of credit. In total, \$500.0 million of the total debt was classified as long-term debt and \$385.0 million classified as short-term debt at December 31, 2006 in the consolidated balance sheets. The remaining amount of short-term debt of \$18.5 million at December 31, 2006 consists of various local lines of credit throughout the Company's worldwide subsidiaries.

The Company repurchased 5.8 million, 15.4 million and 5.5 million common stock shares at a cost of \$249.2 million, \$659.3 million and \$231.3 million during 2006, 2005 and 2004, respectively, under previously announced stock repurchase programs. On October 24, 2005, the Company's Board of Directors authorized the Company to repurchase up to an additional \$500.0 million of its outstanding common shares over a two-year period. The Company has repurchased 11.3 million shares at a cost of \$465.3 million under this new program through December 31, 2006, leaving \$34.7 million authorized for repurchases in the future. The Company believes that these share repurchase programs benefit shareholders by increasing earnings per share through reducing the outstanding shares while maintaining adequate financial flexibility given current cash and debt levels. The Company received \$39.9 million, \$16.8 million and \$45.0 million of proceeds from the exercise of stock options and the purchase of shares pursuant to employee stock purchase plans in 2006, 2005 and 2004, respectively. Proceeds from stock options exercised in 2004 were unusually high due to significant exercises of stock options related to previously granted options about to expire.

The Company believes that the cash and cash equivalent balance of \$514.2 million at the end of 2006 and expected cash flow from operating activities, together with borrowing capacity from committed credit facilities, will be sufficient to fund working capital, capital spending requirements, authorized share repurchase amounts, potential acquisitions and any adverse final determination of ongoing litigation for at least the next twelve months. Management believes, as of the date of this report, that its financial position, along with expected future cash flows from earnings based on historical trends and the ability to raise funds from a number of financing alternatives and external sources, will be sufficient to meet future operating and investing needs for the foreseeable future.

On January 11, 2007, Waters Corporation and Waters Technologies Ireland Ltd. entered into a new credit agreement (the "2007 Credit Agreement"). The 2007 Credit Agreement provides for a \$500 million term loan facility, a \$350 million revolving facility ("U.S. Tranche"), which includes both a letter of credit and a swingline subfacility, and a \$250 million revolving facility ("European Tranche") that is available to Waters Corporation in U.S. dollars and Waters Technologies Ireland Ltd. in either U.S. dollars or Euro. Waters Corporation may on one or more occasions request of the lender group that commitments for the U.S. Tranche or European Tranche be increased by an amount of not less than \$25 million, up to an aggregate additional amount of \$250 million. Existing lenders are not obligated to increase commitments and the Company can seek to bring in additional lenders. The term loan facility and the revolving facilities both mature on January 11, 2012 and require no scheduled prepayments before that date.

On January 11, 2007, the Company borrowed \$500 million under the new term loan facility, \$115 million under the new European Tranche, and \$270 million under the new U.S. Tranche revolving facility. The Company used the proceeds of the term loan and the revolving borrowings to repay the outstanding amounts under the Company's existing multi-borrower credit agreement dated as of December 15, 2004 and amended as of October 12, 2005 and the Company's existing term loan agreement dated as of November 28, 2005. Waters Corporation terminated such agreements early without penalty.

The interest rates applicable to term loan and revolving loans under the 2007 Credit Agreement are, at the Company's option, equal to either the base rate (which is the higher of the prime rate or the federal funds rate plus 1/2%) or the applicable 1, 2, 3, 6, 9 or 12 month LIBOR rate, in each case, plus an interest rate margin based upon the Company's leverage ratio, which can range between 33 basis points and 72.5 basis points. The facility fee on the 2007 Credit Agreement ranges between 7 basis points and 15 basis points. The 2007 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 and a leverage ratio test of not more than 3.25:1 for any period of four consecutive fiscal quarters, respectively, the same as the terminated credit agreements. In addition, the 2007 Credit Agreement includes negative covenants that are customary for investment grade credit facilities and are similar in nature to ones contained in the terminated credit agreements. The 2007 Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default which are similar in nature to those in the terminated credit agreements.

*Commitments:*

The Company licenses certain technology and software from third parties which expire at various dates through 2008. Fees paid for licenses were approximately \$0.6 million in 2006, \$0.8 million in 2005 and \$1.1 million in 2004. Future minimum licenses fees payable under existing license agreements as of December 31, 2006 are immaterial.

## Contractual Obligations and Commercial Commitments

The following is a summary of the Company's commitments as of December 31, 2006 (in thousands):

Contractual Obligations	Payments Due by Year							After 2012
	Total	2007	2008	2009	2010	2011	2012	
Long-term debt(1)	\$ 500,000	\$ —	\$ —	\$ 250,000	\$ 250,000	\$ —	\$ —	\$ —
Operating leases	84,228	18,894	15,679	12,260	9,404	8,195	7,605	12,191
Other long-term liabilities(2)	—	—	—	—	—	—	—	—
Total	\$ 584,228	\$ 18,894	\$ 15,679	\$ 262,260	\$ 259,404	\$ 8,195	\$ 7,605	\$ 12,191

Other Commercial Commitments	Amount of Commitments Expiration Per Period							
	Total	2006	2007	2008	2009	2010	2011	After 2011
Letters of credit	\$ 1,608	\$ 1,608	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(1) The interest rates applicable to any U.S. borrowings under the existing credit agreement and term loan and revolving loans under the existing credit agreement are, at the Company's option, equal to either the base rate (which is the higher of the prime rate or the federal funds rate plus 1/2%) or, on any Euro borrowings, the applicable 1, 2, 3, 6, 9 or 12 month LIBOR rate, in each case, plus an interest rate margin based upon the Company's leverage ratio, which can range between 37.5 basis points and 112.5 basis points. At current and long-term debt and interest rate levels consistent with those at December 31, 2006, the Company's interest expense would be approximately \$52.0 million annually. This amount considers the credit margins under the 2007 Credit Agreement mentioned above.

(2) Does not include normal purchases made in the ordinary course of business.

From time to time, the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of business. The Company believes it has meritorious arguments in its current litigation matters and any outcome, either individually or in the aggregate, with the exception of the current litigation described in Item 3, Legal Proceedings, will not be material to the financial position or results of operations.

The Company has long-term liabilities for deferred employee compensation, including pension and supplemental executive retirement plans. The payments related to the supplemental retirement plan are not included above since they are dependent upon when the employee retires or leaves the Company and whether the employee elects lump-sum or annuity payments. During fiscal year 2007, the Company expects to contribute approximately \$4.0 million to \$8.0 million to the Company's pension plans. Capital expenditures in 2007 are expected to be at similar levels expended in 2006 to support the growth in the business.

The Company is not aware of any undisclosed risks and uncertainties, including, but not limited to, product technical obsolescence, regulatory compliance, protection of intellectual property rights, changes in pharmaceutical industry spending, competitive advantages, current and pending litigation, and changes in foreign exchanges rates, that are reasonably likely to occur and could materially and negatively affect the Company's existing cash balance or its ability to borrow funds from its credit facility. The Company also believes there are no provisions in its credit facilities, its real estate leases, or supplier and collaborative agreements that would accelerate payments, require additional collateral or impair its ability to continue to enter into critical transactions. The Company has not paid any dividends and does not plan to pay any dividends in the foreseeable future.

### Off-Balance Sheet Arrangements

The Company has not created, and is not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating parts of its business that are not consolidated (to the extent of the Company's ownership interest therein) into the consolidated financial statements. The Company has not entered into any transactions with unconsolidated entities whereby it has subordinated retained interests, derivative instruments or other contingent arrangements that expose the Company to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company.

## Critical Accounting Policies and Estimates

### *Summary:*

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. Critical accounting policies are those that are central to the presentation of the Company's financial condition and results of operations that require management to make estimates about matters that are highly uncertain and that would have a material impact on the Company's results of operations given changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that reasonably could have been used in the current period. On an ongoing basis, the Company evaluates its policies and estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There are other items within the Company's consolidated financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could potentially have a material impact on the Company's consolidated financial statements.

### *Revenue Recognition:*

Sales of products and services are generally recorded based on product shipment and performance of service, respectively. Partial proceeds received in advance of product shipment or performance of service is recorded as deferred revenue in the consolidated balance sheets. Once the product is shipped, all advance payments received associated with that particular order are reclassified to accounts receivable to offset against the customer invoice. Shipping and handling costs are included in cost of sales net of amounts invoiced to the customer per the order. The Company's products generally carry one year of warranty. These costs are accrued at the point of shipment. Once the warranty period has expired, the customer may purchase a service contract. Service contract billings are generally invoiced to the customer at the beginning of the contract term, and revenue is amortized on a straight-line basis over the contract term. At December 31, 2006, the Company had current and long-term deferred revenue liabilities of approximately \$76.1 million and \$10.5 million, respectively.

Product shipments, including those for demonstration or evaluation, and service contracts are not recorded as revenues until a valid purchase order or master agreement is received specifying fixed terms and prices. Revenues are adjusted accordingly for changes in contract terms or if collectibility is not reasonably assured. The Company's method of revenue recognition for certain products requiring installation is in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") 104, "Revenue Recognition in Financial Statements." Accordingly, revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the vendor's fee is fixed or determinable, and collectibility is reasonably assured and, if applicable, upon acceptance when acceptance criteria with contractual cash holdback are specified. With respect to installation obligations, the larger of the contractual cash holdback or the fair value of the installation service is deferred when the product is shipped and revenue is recognized as a multiple element arrangement when installation is complete. The Company determines the fair value of installation based upon a number of factors, including hourly service billing rates, estimated installation hours and comparisons of amounts charged by third parties. The Company believes that this amount approximates the amount that a third party would charge for the installation effort.

Sales of software are accounted for in accordance with Statement of Position ("SOP") No. 97-2, "Software Revenue Recognition", as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions". Nearly all of the Company's instruments contain embedded operating system and data management software, which is included in the purchase price. Software is also sold separately and revenue is recognized upon shipment as typically no significant post-delivery obligations remain. Software upgrades are typically sold as part of a service contract with revenue recognized ratably over the term of the service contract.

*Loss Provisions on Accounts Receivable and Inventory:*

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company does not request collateral from its customers but collectibility is enhanced through the use of credit card payments and letters of credit. The Company assesses collectibility based on a number of factors including, but not limited to, past transaction history with the customer, the credit-worthiness of the customer, industry trends and the macro-economic environment. Sales returns and allowances are estimates of future product returns related to current period revenue. Material differences may result in the amount and timing of revenue for any period if management made different judgments or utilized different estimates for sales returns and allowances for doubtful accounts. The Company's accounts receivable balance at December 31, 2006 was \$272.2 million, net of allowances for doubtful accounts and sales returns of \$8.4 million. Historically, the Company has not experienced significant bad debt losses.

The Company values all of its inventories at the lower of cost or market on a first-in, first-out basis ("FIFO"). The Company estimates revisions to its inventory valuations based on technical obsolescence, historical demand, projections of future demand, including that in the Company's current backlog of orders, and industry and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional write-downs may be required. The Company's inventory balance at December 31, 2006 was \$168.4 million, net of write-downs to net realizable value of \$14.3 million.

*Long-Lived Assets, Intangible Assets and Goodwill:*

The Company assesses the impairment of identifiable intangibles, long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include but are not limited to the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant negative industry or economic trends; and
- significant changes or developments in strategic technological collaborations or legal matters which affect the Company's capitalized patent, trademark and intellectual properties such as licenses.

When the Company determines that the carrying value of intangibles, long-lived assets and goodwill may not be recoverable based upon the existence of one or more of the above indicators, it measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the Company's current business model. In 2004, the Company recorded a \$4.0 million charge for an other-than-temporary impairment of its technology licenses with Sandia National Laboratories as a significant portion of the technology collaboration program was suspended. Net intangible assets, long-lived assets, and goodwill amounted to \$131.7 million, \$149.3 million, and \$265.2 million, respectively, as of December 31, 2006. The Company performs annual impairment reviews of its goodwill. The Company performed its annual review during 2006 and currently does not expect to record an impairment charge in the foreseeable future. However, there can be no assurance that, at the time future reviews are completed, a material impairment charge will not be recorded.

*Warranty:*

Product warranties are recorded at the time revenue is recognized for certain product shipments. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, the Company's warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from the Company's previous estimates, revisions to the estimated warranty liability would be required. At December 31, 2006, the Company's warranty liability was \$12.6 million.



*Income Taxes:*

As part of the process of preparing the consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves the Company estimating its actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization, and inventory reserves, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheets. In the event that actual results differ from these estimates, or the Company adjusts these estimates in future periods, the Company may need to establish an additional valuation allowance which could materially impact its financial position and results of operations.

SFAS No. 109, "Accounting for Income Taxes", requires that a Company continually evaluate the necessity of establishing or changing a valuation allowance for deferred tax assets, depending on whether it is more likely than not that actual benefit of those assets will be realized in future periods.

As of December 31, 2004, the Company had determined that it was more likely than not that the actual tax benefit of \$167.5 million of its deferred tax assets would not be realized. The Company had therefore recorded a cumulative \$167.5 million valuation allowance to reduce the net carrying value of these assets to zero for financial reporting purposes as of December 31, 2004. The valuation allowance was determined based on the Company's review of its future estimated U.S. taxable income levels and the estimated future stock option exercises. Included in this \$167.5 million valuation allowance was \$154.9 million related to the future tax benefit of U.S. net operating losses generated by the exercise of non-qualified stock options. As required by SFAS No. 109 and APB Opinion No. 25, "Accounting for Stock Issued to Employees", the Company had originally recorded all \$154.9 million of these future tax benefits as increased additional paid-in capital. Accordingly, when the Company recorded a valuation allowance against these future tax benefits, the Company also reduced additional paid-in capital by \$154.9 million.

As required by SFAS No. 109, the Company maintained this deferred tax asset valuation allowance until it determined, during 2005, that it was more likely than not that it would realize the actual tax benefit of \$92.5 million of deferred tax assets for which a full valuation allowance had been previously provided. The Company made this determination based on the level of the Company's actual 2005 U.S. taxable income, the Company's projected future U.S. taxable income levels, the Company's actual 2005 tax deduction from the exercise of non-qualified stock options and the fact that the Company's future tax deduction from the exercise of non-qualified stock options would most likely be less than in the past as those options, which were significantly in-the-money, were expiring and exercised by December 31, 2005. The Company therefore recorded, in 2005, a \$92.5 million reduction in its deferred tax asset valuation allowance. Because this reduction in the valuation allowance included \$78.8 million related to the future tax benefit of U.S. net operating losses generated by the exercise of non-qualified stock options, the Company also restored \$78.8 million to the Company's additional paid-in capital in 2005, in accordance with SFAS No. 109 and APB No. 25. The remaining balance was credited to goodwill related to an acquisition the Company made in 2004. The Company made the determination based on a review of the facts and circumstances at that time.

*Litigation:*

As described in Item 3 of Part I of this Form 10-K, the Company is a party to various pending litigation matters. With respect to each pending claim, management determines whether it can reasonably estimate whether a loss is probable and, if so, the probable range of that loss. If and when management has determined, with respect to a particular claim, both that a loss is probable and that it can reasonably estimate the range of that loss, the Company records a charge equal to either its best estimate of that loss or the lowest amount in that probable range of loss. The Company will disclose additional exposures when the range of loss is subject to considerable interpretation.

With respect to the claims referenced in Item 3, management of the Company to date has been able to make this determination, and thus has recorded charges, with respect to the claims described under the heading "Hewlett-Packard Company." As developments occur in these matters and additional information becomes available, management of the Company will reassess the probability of any losses and of their range, which may result in its recording charges or additional charges, which could materially impact the Company's results of operation or financial position.

*Pension and Other Retirement Benefits:*

Assumptions used in determining projected benefit obligations and the fair values of plan assets for the Company's pension plans and other retirement benefits are evaluated periodically by management in consultation with outside actuaries and investment advisors. Changes in assumptions are based on relevant company data. Critical assumptions, such as the discount rate used to measure the benefit obligations and the expected long-term rate of return on plan assets are evaluated and updated annually. The Company has assumed that the expected long-term rate of return on plan assets will be 8.00% for its U.S. defined benefit pension plan, which is the majority of the Company's benefit obligation and expense.

At the end of each year, the Company determines the discount rate that reflects the current rate at which the pension liabilities could be effectively settled. The Company determined the discount rate based on the analysis of the Mercer and Citigroup Pension Discount Curves for high quality investments and the Moody's Aa interest rate as of December 31, 2006 that best matched the timing of the plan's future cash flows for the period to maturity of the pension benefits. Once the interest rates were determined, the plan's cash flow was discounted at the spot interest rate back to the measurement date. At December 31, 2006, the Company determined this rate to be 5.82% for the Company's U.S. defined benefit pension plan, which is the majority of the Company's 2006 benefit obligation and 2007 expense. Retirement benefit plan discount rates are the same as those used by the Company's defined benefit pension plan in accordance with the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions."

A one-quarter percentage point increase in the discount rate would decrease the Company's net periodic benefit cost for the U.S. pension plan by approximately \$0.4 million. A one-quarter percentage point change in the assumed long-term rate of return would impact the Company's net periodic benefit cost for the U.S. pension plan by approximately \$0.2 million.

*Stock-based Compensation:*

The Company adopted SFAS No. 123(R), "Share-Based Payment", on January 1, 2006. This standard requires that all share-based payments to employees be recognized in the statements of operations based on their fair values. The Company has used the Black-Scholes model to determine the fair value of its stock option awards. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating stock price volatility and employee stock option exercise behaviors. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted. As stock-based compensation expense recognized in the consolidated statements of operations is based on awards that ultimately are expected to vest, the amount of expense has been reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. If factors change and the Company employs different assumptions in the application of SFAS No. 123(R), the compensation expense that the Company records in the future periods may differ significantly from what the Company has recorded in the current period.

The Company adopted the modified prospective transition method permitted under SFAS No. 123(R) and consequently has not adjusted results from prior years. Under the modified transition method, compensation costs associated with awards for 2006 now include expense relating to the remaining unvested awards granted prior to December 31, 2005 and the expense related to any awards issued subsequent to December 31, 2005. The Company recognizes the expense using the straight-line attribution method.

The after-tax stock-based compensation and the impact to diluted earnings per share of adopting SFAS No. 123(R) for the year ended December 31, 2006 were \$20.6 million with a \$0.20 per share reduction to diluted earnings per share, respectively. As of December 31, 2006, the Company has capitalized stock-based compensation costs of \$0.6 million and \$1.0 million to inventory and capitalized software, respectively, in the consolidated balance sheets. Prior to the adoption of SFAS No. 123(R), the Company used the intrinsic value method of accounting prescribed by APB No. 25 and related interpretations, including Financial Interpretation ("FIN") 44, "Accounting for Certain Transactions Involving Stock Compensation", for its plans. Under this accounting method, stock-option compensation awards that are granted with the exercise price at the current fair

value of the Company's common stock as of the date of the award generally did not require compensation expense to be recognized in the consolidated statements of operations. Stock-based compensation expense recognized for the Company's fixed employee stock option plans, restricted stock and employee stock purchase plan was \$0.8 million in 2005. The 2005 stock-based compensation expense amounts were all recorded in selling and administrative expenses.

As of December 31, 2006, unrecognized compensation costs and related weighted-average lives over which the costs will be amortized were as follows (in millions):

	<u>Unrecognized Compensation Costs</u>	<u>Weighted-Average Life in Years</u>
Stock options	\$ 61.1	3.1
Restricted stock units	\$ 11.8	2.8
Restricted stock	\$ 0.3	1.1
Total	<u>\$ 73.2</u>	3.0

### Recent Accounting Standards Changes

In January 2006, the Company adopted SFAS No. 123(R), "Share-Based Payment", and SAB 107, "Share-Based Payment". These standards require that all share-based payments to employees, including grants of employee stock options, be recognized in the statement of operations based on their fair values. The adoption of these standards did have a material effect on the Company's financial position and results of operations. See Note 13, Stock-Based Compensation, in the Notes to Consolidated Financial Statements for additional information.

In January 2006, the Company adopted SFAS No. 154, "Accounting Changes and Error Corrections", which replaces APB Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements", and changes the requirements for the accounting for and reporting of a change in accounting principles. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principles, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The adoption of SFAS No. 154 did not have a material effect on the Company's financial position, results of operations or cash flows.

In January 2006, the Company adopted SFAS No. 151, "Inventory Costs", which amends Accounting Research Bulletin No. 43 Chapter 4. This standard clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140". This standard permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; requires evaluation of interests in securitized financial assets; clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and eliminates the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This standard is effective for all financial instruments acquired or issued for fiscal years beginning after September 15, 2006. The Company does not believe that adoption of SFAS No. 155 will have a material effect on its financial position, results of operations or cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109". This interpretation prescribes new methodology by which a company must measure, report, present, and disclose in its financial statements the effects of any uncertain tax return reporting positions that a company has taken or expects to take. The interpretation requires financial

statement reporting of the expected future tax consequences of uncertain tax return reporting positions on the presumption that all relevant tax authorities possess full knowledge of the tax reporting positions as well as all of the pertinent facts and circumstances, but it prohibits any discounting of these effects for the time value of money. In addition, the interpretation also mandates expanded financial statement disclosure about uncertainty in tax reporting positions. The interpretation will become effective in the first quarter of 2007. The Company is still evaluating the impact of this interpretation on its financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This standard addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles ("GAAP"). This standard is effective for all financial statements issued for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating whether this standard will have a material effect on its financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans", which amends SFAS No. 87, "Employers' Accounting for Pensions", SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions", and SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits". This standard requires an employer to recognize the overfunded or underfunded status of defined benefit pension and other postretirement defined benefit plans, previously disclosed in the footnotes to the financial statements, as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This standard also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position. In addition, this statement will require disclosure of the effects of the unrecognized gains or losses, prior service costs and transition asset or obligation on the next fiscal year's net periodic benefit cost. This standard is effective for all financial statements issued for fiscal years ending after December 15, 2006 and retrospective application of this standard is not permitted. The adoption of this standard did not have a material effect on the Company's financial position. See Note 16, Retirement Plans, in the Notes to Consolidated Financial Statements for additional information as to the impact of adopting this pronouncement.

In September 2006, the SEC issued SAB 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". This standard addresses quantifying the financial statement effect of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. This standard is effective for fiscal years ending after November 15, 2006. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

**Item 7a: *Quantitative and Qualitative Disclosures About Market Risk***

The Company operates on a global basis and is exposed to the risk that its earnings, cash flows and stockholders' equity could be adversely impacted by fluctuations in currency 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.

The Company is primarily exposed to currency exchange-rate risk with respect to certain inter-company balances, forecasted transactions and cash flow, and net assets denominated in Euro, Japanese Yen and British Pound. The Company manages its foreign currency exposures on a consolidated basis, which allows the Company to analyze exposures globally and take into account offsetting exposures in certain balances. In addition, the Company utilizes derivative and non-derivative financial instruments to further reduce the net exposure to currency fluctuations.

The Company is also exposed to the risk that its earnings and cash flows could be adversely impacted by fluctuations in interest rates. The Company's policy is to manage interest costs by using a mix of fixed and floating rate debt that management believes is appropriate. At times, to manage this mix in a cost efficient manner, the Company has periodically entered into interest rate swaps in which the Company agrees to exchange, at specified

intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed upon notional amount.

#### *Cash Flow Hedges*

The Company uses interest rate swap agreements to hedge the risk to earnings associated with fluctuations in interest rates related to outstanding U.S. dollar floating rate debt. In the fourth quarter of 2005, the Company entered into a floating to fixed rate interest rate swap with a notional amount of \$200.0 million, to hedge floating rate debt related to the term loan facility of its outstanding debt, with a maturity date of June 2007. For the year ended December 31, 2006, the Company recorded a cumulative net pre-tax realized gain of \$0.5 million and, in December 2006, the Company closed out the swap, resulting in a pre-tax gain of \$0.4 million. The gain was deferred and will be recognized in earnings in 2007 over the original term of the interest rate swap. For the year ended December 31, 2005, the Company recorded a cumulative net pre-tax unrealized loss of \$0.2 million in accumulated other comprehensive income on this interest rate swap agreement.

During the first quarter of 2004, the Company entered into a floating to fixed rate interest rate swap with a notional amount of \$125.0 million, to hedge floating rate debt related to the term loan tranche of its outstanding debt, with a maturity date of 21 months. The Company subsequently closed out the swap in the second quarter of 2004, with a realized gain of \$1.6 million. The total pre-tax amount of the gain that was recognized in earnings in 2004 was \$0.7 million. The remaining \$0.9 million was recognized in earnings in 2005 over the original term of the interest rate swap.

#### *Hedges of Net Investments in Foreign Operations*

The Company has operations in various countries and currencies throughout the world, with approximately 34% of its sales denominated in Euros, 11% in Yen and smaller sales exposures in other currencies in 2006. As a result, the Company's financial position, results of operations and cash flows can be affected by fluctuations in foreign currency exchange rates. The Company uses cross-currency interest rate swaps, forward contracts and range forward contracts to hedge its stockholders' equity balance from the effects of fluctuations in currency exchange rates. These agreements are designated as foreign currency hedges of a net investment in foreign operations. Any increase or decrease in the fair value of cross-currency interest rate swap agreements, forward contracts or range forward contracts is offset by the change in the value of the hedged net assets of the Company's consolidated foreign affiliates. Therefore, these derivative instruments are intended to serve as an effective hedge of certain foreign net assets of the Company.

During 2006 and 2005, the Company hedged its net investment in Euro foreign affiliates with cross-currency interest rate swaps, with notional values ranging from approximately \$30.0 million to approximately \$100.0 million. At December 31, 2006, the notional amount of the outstanding contracts was approximately \$100.0 million. For the year ended December 31, 2006, the Company recorded cumulative net pre-tax losses of \$11.0 million in accumulated other comprehensive income, which consists of realized losses of \$9.7 million and unrealized losses of \$1.3 million. At December 31, 2005, the notional amount of the outstanding contracts was approximately \$50.0 million. For the year ended December 31, 2005, the Company recorded cumulative net pre-tax gains of \$0.7 million in accumulated other comprehensive income, which consists of realized gains of \$0.7 million relating to closed Euro cross-currency interest rate swap agreements.

Assuming a hypothetical adverse change of 10% in year-end exchange rates (a weakening of the U.S. dollar), the fair market value of the cross-currency interest rate swap agreements, designated as hedges of net investment in foreign operation, as of December 31, 2006, would decrease accumulated other comprehensive income by approximately \$10.0 million.

During 2005 and 2004, the Company hedged its net investment in Yen foreign affiliates with Japanese Yen cross-currency interest rate swaps, with notional values ranging from approximately \$26.0 million to approximately \$37.0 million. At December 31, 2005 and 2004, the notional amounts of the outstanding contracts were zero and \$37.0 million, respectively. For the year ended December 31, 2005, the Company recorded cumulative net pre-tax realized losses of \$0.2 million in accumulated other comprehensive income on the closed Japanese Yen cross-currency interest rate swap agreements. For the year ended December 31, 2004, the Company recorded cumulative pre-tax losses of \$2.4 million in accumulated other comprehensive income, which consists of realized losses of

\$1.6 million related to closed Japanese Yen cross-currency interest rate swap agreements and unrealized losses of \$0.8 million relating to the open Japanese Yen cross-currency interest rate swap agreements.

During 2005 and 2004, the Company hedged its net investment in British Pound foreign affiliates with range forward agreements in British Pounds ranging from approximately £25.0 million to £75.0 million. Under the terms of the agreements, the Company purchases an option below the current spot rate to sell British Pounds and sells an option to their counterparties above the current spot rate to buy British Pounds, with option premiums that offset. At December 31, 2005, the Company had range forward agreements in British Pounds with a notional amount of £30.0 million outstanding. For the year ended December 31, 2005, the Company recorded a cumulative net pre-tax gain of \$6.1 million in accumulated other comprehensive income, which consists of realized gains of \$5.8 million related to the closed range forward agreements and unrealized gains of \$0.3 million related to the open British Pound range forward agreements. At December 31, 2004, the Company had no range forward agreements in British Pounds outstanding. For the year ended December 31, 2004, the Company recorded a realized cumulative net pre-tax loss of \$8.6 million to accumulated other comprehensive income, related to the closed range forward agreements.

During 2005, the Company hedged its net investment in British Pound foreign affiliates with forward foreign exchange contracts in British Pounds. At December 31, 2005, the Company had no forward exchange contracts in British Pounds used to hedge its net investment position. For the year ended December 31, 2005, the Company recorded a realized gain of \$1.6 million. For the year ended December 31, 2004, the Company recorded a cumulative net pre-tax gain of \$0.7 million in accumulated other comprehensive income, which consists of realized gains of \$0.5 million related to closed forward agreements and unrealized gains of \$0.2 million related to the British Pound forward agreements.

#### *Other*

The Company enters into forward foreign exchange contracts, principally to hedge the impact of currency fluctuations on certain inter-company balances. Principal hedged currencies include the Euro, Japanese Yen and British Pound. The periods of these forward contracts typically range from one to three months and have varying notional amounts which are intended to be consistent with changes in inter-company balances. Gains and losses on these forward contracts are recorded in selling and administrative expenses in the consolidated statements of operations. At December 31, 2006 and December 31, 2005, the Company held forward foreign exchange contracts with notional amounts totaling approximately \$70.9 million and \$72.9 million, respectively. For the year ended December 31, 2006, the Company recorded cumulative net pre-tax gains of \$3.9 million, which consists of realized gains of \$2.5 million relating to the closed forward contracts and \$1.4 million of unrealized gains relating to the open forward contracts. For the year ended December 31, 2005, the Company recorded cumulative net pre-tax gains of \$0.5 million, which consists of realized gains of \$1.5 million relating to the closed forward contracts and \$1.0 million of unrealized losses relating to the open forward contracts. For the year ended December 31, 2004, the Company recorded cumulative net pre-tax gains of \$4.6 million, which consists of realized gains of \$4.5 million on closed forward contracts and a \$0.1 million of unrealized gains on the open forward contracts.

Assuming a hypothetical adverse change of 10% in year-end exchange rates (a strengthening of the U.S. dollar), the fair market value of the forward contracts, as of December 31, 2006, would decrease earnings by approximately \$7.1 million.

The Company is exposed to the risk of interest rate fluctuations from the investments of cash generated from operations. The Company's cash equivalents represent highly liquid investments, with weighted-average original maturities of 90 days or less, in commercial paper, bank deposits, repurchase agreements and money market funds. Cash equivalents are convertible to a known amount of cash and carry an insignificant risk of change in value. The Company periodically maintains balances in various operating accounts in excess of federally insured limits.

**Item 8: *Financial Statements and Supplementary Data***

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Waters Corporation:

We have completed integrated audits of Waters Corporation's consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

### **Consolidated financial statements**

In our opinion, the accompanying consolidated balance sheets and 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 its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 13 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation as of January 1, 2006. As discussed in Note 16 to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit pension and other postretirement plans effective December 31, 2006.

### **Internal control over financial reporting**

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.



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A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

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Boston, Massachusetts

March 1, 2007

**WATERS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2006	2005
(In thousands, except per share data)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 514,166	\$ 493,588
Accounts receivable, less allowances for doubtful accounts and sales returns of \$8,439 and \$6,550 at December 31, 2006 and 2005, respectively	272,157	256,809
Inventories	168,437	131,554
Other current assets	<u>44,920</u>	<u>31,041</u>
Total current assets	999,680	912,992
Property, plant and equipment, net	149,262	141,030
Intangible assets, net	131,653	84,363
Goodwill	265,207	210,571
Other assets	<u>71,511</u>	<u>79,975</u>
Total assets	<u>\$ 1,617,313</u>	<u>\$ 1,428,931</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Notes payable and debt	\$ 403,461	\$ 326,286
Accounts payable	47,073	44,243
Accrued employee compensation	35,824	23,044
Deferred revenue and customer advances	76,131	71,733
Accrued retirement plan contributions	130	12,931
Accrued income taxes	58,011	60,710
Accrued other taxes	11,883	14,024
Accrued warranty	12,619	11,719
Other current liabilities	<u>40,702</u>	<u>39,201</u>
Total current liabilities	685,834	603,891
Long-term liabilities:		
Long-term debt	500,000	500,000
Long-term portion of retirement benefits	58,187	33,074
Other long-term liabilities	<u>10,909</u>	<u>8,334</u>
Total long-term liabilities	<u>569,096</u>	<u>541,408</u>
Total liabilities	1,254,930	1,145,299
Commitments and contingencies (Notes 8, 10, 12, and 16)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 5,000 shares authorized, none issued at December 31, 2006 and 2005	—	—
Common stock, par value \$0.01 per share, 400,000 shares authorized, 144,092 and 142,287 shares issued, 101,371 and 105,336 shares outstanding at December 31, 2006 and 2005, respectively	1,441	1,423
Additional paid-in capital	554,169	467,681
Retained earnings	1,326,757	1,104,557
Treasury stock, at cost, 42,721 and 36,951 shares at December 31, 2006 and 2005, respectively	(1,563,649)	(1,314,446)
Deferred compensation	—	(255)
Accumulated other comprehensive income	<u>43,665</u>	<u>24,672</u>
Total stockholders' equity	<u>362,383</u>	<u>283,632</u>
Total liabilities and stockholders' equity	<u>\$ 1,617,313</u>	<u>\$ 1,428,931</u>

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

**WATERS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	December 31,		
	2006	2005	2004
	(In thousands, except per share data)		
Product sales	\$ 922,532	\$ 834,673	\$ 806,801
Service sales	357,697	323,563	297,735
Total net sales	1,280,229	1,158,236	1,104,536
Cost of product sales	365,241	321,344	307,627
Cost of service sales	170,944	157,011	147,180
Total cost of sales	536,185	478,355	454,807
Gross profit	744,044	679,881	649,729
Selling and administrative expenses	357,664	321,694	300,150
Research and development expenses	77,306	66,905	65,241
Purchased intangibles amortization	5,439	5,005	4,814
Litigation provisions and settlement (Note 10)	—	3,122	(9,277)
Impairment of long-lived intangible asset (Note 7)	—	—	3,997
Restructuring and other charges, net (Note 11)	8,484	—	(54)
Operating income	295,151	283,155	284,858
Other (expense) income, net (Note 5)	(5,847)	(3,103)	(1,014)
Interest expense	(51,657)	(24,744)	(10,074)
Interest income	25,312	19,255	11,901
Income from operations before income taxes	262,959	274,563	285,671
Provision for income taxes (Note 9)	40,759	72,588	61,618
Net income	\$ 222,200	\$ 201,975	\$ 224,053
Net income per basic common share	\$ 2.16	\$ 1.77	\$ 1.87
Weighted-average number of basic common shares	102,691	114,023	119,640
Net income per diluted common share	\$ 2.13	\$ 1.74	\$ 1.82
Weighted-average number of diluted common shares and equivalents	104,240	115,945	123,069

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

**WATERS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2006	2005	2004
	(In thousands)		
<b>Cash flows from operating activities:</b>			
Net income	\$ 222,200	\$ 201,975	\$ 224,053
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for doubtful accounts on accounts receivable	4,254	3,726	1,332
Provisions on inventory	5,903	7,093	7,349
Impairment of investments and other assets	5,847	4,820	5,011
Stock-based compensation	28,813	765	75
Deferred income taxes	506	10,235	1,468
Depreciation	25,896	23,669	22,075
Amortization of intangibles	20,263	20,016	19,851
Tax benefit related to stock option plans	—	4,872	32,012
Change in operating assets and liabilities, net of acquisitions:			
Increase in accounts receivable	(9,803)	(6,515)	(36,453)
Increase in inventories	(29,853)	(6,973)	(11,575)
(Increase) decrease in other current assets	(2,919)	1,102	(7,344)
(Increase) decrease in other assets	(13,146)	(2,534)	3,716
Increase in accounts payable and other current liabilities	1,670	26,802	12,203
Increase in deferred revenue and customer advances	1,230	7,551	1,526
(Decrease) increase in accrued litigation	(4,420)	688	(16,095)
Increase in other liabilities	7,153	775	245
Net cash provided by operating activities	263,594	298,067	259,449
<b>Cash flows from investing activities:</b>			
Additions to property, plant, equipment, software capitalization and other intangibles	(51,421)	(51,045)	(66,236)
Business acquisitions, net of cash acquired of \$0.9 million	(78,953)	—	(42,369)
Net cash used in investing activities	(130,374)	(51,045)	(108,605)
<b>Cash flows from financing activities:</b>			
Proceeds from debt issuances	406,844	915,512	885,053
Payments on debt	(334,629)	(545,889)	(674,699)
Payments of debt issuance costs	—	(443)	(1,578)
Proceeds from stock plans	39,913	16,801	44,982
Purchase of treasury shares	(249,203)	(659,285)	(231,287)
Excess tax benefit related to stock option plans	16,503	—	—
(Payments) proceeds of debt swaps and other derivatives contracts	(5,334)	1,289	(964)
Net cash (used in) provided by financing activities	(125,906)	(272,015)	21,507
Effect of exchange rate changes on cash and cash equivalents	13,264	(20,496)	9,945
Increase (decrease) in cash and cash equivalents	20,578	(45,489)	182,296
Cash and cash equivalents at beginning of period	493,588	539,077	356,781
Cash and cash equivalents at end of period	\$ 514,166	\$ 493,588	\$ 539,077
<b>Supplmental cash flow information:</b>			
Income taxes paid	\$ 38,049	\$ 27,743	\$ 28,574
Interest paid	\$ 51,853	\$ 23,995	\$ 9,676

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

**WATERS CORPORATION AND SUBSIDIARIES**

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

	Number of Common Shares	Common Stock	Additional Paid-In Capital	Deferred Compensation	Retained Earnings <small>(In thousands)</small>	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Statements of Comprehensive Income
Balance December 31, 2003	136,708	\$ 1,367	\$ 289,046	\$ —	\$ 678,529	\$ (423,874)	\$ 45,409	\$ 590,477	
Comprehensive income, net of tax:									
Net income	—	—	—	—	224,053	—	—	224,053	\$ 224,053
Other comprehensive income (loss):									
Foreign currency translation	—	—	—	—	—	—	27,413	27,413	27,413
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	—	—	—	—	—	—	(9,341)	(9,341)	(9,341)
Minimum pension liability adjustment	—	—	—	—	—	—	427	427	427
Unrealized gains (losses) on investments, net	—	—	—	—	—	—	(124)	(124)	(124)
Other comprehensive income	—	—	—	—	—	—	18,375	18,375	18,375
Comprehensive income									\$ 242,428
Issuance of common stock for employees:									
Stock Purchase Plan	67	1	2,172	—	—	—	—	2,173	
Stock options exercised	4,585	46	42,763	—	—	—	—	42,809	
Restricted common stock	7	—	231	(157)	—	—	—	74	
Tax benefit related to stock option plans	—	—	32,012	—	—	—	—	32,012	
Treasury stock	—	—	—	—	—	(231,287)	—	(231,287)	
Balance December 31, 2004	141,367	\$ 1,414	\$ 366,224	\$ (157)	\$ 902,582	\$ (655,161)	\$ 63,784	\$ 678,686	
Comprehensive income, net of tax:									
Net income	—	—	—	—	201,975	—	—	201,975	\$ 201,975
Other comprehensive income (loss):									
Foreign currency translation	—	—	—	—	—	—	(44,383)	(44,383)	(44,383)
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	—	—	—	—	—	—	7,731	7,731	7,731
Minimum pension liability adjustment	—	—	—	—	—	—	(1,021)	(1,021)	(1,021)
Unrealized gains (losses) on investments, net	—	—	—	—	—	—	(1,439)	(1,439)	(1,439)
Other comprehensive loss	—	—	—	—	—	—	(39,112)	(39,112)	(39,112)
Comprehensive income									\$ 162,863
Issuance of common stock for employees:									
Stock Purchase Plan	76	1	2,671	—	—	—	—	2,672	
Stock options exercised	824	8	14,121	—	—	—	—	14,129	
Restricted common stock	7	—	320	(320)	—	—	—	—	
Tax benefit related to stock option plans	—	—	4,872	—	—	—	—	4,872	
Release of valuation allowance	—	—	78,753	—	—	—	—	78,753	
Treasury stock	—	—	—	—	—	(659,285)	—	(659,285)	
Amortization of restricted stock	—	—	—	222	—	—	—	222	
Other stock-based compensation	13	—	720	—	—	—	—	720	
Balance December 31, 2005	142,287	\$ 1,423	\$ 467,681	\$ (255)	\$ 1,104,557	\$ (1,314,446)	\$ 24,672	\$ 283,632	
Comprehensive income, net of tax:									
Net income	—	—	—	—	222,200	—	—	222,200	\$ 222,200
Other comprehensive income (loss):									
Foreign currency translation	—	—	—	—	—	—	27,072	27,072	27,072
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	—	—	—	—	—	—	(10,575)	(10,575)	(10,575)
Minimum pension liability adjustment	—	—	—	—	—	—	4,210	4,210	4,210
Other comprehensive income	—	—	—	—	—	—	20,707	20,707	20,707
Comprehensive income									\$ 242,907
Adoption of SFAS No. 158	—	—	—	—	—	—	(1,714)	(1,714)	
Issuance of common stock for employees:									
Stock Purchase Plan	70	1	2,636	—	—	—	—	2,637	
Stock options exercised	1,727	17	37,259	—	—	—	—	37,276	
Tax benefit related to stock option plans	—	—	16,503	—	—	—	—	16,503	
Treasury stock	—	—	—	—	—	(249,203)	—	(249,203)	
Adoption of SFAS 123(R)	—	—	(255)	255	—	—	—	—	
Stock-based compensation	8	—	30,345	—	—	—	—	30,345	
Balance December 31, 2006	144,092	\$ 1,441	\$ 554,169	\$ —	\$ 1,326,757	\$ (1,563,649)	\$ 43,665	\$ 362,383	

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1 Description of Business, Organization and Basis of Presentation

Waters Corporation (“Waters” or the “Company”), an analytical instrument manufacturer, designs, manufactures, sells and services, through its Waters Division, high performance liquid chromatography (“HPLC”), ultra performance liquid chromatography (“UPLC” and together with HPLC, herein referred to as “LC”) and mass spectrometry (“MS”) instrument systems and support products, including chromatography columns, other consumable products and comprehensive post-warranty service plans. These systems are complementary products that can be integrated together and used along with other analytical instruments. LC is a standard technique and 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. MS instruments are used in drug discovery and development, including clinical trial testing, the analysis of proteins in disease processes (known as “proteomics”) and environmental testing. LC is often combined with MS to create LC-MS instruments that include a liquid phase sample introduction and separation system with mass spectrometric compound identification and quantification. Through its TA Division (“TA”), the Company designs, manufactures, sells and services thermal analysis and rheometry instruments which are used in predicting the suitability of polymers and viscous liquids for various industrial, consumer goods and health care products. The Company is also a developer of and supplier of software based products that interface with the Company’s instruments and are typically purchased by customers as part of the instrument system.

### 2 Summary of Significant Accounting Policies

#### *Use of Estimates*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (“GAAP”) requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenue recognition, product returns and allowances, bad debts, inventory valuation, equity investments, goodwill and intangible assets, income taxes, warranty and installation provisions, retirement plan obligations, stock-based compensation, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts may differ from these estimates under different assumptions or conditions.

#### *Risks and Uncertainties*

The Company is subject to risks common to companies in the analytical instrument industry, including, but not limited to, development by its competitors of new technological innovations, dependence on key personnel, protection and litigation of proprietary technology, fluctuations in foreign currency exchange rates, and compliance with regulations of the U.S. Food and Drug Administration and similar foreign regulatory authorities and agencies.

#### *Reclassifications*

Certain amounts from prior years have been reclassified in the accompanying financial statements in order to be consistent with the current year’s classifications.

#### *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 fifty percent or more of the voting shares. All material inter-company balances and transactions have been eliminated.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)***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 income in the consolidated balance sheets. The Company's net sales derived from operations outside the United States were 68% in 2006, 66% in 2005 and 65% in 2004. Gains and losses from foreign currency transactions are included in net income in the consolidated statements of operations and were not material for the years presented.

*Cash and Cash Equivalents*

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

*Concentration of Credit Risk*

The Company sells its products and services to a significant number of large and small customers throughout the world, with net sales to the pharmaceutical industry of approximately 52% in 2006, 54% in 2005 and 54% in 2004. None of the Company's individual customers accounted for more than 3% of annual Company sales in 2006, 2005 or 2004. The Company performs continuing credit evaluations 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.

*Accounts Receivable and Allowance for Doubtful Accounts*

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in the existing accounts receivable. The allowance is based on a number of factors, including historical experience and the customer's credit-worthiness. The allowance for doubtful accounts is reviewed at least on a quarterly basis. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance when the Company feels it is probable the receivable will not be recovered. The Company does not have any off-balance-sheet credit exposure related to its customers.

The following is a summary of activity of the Company's allowance for doubtful accounts and sales returns for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	<u>Balance at Beginning of Period</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Allowance for Doubtful Accounts and Sales Returns:				
2006	\$ 6,550	\$ 4,254	\$ (2,365)	\$ 8,439
2005	\$ 7,100	\$ 3,726	\$ (4,276)	\$ 6,550
2004	\$ 5,638	\$ 1,332	\$ 130	\$ 7,100

*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 using tax rates in effect for the years in which the differences are expected to reverse. A



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

valuation allowance is provided to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

*Property, Plant and Equipment*

Property, plant and equipment are 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 — fifteen to thirty years, building improvements — five to ten years, leasehold improvements — the shorter of the economic useful life or life of lease, and production and other equipment — three to ten years. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are eliminated from the consolidated balance sheets and related gains or losses are reflected in the consolidated statements of operations. There were no material gains or losses from retirement or sale of assets in 2006, 2005 and 2004.

*Goodwill and Other Intangible Assets*

The Company tests for goodwill impairment using a fair value approach at the reporting unit level annually, or earlier if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Additionally, the Company has elected to make January 1 the annual impairment assessment date for its reporting units. Statement of Financial Accounting Standard (“SFAS”) No. 142, “Goodwill and Other Intangible Assets”, defines a reporting unit as an operating segment, or one level below an operating segment, if discrete financial information is prepared and reviewed by management. Goodwill is allocated to the reporting units at the time of acquisition. Under the impairment test, if a reporting unit’s carrying amount exceeds its estimated fair value, goodwill impairment is recognized to the extent that the carrying amount of goodwill exceeds the implied fair value of the goodwill. The fair value of reporting units were estimated using a discounted cash flows technique which includes certain management assumptions, such as estimated future cash flows, estimated growth rates and discount rates.

The Company’s intangible assets include purchased technology, capitalized software development costs, costs associated with acquiring Company patents, trademarks and intellectual properties, such as licenses, and debt issuance costs. Purchased intangibles are recorded at their fair market values as of the acquisition date and amortized over their estimated useful lives, ranging from one to fifteen years. Other intangibles are amortized over a period ranging from one to thirteen years. Debt issuance costs are amortized over the life of the related debt.

*Software Development Costs*

The Company capitalizes software development costs for products offered for sale in accordance with SFAS No. 86, “Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed”. Capitalized costs are amortized to cost of sales over the period of economic benefit, which approximates a straight-line basis over the estimated useful lives of the related software products, generally three to five years.

The Company capitalizes internal software development costs in accordance with Statement of Position (“SOP”) 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use”. Capitalized internal software development costs are amortized over the period of economic benefit which approximates a straight-line basis over ten years. At December 31, 2006 and 2005, capitalized internal software included in property, plant and equipment totaled \$1.7 million and \$2.2 million, net of accumulated amortization of \$3.6 million and \$3.0 million, 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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 forty-nine 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, 2006 and 2005 are included in other assets and amounted to \$5.3 million and \$11.0 million, respectively. There were no significant additions in 2006 and see Note 5 "Business Investments" for other-than temporary impairment charges taken in 2006, 2005, and 2004 for a certain equity investments.

### *Asset Impairments*

The Company reviews its long-lived assets for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable, the Company evaluates the fair value of the asset, relying on a number of factors, including, but not limited to, operating results, business plans, economic projections and anticipated future cash flows. Any change in the carrying amount of an asset as a result of the Company's evaluation is separately identified in the consolidated statements of operations.

### *Fair Values of Financial Instruments*

Fair values of cash and cash equivalents, accounts receivable, accounts payable and debt approximate cost.

### *Stockholders' Equity*

On October 24, 2005, the Company's Board of Directors authorized the Company to repurchase up to \$500.0 million of its outstanding common shares over a two-year period. The Company has repurchased 11.3 million shares at a cost of \$465.3 million under this new program through December 31, 2006. The Company repurchased 5.8 million, 15.4 million and 5.5 million common stock shares at a cost of \$249.2 million, \$659.3 million and \$231.3 million during 2006, 2005 and 2004, respectively, under the October 2005 and previously announced programs. The Company believes it has the resources to fund the common stock repurchases as well as to pursue acquisition opportunities in the future.

On August 9, 2002, the Board of Directors approved the adoption of a stock purchase rights plan where a dividend of one fractional preferred share purchase right (a "Right") was declared for each outstanding share of common stock, par value \$0.01 per share, of the Company. The dividend was paid on August 27, 2002 to the stockholders of record on that date. The Rights, which expire on August 27, 2012, become exercisable only under certain conditions. When they first become exercisable, each Right will entitle its holder to buy from Waters one one-hundredth of a share of new Series A Junior Participating Preferred Stock (authorized limit of 4,000) for \$120.00. When a person or group actually has acquired 15% or more of Waters' common stock, the Rights will then become exercisable for a number of shares of Waters' common stock with a market value of twice the \$120.00 exercise price of each Right. In addition, the Rights will then become exercisable for a number of shares of common stock of the acquiring company with a market value of twice the \$120.00 exercise price per Right. The Board of Directors may redeem the Rights at a price of \$0.001 per Right up until 10 days following a public announcement that any person or group has acquired 15% or more of the Company's common stock.

On February 27, 2007, the Company's Board of Directors authorized the Company to repurchase up to \$500.0 million of its outstanding common shares over a two-year period.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Hedge Transactions*

The Company records its hedge transactions in accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the consolidated balance sheets at fair value as either assets or liabilities. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in earnings when the hedged item affects earnings; ineffective portions of changes in fair value are recognized in earnings.

The Company currently uses derivative instruments to manage exposures to foreign currency risks. The Company's objectives for holding derivatives are to minimize foreign currency risk using the most effective methods to eliminate or reduce the impact of foreign currency exposure. The Company documents all relationships between hedging instruments and hedged items and links all derivatives designated as fair value, cash flow or net investment hedges to specific assets and liabilities on the consolidated balance sheets or to specific forecasted transactions. The Company also assesses and documents, both at the hedges' inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows associated with the hedged items.

The Company operates on a global basis and is exposed to the risk that its earnings, cash flows and stockholders' equity could be adversely impacted by fluctuations in currency exchange rates and interest rates.

### *Cash Flow Hedges*

The Company uses interest rate swap agreements to hedge the risk to earnings associated with fluctuations in interest rates related to outstanding U.S. dollar floating rate debt. In the fourth quarter of 2005, the Company entered into a floating to fixed rate interest rate swap with a notional amount of \$200.0 million, to hedge floating rate debt related to the term loan facility of its outstanding debt, with a maturity date of June 2007. For the year ended December 31, 2006, the Company recorded a cumulative net pre-tax realized gain of \$0.5 million and, in December 2006, the Company closed out the swap, resulting in a pre-tax gain of \$0.4 million. The gain was deferred and will be recognized in earnings in 2007 over the original term of the interest rate swap. For the year ended December 31, 2005, the Company recorded a cumulative net pre-tax unrealized loss of \$0.2 million in accumulated other comprehensive income on this interest rate swap agreement.

During the first quarter of 2004, the Company entered into a floating to fixed rate interest rate swap with a notional amount of \$125.0 million, to hedge floating rate debt related to the term loan tranche of its outstanding debt, with a maturity date of 21 months. The Company subsequently closed out the swap in the second quarter of 2004, with a realized gain of \$1.6 million. The total pre-tax amount of the gain that was recognized in earnings in 2004 was \$0.7 million. The remaining \$0.9 million was recognized in earnings in 2005 over the original term of the interest rate swap.

### *Hedges of Net Investments in Foreign Operations*

The Company has operations in various countries and currencies throughout the world, with approximately 34% of its sales denominated in Euros, 11% in Yen and smaller sales exposures in other currencies in 2006. As a result, the Company's financial position, results of operations and cash flows can be affected by fluctuations in foreign currency exchange rates. The Company uses cross-currency interest rate swaps, forward contracts and range forward contracts to hedge its stockholders' equity balance from the effects of fluctuations in currency exchange rates. These agreements are designated as foreign currency hedges of a net investment in foreign operations. Any increase or decrease in the fair value of cross-currency interest rate swap agreements, forward contracts or range forward contracts is offset by the change in the value of the hedged net assets of the Company's consolidated foreign

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

affiliates. Therefore, these derivative instruments are intended to serve as an effective hedge of certain foreign net assets of the Company.

During 2006 and 2005, the Company hedged its net investment in Euro foreign affiliates with cross-currency interest rate swaps, with notional values ranging from approximately \$30.0 million to approximately \$100.0 million. At December 31, 2006, the notional amount of the outstanding contracts was approximately \$100.0 million. For the year ended December 31, 2006, the Company recorded cumulative net pre-tax losses of \$11.0 million in accumulated other comprehensive income, which consists of realized losses of \$9.7 million and unrealized losses of \$1.3 million. At December 31, 2005, the notional amount of the outstanding contracts was approximately \$50.0 million. For the year ended December 31, 2005, the Company recorded cumulative net pre-tax gains of \$0.7 million in accumulated other comprehensive income, which consists of realized gains of \$0.7 million relating to closed Euro cross-currency interest rate swap agreements.

During 2005 and 2004, the Company hedged its net investment in Yen foreign affiliates with Japanese Yen cross-currency interest rate swaps, with notional values ranging from approximately \$26.0 million to approximately \$37.0 million. At December 31, 2005 and 2004, the notional amounts of the outstanding contracts were zero and \$37.0 million, respectively. For the year ended December 31, 2005, the Company recorded cumulative net pre-tax realized losses of \$0.2 million in accumulated other comprehensive income on the closed Japanese Yen cross-currency interest rate swap agreements. For the year ended December 31, 2004, the Company recorded cumulative pre-tax losses of \$2.4 million in accumulated other comprehensive income, which consists of realized losses of \$1.6 million related to closed Japanese Yen cross-currency interest rate swap agreements and unrealized losses of \$0.8 million relating to the open Japanese Yen cross-currency interest rate swap agreements.

During 2005 and 2004, the Company hedged its net investment in British Pound foreign affiliates with range forward agreements in British Pounds ranging from approximately £25.0 million to £75.0 million. Under the terms of the agreements, the Company purchases an option below the current spot rate to sell British Pounds and sells an option to their counterparties above the current spot rate to buy British Pounds, with option premiums that offset. At December 31, 2005, the Company had range forward agreements in British Pounds with a notional amount of £30.0 million outstanding. For the year ended December 31, 2005, the Company recorded a cumulative net pre-tax gain of \$6.1 million in accumulated other comprehensive income, which consists of realized gains of \$5.8 million related to the closed range forward agreements and unrealized gains of \$0.3 million related to the open British Pound range forward agreements. At December 31, 2004, the Company had no range forward agreements in British Pounds outstanding. For the year ended December 31, 2004, the Company recorded a realized cumulative net pre-tax loss of \$8.6 million to accumulated other comprehensive income, related to the closed range forward agreements.

During 2005, the Company hedged its net investment in British Pound foreign affiliates with forward foreign exchange contracts in British Pounds. At December 31, 2005, the Company had no forward exchange contracts in British Pounds used to hedge its net investment position. For the year ended December 31, 2005, the Company recorded a realized gain of \$1.6 million. For the year ended December 31, 2004, the Company recorded a cumulative net pre-tax gain of \$0.7 million in accumulated other comprehensive income, which consists of realized gains of \$0.5 million related to closed forward agreements and unrealized gains of \$0.2 million related to the British Pound forward agreements.

*Other*

The Company enters into forward foreign exchange contracts, principally to hedge the impact of currency fluctuations on certain inter-company balances. Principal hedged currencies include the Euro, Japanese Yen and British Pound. The periods of these forward contracts typically range from one to three months and have varying notional amounts which are intended to be consistent with changes in inter-company balances. Gains and losses on these forward contracts are recorded in selling and administrative expenses in the consolidated statements of operations. At December 31, 2006 and December 31, 2005, the Company held forward foreign exchange contracts with notional amounts totaling approximately \$70.9 million and \$72.9 million, respectively. For the year

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

ended December 31, 2006, the Company recorded cumulative net pre-tax gains of \$3.9 million, which consists of realized gains of \$2.5 million relating to the closed forward contracts and \$1.4 million of unrealized gains relating to the open forward contracts. For the year ended December 31, 2005, the Company recorded cumulative net pre-tax gains of \$0.5 million, which consists of realized gains of \$1.5 million relating to the closed forward contracts and \$1.0 million of unrealized losses relating to the open forward contracts. For the year ended December 31, 2004, the Company recorded cumulative net pre-tax gains of \$4.6 million, which consists of realized gains of \$4.5 million on closed forward contracts and a \$0.1 million of unrealized gains on the open forward contracts.

*Revenue Recognition*

Sales of products and services are generally recorded based on product shipment and performance of service, respectively. Product shipments, including those for demonstration or evaluation, and service contracts are not recorded as revenues until a valid purchase order or master agreement is received specifying fixed terms and prices. Proceeds received in advance of product shipment or performance of service are recorded as deferred revenue in the consolidated balance sheets. Shipping and handling costs are included in cost of sales net of amounts invoiced to the customer per the order.

The Company's method of revenue recognition for certain products requiring installation is in accordance with the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") 104, "Revenue Recognition in Financial Statements." Accordingly, revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the vendor's fee is fixed or determinable, and collectibility is reasonably assured and, if applicable, upon acceptance when acceptance criteria with contractual cash holdback are specified. With respect to installation obligations, the larger of the contractual cash holdback or the fair value of the installation service is deferred when the product is shipped and revenue is recognized as a multiple element arrangement when installation is complete. The Company determines the fair value of installation based upon a number of factors, including hourly service billing rates, estimated installation hours and comparisons of amounts charged by third parties.

The Company recognizes product revenue when legal title has transferred and risk of loss passes to the customer. The Company generally structures its sales arrangements as FOB shipping point or international equivalent and accordingly, recognizes revenue upon shipment. In some cases, FOB destination based shipping terms are included in sales arrangements in which cases revenue is recognized when the products arrive at the customer site.

Returns and customer credits are infrequent and recorded as a reduction to sales. Rights of return are generally not included in sales arrangements. Revenue associated with products that contain specific customer acceptance criteria is not recognized before the customer acceptance criteria is satisfied. Discounts from list prices are recorded as a reduction to sales.

Sales of software are accounted for in accordance with SOP No. 97-2, "Software Revenue Recognition" as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions". Nearly all of the Company's instruments contain embedded operating system and data management software, which is included in the purchase price. Software is also sold separately and revenue is recognized upon shipment as typically no significant post-delivery obligations remain. Software upgrades are typically sold as part of a service contract with revenue recognized ratably over the term of the service contract.

The Company assists customers in obtaining financing with an independent third-party leasing company with respect to certain product sales. Revenue is generally recognized upon product shipment under these arrangements. The Company receives payment from the leasing company shortly after shipment, provided delivery and credit documentation meets contractual criteria. The customer is obligated to pay the leasing company but the Company retains some credit risk if the customer is unable to pay. Accordingly, the Company reduces revenue equal to pre-established loss-pool criteria, including contracts with recourse. The Company's credit risk is significantly reduced through loss-pool limitations and re-marketing rights in the event of a default.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)***Product Warranty Costs*

The Company accrues estimated product warranty costs at the time of sale which are included in cost of sales in the consolidated statements of operations. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component supplies, the Company's warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. The amount of the accrued warranty liability is based on historical information such as past experience, product failure rates, number of units repaired and estimated costs of material and labor. The liability is reviewed for reasonableness at least quarterly.

The following is a summary of the activity of the Company's accrued warranty liability for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	<u>Balance at Beginning of Period</u>	<u>Accruals for Warranties</u>	<u>Settlements Made</u>	<u>Balance at End of Period</u>
Accrued warranty liability:				
2006	\$ 11,719	\$ 17,940	\$ (17,040)	\$ 12,619
2005	\$ 10,565	\$ 19,679	\$ (18,525)	\$ 11,719
2004	\$ 11,051	\$ 19,915	\$ (20,401)	\$ 10,565

*Advertising Costs*

All advertising costs are expensed as incurred and included in selling and administrative expenses in the consolidated statements of operations. Advertising expenses for 2006, 2005 and 2004 were \$7.9 million, \$8.5 million and \$6.4 million, respectively.

*Research and Development Expenses*

Research and development expenses are comprised of costs incurred in performing research and development activities including salaries and benefits, facilities costs, overhead costs, contract services and other outside costs. Research and development expenses are expensed as incurred.

*Stock-Based Compensation*

The Company has two stock-based compensation plans, which are described in Note 13 "Stock-Based Compensation".

*Income Per Share*

In accordance with SFAS No. 128, "Earnings Per Share," the Company presents two earnings per share ("EPS") amounts. Income 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 per diluted common share includes additional dilution from potential common stock, such as stock issuable pursuant to the exercise of stock options outstanding.

*Comprehensive Income*

The Company accounts for comprehensive income in accordance with SFAS No. 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### *Recent Accounting Standards Changes*

In January 2006, the Company adopted SFAS No. 123(R), “Share-Based Payment” and SAB 107, “Share-Based Payment”. These standards require that all share-based payments to employees, including grants of employee stock options, be recognized in the statement of operations based on their fair values. The adoption of these standards did not have a material effect on the Company’s financial position and results of operations. See Note 13, Stock-Based Compensation for additional information.

In January 2006, the Company adopted SFAS No. 154, “Accounting Changes and Error Corrections”, which replaces Accounting Principle Board (“APB”) Opinion No. 20, “Accounting Changes”, and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements”, and changes the requirements for the accounting for and reporting of a change in accounting principles. This Statement requires retrospective application to prior periods’ financial statements of changes in accounting principles, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The adoption of SFAS No. 154 did not have a material effect on the Company’s financial position, results of operations or cash flows.

In January 2006, the Company adopted SFAS No. 151, “Inventory Costs”, which amends Accounting Research Bulletin No. 43 Chapter 4. This standard clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The adoption of this standard did not have a material effect on the Company’s financial position, results of operations or cash flows.

In February 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 155 (“SFAS No. 155”), “Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140”. This standard permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; requires evaluation of interests in securitized financial assets; clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and eliminates the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This standard is effective for all financial instruments acquired or issued for fiscal years beginning after September 15, 2006. The Company does not believe that adoption of SFAS No. 155 will have a material effect on its financial position, results of operations or cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109”. This interpretation prescribes new methodology by which a company must measure, report, present, and disclose in its financial statements the effects of any uncertain tax return reporting positions that a company has taken or expects to take. The interpretation requires financial statement reporting of the expected future tax consequences of uncertain tax return reporting positions on the presumption that all relevant tax authorities possess full knowledge of the tax reporting positions as well as all of the pertinent facts and circumstances, but it prohibits any discounting of these effects for the time value of money. In addition, the interpretation also mandates expanded financial statement disclosure about uncertainty in tax reporting positions. The interpretation will become effective in the first quarter of 2007. The Company is still evaluating the impact of this interpretation on its financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements”. This standard addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles (“GAAP”). This standard is effective for all financial statements issued for fiscal years beginning after November 15, 2007. The Company is in the process of evaluating whether this standard will have a material effect on its financial position, results of operations or cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In September 2006, the FASB issued SFAS No. 158, “Employers Accounting for Defined Benefit Pension and Other Postretirement Plans”, which amends SFAS No. 87, “Employers’ Accounting for Pensions”, SFAS No. 88, “Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits”, SFAS No. 106, “Employers Accounting for Postretirement Benefits Other Than Pensions”, and SFAS No. 132(R), “Employers’ Disclosures about Pensions and Other Postretirement Benefits”. This standard requires an employer to recognize the overfunded or underfunded status of defined benefit pension and other postretirement defined benefit plans, previously disclosed in the footnotes to the financial statements, as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This standard also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position. In addition, this statement will require disclosure of the effects of the unrecognized gains or losses, prior service costs and transition asset or obligation on the next fiscal year’s net periodic benefit cost. This standard is effective for all financial statements issued for fiscal years ending after December 15, 2006 and retrospective application of this standard is not permitted. The adoption of this standard did not have a material effect on the Company’s financial position. See Note 16, Retirement Plans, for additional information as to the impact of adopting this pronouncement.

In September 2006, the SEC issued SAB 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements”. This standard addresses quantifying the financial statement effect of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. This standard is effective for fiscal years ending after November 15, 2006. The adoption of this standard did not have a material effect on the Company’s financial position, results of operations or cash flows.

**3 Inventories**

Inventories are classified as follows (in thousands):

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
Raw materials	\$ 51,568	\$ 45,257
Work in progress	17,400	12,908
Finished goods	99,469	73,389
Total inventories	<u>\$ 168,437</u>	<u>\$ 131,554</u>

**4 Property, Plant and Equipment**

Property, plant and equipment consists of the following (in thousands):

	<b>December 31</b>	
	<b>2006</b>	<b>2005</b>
Land and land improvements	\$ 8,261	\$ 8,199
Buildings and leasehold improvements	109,504	96,036
Production and other equipment	185,807	188,534
Construction in progress	6,506	10,407
Total property, plant and equipment	310,078	303,176
Less: accumulated depreciation and amortization	<u>(160,816)</u>	<u>(162,146)</u>
Property, plant and equipment, net	<u>\$ 149,262</u>	<u>\$ 141,030</u>

During 2006 and 2005, the Company retired and disposed of approximately \$30.0 million and \$9.6 million of property, plant and equipment, respectively, most of which was fully depreciated and no longer in use. Gains and losses on disposal were immaterial.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### 5 Business Investments

In the fourth quarter of 2006, the Company recorded a \$5.8 million charge for an other-than-temporary impairment to an equity investment in Caprion Pharmaceuticals Inc (“Caprion”). The charge was recorded in 2006 when the Company was notified that Caprion’s financial condition had deteriorated and that a merger was occurring that, in the Company’s assessment, would result in the Company’s investment being substantially diminished. The remaining value of the Caprion investment is approximately \$1.7 million at December 31, 2006. In 2005, the Company recorded a \$4.8 million pre-tax charge for an other-than-temporary impairment for the full value of the Company’s investment in Beyond Genomics, Inc (“Beyond Genomics”). This charge was recorded based on the Company’s assessment of Beyond Genomics’ current financial condition and uncertainty surrounding their ability to raise necessary funding.

In November 2000 and February 2002, the Company made minority equity investments in GeneProt™, Inc. (“GeneProt”), a privately held company. The investment in GeneProt was accounted for under the cost method of accounting. To the Company’s knowledge, due to changes in GeneProt’s ability to generate enough commercial interest to expand its business in the U.S. market, the Company recorded pre-tax charges of \$1.0 million to other income (expense) in the consolidated statements of operations during the year ended December 31, 2004, for an other-than-temporary impairment of its investment in GeneProt. The investment in GeneProt is zero at December 31, 2006 and 2005.

In June 2000, the Company formed a strategic alliance with Variagenics, Inc. (“Variagenics”), a publicly traded company, to develop and commercialize genetic variance reagent kits for use in the clinical development of pharmaceutical products. Variagenics was considered 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. The investment in Variagenics was included in other assets and carried at fair value with unrealized gains and losses reported as a separate component of other comprehensive income (loss). On January 31, 2003, Variagenics was merged with Hyseq Pharmaceuticals and is now named Nuvelo, Inc. (“Nuvelo”). In 2005, the Company sold its Nuvelo, Inc. common stock for \$2.5 million resulting in a gain of \$1.7 million which was recorded in other income in the consolidated statements of operations.

### 6 Acquisitions

#### *Environmental Resources Associates:*

In December 2006, the Company acquired all of the outstanding capital stock of Environmental Resources Associates, Inc. (“ERA”), a provider of environmental testing products for quality control, proficiency testing and specialty calibration chemicals used in environmental laboratories, for approximately \$62.5 million, including \$0.4 million of acquisition-related transaction costs and the assumption of \$3.8 million of debt. This acquisition was accounted for under the purchase method of accounting and the results of operations of ERA have been included in the consolidated results of the Company from the acquisition date. The purchase price of the acquisition was allocated to tangible and intangible assets and assumed liabilities based on their estimated fair values. The Company has initially allocated \$29.9 million of the purchase price to intangible assets comprised of customer relationships, non-compete agreements, acquired technology and other purchased intangibles. The Company is amortizing the customer relationships, acquired technology and other purchased intangibles over ten years. The non-compete agreements are being amortized over five years. These intangible assets are being amortized over a weighted-average period of approximately 10 years. Included in intangible assets is a trademark in the amount of \$3.7 million that has been assigned an indefinite life. The excess purchase price of \$45.3 million after this allocation has been accounted for as goodwill. The goodwill is not deductible for tax purposes.

The Company considered a number of factors to determine the purchase price allocation, including engaging a third party valuation firm to independently appraise the fair value of certain assets acquired. The Company is still in the process of making a final determination of the purchase price allocation based upon obtaining the third party

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

independent appraisal report of the fair value of certain assets acquired. The following table presents the fair values of assets and liabilities recorded in connection with the ERA acquisition (in thousands):

Accounts receivable	\$ 368
Inventory	4,408
Other current assets	68
Goodwill	45,332
Intangible assets	29,866
Fixed assets	1,417
	<u>81,459</u>
Accrued expenses and other current liabilities	3,636
Debt	3,774
Deferred tax liability	11,574
Cash consideration paid, net of cash acquired	<u>\$ 62,475</u>

*VICAM:*

In February 2006, the Company acquired the net assets of the food safety business of VICAM Limited Partnership (“VICAM”) for approximately \$13.8 million, including \$0.3 million of acquisition-related transaction costs. The Company anticipates continuous increases in laboratory testing to ensure food safety. This acquisition was accounted for under the purchase method of accounting and the results of operations of VICAM have been included in the consolidated results of the Company from the acquisition date. The purchase price of the acquisition was allocated to tangible and intangible assets and assumed liabilities based on their estimated fair values. The Company has allocated \$7.7 million of the purchase price to intangible assets comprised of customer relationships, non-compete agreements, acquired technology and other purchased intangibles. The Company is amortizing acquired technology and other purchased intangibles over twelve years and customer relationships over fifteen years. The non-compete agreements are being amortized over five years. These intangible assets are being amortized over a weighted-average period of 13 years. Included in intangible assets is a trademark in the amount of \$2.1 million that has been assigned an indefinite life. The excess purchase price of \$3.7 million after this allocation has been accounted for as goodwill. The goodwill is deductible for tax purposes.

The Company considered a number of factors to determine the purchase price allocation, including engaging a third party valuation firm to independently appraise the fair value of certain assets acquired. The following table presents the fair values of assets and liabilities recorded in connection with the VICAM acquisition (in thousands):

Accounts receivable	\$ 950
Inventory	1,837
Other current assets	142
Goodwill	3,716
Intangible assets	7,707
Fixed assets	285
	<u>14,637</u>
Accrued expenses and other current liabilities	812
Cash consideration paid	<u>\$ 13,825</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)***Other:*

In August 2006, the Company acquired all of the outstanding capital stock of Thermometric AB (“Thermometrics”), a manufacturer of high performance microcalorimeters, and certain net assets and customer lists from an Asian distributor of thermal analysis products, for a total of \$3.2 million in cash. As part of the Thermometrics acquisition, the Company assumed \$1.2 million of debt. These acquisitions were accounted for under the purchase method of accounting and the results of operations of these acquisitions have been included in the consolidated results of the Company from the acquisition dates. The combined purchase price of the acquisitions was allocated to tangible and intangible assets and assumed liabilities based on their estimated fair values. The Company has allocated \$2.2 million of the combined purchase price to intangible assets comprised of customer relationships, non-compete agreements and acquired technology. The combined excess purchase price of \$1.5 million after this allocation has been accounted for as goodwill. The goodwill is not deductible for tax purposes.

During the year ended December 31, 2004, the Company acquired various tangible and intangible assets of certain Asian distributors totaling approximately \$1.4 million.

*NuGenesis:*

In February 2004, the Company acquired all of the outstanding capital stock of NuGenesis Technologies Corporation (“NuGenesis”), a company headquartered in Westborough, Massachusetts, for approximately \$42.9 million in cash. NuGenesis developed and marketed the NuGenesis Scientific Data Management System (“SDMS”).

The acquisition of NuGenesis was accounted for under the purchase method of accounting and the results of operations of NuGenesis have been included in the consolidated results of the Company from the acquisition date. The purchase price of the acquisition was allocated to tangible and intangible assets and assumed liabilities based on their estimated fair values. The Company has allocated \$13.1 million of the purchase price to intangible assets comprised of customer lists, trademarks and other purchased intangibles. The excess purchase price of \$16.1 million after this allocation has been accounted for as goodwill.

The following represents the unaudited pro forma results of the ongoing operations for Waters, ERA, VICAM, Thermometrics and NuGenesis as though the acquisitions of ERA, VICAM, Thermometrics and NuGenesis had occurred at the beginning of each period shown (in thousands, except per share data). The pro forma information, however, is not necessarily indicative of the results that would have resulted had the acquisition occurred at the beginning of the periods presented, nor is it necessarily indicative of future results.

	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
Net revenues	\$ 1,300,050	\$ 1,184,252	\$ 1,130,054
Net income	\$ 225,464	\$ 204,990	\$ 224,166
Net income per basic common share	\$ 2.20	\$ 1.80	\$ 1.87
Net income per diluted common share	\$ 2.16	\$ 1.77	\$ 1.82

The pro forma effects of other acquisitions are immaterial.

**7 Goodwill and Other Intangibles**

The carrying amount of goodwill was \$265.2 million and \$210.6 million at December 31, 2006 and 2005, respectively. The increase is primarily attributable to the Company’s acquisitions of VICAM, Thermometrics and ERA (Note 6) of approximately \$3.7 million, \$1.5 million and \$45.3 million, respectively. Currency translation adjustments increased goodwill approximately \$4.1 million.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The Company's intangible assets included in the consolidated balance sheets are detailed as follows (in thousands):

	December 31, 2006			December 31, 2005		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period
Purchased intangibles	\$ 103,930	\$ 33,294	10 years	\$ 61,827	\$ 27,250	11 years
Capitalized software	108,072	60,223	4 years	85,089	47,846	3 years
Licenses	10,352	6,166	9 years	9,548	5,052	9 years
Patents and other intangibles	14,813	5,831	8 years	12,137	4,090	8 years
Total	\$ 237,167	\$ 105,514	8 years	\$ 168,601	\$ 84,238	7 years

During the year ended December 31, 2006, the Company acquired approximately \$39.8 million of purchased intangibles as a result of the acquisitions of VICAM, Thermometrics, ERA and the distributor rights from an Asian distributor of thermal analysis products. In addition, the gross carrying value of intangible assets increased by approximately \$2.9 million and decreased approximately \$3.3 million in 2006 and 2005, respectively, due to the effect of foreign currency translation.

For the years ended December 31, 2006, 2005 and 2004, amortization expense for intangible assets was \$20.3 million, \$20.0 million and \$19.9 million, respectively. Amortization expense for intangible assets is estimated to be approximately \$23.3 million for each of the next five years. Accumulated amortization for intangible assets increased approximately \$1.0 million and decreased approximately \$0.9 million in 2006 and 2005, respectively, due to the effect of foreign currency translation.

During 2004, the Company recorded a pre-tax charge of \$4.0 million in the consolidated statements of operations for the impairment of a license with Sandia National Laboratories.

## 8 Debt

In November 2005, the Company entered into a credit agreement (the "November 2005 Credit Agreement") that provides for a \$250.0 million term loan facility due in November 2010. The Company used the proceeds of the term loan to finance the repurchase of common stock under its stock repurchase program previously approved by its Board of Directors and for general corporate purposes. The interest rates applicable to any U.S. borrowings under the November 2005 Credit Agreement are, at the Company's option, equal to either the base rate (which is the higher of the prime rate or the federal funds rate plus 1/2%) or, on any Euro borrowings, the applicable 1, 2, 3, 6, 9 or 12 month LIBOR rate, in each case, plus an interest rate margin based upon the Company's leverage ratio, which can range between 37.5 basis points and 112.5 basis points. The November 2005 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1, and a leverage ratio test of not more than 3.25:1, for any period of four consecutive fiscal quarters, respectively. In addition, the November 2005 Credit Agreement includes negative covenants that are customary for investment grade credit facilities and are similar in nature to ones contained in the Company's existing credit facility. The November 2005 Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default, similar in nature to those in the Company's existing credit facility.

In December 2004, the Company entered into a syndicated committed credit agreement (the "Credit Agreement") that provides for a \$250.0 million term loan facility due in December 2009 and, subsequent to the amendment discussed below, a \$550.0 million revolving facility, which includes both a letter of credit and a swingline subfacility. In October 2005, the Company exercised the \$100.0 million expansion feature in the Credit Agreement dated December 2004, increasing the amount from \$700.0 million to \$800.0 million. In October 2005,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

the Company amended the Credit Agreement (the “Amended Credit Agreement”) to increase the leverage ratio test from not more than 3.0:1 for any period of four consecutive fiscal quarters, to 3.25:1 and to amend the definition of Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) to exclude stock-based compensation to the extent deducted from consolidated net income pursuant to SFAS 123(R). All other terms and conditions under the original Credit Agreement with respect to interest rates, interest coverage ratio test, maturity dates and affirmative and negative covenants remained substantially the same in the Amended Credit Agreement.

As of December 31, 2006, the Company had \$250.0 million borrowed under the November 2005 Credit Agreement and \$635.0 million under the Amended Credit Agreement for a total of \$885.0 million borrowed under the two credit agreements and an amount available to borrow of \$163.4 million after outstanding letters of credit. In total, \$500.0 million of the total debt was classified as long-term debt and \$385.0 million classified as short-term debt at December 31, 2006 in the consolidated balance sheets. As of December 31, 2005, the Company had \$250.0 million borrowed under the November 2005 Credit Agreement and \$560.0 million under the Amended Credit Agreement for a total of \$810.0 million borrowed under the two credit agreements and an amount available to borrow of \$238.4 million after outstanding letters of credit. In total, \$500.0 million of the total debt was classified as long-term debt and \$310.0 million classified as short-term debt at December 31, 2005 in the consolidated balance sheets. The Company, and its foreign subsidiaries, also had available short-term lines of credit, totaling \$96.8 million at December 31, 2006 and \$76.9 million at December 31, 2005. At December 31, 2006 and 2005, related short-term borrowings were \$18.5 million at a weighted-average interest rate of 3.21% and \$16.3 million at a weighted-average interest rate of 3.11%, respectively.

On January 11, 2007, Waters Corporation and Waters Technologies Ireland Ltd. entered into a new credit agreement (the “2007 Credit Agreement”). The 2007 Credit Agreement provides for a \$500 million term loan facility, a \$350 million revolving facility (“U.S. Tranche”), which includes both a letter of credit and a swingline subfacility, and a \$250 million revolving facility (“European Tranche”) that is available to Waters Corporation in U.S. dollars and Waters Technologies Ireland Ltd. in either U.S. dollars or Euro. Waters Corporation may on one or more occasions request of the lender group that commitments for the U.S. Tranche or European Tranche be increased by an amount of not less than \$25 million, up to an aggregate additional amount of \$250 million. Existing lenders are not obligated to increase commitments and the Company can seek to bring in additional lenders. The term loan facility and the revolving facilities both mature on January 11, 2012 and require no scheduled prepayments before that date.

On January 11, 2007, the Company borrowed \$500 million under the new term loan facility, \$115 million under the new European Tranche, and \$270 million under the new U.S. Tranche revolving facility. The Company used the proceeds of the term loan and the revolving borrowings to repay the outstanding amounts under the Company’s existing multi-borrower credit agreement dated as of December 15, 2004 and amended as of October 12, 2005 and the Company’s existing term loan agreement dated as of November 28, 2005. Waters Corporation terminated such agreements early without penalty.

The interest rates applicable to term loan and revolving loans under the 2007 Credit Agreement are, at the Company’s option, equal to either the base rate (which is the higher of the prime rate or the federal funds rate plus 1/2%) or the applicable 1, 2, 3, 6, 9 or 12 month LIBOR rate, in each case, plus an interest rate margin based upon the Company’s leverage ratio, which can range between 33 basis points and 72.5 basis points. The facility fee on the 2007 Credit Agreement ranges between 7 basis points and 15 basis points. The 2007 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 and a leverage ratio test of not more than 3.25:1 for any period of four consecutive fiscal quarters, respectively, the same as the terminated credit agreements. In addition, the 2007 Credit Agreement includes negative covenants that are customary for investment grade credit facilities and are similar in nature to ones contained in the terminated credit agreements. The 2007 Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default which are similar in nature to those in the terminated credit agreements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

**9 Income Taxes**

Income tax data for the years ended December 31, 2006, 2005 and 2004 is as follows (in thousands):

	Year Ended December 31		
	2006	2005	2004
The components of income from operations before income taxes are as follows:			
Domestic	\$ 11,812	\$ 53,757	\$ 83,573
Foreign	251,147	220,806	202,098
Total	<u>\$ 262,959</u>	<u>\$ 274,563</u>	<u>\$ 285,671</u>
The current and deferred components of the provision for income taxes on operations are as follows:			
Current	\$ 46,883	\$ 63,437	\$ 58,674
Deferred	(6,124)	9,151	2,944
Total	<u>\$ 40,759</u>	<u>\$ 72,588</u>	<u>\$ 61,618</u>
The jurisdictional components of the provision for income taxes on operations are as follows:			
Federal	\$ 6,121	\$ 39,852	\$ 28,262
State	2,603	4,488	4,061
Foreign	32,035	28,248	29,295
Total	<u>\$ 40,759</u>	<u>\$ 72,588</u>	<u>\$ 61,618</u>
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	\$ 92,036	\$ 96,097	\$ 99,985
Extraterritorial income exclusion	(2,676)	(3,384)	(3,061)
State income tax, net of federal income tax benefit	1,692	1,286	2,640
Net effect of foreign operations	(49,568)	(44,658)	(37,875)
AJCA dividend repatriation	—	24,000	—
Other, net	(725)	(753)	(71)
Provision for income taxes	<u>\$ 40,759</u>	<u>\$ 72,588</u>	<u>\$ 61,618</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	December 31	
	2006	2005
The tax effects of temporary differences and carryforwards which give rise to deferred tax assets and deferred tax (liabilities) are summarized as follows:		
Deferred tax assets:		
Net operating losses and credits	\$ 115,325	\$ 125,632
Depreciation and capitalized software	2,411	1,570
Amortization	3,436	12,644
Stock-based compensation	8,807	—
Deferred compensation	20,731	9,553
Revaluation of equity investments	11,240	9,356
Inventory	1,902	2,761
Accrued liabilities and reserves	11,383	2,444
Interest	—	5,161
Other	6,907	7,807
	<u>182,142</u>	<u>176,928</u>
Valuation allowance	<u>(86,826)</u>	<u>(87,997)</u>
Deferred tax asset, net of valuation allowance	95,316	88,931
Deferred tax liabilities:		
Depreciation and capitalized software	(11,155)	(7,290)
Amortization	(5,937)	(1,625)
Deferred compensation	—	(3,590)
Indefinite lived intangibles	(15,652)	(13,381)
Other	(80)	(47)
	<u>(32,824)</u>	<u>(25,933)</u>
Net deferred tax assets	<u>\$ 62,492</u>	<u>\$ 62,998</u>

Net deferred tax assets of \$22.1 million and \$13.0 million are included in other current assets and \$40.4 million and \$50.0 million are included in other assets at December 31, 2006 and 2005, respectively.

The Company's deferred tax assets associated with net operating loss, tax credit carryforwards and alternative minimum tax credits are comprised of the following at December 31, 2006: \$33.7 million (\$87.5 million pre-tax) benefit of U.S. federal and state net operating loss carryforwards that begin to expire in 2020 and 2007, respectively; \$64.1 million in foreign tax credits, which begin to expire in 2009; \$7.0 million in research and development credits that begin to expire in 2010; and \$10.5 million (\$39.6 million pre-tax) in foreign net operating losses, \$9.0 million (\$31.8 million pre-tax) of which do not expire under current law, the remainder of which begin to expire in 2008.

The Company has provided a deferred tax valuation allowance of \$86.8 million, principally against foreign tax credits (\$64.1 million), certain foreign net operating losses and other deferred tax assets. The benefit relating to foreign tax credits and these other deferred tax assets, if realized, will be credited to additional paid-in capital.

The income tax benefits associated with non-qualified stock option compensation expense recognized for tax purposes and credited to additional paid-in capital were \$16.5 million, \$4.9 million and \$32.0 million for the years ended December 31, 2006, 2005 and 2004, respectively.

At December 31, 2006, there were unremitted earnings of foreign subsidiaries of approximately \$556.5 million. The Company has not provided for U.S. income taxes or foreign withholding taxes on these earnings as it is the Company's current intention to permanently reinvest these earnings outside the U.S.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

SFAS No. 109, “Accounting for Income Taxes”, requires that a Company continually evaluate the necessity of establishing or changing a valuation allowance for deferred tax assets, depending on whether it is more likely than not that actual benefit of those assets will be realized in future periods.

As of December 31, 2004, the Company had determined that it was more likely than not that the actual tax benefit of \$167.5 million of its deferred tax assets would not be realized. The Company had therefore recorded a cumulative \$167.5 million valuation allowance to reduce the net carrying value of these assets to zero for financial reporting purposes as of December 31, 2004. The valuation allowance was determined based on the Company’s review of its future estimated U.S. taxable income levels and the estimated future stock option exercises. Included in this \$167.5 million valuation allowance was \$154.9 million related to the future tax benefit of U.S. net operating losses generated by the exercise of non-qualified stock options. As required by SFAS No. 109 and APB Opinion No. 25 “Accounting for Stock Issued to Employees”, the Company had originally recorded all \$154.9 million of these future tax benefits as increased additional paid-in capital. Accordingly, when the Company recorded a valuation allowance against these future tax benefits, the Company also reduced additional paid-in capital by \$154.9 million.

As required by SFAS No. 109, the Company maintained this deferred tax asset valuation allowance until it determined, during 2005, that it was more likely than not that it would realize the actual tax benefit of \$92.5 million of deferred tax assets for which a full valuation allowance had been previously provided. The Company made this determination based on the level of the Company’s actual 2005 U.S. taxable income, the Company’s projected future U.S. taxable income levels, the Company’s actual 2005 tax deduction from the exercise of non-qualified stock options and the fact that the Company’s future tax deduction from the exercise of non-qualified stock options would most likely be less than in the past as those options, which were significantly in-the-money, were expiring and exercised by December 31, 2005. The Company therefore recorded, in 2005, a \$92.5 million reduction in its deferred tax asset valuation allowance. Because this reduction in the valuation allowance included \$78.8 million related to the future tax benefit of U.S. net operating losses generated by the exercise of non-qualified stock options, the Company also restored \$78.8 million to the Company’s additional paid-in capital in 2005, in accordance with SFAS No. 109 and APB No. 25. The remaining balance was credited to goodwill in the consolidated balance sheet. The Company believes an appropriate level of profitability had been established and believes that it is more likely than not the deferred tax assets will be realized in the future. The Company made this determination based on a review of facts and circumstances at that time.

In October 2004, the American Jobs Creation Act (“AJCA”) was signed into law. The AJCA creates a temporary incentive for U.S. multi-national corporations to repatriate income accumulated abroad by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations. It previously had been the Company’s practice to permanently reinvest all foreign earnings into foreign operations. In July 2005, the Board of Directors of the Company approved the repatriation of \$500.0 million as a qualified distribution in accordance with the AJCA. The Company has used and will continue to use the repatriated cash to fund current and future operating expenses within the parameters of Internal Revenue Service guidance. During the third quarter of 2005, the Company recorded a tax liability of \$24.0 million for the federal, state and foreign taxes related to the qualified and base period distribution in accordance with SFAS No. 109. The Company paid \$10.0 million of this tax during 2005 and approximately \$9.0 million during the first quarter of 2006. The remainder of this tax liability was offset by the tax benefit of carryforwards.

The Company’s effective tax rates for the years ended December 31, 2006, 2005 and 2004 were 15.5%, 26.4% and 21.6%, respectively. Included in the 2005 effective tax rate is the \$24.0 million of income tax expense related to the repatriation of funds from the Company’s foreign subsidiaries under the AJCA. The remaining decrease in the effective tax rates for 2006 compared to 2005 is primarily attributable to the proportionate increase in income in international jurisdictions with lower effective tax rates, primarily Ireland and Singapore. In addition, the adoption of SFAS No. 123(R) resulted in the recognition of a tax benefit at a higher effective tax rate in 2006. The 2004 effective tax rate was impacted by the net tax effect of the Perkin-Elmer litigation judgment received and the litigation provisions for the on-going patent infringement suit with Hewlett-Packard.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

### 10 Patent Litigation

#### *Applera Corporation:*

On March 2, 2004, the Company and MDS, Inc., through its Applied Biosystems/MDS Sciex Instruments partnership, and Applied Biosystems entered into a settlement agreement (the “Applera Settlement Agreement”) with respect to the various civil actions pending against each of them, both in the United States and internationally. Stipulations of Dismissal or their foreign equivalents (the “Stipulations”) with respect to the disposal of all such actions have been entered in the applicable courts and tribunals in each of the United States, the United Kingdom, Canada and Japan.

The Applera Settlement Agreement provides for the resolution of all patent infringement claims in the United States made by certain of the parties against the other and of international cases brought by MDS, Inc. and Applied Biosystems/MDS Sciex Instruments against the Company with respect to alleged infringements of those parties’ patents at issue in the United Kingdom, Canada and Japan.

In consideration of entering into the Applera Settlement Agreement and the Stipulations, the Company and MDS, Inc. and Applied Biosystems/MDS Sciex Instruments entered into royalty paying license agreements, cross licensing the use of the technology described in the parties’ respective patents at issue. In addition, the Company made a one-time payment to Applied Biosystems/MDS Sciex Instruments of \$18.1 million on March 11, 2004.

#### *Hewlett-Packard Company:*

The Company filed suit in the United States against Hewlett-Packard Company and Hewlett-Packard GmbH (collectively, “HP”), seeking a declaration that certain products sold under the mark “Alliance” did not constitute an infringement of one or more patents owned by HP or its foreign subsidiaries (the “HP patents”). The action in the United States was dismissed for lack of controversy. Actions seeking revocation or nullification of foreign HP patents were filed by the Company in Germany, France and England. A German patent tribunal found the HP German patent to be valid. In Germany, France and England, HP and its successor, Agilent Technologies Deutschland GmbH (“Agilent”), brought actions alleging that certain features of the Alliance pump may infringe the HP patents. In England, the Court of Appeal found the HP patent valid and infringed. The Company’s petitions for leave to appeal to the House of Lords were denied. A trial on damages was scheduled for November 2004.

In March 2004, Agilent brought a new action against the Company alleging that certain features of the Alliance pump continued to infringe the HP patents. At a hearing held in the UK in June 2004, the UK court postponed the previously scheduled November 2004 damages trial until March 2005. Instead, the court scheduled the trial in the new action for November 2004. In December 2004, following a trial in the new action, the UK court ruled that the Company did not infringe the HP patents. Agilent filed an appeal in that action, which was heard in July 2005, and the UK Appellate Court upheld the lower court’s ruling of non-infringement. The damages trial scheduled for March 2005 was postponed pending this appeal and rescheduled for December 2005. In December 2005, a trial on damages commenced in the first action and continued for six days prior to a holiday recess. In February 2006, the Company, HP and Agilent entered into a settlement agreement (the “Agilent Settlement Agreement”) with respect to the first action and a consent order dismissing the case was entered. The Agilent Settlement Agreement provides for the release of the Company and its UK affiliate from each and every claim under Agilent’s European patent (UK) number 309,596 arising out of the prior sale by either of them of Alliance Separations Modules incorporating the patented technology. In consideration of entering into the Agilent Settlement Agreement and the consent order, the Company made a payment to Agilent of 3.5 million British Pounds, in full and final settlement of Agilent’s claim for damages and in relation to all claims for costs and interest in the case.

In France, the Paris District Court has found the HP patent valid and infringed by the Alliance pump. The Company appealed the French decision and, in April 2004, the French appeals court affirmed the Paris District Court’s finding of infringement. The Company has filed a further appeal in the case. The Company has sought a declaration from the French court that, as was found in both the UK and Germany, certain modified features of the Alliance pump do not infringe the HP patents. A hearing on this matter is currently scheduled for June 2007. In the

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

German case, a German court has found the patent infringed. The Company appealed the German decision and, in December 2004, the German appeals court reversed the trial court and issued a finding of non-infringement in favor of the Company. Agilent is seeking an appeal in that action and, in July 2005, brought a new action against the Company alleging that certain features of the Alliance pump continue to infringe the HP patents. In August 2006, following a trial in this new action the German court ruled that the Company did not infringe the HP patents. Agilent has filed an appeal in this action.

The Company recorded a provision of \$3.1 million during 2005 for damages and fees to be incurred with respect to the litigation, which was settled in February 2006. The Company recorded a provision of \$7.8 million in the first quarter of 2004 for estimated damages and fees to be incurred with respect to the ongoing litigation for the England and France suits. No provision has been made for the Germany suit and the Company believes the outcome, if the plaintiff ultimately prevails, will not have a material impact on the Company's financial position. The accrued patent litigation expense in other current liabilities in the consolidated balance sheets at December 31, 2006 and December 31, 2005, was \$0.9 million and \$5.3 million, respectively, for the England and France suits. The change in the liability through December 31, 2005 is attributable to payment of remaining settlement costs in the U.K. case and payments of legal fees directly associated with the cases.

*Perkin-Elmer Corporation:*

The Company, through its subsidiary TA, asserted a claim against The Perkin-Elmer Corporation ("PE") alleging patent infringement of three patents owned by TA (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 TA and enjoined PE from infringing the TAI patents. PE appealed the District Court judgment in favor of TA 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 TA's non-infringement of the PE patent, was reversed and remanded to the District Court for further proceedings.

On remand to the District Court in October 2002, a jury found PE liable to TA for damages of \$13.3 million and found TA did not infringe the PE patent. In May 2003, the District Court entered judgment on the jury's verdict in favor of the Company. PE has appealed the judgment with respect to TA's non-infringement of the PE patent. A hearing on the matter was held on May 4, 2004. On May 5, 2004, the United States Court of Appeals for the Federal Circuit affirmed the judgment of non-infringement of the PE Patent. On May 11, 2004, PE, now known as Applera Corporation, paid the Company \$17.4 million, including \$0.2 million in post-judgment interest. Approximately \$0.1 million in legal fees were incurred and were offset against the recording of settlement proceeds.

**11 Restructuring and Other Charges**

*2006 Restructuring:*

In February 2006, the Company implemented a cost reduction plan, primarily affecting operations in the U.S. and Europe, that resulted in the employment of 74 employees being terminated, all of which had left the Company as of December 31, 2006. In addition, the Company closed a sales and demonstration office in the Netherlands in the second quarter of 2006. The Company implemented this cost reduction plan primarily to realign its operating costs with business opportunities around the world.

The following is a summary of activity of the Company's 2006 restructuring liability included in other current liabilities on the consolidated balance sheet (in thousands):

	Balance December 31, 2005	Charges	Utilization	Balance December 31, 2006
Severance	\$ —	\$ 6,443	\$ (5,010)	\$ 1,433
Other	—	2,041	(1,993)	48
Total	\$ —	\$ 8,484	\$ (7,003)	\$ 1,481

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company does not expect to incur any additional charges in connection with this restructuring. Other charges include approximately \$0.7 million of leasehold improvement assets, net of accumulated amortization, written-off as a result of the closure of the facility in the Netherlands.

### *2004 Restructuring:*

In January 2004, the Company initiated a small restructuring effort to realign its personnel between various support functions and field sales and service organizations around the world. As a result, 70 employees were terminated, all of which had left the Company as of December 31, 2004. The provision of \$2.1 million, recorded during the year ended December 31, 2004, represents costs incurred, including severance costs, for the 70 people and other directly related incremental costs of this realignment effort. The Company's 2004 restructuring liability was zero at December 31, 2006 and 2005. Also during 2004, the Company reversed approximately \$2.2 million in restructuring accruals related to a 2002 restructuring initiative.

## 12 Other Commitments and Contingencies

Lease agreements, expiring at various dates through 2022, cover buildings, office equipment and automobiles. Rental expense was \$23.3 million, \$23.2 million and \$19.7 million during the years ended December 31, 2006, 2005 and 2004, respectively. Future minimum rents payable as of December 31, 2006 under non-cancelable leases with initial terms exceeding one year are as follows (in thousands):

2007	\$ 18,894
2008	15,679
2009	12,260
2010	9,404
2011 and thereafter	27,991

The Company licenses certain technology and software from third parties, which expire at various dates through 2008. Fees paid for licenses were approximately \$0.6 million, \$0.8 million and \$1.1 million during the years ended December 31, 2006, 2005 and 2004, respectively. Future minimum licenses payable under existing license agreements as of December 31, 2006 will be immaterial for the years ended December 31, 2007 and thereafter.

From time to time, the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of business. The Company believes it has meritorious arguments in its current litigation matters and any outcome, either individually or in the aggregate, with the exception of the current litigation described in Note 10, will not be material to the financial position or results of operations.

The Company enters into standard indemnification agreements in its ordinary course of business. Pursuant to these agreements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with patent, copyright or other intellectual property infringement claims by any third party with respect to its current products, as well as claims relating to property damage or personal injury resulting from the performance of services by the Company or its subcontractors. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. Historically, the Company's costs to defend lawsuits or settle claims relating to such indemnity agreements have been minimal and management accordingly believes the estimated fair value of these agreements is immaterial.

## 13 Stock-Based Compensation

On May 6, 2003, the Company's shareholders approved the Company's 2003 Equity Incentive Plan ("2003 Plan"). As of December 31, 2006, the 2003 Plan has 5.4 million shares available for granting in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock or other types of awards (e.g. restricted stock units). The Company issues new shares of common stock upon exercise of stock options or restricted stock

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

unit conversion. Under the 2003 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. The 2003 Plan is scheduled to terminate on March 4, 2013. Options generally will expire no later than 10 years after the date on which they are granted and will become exercisable as directed by the Compensation Committee of the Board of Directors and generally vest ratably over a five year period. A SAR may be granted alone or in conjunction with an option or other award. Shares of restricted stock and restricted stock units may be issued under the 2003 Plan for such consideration as is determined by the Compensation Committee of the Board of Directors. No award of restricted stock may have a restriction period of less than three years except as may be recommended by the Compensation Committee of the Board of Directors, or with respect to any award of restricted stock which provides solely for a performance-based risk of forfeiture so long as such award has a restriction period of at least one year. As of December 31, 2006, the Company had stock options, restricted stock and restricted stock unit awards outstanding.

On February 26, 1996, the Company adopted its 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 1.0 million shares of the Company's common stock commencing October 1, 1996. As of December 31, 2006, 0.7 million 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. Stock-based compensation expense related to this plan was \$0.4 million for the year ended December 31, 2006.

On January 1, 2006, the Company adopted SFAS No. 123(R), which amends SFAS No. 123, "Accounting for Stock-Based Compensation", and SAB 107, "Share-Based Payment". These standards require that all share-based payments to employees be recognized in the statements of operations based on their fair values. The Company has used the Black-Scholes model to determine the fair value of its stock option awards at the time of grant.

The Company adopted the modified prospective transition method permitted under SFAS No. 123(R) and consequently has not adjusted results from prior years. Under the modified prospective transition method, compensation costs associated with awards for the year ended December 31, 2006 now include the expense relating to the remaining unvested awards granted prior to December 31, 2005 and the expense related to any awards issued subsequent to December 31, 2005. The Company recognizes the expense using the straight-line attribution method. The amount of stock-based compensation recognized during the period is based on the value of the portion of the award that ultimately is expected to vest. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The cumulative effect of the change in accounting for forfeitures is immaterial.

The consolidated statements of operations for the three years ended December 31, 2006, 2005 and 2004 include the following stock-based compensation expense related to stock option awards, restricted stock, and restricted stock unit awards and the employee stock purchase plan (in thousands):

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cost of sales	\$ 4,345	\$ —	\$ —
Selling and administrative	19,357	765	75
Research and development	<u>5,111</u>	<u>—</u>	<u>—</u>
Total stock-based compensation	<u>\$ 28,813</u>	<u>\$ 765</u>	<u>\$ 75</u>

The after-tax stock-based compensation and the impact to diluted earnings per share of adopting SFAS No. 123(R) for the year ended December 31, 2006 were \$20.6 million with a \$0.20 per share reduction to diluted earnings per share. As of December 31, 2006, the Company has capitalized stock-based compensation costs of \$0.6 million and \$1.0 million to inventory and capitalized software, respectively, in the consolidated balance sheets. Prior to the adoption of SFAS No. 123(R), the Company used the intrinsic value method of accounting prescribed by APB No. 25 and related interpretations, including Financial Interpretation ("FIN") No. 44, "Accounting for Certain Transactions Involving Stock Compensation", for its plans. Under this accounting method,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

stock-option compensation awards that are granted with the exercise price at the current fair value of the Company's common stock as of the date of the award generally did not require compensation expense to be recognized in the consolidated statements of operations. Stock-based compensation expense recognized for the Company's fixed employee stock option plans, restricted stock and employee stock purchase plan was \$0.8 million and \$0.1 million in the years ended December 31, 2005 and 2004, respectively. The 2005 and 2004 stock-based compensation expense amounts were all recorded in selling and administrative expenses.

Prior to the adoption of SFAS No. 123(R), benefits of tax deductions in excess of recognized compensation costs were reported as part of cash from operating activities. Under SFAS No. 123(R), approximately \$16.5 million of windfall benefits of tax deductions in excess of recognized compensation costs were reported as cash from financing activities for the year ended December 31, 2006.

During 2006 the total intrinsic value of the stock options exercised (i.e., the difference between the market price at exercise and the price paid by the employee to exercise the options) was \$40.1 million and the total cash received from the exercise of these stock options was \$39.9 million.

As of December 31, 2006, there was \$61.1 million of total unrecognized compensation cost related to unvested stock option awards. This cost is expected to be recognized over a weighted-average period of 3.1 years.

The following table illustrates the effect on net income and earnings per share had the Company applied the fair value recognition provisions of SFAS No. 123 for the Company's stock-based compensation plans for all of the periods shown.

<b>Compensation Expense — Fair Value Method (in thousands, except per share data)</b>	<b>2005</b>	<b>2004</b>
Net income, as reported December 31	\$ 201,975	\$ 224,053
Deduct: total stock-based employee compensation expense, net of related tax effects	(22,729)	(39,496)
Add: stock-based compensation recognized in the consolidated statements of operations, net of related tax effects	556	59
Pro forma net income	<u>\$ 179,802</u>	<u>\$ 184,616</u>
Net income per share:		
Basic — as reported	\$ 1.77	\$ 1.87
Basic — pro forma	\$ 1.58	\$ 1.54
Diluted — as reported	\$ 1.74	\$ 1.82
Diluted — pro forma	\$ 1.55	\$ 1.50

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model. Beginning in 2005, the Company used implied volatility on its publicly traded options as the basis for its estimate of expected volatility. The expected volatility assumption of all grants issued prior to 2005 was derived from the Company's historical volatility. The expected life assumption for 2006 grants is based on historical experience for the population of non-qualified stock optionees. The risk-free interest rate is the yield currently available on U.S. Treasury zero-coupon issues with a remaining term approximating the expected term used as the input to the Black-Scholes model. The relevant data used to determine the value of the 2006 stock option grants is as follows:

<b>Options Issued and Significant Assumptions Used to Estimate Option Fair Values</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Options issued	572	551	1,975
Risk-free interest rate	4.5	4.3	3.8
Expected life in years	6.0	6.0	5.5
Expected volatility	.280	.270	.552
Expected dividends	—	—	—

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

<u>Weighted-average Exercise Price and Fair Values of Options on the Date of Grant</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Exercise price	\$ 48.64	\$ 39.51	\$ 46.79
Fair value	\$ 18.08	\$ 14.22	\$ 25.10

*Stock Option Plans*

The following table details the weighted-average remaining contractual life of options outstanding at December 31, 2006 by range of exercise prices (in thousands, except per share data):

<u>Exercise Price Range</u>	<u>Number of Shares Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Remaining Contractual Life of Options Outstanding</u>	<u>Number of Shares Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$ 9.39 to \$20.00	827	\$ 16.61	1.6	827	\$ 16.61
\$20.01 to \$30.00	1,755	\$ 22.17	4.8	1,472	\$ 22.28
\$30.01 to \$40.00	3,399	\$ 34.75	6.5	2,188	\$ 34.80
\$40.01 to \$50.00	2,433	\$ 47.59	8.3	751	\$ 47.13
\$50.01 to \$80.97	<u>1,093</u>	\$ 72.21	3.9	<u>1,093</u>	\$ 72.21
	<u>9,507</u>	\$ 38.44	5.9	<u>6,331</u>	\$ 37.43

The following table summarizes stock option activity for the plans (in thousands, except per share data):

	<u>Number of Shares</u>	<u>Price per Share</u>	<u>Weighted Average Exercise Price</u>
Outstanding at December 31, 2005	10,939	\$8.55 to \$80.97	\$ 35.47
Granted	572	\$38.10 to \$49.31	\$ 48.64
Exercised	(1,727)	\$8.55 to \$47.25	\$ 21.59
Canceled	(277)	\$21.39 to \$80.97	\$ 47.07
Outstanding at December 31, 2006	<u>9,507</u>	\$9.39 to \$80.97	\$ 38.44

Options exercisable at December 31, 2006, 2005 and 2004 were 6.3 million, 6.7 million and 6.1 million, respectively. The weighted-average exercise prices of options exercisable at December 31, 2006, 2005 and 2004 were \$37.43, \$34.34 and \$31.98, respectively. The weighted-average remaining contractual life of the exercisable outstanding stock options at December 31, 2006 was 4.9 years. The aggregate intrinsic value of the outstanding stock options at December 31, 2006 was \$125.6 million.

At December 31, 2006, the Company had 9.3 million stock options which are vested and expected to vest. The intrinsic value, the weighted-average price and the remaining contractual life of the vested and expected to vest stock options were \$124.0 million, \$38.40 and 5.9 years, respectively, at December 31, 2006.

In 2005, the Company approved an amendment to accelerate the vesting of approximately 12 thousand unvested stock options and to extend the expiration date of approximately 36 thousand stock options granted to a retiring non-employee director of the Company. The Company also approved an amendment to accelerate the vesting of 2 thousand shares of the Company's restricted common stock granted to the same director. Under APB 25 and FIN 44 these modifications resulted in a charge which was recorded in selling and administrative expense in the 2005 consolidated statements of operations of approximately \$0.5 million.

On December 31, 2004, the Company approved an amendment to accelerate the vesting of approximately 238 thousand unvested stock options granted between December 2000 and February 2001 to certain employees of the Company. These options had an exercise price significantly greater than the market value of the Company's stock at that time; hence, in accordance with APB No. 25 and FIN 44, no compensation expense was recorded in the consolidated statements of operations. Each stock option was scheduled to vest primarily in 2005, but became fully vested and exercisable on December 31, 2004. The exercise price and number of shares underlying each affected

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

stock option were unchanged. The acceleration of these options was primarily done as a result of the issuance of SFAS No. 123(R), which under the modified prospective method, requires the expensing of unvested stock options in the first annual reporting period that begins after June 15, 2005. As a result of this acceleration, the Company recognized share-based compensation, net of related tax effects, of \$9.1 million in the fourth quarter of 2004 in the pro forma net income disclosure for SFAS No. 123.

*Restricted Stock:*

During the year ended December 31, 2006, the Company granted eight thousand shares of restricted stock. During each of the years ended December 31, 2005 and 2004, the Company granted seven thousand shares of restricted stock. The restrictions on these shares lapse January 30, 2009, 2008 and 2007, respectively. The Company has recorded \$0.2 million, \$0.2 million and \$0.1 million of compensation expense during 2006, 2005 and 2004, respectively, related to the restricted stock grants. The weighted-average fair value on the grant date of the restricted stock for 2006, 2005 and 2004 was \$39.64, \$45.77 and \$33.12, respectively. As of December 31, 2006, the Company has twenty thousand unvested shares of restricted stock outstanding with a total of \$0.3 million of unrecognized compensation cost. This cost is expected to be recognized over a weighted-average period of 1.1 years. As of January 1, 2006, the Company had twelve thousand unvested shares of restricted stock outstanding.

*Restricted Stock Units:*

During 2006, the Company granted three hundred and eighteen thousand restricted stock units which vest ratably over a five year period. The weighted-average fair value of these awards was based on the fair value of the stock on the date of grant which was \$43.02 per unit. The amount of compensation cost recognized for the year ended December 31, 2006 on the restricted stock units expected to vest was \$1.9 million. As of December 31, 2006, none of these shares were vested and there was \$10.2 million of total unrecognized compensation cost related to the restricted stock unit awards that are expected to vest. This cost is expected to be recognized over a weighted-average period of 2.8 years.

**14 Earnings Per Share**

Basic and diluted EPS calculations are detailed as follows (in thousands, except per share data):

	<u>Year Ended December 31, 2006</u>		
	<u>Net Income (Numerator)</u>	<u>Weighted-Average Shares (Denominator)</u>	<u>Per Share Amount</u>
Net income per basic common share	\$ 222,200	102,691	\$ 2.16
Effect of dilutive stock option, restricted stock and restricted stock unit securities:			
Outstanding		1,217	
Exercised and cancellations		332	
Net income per diluted common share	\$ 222,200	104,240	\$ 2.13

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	<b>Year Ended December 31, 2005</b>		
	<b>Net Income</b>	<b>Weighted-Average</b>	<b>Per Share</b>
	<b>(Numerator)</b>	<b>Shares</b>	<b>Amount</b>
	<b>(Denominator)</b>		
Net income per basic common share	\$ 201,975	114,023	\$ 1.77
Effect of dilutive stock option and restricted stock securities:			
Outstanding		1,831	
Exercised and cancellations		91	
Net income per diluted common share	\$ 201,975	115,945	\$ 1.74

	<b>Year Ended December 31, 2004</b>		
	<b>Net Income</b>	<b>Weighted-Average</b>	<b>Per Share</b>
	<b>(Numerator)</b>	<b>Shares</b>	<b>Amount</b>
	<b>(Denominator)</b>		
Net income per basic common share	\$ 224,053	119,640	\$ 1.87
Effect of dilutive stock option and restricted stock securities:			
Outstanding		2,192	
Exercised and cancellations		1,237	
Net income per diluted common share	\$ 224,053	123,069	\$ 1.82

For the years ended December 31, 2006, 2005 and 2004, the Company had 3.5 million, 3.2 million and 3.2 million stock option securities that were antidilutive, respectively, due to having higher exercise prices than the average price during the period. These securities were not included in the computation of diluted EPS. The effect of dilutive securities was calculated using the treasury stock method.

**15 Comprehensive Income**

Comprehensive income details follow (in thousands):

	<b>Year Ended December 31</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
Net income	\$ 222,200	\$ 201,975	\$ 224,053
Foreign currency translation	27,072	(44,383)	27,413
Net appreciation (depreciation) and realized gains (losses) on derivative instruments	(16,269)	11,894	(14,371)
Income tax expense (benefit)	(5,694)	4,163	(5,030)
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	(10,575)	7,731	(9,341)
Net foreign currency adjustments	16,497	(36,652)	18,072
Retirement liability adjustment, net of tax	4,210	(1,021)	427
Unrealized losses on investments before income taxes	—	(2,214)	(191)
Income tax (benefit)	—	(775)	(67)
Unrealized gains (losses) on investments, net of tax	—	(1,439)	(124)
Other comprehensive income (loss)	20,707	(39,112)	18,375
Comprehensive income	\$ 242,907	\$ 162,863	\$ 242,428



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**16 Retirement Plans**

U.S. employees are eligible to participate in the Waters Employee Investment Plan, a defined contribution plan, after one month of service. Employees may contribute from 1% to 30% of eligible pay on a pre-tax basis. After one year of service, the Company makes a matching contribution of 50% for contributions up to 6% of eligible pay. Employees are 100% vested in employee and Company matching contributions. For the years ended December 31, 2006, 2005 and 2004, the Company's matching contributions amounted to \$3.6 million, \$3.4 million and \$3.1 million, respectively.

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

The Company maintains an unfunded Supplemental Executive Retirement Plan ("SERP"), which is non-qualified and restores the benefits under the Waters Retirement Plan that are limited by IRS benefit and compensation maximums. The Company also sponsors other unfunded employee benefit plans in the U.S., including a retirement health care plan, which provides reimbursement for medical expenses and is contributory. There are various non-U.S. retirement plans sponsored by the Company. The eligibility and vesting of the non-U.S. plans are generally consistent with the local laws and regulations.

On December 31, 2006, the Company adopted SFAS No. 158 which amends SFAS No. 87, SFAS No. 88, SFAS No. 106 and SFAS No. 132(R). This standard requires an employer to recognize the overfunded or underfunded status of defined benefit pension and other postretirement defined benefit plans, previously disclosed in the footnotes to the financial statements, as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The effect of adopting SFAS No. 158 on the statements of financial position is as follows (in thousands):

	<u>Before Adoption of SFAS No. 158</u>	<u>Minimum Pension Liability Adjustment ("MPLA")</u>	<u>SFAS No. 158 Adoption Adjustments</u>	<u>After Adoption of SFAS No. 158 &amp; MPLA</u>
<i>Assets</i>				
Pension asset	\$ 2,268	\$ —	\$ (535)	\$ 1,733
Deferred tax asset	—	—	6,959	6,959
<i>Liabilities</i>				
Current pension and retirement benefit liability	—	—	(130)	(130)
Long-term pension and retirement benefit liability	(33,360)	4,210	(8,008)	(37,158)
	<u>\$ (31,092)</u>	<u>\$ 4,210</u>	<u>\$ (1,714)</u>	<u>\$ (28,596)</u>
Accumulated after-tax other comprehensive loss	<u>\$ 14,346</u>	<u>\$ (4,210)</u>	<u>\$ 1,714</u>	<u>\$ 11,850</u>

The net periodic pension cost under SFAS 87 is made up of several components that reflect different aspects of the Company's financial arrangements as well as the cost of benefits earned by employees. These components are determined using the projected unit credit actuarial cost method and are based on certain actuarial 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Summary data for the Waters Retirement Plan and SERP plan, together herein referred to as “U.S. Pension Plans”, the U.S. postretirement healthcare plan and the Company’s non-U.S. retirement plans are presented in the following tables, using the measurement date of December 31, 2006 and 2005, respectively (in thousands):

The summary of the projected benefit obligations at December 31, 2006 and 2005, respectively, is as follows (in thousands):

	2006			2005		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Benefit obligation, January 1,	\$ 81,689	\$ 4,530	\$ 19,775	\$ 70,460	\$ 3,800	\$ 20,463
Service cost	7,916	629	1,137	6,931	606	1,177
Interest cost	4,529	241	687	3,898	214	722
Plan amendments	—	—	—	—	230	—
Employee rollovers	987	—	—	466	—	—
Actuarial (gain) or loss	(1,404)	(166)	(1,073)	2,319	(109)	598
Disbursements	(2,304)	(293)	(800)	(2,385)	(211)	(598)
Currency Impact	—	—	1,358	—	—	(2,587)
Benefit obligation, December 31,	<u>\$ 91,413</u>	<u>\$ 4,941</u>	<u>\$ 21,084</u>	<u>\$ 81,689</u>	<u>\$ 4,530</u>	<u>\$ 19,775</u>

The summary of the fair value of the plan assets at December 31, 2006 and 2005, respectively, is as follows (in thousands):

	2006			2005		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Fair value of assets, January 1	\$ 60,803	\$ 1,277	\$ 8,878	\$ 51,716	\$ 975	\$ 8,740
Actual return on plan assets	6,017	223	543	4,670	49	837
Company contributions	3,877	190	1,217	6,336	132	920
Employee contributions	—	356	—	—	332	—
Disbursements	(2,304)	(293)	(800)	(2,385)	(211)	(598)
Employee rollovers	987	—	—	466	—	—
Currency Impact	—	—	912	—	—	(1,021)
Fair value of assets, December 31	<u>\$ 69,380</u>	<u>\$ 1,753</u>	<u>\$ 10,750</u>	<u>\$ 60,803</u>	<u>\$ 1,277</u>	<u>\$ 8,878</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The summary of the funded status of the plans at December 31, 2006 and 2005, respectively, is as follows (in thousands):

	2006			2005		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Projected benefit obligation, January 1	\$ (91,413)	\$ (4,941)	\$ (21,084)	\$ (81,689)	\$ (4,530)	\$ (19,775)
Fair value of plan assets	69,380	1,753	10,750	60,803	1,277	8,878
Projected benefit obligation in excess of fair value of plan assets	\$ (22,033)	\$ (3,188)	\$ (10,334)	(20,886)	(3,253)	(10,897)
Unrecognized prior service cost				(603)	(482)	—
Unrecognized net actuarial loss				22,076	407	2,682
Net amount recognized at December 31				\$ 587	\$ (3,328)	\$ (8,215)

The summary of the amounts recognized in the consolidated balance sheet for the plans at December 31, 2006 under SFAS No. 158 is as follows (in thousands):

	2006		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Long-term assets	\$ —	\$ —	\$ 1,733
Current liabilities	(40)	—	(90)
Long-term liabilities	(21,993)	(3,188)	(11,977)
Net amount recognized at December 31, 2006	\$ (22,033)	\$ (3,188)	\$ (10,334)

The summary of the amounts recognized in the consolidated balance sheet for the plans at December 31, 2005 prior to the adoption of SFAS No. 158 is as follows (in thousands):

	2005		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Accrued liability	\$ (13,759)	\$ (3,328)	\$ (10,213)
Other comprehensive income	14,346	—	—
Long-term assets	—	—	1,998
Net amount recognized at December 31, 2005	\$ 587	\$ (3,328)	\$ (8,215)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The summary of the components of net periodic pension costs for the plans for the years ended December 31, 2006, 2005 and 2004, respectively, are as follows (in thousands):

	2006			2005			2004		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Service cost	\$ 7,916	\$ 273	\$ 1,137	\$ 6,931	\$ 274	\$ 1,177	\$ 6,192	\$ 156	\$ 1,046
Interest cost	4,529	241	687	3,898	214	722	3,499	183	651
Return on plan assets	(4,695)	(95)	(328)	(4,142)	(75)	(490)	(3,389)	(45)	(432)
Net amortization:									
Prior service costs	(82)	(54)	—	(82)	(54)	—	(82)	(78)	—
Net actuarial loss	1,234	—	13	933	—	53	879	5	13
Net periodic pension cost	\$ 8,902	\$ 365	\$ 1,509	\$ 7,538	\$ 359	\$ 1,462	\$ 7,099	\$ 221	\$ 1,278

The summary of the amounts included in accumulated other comprehensive income (loss) in stockholders' equity for the plans at December 31, 2006 is as follows (in thousands):

	2006		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Net loss	\$ (18,116)	\$ (114)	\$ (1,527)
Prior service credit	520	428	—
Transition obligation	—	—	—
Total	\$ (17,596)	\$ 314	\$ (1,527)

The summary of the amounts included in accumulated other comprehensive income expected to be included in next year's net periodic benefit cost for the plans at December 31, 2006 is as follows (in thousands):

	2006		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Net loss	\$ (979)	\$ —	\$ (19)
Prior service credit	87	(53)	—
Transition obligation	—	—	—
Total	\$ (892)	\$ (53)	\$ (19)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The summary of the accrued pension cost included in the consolidated balance sheet for the plans at December 31, 2005 and 2004, respectively, is as follows (in thousands):

	2005			2004		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Accrued pension cost, January 1	\$ (11,536)	\$ (3,101)	\$ (8,883)	\$ (15,194)	\$ (3,013)	\$ (8,394)
SFAS 87 cost	(7,538)	(359)	(1,462)	(7,099)	(221)	(1,278)
Company contributions and direct payments to beneficiaries made during the year	6,336	132	920	10,330	133	1,257
Other comprehensive income	(1,021)	—	—	427	—	—
Currency impact	—	—	1,210	—	—	(468)
Accrued pension cost, December 31	<u>\$ (13,759)</u>	<u>\$ (3,328)</u>	<u>\$ (8,215)</u>	<u>\$ (11,536)</u>	<u>\$ (3,101)</u>	<u>\$ (8,883)</u>

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the plans at December 31, 2006 and 2005, respectively, are detailed as follows (in thousands):

	2006			2005		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Projected benefit obligation	\$ 91,413	\$ 4,941	\$ 21,084	\$ 81,689	\$ 4,530	\$ 19,775
Accumulated benefit obligation	\$ 83,966	\$ *	\$ 17,016	\$ 74,437	\$ *	\$ 15,391
Fair value of plan assets	\$ 69,380	\$ 1,753	\$ 10,750	\$ 60,803	\$ 1,277	\$ 8,878

\* Not applicable.

The plans' investment asset mix is as follow at December 31, 2006, 2005 and 2004, respectively:

	2006			2005		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Equity securities	70%	50%	0%	65%	50%	0%
Debt securities	27%	50%	2%	29%	50%	2%
Cash and cash equivalents	1%	0%	0%	2%	0%	0%
Other	2%	0%	98%	4%	0%	98%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The plans' investment policies include the following asset allocation guidelines:

	U.S. Pension and U.S. Retirement Healthcare Plans		Non-U.S. Pension Plans
	Policy Target	Range	Policy Target
Equity securities	60%	40% - 80%	0%
Debt securities	40%	20% - 60%	2%
Cash and cash equivalents	0%	0% - 20%	98%

The asset allocation policy for the U.S. pension and retirement plans was developed in consideration of the following long-term investment objectives: achieving a return on assets consistent with the investment policy,

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

maximizing portfolio returns with at least a return of 2.5% above the one-year Treasury Bill rate, and achieving portfolio returns which exceeds the average return for similarly invested funds.

Within the equity portfolio of the U.S. retirement plan, investments are diversified among capitalization and style. Up to 20% of the U.S. retirement plan's equity portfolio may be invested in financial markets outside of the United States. The Company does not invest in its own stock within the U.S. retirement plan assets.

The Company prohibits the following types of assets or transactions in the U.S. retirement plan: short selling, margin transactions, commodities and future contracts, private placements, options and letter stock.

The weighted-average assumptions used to determine the benefit obligation in the consolidated balance sheets at December 31, 2006, 2005 and 2004, respectively, are as follows:

	2006		2005		2004	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	5.82%	2.25% - 5.00%	5.50%	2.25% - 4.75%	5.75%	2.25% - 5.25%
Increases in compensation levels	4.75%	2.75% - 3.25%	4.75%	2.75% - 3.25%	4.75%	2.75% - 3.00%

The weighted-average assumptions used to determine the pension cost at December 31, 2006, 2005 and 2004, respectively, are as follows:

	2006		2005		2004	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	5.50%	2.25% - 4.75%	5.75%	2.25% - 5.25%	6.00%	2.00% - 5.50%
Return on assets	6.75% - 8.00%	2.50% - 4.00%	6.75% - 8.00%	2.50% - 7.50%	6.75% - 8.00%	2.50% - 7.50%
Increases in compensation levels	4.75%	2.75% - 3.25%	4.75%	2.75% - 3.00%	4.75%	2.50% - 3.00%

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio and historical expenses paid by the plan. A one-quarter percentage point increase in the discount rate would decrease the Company's net periodic benefit cost for the U.S. pension plan by approximately \$0.4 million. A one-quarter percentage point change in the assumed long-term rate of return would impact the Company's net periodic benefit cost for the U.S. pension plan by approximately \$0.2 million.

During fiscal year 2007, the Company expects to contribute approximately \$4.0 million to \$8.0 million to the Company's pension plans.

Estimated future benefit payments as of December 31, 2006 are as follows (in thousands):

	U.S. Pension Plans	Non-U.S. Pension Plans	Total
2007	\$ 4,248	\$ 997	\$ 5,245
2008	4,368	268	4,636
2009	5,929	309	6,238
2010	5,352	599	5,951
2011	6,349	643	6,992
2012 - 2016	48,149	4,403	52,552

**17 Business Segment Information**

SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for reporting information about operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports of public business enterprises. It also establishes standards for related disclosures about products and service, geographic areas and major customers. The

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Company's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-makers. As a result of this evaluation, the Company determined that it has two operating segments: Waters Division and TA Division.

Waters Division is in the business of designing, manufacturing, distributing and servicing LC and MS instruments, columns and other chemistry consumables that can be integrated and used along with other analytical instruments. TA Division is in the business of designing, manufacturing, distributing and servicing thermal analysis and rheometry instruments. The Company's two divisions are its operating segments and each has similar economic characteristics, product processes, products and services, types and classes of customers, methods of distribution, and regulatory environments. Because of these similarities, the two segments have been aggregated into one reporting segment for financial statement purposes. Please refer to the consolidated financial statements for financial information regarding the one reportable segment of the Company.

Net sales for the Company's products and services are as follows for the three years ended December 31, 2006, 2005 and 2004 (in thousands):

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Product net sales</b>			
LC and MS instrument systems	\$ 658,457	\$ 601,366	\$ 590,145
Chemistry	180,519	153,157	141,234
TA instrument systems	83,556	80,150	75,422
<b>Total product net sales</b>	<u>922,532</u>	<u>834,673</u>	<u>806,801</u>
<b>Service net sales</b>			
LC and MS service	320,895	293,453	271,524
TA service	36,802	30,110	26,211
<b>Total service net sales</b>	<u>357,697</u>	<u>323,563</u>	<u>297,735</u>
<b>Total net sales</b>	<u>\$ 1,280,229</u>	<u>\$ 1,158,236</u>	<u>\$ 1,104,536</u>

Geographic information is presented below (in thousands):

<u>Year Ended December 31</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Net Sales:</b>			
United States	\$ 405,632	\$ 391,084	\$ 384,738
Europe	437,088	390,994	379,781
Japan	135,791	133,532	124,269
Asia	205,440	153,076	136,172
Other	96,278	89,550	79,576
<b>Total consolidated sales</b>	<u>\$ 1,280,229</u>	<u>\$ 1,158,236</u>	<u>\$ 1,104,536</u>

The United States category includes Puerto Rico. The Other category includes Canada and Latin America. Net revenues are attributable to geographic areas based on the region of destination. None of the Company's individual customers accounts for more than 3% of annual Company sales.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Long-lived assets information is presented below (in thousands):

<b>December 31</b>	<b>2006</b>	<b>2005</b>
Long-lived assets:		
United States	\$ 109,860	\$ 107,639
Europe	34,175	29,278
Japan	436	526
Asia	3,401	2,196
Other	1,390	1,391
<b>Total long-lived assets</b>	<b>\$ 149,262</b>	<b>\$ 141,030</b>

The United States category includes Puerto Rico. The Other category includes Canada and Latin America. Long-lived assets exclude goodwill and other intangible assets.

**18 Unaudited Quarterly Results**

The Company's unaudited quarterly results are summarized below (in thousands, except per share data):

<b>2006</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Total</b>
Net sales	\$ 290,218	\$ 301,899	\$ 301,182	\$ 386,930	\$ 1,280,229
Cost of sales	120,628	126,004	127,167	162,386	536,185
Gross Profit	169,590	175,895	174,015	224,544	744,044
Selling and administrative expenses	85,538	88,968	87,397	95,761	357,664
Research and development expenses	19,043	19,655	19,138	19,470	77,306
Purchased intangibles amortization	1,194	1,383	1,403	1,459	5,439
Restructuring and other charges	4,352	2,974	344	814	8,484
Operating Income	59,463	62,915	65,733	107,040	295,151
Other expense	—	—	—	(5,847)	(5,847)
Interest expense	(11,428)	(12,477)	(13,565)	(14,187)	(51,657)
Interest income	5,292	6,205	6,877	6,938	25,312
Income from operations before income taxes	53,327	56,643	59,045	93,944	262,959
Provision for income taxes	9,172	8,863	8,669	14,055	40,759
Net Income	\$ 44,155	\$ 47,780	\$ 50,376	\$ 79,889	\$ 222,200
Net income per basic common share	\$ 0.42	\$ 0.46	\$ 0.49	\$ 0.79	\$ 2.16
Weighted-average number of basic common shares	104,585	103,010	101,845	101,431	102,691
Net income per diluted common share	\$ 0.42	\$ 0.46	\$ 0.49	\$ 0.78	\$ 2.13
Weighted-average number of diluted common shares and equivalents	105,901	104,337	103,074	103,019	104,240

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

2005	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	\$ 268,305	\$ 284,630	\$ 273,031	\$ 332,270	\$ 1,158,236
Cost of sales	<u>111,801</u>	<u>117,066</u>	<u>115,508</u>	<u>133,980</u>	<u>478,355</u>
Gross Profit	156,504	167,564	157,523	198,290	679,881
Selling and administrative expenses	80,595	82,861	76,645	81,593	321,694
Research and development expenses	16,747	16,485	16,982	16,691	66,905
Purchased intangibles amortization	1,282	1,266	1,241	1,216	5,005
Litigation provisions	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,122</u>	<u>3,122</u>
Operating Income	57,880	66,952	62,655	95,668	283,155
Other expense, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,103)</u>	<u>(3,103)</u>
Interest expense	(4,159)	(5,753)	(6,599)	(8,233)	(24,744)
Interest income	<u>4,523</u>	<u>5,290</u>	<u>4,630</u>	<u>4,812</u>	<u>19,255</u>
Income from operations before income taxes	58,244	66,489	60,686	89,144	274,563
Provision for income taxes	<u>11,649</u>	<u>12,424</u>	<u>34,969</u>	<u>13,546</u>	<u>72,588</u>
Net Income	<u>\$ 46,595</u>	<u>\$ 54,065</u>	<u>\$ 25,717</u>	<u>\$ 75,598</u>	<u>\$ 201,975</u>
Net income per basic common share	\$ 0.39	\$ 0.47	\$ 0.23	\$ 0.70	\$ 1.77
Weighted-average number of basic common shares	<u>118,719</u>	<u>116,092</u>	<u>112,981</u>	<u>108,364</u>	<u>114,023</u>
Net income per diluted common share:	\$ 0.38	\$ 0.46	\$ 0.22	\$ 0.69	\$ 1.74
Weighted-average number of diluted common shares and equivalents	<u>121,156</u>	<u>117,722</u>	<u>114,942</u>	<u>109,962</u>	<u>115,945</u>

The Company experiences a seasonal increase in sales in the fourth quarter, as a result of purchasing habits on capital goods of customers that tend to exhaust their spending budgets by calendar year-end. Selling and administrative expenses are typically higher in the second quarter over the first quarter in each year as the Company's annual payroll merit increases take effect. Expenses traditionally are lower in the third quarter due to lower travel and promotional expenses as this is a typical vacation period. Selling and administrative expenses will vary in the fourth quarter in relation to performance in the quarter and for the year. In the third quarter of 2005, the Company recorded a tax liability of \$24.0 million related to the repatriation of funds from the Company's foreign subsidiaries under the American Jobs Creation Act of 2004.

**SELECTED FINANCIAL DATA**

In thousands, except per share and employees data	2006*	2005	2004	2003	2002
<b>STATEMENT OF OPERATIONS DATA:</b>					
Net sales	\$ 1,280,229	\$ 1,158,236	\$ 1,104,536	\$ 958,205	\$ 889,967
Income from operations before income taxes	\$ 262,959	\$ 274,563	\$ 285,671	\$ 223,686	\$ 195,411
Income before cumulative effect of changes in accounting principles	\$ 222,200	\$ 201,975	\$ 224,053	\$ 170,891	\$ 152,218
Cumulative effect of changes in accounting principles	—	—	—	—	(4,506) <sup>(1)</sup>
Net income	\$ 222,200	\$ 201,975	\$ 224,053	\$ 170,891	\$ 147,712
<b>Income per basic common share:</b>					
Income before cumulative effect of changes in accounting principles per basic common share	\$ 2.16	\$ 1.77	\$ 1.87	\$ 1.39	\$ 1.17
Cumulative effect of changes in accounting principles	—	—	—	—	(0.03)
Net income per basic common share	\$ 2.16	\$ 1.77	\$ 1.87	\$ 1.39	\$ 1.13
Weighted-average number of basic common shares	102,691	114,023	119,640	123,189	130,489
<b>Income per diluted common share:</b>					
Income before cumulative effect of changes in accounting principles per diluted common share	\$ 2.13	\$ 1.74	\$ 1.82	\$ 1.34	\$ 1.12
Cumulative effect of changes in accounting principles	—	—	—	—	(0.03)
Net income per diluted common share	\$ 2.13	\$ 1.74	\$ 1.82	\$ 1.34	\$ 1.09
Weighted- average number of diluted common shares and equivalents	104,240	115,945	123,069	127,579	135,762
<b>BALANCE SHEET AND OTHER DATA:</b>					
Cash and cash equivalents	\$ 514,166	\$ 493,588	\$ 539,077	\$ 356,781	\$ 263,312
Working capital**	\$ 313,846	\$ 309,101	\$ 480,894	\$ 339,835	\$ 338,233
Total assets	\$ 1,617,313	\$ 1,428,931	\$ 1,460,426	\$ 1,130,861	\$ 1,015,240
Long-term debt, including current maturities	\$ 500,000	\$ 500,000	\$ 250,000	\$ 225,000	\$ —
Stockholders' equity**	\$ 362,383	\$ 283,632	\$ 678,686	\$ 590,477	\$ 665,310
Employees	4,687	4,503	4,271	3,963	3,677

\* As a result of the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share Based Payment", as of January 1, 2006, all share-based payments to employees have been recognized in the statements of operations based on their fair values. The Company adopted the modified prospective transition method permitted under SFAS No. 123(R) and, consequently, has not adjusted results from prior years. Stock-based compensation expense related to SFAS 123(R) was approximately \$28.8 million for the year ended December 31, 2006.

\*\* As result of the adoption of SFAS No. 158 as of December 31, 2006, the Company was required to recognize the underfunded status of the Company's retirement plans as a liability in the consolidated balance sheet. Prior to 2006, a significant portion of the Company's retirement contribution accrual was classified in other current liabilities and included in working capital. In 2006, in accordance with SFAS No. 158, the majority of the retirement contribution accrual is included in the long-term retirement liability. Also, as result of the adoption SFAS No. 158, stockholders' equity decreased by \$1.7 million after-tax.

(1) In the second quarter of 2002, the Company changed its method of accounting for legal costs associated with litigating patents effective January 1, 2002. As a result, the Company recorded a cumulative effect of changes in accounting principles of \$4.5 million, net of tax.

**Item 9: *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9a: *Controls and Procedures***

(a) *Evaluation of Disclosure Controls and Procedures*

The Company's management, with the participation of the Company's chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were (1) designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) *Management's Annual Report on Internal Control Over Financial Reporting*

See Management's Report on Internal Control Over Financial Reporting in Item 8 on page 35.

(c) *Report of the Independent Registered Public Accounting Firm*

See report of PricewaterhouseCoopers LLP in Item 8 on page 36-37.

(d) *Changes in Internal Controls Over Financial Reporting*

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9b: *Other Information***

None.

**PART III**

**Item 10: *Directors, Executive Officers and Corporate Governance***

Information regarding our directors is contained in our definitive proxy statement for the 2007 Annual Meeting of Stockholders under the headings "Election of Directors," "Directors and Executive Officers" and "Report of the Audit Committee of the Board of Directors." Information regarding Section 16(a) compliance is contained in our definitive proxy statement for the 2007 Annual Meeting of Stockholders under the heading "Section 16(A) Beneficial Ownership Reporting Compliance." Such information is incorporated herein by reference. Information regarding our executive officers is contained after Part I of this Form 10-K.

The Company has adopted a Code of Business Conduct and Ethics ("the Code") that applies to all of the Company's employees (including its executive officers) and directors. The Code has been distributed to all employees of the Company. In addition, the Code is available on the Company's website, [www.waters.com](http://www.waters.com), under the caption About Waters > Corporate Governance. The Company intends to satisfy the disclosure requirement regarding any amendment to, or waiver of a provision of, the Code applicable to any executive officer or director by posting such information on such website. The Company shall provide to any person without charge, upon request, a copy of the Code. Any such request must be made in writing to the Secretary of the Company, c/o Waters Corporation, 34 Maple Street, Milford, MA 01757.

The Company's corporate governance guidelines and the charters of the audit committee, compensation committee, and nominating and corporate governance committee of the Board of Directors are available on the

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Company's website, [www.waters.com](http://www.waters.com), under the caption About Waters > Corporate Governance. The Company shall provide to any person without charge, upon request, a copy of any of the foregoing materials. Any such request must be made in writing to the Secretary of the Company, c/o Waters Corporation, 34 Maple Street, Milford, MA 01757.

The Company's Chief Executive Officer has certified that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards.

**Item 11: Executive Compensation**

This information is contained in our definitive proxy statement for the 2007 Annual Meeting of Stockholders under the heading "Compensation of Directors and Executive Officers." Such information is incorporated herein by reference.

**Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Except for the Equity Compensation Plan information set forth below, this information is contained in our definitive proxy statement for the 2007 Annual Meeting of Stockholders under the heading "Security Ownership of Certain Beneficial Owners and Management." Such information is incorporated herein by reference.

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2006 about the Company's common stock that may be issued upon the exercise of options, warrants, and rights under its existing equity compensation plans (in thousands):

	A		B		C
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights		Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	9,507	\$	38.44		5,418
Equity compensation plans not approved by security holders	—		—		—
<b>Total</b>	<b>9,507</b>	<b>\$</b>	<b>38.44</b>		<b>5,418</b>

**Item 13: Certain Relationships and Related Transactions and Director Independence**

This information is contained in our definitive proxy statement for the 2007 Annual Meeting of Stockholders under the heading "Directors' and Executive Officers." Such information is incorporated herein by reference.

**Item 14: Principal Accountant Fees and Services**

This information is contained in our definitive proxy statement for the 2007 Annual Meeting of Stockholders under the heading "Audit Fees." Such information is incorporated herein by reference.

**PART IV****Item 15: Exhibits and Financial Statement Schedules**

(a) Documents filed as part of this report:

(1) Financial Statements:

The consolidated financial statements of the Company and its subsidiaries are filed as part of this Form 10-K and are set forth on pages 38 to 76. The report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, dated March 1, 2007, is set forth on page 36-37 of this Form 10-K.

(2) Financial Statement Schedule:

None.

(3) Exhibits:

<b>Exhibit Number</b>	<b>Description of Document</b>
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.(18)
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)
3.13	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, as amended May 25, 2001.(8)
3.21	Amended and Restated Bylaws of Waters Corporation dated as of December 13, 2006.
10.3	Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(5)(* )
10.31	First Amendment to the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(10)(* )
10.4	Waters Corporation 1996 Employee Stock Purchase Plan.(9)(* )
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.(7)(* )
10.44	July 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(7)(* )
10.5	Waters Corporation 1996 Non-Employee Director Deferred Compensation Plan.(13)(* )
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.(19)
10.8	Offer to Purchase and Consent Solicitation Statement, dated March 7, 1996, of Waters Technologies Corporation.(20)
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)(* )

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<u>Exhibit Number</u>	<u>Description of Document</u>
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)(* )
10.17	First Amendment to the Waters Corporation 2003 Equity Incentive Plan.(14)(* )
10.19	Change of Control/Severance Agreement, dated as of February 24, 2004 between Waters Corporation and Mark T. Beaudouin.(15)(* )
10.20	Change of Control/Severance Agreement, dated as of February 24, 2004 between Waters Corporation and Douglas A. Berthiaume.(15)(* )
10.21	Change of Control/Severance Agreement, dated as of February 24, 2004 between Waters Corporation and Arthur G. Caputo.(15)(* )
10.22	Change of Control/Severance Agreement, dated as of February 24, 2004 between Waters Corporation and William J. Curry.(15)(* )
10.25	Change of Control/Severance Agreement, dated as of February 24, 2004 between Waters Corporation and John Ornell.(15)(* )
10.26	Credit Agreement, dated as of May 28, 2004 among Waters Corporation and Citizens Bank of Massachusetts.(16)
10.27	Form of Director Stock Option Agreement under the Waters Corporation Amended 2003 Equity Incentive Plan.(17)(* )
10.28	Form of Director Restricted Stock Agreement under the Waters Corporation Amended 2003 Equity Incentive Plan.(17)(* )
10.29	Form of Executive Officer Stock Option Agreement under the Waters Corporation Amended 2003 Equity Incentive Plan.(17)(* )
10.30	Five Year Credit Agreement, dated as of December 15, 2004 among Waters Corporation, Waters Technologies Ireland Ltd., Waters Chromatography Ireland Ltd., JP Morgan Chase Bank, N.A. and other Lenders party thereto.(21)
10.32	Form of Amendment to Stock Option Agreement under the Waters Corporation Second Amended and Restated 1996 Long Term Performance Incentive Plan(21).(* )
10.34	Waters Corporation 2003 Equity Incentive Plan.(12)(* )
10.35	Form of Executive Officer Stock Option Agreement under the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(21)(* )
10.36	2005 Waters Corporation Amended and Restated Management Incentive Plan.(21)(* )
10.37	Amendment to Rights Agreement, dated as of March 4, 2005, between Waters Corporation and The Bank of New York as Rights Agent.(22)
10.38	Second Amendment to the Waters Corporation 2003 Equity Incentive Plan.(23)(* )
10.39	Five Year Credit Agreement, dated as of November 28, 2005 among Waters Corporation, JP Morgan Chase Bank, N.A. and other Lenders party thereto.(11)
10.40	First Amendment dated as of October 12, 2005, to the Five Year Credit Agreement, dated as of December 15, 2004.(11)
10.45	Change of Control/Severance Agreement, dated as of February 24, 2004 between Waters Corporation and Elizabeth B. Rae.(* )(11)
10.46	Second Amendment to the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(* )
10.47	Five Year Credit Agreement, dated January 11, 2007 among Waters Corporation, Waters Technologies Ireland Limited. JP Morgan Chase Bank, N.A., JP Morgan Europe and other Lenders party thereto.

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<u>Exhibit Number</u>	<u>Description of Document</u>
10.48	Third Amendment to the Waters Corporation 2003 Equity Incentive Plan.(*)
21.1	Subsidiaries of Waters Corporation.
23.1	Consent of PricewaterhouseCoopers LLP, an independent registered public accounting firm.
31.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- 
- (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-K dated March 27, 2001.
  - (8) Incorporated by reference to the Registrant's Report on Form 10-K dated March 28, 2002.
  - (9) Incorporated by reference to Exhibit B of the Registrant's 1996 Proxy Statement.
  - (10) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 12, 2002.
  - (11) Incorporated by reference to the Registrant's Report on Form 10-K dated March 6, 2006.
  - (12) Incorporated by reference to the Registrant's Report on Form S-8 dated November 20, 2003.
  - (13) Incorporated by reference to Exhibit C of the Registrant's 1996 Proxy Statement.
  - (14) Incorporated by reference to the Registrant's Report on Form 10-K dated March 12, 2004.
  - (15) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 10, 2004.
  - (16) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 11, 2004.
  - (17) Incorporated by reference to the Registrant's Report on Form 10-Q dated November 10, 2004.
  - (18) Incorporated by reference to the Registrant's Report on Form 8-K, filed on October 8, 1997 and amended on December 5, 1997.
  - (19) Incorporated by reference to the Registrant's Report on Form 8-K dated March 29, 1996.
  - (20) Incorporated by reference to the Registrant's Report on Form 8-K dated March 11, 1996.
  - (21) Incorporated by reference to the Registrant's Report on Form 10-K dated March 15, 2005.
  - (22) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 6, 2005.
  - (23) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 5, 2005.
- (\* ) Management contract or compensatory plan required to be filed as an Exhibit to this Form 10-K.
- (b) See Item 15 (a) (3) above.
  - (c) Not Applicable.







## AMENDED AND RESTATED BYLAWS OF WATERS CORPORATION

Effective: December 13, 2006

## ARTICLE I

## STOCKHOLDERS

SECTION 1. ANNUAL MEETING. The annual meeting of the stockholders of the Corporation shall be held on such date, at such time and at such place within or without the State of Delaware as may be designated by the Board of Directors, for the purpose of electing Directors and for the transaction of such other business as may be properly brought before the meeting.

SECTION 2. SPECIAL MEETINGS. Except as otherwise provided in the Certificate of Incorporation, a special meeting of the stockholders of the Corporation may be called at any time by the Board of Directors, the Chairman of the Board or the President and shall be called by the Chairman of the Board, the President or the Secretary at the request in writing of stockholders holding together at least fifty percent (50%) of the number of shares of stock outstanding and entitled to vote at such meeting. Any special meeting of the stockholders shall be held on such date, at such time and at such place within or without the State of Delaware as the Board of Directors of the officer calling the meeting may designate. At a special meeting of the stockholders, no business shall be transacted and no corporate action shall be taken other than that stated in the notice of the meeting unless all of the stockholders are present in person or by proxy, in which case any and all business may be transacted at the meeting even though the meeting is held without notice.

SECTION 3. NOTICE OF MEETINGS. Except as otherwise provided in these Bylaws or by law, a written notice of each meeting of the stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of the Corporation entitled to vote at such meeting at his address as it appears on the records of the Corporation. The notice shall state the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

SECTION 4. QUORUM. At any meeting of the stockholders, the holders of a majority in number of the total outstanding shares of stock of the Corporation entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum of the stockholders for all purposes, unless the representation of a larger number of shares shall be required by law, by the Certificate of Incorporation or by these Bylaws, in which case the representation of the number of shares so required shall constitute a quorum; provided that at any meeting of the stockholders at which the holders of any class of stock of the Corporation shall be entitled to vote separately as a class, the holders of a majority in number of the total outstanding shares of such class, present in person or represented by proxy, shall constitute a quorum for

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the purposes of such class vote unless the representation of a larger number of shares of such class shall be required by law, by the Certificate of Incorporation or by these Bylaws.

SECTION 5. ADJOURNED MEETINGS. Whether or not a quorum shall be present in person or represented at any meeting of the stockholders, the holders of a majority in number of the shares of stock of the Corporation present in person or represented by proxy and entitled to vote at such meeting may adjourn from time to time; provided, however, that if the holders of any class of stock of the Corporation are entitled to vote separately as a class upon any matter at such meeting, any adjournment of the meeting in respect of action by such class upon such matter shall be determined by the holders of a majority of the shares of such class present in person or represented by proxy and entitled to vote at such meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the stockholders, or the holders of any class of stock entitled to vote separately as a class, as the case may be, may transact any business which might have been transacted by them at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting.

SECTION 6. ORGANIZATION. The Chairman of the Board or, in his absence, the President shall call all meetings of the stockholders to order, and shall act as Chairman of such meetings. In the absence of the Chairman of the Board and the President, the holders of a majority in number of the shares of stock of the Corporation present in person or represented by proxy and entitled to vote at such meeting shall elect a Chairman.

The Secretary of the Corporation shall act as Secretary of all meetings of the stockholders; but in the absence of the Secretary, the Chairman may appoint any person to act as Secretary of the meeting. It shall be the duty of the Secretary to prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of stockholders entitled to vote at such meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held, for the ten (10) days next preceding the meeting, to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, and shall be produced and kept at the time and place of the meeting during the whole time thereof and subject to the inspection of any stockholder who may be present.

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SECTION 7. VOTING. Except as otherwise provided in the Certificate of Incorporation or by these Bylaws, each stockholder shall be entitled to one vote for each share of the capital stock of the Corporation registered in the name of such stockholder upon the books of the Corporation. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. When directed by the presiding officer or upon the demand of any stockholder, the vote upon any matter before a meeting of stockholders shall be by ballot. Except as otherwise provided by law or by the Certificate of Incorporation, Directors shall be elected by a plurality of the votes cast at a meeting of stockholders by the stockholders entitled to vote in the election and, whenever any corporate action, other than the election of Directors is to be taken, it shall be authorized by a majority of the votes cast at a meeting of stockholders by the stockholders entitled to vote thereon.

Shares of the capital stock of the Corporation belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes.

SECTION 8. INSPECTORS. When required by law or directed by the presiding officer or upon the demand of any stockholder entitled to vote, but not otherwise, the polls shall be opened and closed, the proxies and ballots shall be received and taken in charge, and all questions touching the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided at any meeting of the stockholders by two (2) or more Inspectors who may be appointed by the Board of Directors before the meeting, or if not so appointed, shall be appointed by the presiding officer at the meeting. If any person so appointed fails to appear or act, the vacancy may be filled by appointment in like manner.

SECTION 9. CONSENT OF STOCKHOLDERS IN LIEU OF MEETING. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken or which may be taken at any annual or special meeting of the stockholders of the Corporation, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of any such corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

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SECTION 10. ADVANCE NOTICE PROVISIONS FOR ELECTION OF DIRECTORS. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose

of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 10 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 10.

In addition to any other applicable requirements, for a nomination to be made by a stockholder such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than sixty (60) days nor more than ninety (90) days prior to the date of the annual meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposed to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names)

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pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in the Section 10. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

SECTION 11. ADVANCE NOTICE PROVISIONS FOR BUSINESS TO BE TRANSACTED AT ANNUAL MEETING. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and on the record date for the determination or stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 11.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of

the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the date of the annual meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

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To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 11, provided, however that, once business had been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 11 shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

SECTION 12. ORDER OF BUSINESS. The order of business at all meetings of the stockholders shall be as determined by the Chairman of the meeting.

## ARTICLE II

### BOARD OF DIRECTORS

#### SECTION 1.

(A) NUMBER AND TERM OF OFFICE. The business and affairs of the Corporation shall be managed by or under the direction of not less than five (5) nor more than eleven (11) Directors, the exact number of which shall be fixed from time to time by the affirmative vote of a majority of the Board of Directors, who need not be stockholders of the Corporation. The Directors shall, except as hereinafter otherwise provide for filling vacancies, be elected at the annual meeting of stockholders, and shall hold office until their respective successors are elected and qualified or until their earlier resignation or removal. The number of Directors may be altered from time to time by amendment of these Bylaws.

(B) PROCEDURE FOR STOCKHOLDER ELECTION OF DIRECTORS; REQUIRED VOTE. At any meeting of the stockholders for the election of directors at which a quorum is present, each director shall be elected by the affirmative vote of a majority of the votes cast with respect to the director, provided that if the number

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of nominees exceeds the number of directors to be elected, directors shall be elected by the affirmative vote of a plurality of the votes cast. For purposes of this Section 1(b), votes cast shall include votes for, against or to withhold authority for a director. An abstention or broker non-vote shall not count as a vote cast with respect to a director. If an incumbent director fails to be reelected by a majority vote when such a vote is required and offers to resign, and if that resignation is not accepted by the Board of Directors, such director shall continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by the Board of Directors or if a nominee for director is not elected and the nominee is not an incumbent director, then the

Board of Directors, in its sole discretion, may fill any resulting vacancy pursuant to the provisions of Article II, Section 2 of these Bylaws or may decrease the size of the Board of Directors pursuant to the provisions of Article II, Section 1(a) of these Bylaws.

SECTION 2. REMOVAL, VACANCIES AND ADDITIONAL DIRECTORS. The stockholders may, at any special meeting the notice of which shall state that it is called for that purpose, remove, with or without cause, any Director and fill the vacancy; provided that whenever any Director shall have been elected by the holders of any class of stock of the Corporation voting separately as a class under the provisions of the Certificate of Incorporation, such Director may be removed and the vacancy filled only by the holders of that class of stock voting separately as a class. Vacancies caused by any such removal and not filled by the stockholders at the meeting at which such removal shall have been made, or any vacancy caused by the death or resignation of any Director or for any other reason, and any newly created directorship resulting from any increase in the authorized number of Directors, may be filled by the affirmative vote of a majority of the Directors then in office, although less than a quorum, and any Director so elected to fill any such vacancy or newly created directorship shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

When one or more Directors shall resign effective at a future date, a majority of the Directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office as herein provided in connection with the filling of other vacancies.

SECTION 3. PLACE OF MEETING. The Board of Directors may hold its meetings in such place or places in the State of Delaware or outside the State of Delaware as the Board from time to time shall determine.

SECTION 4. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such times and places as the Board from time to time by resolution shall determine. No notice shall be required for any regular meeting of the Board of Directors; but a copy of every resolution fixing or

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changing the time or place of regular meetings shall be mailed to every Director at least five (5) days before the first meeting held in pursuance thereof.

SECTION 5. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held whenever called by direction of the Chairman of the Board, the President or by any two of the Directors then in office.

Notice of the day, hour and place of holding of each special meeting shall be given by mailing the same at least two (2) days before the meeting or by causing the same to be delivered personally or transmitted by telegraph facsimile, telex or sent by certified, registered or overnight mail at least one day before the meeting to each Director. Unless otherwise indicated in the notice thereof, any and all business other than an amendment of these Bylaws may be transacted at any special meeting, and an amendment of these Bylaws may be acted upon if the notice of the meeting shall have stated that the amendment of these Bylaws is one of the purposes of the meeting. At any meeting at which every Director shall be present, even though without any notice, any business may be transacted, including the amendment of these Bylaws.

SECTION 6. QUORUM. Subject to the provisions of Section 2 of this Article II, a majority of the members of the Board of Directors in office (but in no case less than one-third of the total number of Directors nor less than two Directors) shall constitute a quorum for the transaction of business and the vote of the majority of the Directors present at any meeting of the Board of Directors at which a quorum is present shall be the act of the Board of Directors. If at any meeting of the Board there is less than a quorum present, a majority of those present may adjourn the meeting from time to time.

SECTION 7. ORGANIZATION. The Chairman of the Board or, in his absence, the President shall preside at all meetings of the Board of Directors. In the absence of the Chairman of the Board and the President, a Chairman shall be elected from the Directors present. The Secretary of the Corporation shall act as Secretary of all meetings of the Directors; but in the absence of the Secretary, the Chairman may appoint any person to act as Secretary of the meeting.

SECTION 8. COMMITTEES. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the Corporation. The Board may

designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any

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such absent or disqualified member. Any such committee, to the extent provided by resolution passed by a majority of the whole Board, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and the affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or the revocation of a dissolution, or amending these Bylaws; and unless such resolution, these Bylaws, or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

SECTION 9. CONFERENCE TELEPHONE MEETINGS. Unless otherwise restricted by the Certificate of Incorporation or by these Bylaws, the members of the Board of Directors or any committee designated by the Board, may participate in a meeting of the Board or such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 10. CONSENT OF DIRECTORS OR COMMITTEE IN LIEU OF MEETING. Unless otherwise restricted by the Certificate of Incorporation or by these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board or committee, as the case may be.

### ARTICLE III

#### OFFICERS

SECTION 1. OFFICERS. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer, and such additional officers, if any, as shall be elected by the Board of Directors pursuant to the provisions of Section 7 of this Article III. The Chairman of the Board, the President, one or more Vice Presidents, the Secretary and the Treasurer shall be elected by the Board of Directors at its first meeting after each annual meeting of the stockholders. The failure to hold such election shall not of itself terminate the term of office of any officer. All officers shall hold office at the pleasure of the Board of Directors. Any officer may resign at any time upon written notice to the Corporation. Officers may, but need not, be Directors. Any number of offices may be held by the same person.

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All officers, agents and employees shall be subject to removal, with or without cause, at any time by the Board of Directors. The removal of an officer without cause shall be without prejudice to his contract rights, if any. The election or appointment of an officer shall not of itself create contract rights. All agents and employees other than officers elected by the Board of Directors shall also be subject to removal, with or without cause, at any time by the officers appointing them.

Any vacancy caused by the death of any officer, his resignation, his removal, or otherwise, may be filled by the Board of Directors, and any officer so elected shall hold office at the pleasure of the Board of Directors.

In addition to the powers and duties of the officers of the Corporation as set for in these Bylaws, the officers shall have such authority and shall perform such duties as from time to time may be determined by the Board of Directors.

SECTION 2. POWERS AND DUTIES OF THE CHAIRMAN OF THE BOARD. The Chairman of



the Board shall preside at all meetings of the stockholders and at all meetings of the Board of Directors and shall have such other powers and perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors.

SECTION 3. POWERS AND DUTIES OF THE PRESIDENT. The President shall be the chief executive officer of the Corporation and, subject to the control of the Board of Directors, shall have general charge and control of all its operations and shall perform all duties incident to the office of President. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and at all meetings of the Board of Directors and shall have such other powers and perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors.

SECTION 4. POWERS AND DUTIES OF THE VICE PRESIDENT. Each Vice President shall perform all duties incident to the office of Vice President and shall have such other powers and perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors or the President.

SECTION 5. POWERS AND DUTIES OF THE SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the stockholders in books provided for that purpose; he shall attend to the giving or serving of all notices of the Corporation; he shall have custody of the corporate seal of the Corporation and shall affix the same to such documents and other papers as the Board of Directors or the President shall authorize and direct; he shall have charge of the

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stock certificate books, transfer books and stock ledgers and such other books and papers as the Board of Directors or the President shall direct, all of which shall at all reasonable times be open to the examination of any Director, upon application, at the office of the Corporation during business hours; and he shall perform all duties incident to the office of Secretary and shall also have such other powers and shall perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors or the President.

SECTION 6. POWERS AND DUTIES OF THE TREASURER. The Treasurer shall have custody of, and when proper shall pay out, disburse or otherwise dispose of, all funds and securities of the Corporation which may have come into his hands; he may endorse on behalf of the Corporation for collection checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depository or depositories as the Board of Directors may designate; he shall sign all receipts and vouchers for payments made to the Corporation; he shall enter or cause to be entered regularly in the books of the Corporation kept for the purpose full and accurate accounts of all moneys received or paid or otherwise disposed of by him and whenever required by the Board of Directors or the President shall render statements of such accounts; he shall, at all reasonable times, exhibit his books and accounts to any Director of the Corporation upon application at the office of the Corporation during business hours; and he shall perform all duties incident to the office of Treasurer and shall also have such other powers and shall perform such other duties as may from time to time be assigned to him by these Bylaws or by the Board of Directors or the President.

SECTION 7. ADDITIONAL OFFICERS. The Board of Directors may from time to time elect such other officers (who may but need not be Directors), including a Controller, Assistant Treasurers, Assistant Secretaries and Assistant Controllers, as the Board may deem advisable and such officers shall have such authority and shall perform such duties as may from time to time be assigned to them by the Board of Directors or the President.

The Board of Directors may from time to time by resolution delegate to any Assistant Treasurer or Assistant Treasurers any of the powers or duties herein assigned to the Treasurer; and may similarly delegate to any Assistant Secretary or Assistant Secretaries any of the powers or duties herein assigned to the Secretary.

SECTION 8. GIVING OF BOND BY OFFICERS. All officers of the Corporation, if required to do so by the Board of Directors, shall furnish bonds to the Corporation for the faithful performance of their duties, in such penalties and with such conditions and security as the Board shall require.

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SECTION 9. VOTING UPON STOCKS. Unless otherwise ordered by the Board of Directors, the Chairman of the Board, the President, or any Vice President shall

have full power and authority on behalf of the Corporation to attend and to act and to vote, or in the name of the Corporation to execute proxies to vote, at any meetings of stockholders of any corporation in which the Corporation may hold stock, and at any such meetings shall possess and may exercise, in person or by proxy, any and all rights, powers and privileges incident to the ownership of such stock. The Board of Directors may from time to time, by resolution, confer like powers upon any other person or persons.

SECTION 10. COMPENSATION OF OFFICERS. The officers of the Corporation shall be entitled to receive such compensation for their services as shall from time to time be determined by the Board of Directors.

#### ARTICLE IV

##### STOCK - SEAL - FISCAL YEAR

SECTION 1. CERTIFICATES FOR SHARES OF STOCK. The certificates for shares of stock of the Corporation shall be in such form, not inconsistent with the Certificate of Incorporation, as shall be approved by the Board of Directors. All certificates shall be signed by the Chairman of the Board, the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and shall not be valid unless so signed.

In case any officer or officers who shall have signed any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificates shall have been delivered by the Corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates had not ceased to be such officer or officers of the Corporation.

All certificates for shares of stock shall be consecutively numbered as the same are issued. The name of the person owning the shares represented thereby with the number of such shares and the date of issue thereof shall be entered on the books of the Corporation.

Except as hereinafter provided, all certificates surrendered to the Corporation for transfer shall be canceled, and no new certificates shall be issued until former certificates for the same number of shares have been surrendered and canceled.

SECTION 2. LOST, STOLEN OR DESTROYED CERTIFICATES. Whenever a person owning a certificate for shares of stock of the Corporation alleges that it has been lost, stolen or destroyed, he shall file in the

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office of the Corporation an affidavit setting forth, to the best of his knowledge and belief, the time, place and circumstances of the loss, theft or destruction, and, if required by the Board of Directors, a bond of indemnity or other indemnification sufficient in the opinion of the Board of Directors to indemnify the Corporation and its agents against any claim that may be made against it or them on account of the alleged loss, theft or destruction of any such certificate or the issuance of a new certificate in replacement thereof. Thereupon the Corporation may cause to be issued to such person a new certificate in replacement for the certificate alleged to have been lost, stolen or destroyed. Upon the stub of every new certificate so issued shall be noted the fact of such issue and the number, date and the name of the registered owner of the lost, stolen or destroyed certificate in lieu of which the new certificate is issued.

SECTION 3. TRANSFER OF SHARES. Shares of stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof, in person or by his attorney duly authorized in writing, upon surrender and cancellation of certificates for the number of shares of stock to be transferred, except as provided in the preceding section; provided, however, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer.

SECTION 4. REGULATIONS. The Board of Directors shall have power and authority to make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.

SECTION 5. RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any

other lawful action, as the case may be, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to

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notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

SECTION 6. DIVIDENDS. Subject to the provisions of the Certificate of Incorporation, the Board of Directors shall have power to declare and pay dividends upon shares of stock of the Corporation, but only out of funds available for the payment of dividends as provided by law.

Subject to the provisions of the Certificate of Incorporation, any dividends declared upon the stock of the Corporation shall be payable on such date or dates as the Board of Directors shall determine. If the date fixed for the payment of any dividend shall in any year fall upon a legal holiday, then the dividend payable on such date shall be paid on the next day not a legal holiday.

SECTION 7. CORPORATE SEAL. The Board of Directors shall provide a suitable seal, containing the name of the Corporation, which seal shall be kept in the custody of the Secretary. A duplicate of the seal may be kept and be used by any officer of the Corporation designated by the Board of Directors, the Chairman of the Board or the President.

SECTION 8. FISCAL YEAR. The fiscal year of the Corporation shall be such fiscal year as the Board of Directors from time to time by resolution shall determine.

#### ARTICLE V

##### MISCELLANEOUS PROVISIONS

SECTION 1. CHECKS, NOTES, ETC. All checks, drafts, bills of exchange, acceptances, notes or other obligation or orders for the payment of money shall be signed and, if so required by the Board of Directors, countersigned by such officers of the Corporation and/or other persons as the Board of Directors from time to time shall designate.

Checks, drafts, bills of exchange, acceptances, notes, obligations and orders for the payment of money made payable to the Corporation may be endorsed for deposit to the credit of the Corporation with a duly authorized depository by the Treasurer, or otherwise as the Board of Directors may from time to time, by resolution, determine.

SECTION 2. LOANS. No loans and no renewals of any loans shall be contracted on behalf of the Corporation except as authorized by the Board of Directors. When authorized so to do, any officer or agent of the Corporation may effect loans and advances for the Corporation from any bank, trust company or other institution or from any firm, corporation or individual, and for such loans and advances

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may make, execute and deliver promissory notes, bonds or other evidences of indebtedness of the Corporation. When authorized so to do, any officer or agent of the Corporation may pledge, hypothecate or transfer, as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, any and all stocks, securities and other personal property at any time held by the Corporation, and to that end may endorse, assign and deliver the same. Such authority may be general or confined to specific instances.

SECTION 3. WAIVERS OF NOTICE. Whenever any notice whatever is required to be given by law, by the Certificate of Incorporation or by these Bylaws to any person or persons, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

SECTION 4. OFFICES OUTSIDE OF DELAWARE. Except as otherwise required by the laws of the State of Delaware, the Corporation may have an office or offices and keep its books, documents and papers outside of the State of Delaware at such place or places as from time to time may be determined by the Board of Directors, the Chairman of the Board or the President.

SECTION 5. INCONSISTENT PROVISIONS. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provisions of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

## ARTICLE VI

### AMENDMENTS

These Bylaws and any amendment thereof may be altered, amended or repealed, or new Bylaws may be adopted, by the Board of Directors at any regular or special meeting by the affirmative vote of a majority of all of the members of the Board, provided in the case of any special meeting at which all of the members of the Board are not present, that the notice of such meeting shall have stated that the amendment of these Bylaws was one of the purposes of the meeting; but these Bylaws and any amendment thereof, including the Bylaws adopted by the Board of Directors, may be altered, amended or repealed and other Bylaws may be adopted by the holders of a majority of the total outstanding stock of the Corporation entitled to vote at any annual meeting or at any special meeting, provided, in the case of any special meeting, that notice of such proposed alteration, amendment, repeal or adoption is included in the notice of the meeting.

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## ARTICLE VII

### INDEMNIFICATION OF OFFICERS AND DIRECTORS

SECTION 1. GENERAL. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or may hereafter be amended, a Director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as Director.

## ARTICLE VIII

### OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the Corporation within the State of Delaware shall be in the City of Wilmington, County of New Castle.

SECTION 2. OTHER OFFICES. The Corporation may also have an office or offices other than said registered office at such place or places, either within or without the State of Delaware, as the Board of Directors shall from time to time determine or the business of the Corporation may require.

Adopted on December 6, 1991

Amended and Restated on August 16, 1994

Amended and Restated effective November 21, 1995

Amended and Restated effective December 13, 2006

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SECOND AMENDMENT  
TO THE  
WATERS CORPORATION SECOND AMENDED AND RESTATED  
1996 LONG-TERM PERFORMANCE INCENTIVE PLAN

WHEREAS, Waters Corporation (the "Corporation") has established and maintains an incentive plan for the benefit of certain key employees of the Corporation and its subsidiaries entitled the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan (the "Plan"); and

WHEREAS, the Corporation desires to amend the Plan;

NOW THEREFORE, in accordance with the power of amendment contained in Section 17 of the Plan, the Plan is hereby amended, effective as of December 13, 2006, as follows:

1. The first paragraph of Section 13 of the Plan ("Dilution and Other Adjustments") is hereby amended to read in its entirety as follows:

"In the event of any change in the outstanding Common Shares of the Company by reason of any stock split, dividend, split-up, split-off, spin-off, recapitalization, merger, consolidation, rights offering, reorganization, combination or exchange of shares, a sale by the Company of all of its assets, any distribution to stockholders other than a normal cash dividend, or other extraordinary or unusual event, in each such case occurring after June 10, 1999, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of shares subject to the Plan, (ii) the numbers and kinds of shares or other securities subject to the then outstanding Awards, (iii) the exercise or hurdle price for each share or other unit of any other securities subject to then outstanding Options or Stock Appreciation Rights (without change in the aggregate purchase price as to which such Options or Stock Appreciation Rights remain exercisable), and (iv) the repurchase price of each share of Restricted Stock then subject to a Restricted Period by reason of a Company repurchase right. Any adjustment in Awards made pursuant to this Section 13 shall be determined and made by the Committee and shall include any correlative modification of terms, including of Option or Stock Appreciation Right exercise or hurdle prices, rates of vesting or exercisability, Restricted Periods and applicable repurchase prices for Restricted

Stock, which the Committee may deem necessary or appropriate so as to ensure the rights of the participants in their respective Awards are not substantially diminished or enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 13. No fraction of a share shall be purchasable or deliverable upon exercise, but in the event any adjustment hereunder of the number of shares covered by an Award shall cause such number to include a fraction of a share, such number of shares shall be adjusted to the nearest smaller whole number of shares. No adjustment of an Option exercise price or Stock Appreciation Right hurdle price per share pursuant to this Section 13 shall result in an exercise price or hurdle price which is less than the par value of the Common Shares."

IN WITNESS WHEREOF, the Board of Directors of the Corporation has caused this amendment to be signed on its behalf by its duly authorized representative this 13th day of December, 2006.

WATERS CORPORATION

By: /s/ Elizabeth B. Rae

-----  
Its: Vice President, Corporate Human Resources

CREDIT AGREEMENT

dated as of

January 11, 2007

among

WATERS CORPORATION  
as US Borrower

WATERS TECHNOLOGIES IRELAND LIMITED  
as European Borrower

The Lenders Party Hereto

JPMORGAN CHASE BANK, N.A.  
as Administrative Agent

and

J.P. MORGAN EUROPE LIMITED  
as London Agent

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J.P. MORGAN SECURITIES INC. and ABN AMRO INCORPORATED  
as Joint Lead Arrangers  
and Joint Bookrunners

ABN AMRO INCORPORATED  
as Syndication Agent

BANK OF AMERICA, N.A., BARCLAYS BANK PLC, CITIZENS BANK OF  
MASSACHUSETTS, BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY  
and

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND  
as Co-Documentation Agents

[CSM #6701-450]

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Exhibit D-3	--	Form of Opinion of General Counsel of the Company
Exhibit E	--	Form of Promissory Note

CREDIT AGREEMENT dated as of January 11, 2007, among WATERS CORPORATION, a Delaware corporation (the "Company"); WATERS TECHNOLOGIES IRELAND LIMITED, a company organized under the laws of Ireland (the "European Borrower" and, together with the Company, the "Borrowers"); the LENDERS from time to time party hereto; JPMORGAN CHASE BANK, N.A., as Administrative Agent; and J.P.MORGAN EUROPE LIMITED, as London Agent.

The Company has requested the Lenders (such term and each other capitalized term used and not otherwise defined herein having the meaning assigned to it in Article I) to extend credit in the form of (a) Term Loans to the Company in US Dollars in an aggregate principal amount of \$500,000,000 and (b) revolving commitments consisting of the following: (i) US Tranche Commitments under which the Company may obtain Loans in US Dollars in an aggregate principal amount at any time outstanding that will not result in aggregate US Tranche Revolving Exposures exceeding \$350,000,000 and (ii) European Tranche Commitments under which the European Borrower may obtain Loans in US Dollars or Euros and the Company may obtain Loans in US Dollars in an aggregate principal amount at any time outstanding that will not result in aggregate European Tranche Revolving Exposures exceeding \$250,000,000. The proceeds of borrowings are to be used for general corporate purposes of the Company and its subsidiaries, including repayment of amounts outstanding under the Existing Credit Agreements, payment of indebtedness, financing of acquisitions, payment of fees and expenses in connection with the credit facilities established hereby, repurchases of equity securities of the Company and working capital.

The Lenders are willing to establish the credit facilities referred to in the preceding paragraph upon the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions



Section 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

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"Administrative Agent" means JPMCB, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agents" means, collectively, the Administrative Agent and the London Agent.

"Agreement Currency" has the meaning assigned to such term in Section 11.13(b).

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Agent" means (a) with respect to a Loan or Borrowing denominated in US Dollars, or any Letter of Credit, and with respect to any payment hereunder that does not relate to a particular Loan or Borrowing, the Administrative Agent and (b) with respect to a Loan or Borrowing denominated in Euros, the London Agent.

"Applicable Rate" means, with respect to any Loan of any Type or the facility fees payable hereunder, as the case may be:

(a) For any day on which either or both of Moody's and S&P shall not have a Rating in effect, the applicable rate per annum set forth under the appropriate caption in the table below, based upon the Leverage Ratio as of the most recent determination date:

CATEGORY	LEVERAGE RATIO	FACILITY FEE (BASIS POINTS PER ANNUM)	LIBOR SPREAD (BASIS POINTS PER ANNUM)	ABR SPREAD (BASIS POINTS PER ANNUM)
Category 1	< 1.50	7.0	33.00	0.0
Category 2	> or = 1.50 and < 2.00	8.0	42.00	0.0
Category 3	> or = 2.00 and < 2.50	10.0	52.50	0.0
Category 4	> or = 2.50 and < 3.00	12.5	62.50	0.0
Category 5	> or = 3.00	15.0	72.50	0.0

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The Leverage Ratio used on any date to determine the Applicable Rate shall be that in effect at the end of the most recent fiscal quarter for which financial statements shall have been delivered pursuant to Section 5.06(a) or (b); provided that if any financial statements required to have been delivered under Section 5.06(a) or (b) shall not at any time have been delivered, the Applicable Rate shall, until such financial statements shall have been delivered, be determined by reference to Category 5 in the Table above.

(b) For any day on which each of Moody's and S&P shall have a Rating in effect, the applicable rate per annum set forth under the appropriate caption in the table below, based upon the Ratings as of the most recent determination date:

CATEGORY	RATING	FACILITY FEE (BASIS POINTS PER ANNUM)	LIBOR SPREAD (BASIS POINTS PER ANNUM)	ABR SPREAD (BASIS POINTS PER ANNUM)
Category 1	A3/A- or higher	7.0	33.00	0.0
Category 2	Baa1/BBB+	8.0	42.00	0.0
Category 3	Baa2/BBB	10.0	52.50	0.0
Category 4	Baa3/BBB-	12.5	62.50	0.0
Category 5	Ba1/BB+ or lower	20.0	80.0	0.0

In the event of split Ratings, the Applicable Rate will be based on the higher Rating unless the Ratings differ by two or more categories, in which case the Applicable Rate will be based upon the category one level above the category corresponding to the lower Rating.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 11.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Attributable Debt" means, in connection with any Sale and Leaseback Transaction, the present value (discounted in accordance with GAAP at the discount rate implied in the lease) of the obligations of the lessee for rental payments during the term of the lease.

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"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means the Company or the European Borrower.

"Borrowing" means (a) Loans of the same Class, Type and currency, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect and (b) a Swingline Loan.

"Borrowing Minimum" means (a) in the case of a Borrowing denominated in US Dollars, \$5,000,000 and (b) in the case of a Borrowing denominated in Euros, (euro)5,000,000.

"Borrowing Multiple" means (a) in the case of a Borrowing denominated in US Dollars, \$1,000,000 and (b) in the case of a Borrowing denominated in Euros, (euro)1,000,000.

"Borrowing Request" means a request by a Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided, that (a) when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in deposits in the London interbank market, (b) when used in connection with a Letter of Credit denominated in a Designated Foreign Currency, the term "Business Day" shall also exclude any day on which banks are not open for dealings in deposits in the applicable Designated Foreign Currency in the principal financial center in the country of such Designated Foreign Currency and (c) when used in connection with a Loan denominated in Euros, the term "Business Day" shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in Euros.

"Calculation Date" means the last Business Day of each calendar month.

"CAM" shall mean the mechanism for the allocation and exchange of interests in the Specified Obligations and collections thereunder established under Article IX.

"CAM Exchange" shall mean the exchange of the Lender's interests provided for in Article IX.

"CAM Exchange Date" shall mean the date on which any event referred to in paragraph (g) of Article VII shall occur in respect of the Company.

"CAM Percentage" shall mean, as to each Lender, a fraction, expressed as a decimal, of which (a) the numerator shall be the aggregate US Dollar Equivalent (determined on the basis of Exchange Rates prevailing on the CAM Exchange Date) of the Specified Obligations owed to such Lender immediately prior to the CAM Exchange

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Date and (b) the denominator shall be the aggregate US Dollar Equivalent (as so determined) of the Specified Obligations owed to all the Lenders.

"Cash Management Arrangements" means treasury, depository and cash management services or any automated clearing house transfer of funds.

"Cash Management Obligations" means the due and punctual payment and performance of all obligations of any Loan Party in respect of any overdraft or other liability that (a) arises under Cash Management Arrangements in effect on the Effective Date with a counterparty that is (i) a Lender as of the Effective Date or (ii) an Affiliate of such Lender or (b) arises under Cash Management Arrangements entered into after the Effective Date with a counterparty that is (i) a Lender as of the date on which such Cash Management Arrangements are entered into or (ii) an Affiliate of such Lender.

"Change of Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934, as amended, and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) of shares representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Company; or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were not (i) directors of the Company on the date hereof, (ii) nominated by the board of directors of the Company or (iii) appointed by directors so nominated.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank or by any lending office of such Lender or by such Lender's or Issuing Bank's holding company with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Class", when used in reference to (a) any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Term Loans, US Tranche Revolving Loans or European Tranche Revolving Loans and (b) any Commitment, refers to whether such Commitment is a Term Commitment, a US Tranche Commitment or a European Tranche Commitment.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means a Term Commitment, a US Tranche Commitment or a European Tranche Commitment.

"Company" has the meaning assigned to such term in the heading of this Agreement.

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"Confidential Information Memorandum" means the Confidential Information Memorandum dated December 2006 distributed to the Lenders, together with the appendices thereto, as amended through the date hereof.

"Consolidated Debt" means all Debt of the Company and the Subsidiaries, determined on a consolidated basis.

"Consolidated EBITDA" means, for any period, the consolidated net income (loss) of the Company and the Subsidiaries for such period plus, to the extent deducted in computing such consolidated net income for such period, the

sum (without duplication) of (a) Consolidated Interest Expense, (b) consolidated income tax expense, (c) depreciation and amortization expense, (d) stock-based employee compensation expense related to any grant of stock options or restricted stock to the extent deducted from such consolidated net income for such period pursuant to Statement of Financial Accounting Standards 123 (revised 2004) and (e) extraordinary or non-recurring non-cash expenses or losses, minus, to the extent added in computing such consolidated net income for such period, extraordinary gains, all determined on a consolidated basis.

"Consolidated Interest Expense" means, for any period, the interest expense of the Company and the consolidated Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, but excluding deferred financing fees.

"Consolidated Net Tangible Assets" means the total amount of assets that would be included on a consolidated balance sheet of the Company and the consolidated Subsidiaries (and which shall reflect the deduction of applicable reserves) after deducting therefrom all current liabilities of the Company and the consolidated Subsidiaries and all Intangible Assets.

"Consolidated Total Assets" means the total amount of assets that would be included on a consolidated balance sheet of the Company and the consolidated Subsidiaries.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Debt" means, with respect to any Person and without duplication, all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, all accrued or contingent obligations in respect of letters of credit, all capitalized lease obligations, all indebtedness of others secured by assets of the Company or a Subsidiary, all guarantees of Debt of others (but excluding guarantees issued for customer advance payments) and all obligations under Hedging Agreements. For the avoidance of doubt, "Debt" shall not include pension liabilities under any employee pension benefit plan.

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"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Designated Foreign Currency" means Euros, British Pounds Sterling, Japanese Yen or any other currency (other than US Dollars) approved in writing by the Issuing Bank and the Administrative Agent.

"Domestic Subsidiary" means any Subsidiary that is incorporated under the laws of the United States or its territories or possessions.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 11.02).

"EMU Legislation" means the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro in one or more member states.

"Environmental Laws" means all federal, state, local and foreign laws, rules and regulations relating to the release, emission, disposal, storage and related handling of waste materials, pollutants and hazardous substances.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Company or any member of an ERISA Group of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Company or any member of the ERISA Group from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Company or any member of the ERISA Group of any liability with respect to

the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Company or any member of the ERISA Group of any notice, or the receipt by any Multiemployer Plan from the Company or any member of the ERISA Group of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"ERISA Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414 of the Code.

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"Euro" or "(euro)" means the single currency of the European Union as constituted by the Treaty on European Union and as referred to in the EMU Legislation.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"European Borrower" means Waters Technologies Ireland Limited a company organized under the laws of Ireland.

"European Tranche Commitment" means, with respect to each European Tranche Lender, the commitment of such European Tranche Lender to make European Tranche Revolving Loans pursuant to Section 2.01(c), expressed as an amount representing the maximum aggregate amount of such European Tranche Lender's European Tranche Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09, (b) increased pursuant to Section 2.10 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The initial amount of each European Tranche Lender's European Tranche Commitment is set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such European Tranche Lender shall have assumed its European Tranche Commitment, as applicable. The aggregate amount of the European Tranche Commitments on the date hereof is \$250,000,000.

"European Tranche Lender" mean a Lender with a European Tranche Commitment or European Tranche Revolving Loans.

"European Tranche Percentage" means, with respect to any European Tranche Lender, the percentage of the total European Tranche Commitments represented by such Lender's European Tranche Commitment. If the European Tranche Commitments have terminated or expired, the European Tranche Percentages shall be determined based upon the European Tranche Commitments most recently in effect, giving effect to any assignments.

"European Tranche Revolving Borrowing" means a Borrowing comprised of European Tranche Revolving Loans.

"European Tranche Revolving Exposure" means, with respect to any European Tranche Lender at any time, such Lender's European Tranche Percentage of the sum of the US Dollar Equivalents of the principal amounts of the outstanding European Tranche Revolving Loans.

"European Tranche Revolving Loan" means a Loan made by a European Tranche Lender pursuant to Section 2.01(c). Each European Tranche Revolving Loan made to the Company shall be denominated in US Dollars and shall be a Eurocurrency Loan or an ABR Loan, and each European Tranche Revolving Loan made to the European Borrower shall be denominated in US Dollars or Euros and shall be a Eurocurrency Loan.

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"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange Rate" means on any day, with respect to any Designated Foreign Currency, the rate at which such Designated Foreign Currency may be exchanged into US Dollars, as set forth at approximately 11:00 a.m., London time, on such day on the Reuters World Currency Page for such Designated Foreign Currency. In the event that such rate does not appear on any Reuters World Currency Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon

by the Administrative Agent and the Company or, in the absence of such agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such Designated Foreign Currency are then being conducted, at or about 10:00 a.m., local time, on such date for the purchase of US Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent, after consultation with the Company, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

"Excluded Subsidiary" means at any time (a) any Foreign Subsidiary, (b) any subsidiary of a Foreign Subsidiary and (c) any other Subsidiaries acquired or organized after the Effective Date that, together with their own subsidiaries on a combined consolidated basis, shall not, individually or in the aggregate for all such Subsidiaries under this clause (c), have accounted for more than 5% of Consolidated Total Assets or more than 5% of the consolidated total revenues of the Company and the Subsidiaries at the end of, or for the period of four fiscal quarters ended with, the most recent fiscal quarter of the Company for which financial statements shall have been delivered pursuant to Section 5.06(a) or (b) (or, prior to the delivery of any such financial statements, at the end of or for the period of four fiscal quarters ended September 30, 2006).

"Excluded Taxes" means, with respect to any Lender or the Issuing Bank, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America (or any political subdivision thereof), or by the jurisdiction under which such recipient is organized or in which its principal office or any lending office from which it makes Loans or issues Letters of Credit hereunder is located, (b) any branch profit taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) above, (c) any withholding tax that is imposed by the United States of America (or any political subdivision thereof) on payments by the Company from an office within such jurisdiction to the extent such tax is in effect and would apply as of the date such Lender becomes a party to this Agreement or relates to payments received by a new lending office designated by such Lender and is in effect and would apply at the time such lending office is designated, (d) in the case of a European Tranche Lender (other than a Lender that becomes a European Tranche Lender by operation of the CAM), any withholding tax that is imposed by Ireland (or any political subdivision thereof) on payments by the European Borrower from an office within such jurisdiction to the extent such tax is in effect and would apply

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as of the date such European Tranche Lender becomes a party to this Agreement or relates to payments received by a new lending office designated by such European Tranche Lender and is in effect and would apply at the time such lending office is designated or (e) any withholding tax that is attributable to such Lender's failure to comply with Section 2.17(e), except, in the case of clause (c) or (d) above, to the extent that (i) such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the applicable Borrower with respect to such withholding tax pursuant to Section 2.17(a) or (ii) such withholding tax shall have resulted from the making of any payment to a location other than the office designated by the Applicable Agent or such Lender for the receipt of payments of the applicable type from the applicable Borrower.

"Existing Credit Agreements" means, collectively, the Existing Multiborrower Credit Agreement and the Existing Term Loan Agreement.

"Existing Issuing Bank" means JPMCB and Deutsche Bank Trust Company, in their capacities as issuing banks in respect of Existing Letters of Credit.

"Existing Letters of Credit" means the outstanding letters of credit set forth on Schedule 2.05.

"Existing Multiborrower Credit Agreement" means the Five Year Credit Agreement dated as of December 15, 2004, among the Company, the European Borrower and Waters Chromatography Ireland Limited, a company organized under the laws of Ireland, as borrowers, the lenders from time to time party thereto, JPMCB, as administrative agent, and the London Agent, as London agent.

"Existing Term Loan Agreement" means the Five Year Credit Agreement dated as of November 28, 2005, among the Company, as borrower, the lenders party thereto, and JPMCB, as administrative agent.

"Exposure" means, with respect to any Lender, such Lender's Term Loan Exposure, US Tranche Revolving Exposure and European Tranche Revolving Exposure.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Foreign Subsidiary" means any Subsidiary that is not incorporated under the laws of the United States or its territories or possessions.

"GAAP" means generally accepted accounting principles in the United States of America.

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"Governmental Authority" means any nation or government, any federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government.

"Guarantee Requirement" means, at any time, that the Subsidiary Guarantee Agreement (or a supplement referred to in Section 16 thereof) shall have been executed by each Subsidiary (other than any Excluded Subsidiary) existing at such time, shall have been delivered to the Administrative Agent and shall be in full force and effect; provided, however, that in the case of a Subsidiary that becomes subject to the Guarantee Requirement after the Effective Date, the Guarantee Requirement shall be satisfied with respect to such Subsidiary if a supplement to the Subsidiary Guarantee Agreement is executed by such Subsidiary, delivered to the Administrative Agent and in full force and effect no later than (i) 30 days after the date on which such Subsidiary becomes subject to the Guarantee Requirement or (ii) such other date as the Administrative Agent may reasonably determine, but in any case no later than 60 days after the date on which such Subsidiary becomes subject to the Guarantee Requirement.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement or other interest or currency exchange rate hedging arrangement. The "principal amount" of the obligations of any Person in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Person would be required to pay if such Hedging Agreement were terminated at such time.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Initial Borrowing Date" means the date of the initial Borrowing hereunder.

"Intangible Assets" means all assets of the Company and the consolidated Subsidiaries that would be treated as intangibles in conformity with GAAP on a consolidated balance sheet of the Company and the consolidated Subsidiaries.

"Interest Coverage Ratio" means, for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Interest Election Request" means a request by the relevant Borrower to convert or continue a Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

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"Interest Period" means, with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or

six months thereafter (or, if available from each applicable Lender, nine or twelve months thereafter), as the relevant Borrower may elect; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made, and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means JPMCB, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.05(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate. The term "Issuing Bank" shall also mean the Existing Issuing Bank solely with respect to the Existing Letters of Credit.

"JPMCB" means JPMorgan Chase Bank, N.A. and its successors.

"Judgment Currency" has the meaning assigned to such term in Section 11.13(b).

"LC Disbursement" means a payment made by the Issuing Bank in respect of a Letter of Credit.

"LC Exposure" means at any time the sum of (a) the sum of US Dollar Equivalents of undrawn amounts of all outstanding Letters of Credit at such time and (b) the sum of US Dollar Equivalents of the amounts of all LC Disbursements that have not yet been reimbursed by or on behalf of the Company or the applicable Subsidiary at such time. The LC Exposure of any US Tranche Lender at any time shall be such Lender's US Tranche Percentage of the aggregate LC Exposure.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance or as provided in Section 2.10, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Acceptance.

"Letter of Credit" means an Existing Letter of Credit and any letter of credit issued pursuant to this Agreement on behalf of Lenders holding US Tranche Commitments.

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"Leverage Ratio" means, at any time, the ratio of (a) Consolidated Debt at such time to (b) Consolidated EBITDA for the most recent period of four consecutive fiscal quarters of the Company ended at or prior to such time; provided, that in the event any Material Acquisition shall have been completed during such period of four consecutive fiscal quarters, the Leverage Ratio shall be computed giving pro forma effect to such Material Acquisition as if it had been completed at the beginning of such period.

"LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, the rate per annum determined by the Applicable Agent at approximately 11:00 a.m., London time, on the Quotation Day for such Interest Period by reference to the British Bankers' Association Interest Settlement Rates for deposits in the currency of such Borrowing (as reflected on the applicable Telerate screen), for a period equal to such Interest Period; provided that, to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, "LIBO Rate" shall mean the interest rate per annum determined by the Applicable Agent to be the average of the rates per annum at which deposits in the currency of such Borrowing are offered for such Interest Period to major banks in the London interbank market by JPMCB at approximately 11:00 a.m., London time, on the Quotation Day for such Interest Period.

"Lien" means, with respect to any asset, any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset.

"Loan Documents" means this Agreement, the Subsidiary Guarantee Agreement and each Letter of Credit and promissory note delivered pursuant to this Agreement.



"Loan Parties" means the Borrowers and the Subsidiary Guarantors.

"Loans" means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

"Local Time" means (a) with respect to a Loan or Borrowing denominated in US Dollars or any Letter of Credit, New York City time and (b) with respect to a Eurocurrency Loan or Eurocurrency Borrowing denominated in Euros, London time.

"London Agent" means J.P. Morgan Europe Limited.

"Margin Stock" has the meaning ascribed to such term in Regulation U issued by the Board.

"Material Acquisition" means (i) the acquisition by the Company or a Subsidiary of assets of or an interest in another Person or (ii) the merger or consolidation of the Company with another corporation, in each case if the Consolidated Total Assets of the Company after giving effect to such acquisition, merger or consolidation are at least 5% greater than the Consolidated Total Assets of the Company immediately prior to such acquisition, merger or consolidation.

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"Material Adverse Effect" means a (i) a material adverse effect on the business, assets, operations or financial condition of the Company and the Subsidiaries, taken as a whole or (ii) a material adverse effect on the validity or enforceability of any one or more provisions of any of the Loan Documents that, taken as a whole, are material.

"Material Debt" means Consolidated Debt in an aggregate principal amount of \$20,000,000 or more.

"Material Subsidiary" means each Subsidiary of the Company, other than Subsidiaries designated by the Company from time to time that in the aggregate do not account for more than 15% of the consolidated revenues of the Company and its Subsidiaries for the period of four fiscal quarters most recently ended or more than 15% of the consolidated assets of the Company and its Subsidiaries at the end of such period.

"Maturity Date" means January 11, 2012.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Obligations" means (a) the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans made to any Borrower, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) each payment required to be made by any Borrower under this Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties under this Agreement and the other Loan Documents, and (b) the due and punctual payment and performance of all obligations of the Company or any Subsidiary, monetary or otherwise, under (i) each interest rate hedging Agreement relating to Obligations referred to in the preceding clause (a) entered into with any counterparty that was a Lender (or an Affiliate thereof) at the time such hedging agreement was entered into and (ii) Cash Management Obligations.

"Other Taxes" means any and all present or future recording, stamp, documentary, excise, transfer, sales, property or similar taxes, charges or levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum standards under Section 412 of the Internal Revenue Code and is either (a) maintained by a member of the ERISA Group for employees of a member of the ERISA Group or (b) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMCB as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Quotation Day" means, with respect to any Eurocurrency Borrowing and any Interest Period, the day on which it is market practice in the relevant interbank market for prime banks to give quotations for deposits in the currency of such Borrowing for delivery on the first day of such Interest Period. If such quotations would normally be given by prime banks on more than one day, the Quotation Day will be the last of such days.

"Ratings" means published debt ratings issued by each of Moody's and S&P with respect to the Company's senior, unsecured, non-credit enhanced long-term indebtedness for borrowed money (each a "Rating").

"Register" has the meaning set forth in Section 11.04(c).

"Reimbursement Obligations" has the meaning set forth in Section 11.02(b).

"Related Fund" means, with respect to any Lender that is a fund that invests in bank loans, any other fund that invests in bank loans and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, trustees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having aggregate Term Loans, Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Term Loans, Revolving Credit Exposures and unused Commitments at such time.

"Reset Date" has the meaning set forth in Section 1.05(a).

"Responsible Officer" of any Person, means the chief executive officer, the chief financial officer, the principal accounting officer, the treasurer or the controller of such Person, and any other officer of such Person with responsibility for the administration of the obligations of such Person under this Agreement.

"Revolving Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Revolving Commitments.

"Revolving Borrowing" means a Borrowing comprised of US Tranche Revolving Loans or European Tranche Revolving Loans.

"Revolving Commitments" means the European Tranche Commitments and the US Tranche Commitments.

"Revolving Credit Exposure" means a US Tranche Revolving Exposure or a European Tranche Revolving Exposure.

"Revolving Loan" means any US Tranche Revolving Loan or European Tranche Revolving Loan.

"S&P" means Standard & Poor's Ratings Service.

"Sale and Leaseback Transaction" means any arrangement whereby the Company or a Subsidiary, directly or indirectly, shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

"Specified Obligations" means Obligations consisting of the principal of and interest on outstanding Loans, reimbursement obligations in respect of LC Disbursements and any interest with respect thereto, and fees.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal to which the Applicable Agent is subject, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board of Governors of the Federal Reserve System of the United States of America). Such reserve percentages include, but are not limited to, those imposed pursuant to such Regulation D. Eurocurrency Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

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"subsidiary" means, with respect to any Person, any entity with respect to which such Person alone owns, such Person or one or more of its subsidiaries together own, or such Person and any Person Controlling such Person together own, in each case directly or indirectly, capital stock or other equity interests having ordinary voting power to elect a majority of the members of the Board of Directors of such corporation or other entity or having a majority interest in the capital or profits of such corporation or other entity.

"Subsidiary" means any subsidiary of the Company.

"Subsidiary Guarantee Agreement" means a Subsidiary Guarantee Agreement substantially in the form of Exhibit B, and all supplements thereto made by the Subsidiary Guarantors in favor of the Administrative Agent for the benefit of the Lenders.

"Subsidiary Guarantors" means each Person listed on Schedule 1.01 and each other Person that becomes party to a Subsidiary Guarantee Agreement as a Subsidiary Guarantor, and the permitted successors and assigns of each such Person.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be such Lender's US Tranche Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMCB in its capacity as a lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.04.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Term Borrowing" means a Borrowing comprised of Term Loans.

"Term Commitment" means, with respect to each Term Lender, the commitment of such Term Lender to make Term Loans pursuant to Section 2.01(a), as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The initial amount of each Term Lender's Term Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Term Lender shall have assumed its Term Commitment, as applicable. The aggregate amount of the Term Commitments on the date hereof is \$500,000,000.

"Term Lender" means a Lender with a Term Commitment.

"Term Loan" means a Loan made by a Term Lender pursuant to Section 2.01(a).

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"Term Loan Exposure" means, with respect to any Term Lender at any time, the principal amount of such Lender's outstanding Term Loans.

"Transactions" means the execution, delivery and performance by the Loan Parties of the Loan Documents, the borrowing of Loans, the issuance of Letters of Credit hereunder and the use of the proceeds of such Loans and such Letters of Credit.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Unfunded Liabilities" means, (a) in the case of a single-employer Plan which is covered by Title IV of ERISA, the amount, if any, by which the present value of all accumulated benefit obligations accrued to the date of determination under such Plan exceeds the fair market value of all assets of such Plan allocable to such benefits as of such date calculated in accordance with GAAP and based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87, as amended, or any successor standard, and (b) in the case of a Multiemployer Plan, the Withdrawal Liability of the Company and the Subsidiaries calculated as set forth in Title IV of ERISA.

"USA Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

"US Corporation" means a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia.

"US Dollar Equivalent" means, on any date of determination, (a) with respect to any amount in US Dollars, such amount, and (b) with respect to any amount in any Designated Foreign Currency, the equivalent in US Dollars of such amount, determined by the Administrative Agent pursuant to Section 1.05 using the Exchange Rate with respect to such Designated Foreign Currency at the time in effect under the provisions of such Section.

"US Dollars" or "\$" means the lawful money of the United States of America.

"US Tranche Commitment" means, with respect to each US Tranche Lender, the commitment of such US Tranche Lender to make US Tranche Revolving Loans pursuant to Section 2.01(b) and acquire participations in Swingline Loans and Letters of Credit pursuant to Sections 2.04 and 2.05(e), respectively, expressed as an amount representing the maximum aggregate amount of such US Tranche Lender's US Tranche Revolving Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09, (b) increased pursuant to Section 2.10 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 11.04. The initial amount of each US Tranche Lender's US Tranche Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such US Tranche Lender shall have assumed its US Tranche

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Commitment, as applicable. The aggregate amount of the US Tranche Commitments on the date hereof is \$350,000,000.

"US Tranche Lender" mean a Lender with a US Tranche Commitment or US Tranche Revolving Loans.

"US Tranche Percentage" means, with respect to any US Tranche Lender, the percentage of the total US Tranche Commitments represented by such Lender's US Tranche Commitment. If the US Tranche Commitments have terminated or expired, the US Tranche Percentages shall be determined based upon the US Tranche Commitments most recently in effect, giving effect to any assignments.

"US Tranche Revolving Borrowing" means a Borrowing comprised of US Tranche Revolving Loans.

"US Tranche Revolving Exposure" means, with respect to any US Tranche Lender at any time, the sum at such time, without duplication, of (a) such Lender's US Tranche Percentage of the sum of the principal amounts of the outstanding US Tranche Revolving Loans, (b) the aggregate amount of such Lender's LC Exposure and (c) the aggregate amount of such Lender's Swingline Exposure.

"US Tranche Revolving Loan" means a Loan made by a US Tranche Lender pursuant to Section 2.01(b). Each US Tranche Revolving Loan shall be a Eurocurrency Loan or an ABR Loan.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "US Tranche Revolving Loan") or by Type (e.g., a "Eurocurrency Loan") or by Class and Type (e.g., a "Eurocurrency US Tranche Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "US Tranche Revolving Borrowing") or by Type (e.g., a "US Tranche Eurocurrency Borrowing") or by Class and Type (e.g., a "Eurocurrency US Tranche Revolving Borrowing").

Section 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors

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and assigns, (c) the words "herein", "hereof" and "hereunder" and words of similar import shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP as in effect from time to time; provided that if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.05. Exchange Rates. (a) Not later than 10:00 a.m., New York City time, on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date with respect to each Designated Foreign Currency and (ii) give written notice thereof to the Lenders and the Company. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective until the next succeeding Reset Date, and shall for all purposes of this Agreement (other than Section 2.05(e), Section 11.13 or any other provision expressly requiring the use of a current Exchange Rate) be the Exchange Rates employed in converting any amounts between US Dollars and Designated Foreign Currencies.

(b) Not later than 5:00 p.m., New York City time, on each Reset Date and each date on which European Tranche Revolving Loans denominated in Euros are made or Letters of Credit denominated in any Designated Foreign Currency are issued, the Administrative Agent shall (i) determine (A) the aggregate amount of the US Dollar Equivalents of the principal amounts of the European Tranche

Revolving Loans denominated in Euros (after giving effect to any European Tranche Revolving Loans made or repaid on such date) and (B) the aggregate amount of the US Dollar Equivalents of the stated amounts of the Letters of Credit and unreimbursed LC Disbursements denominated in Designated Foreign Currencies and (ii) notify the Lenders and the Company of the results of such determination.

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## ARTICLE II

### The Credits

Section 2.01. Commitments. (a) Subject to the terms and conditions set forth herein, each Lender agrees to make a Term Loan to the Company on the Effective Date in a principal amount equal to its Term Commitment.

(b) Subject to the terms and conditions set forth herein, each US Tranche Lender agrees to make US Tranche Revolving Loans to the Company from time to time during the Revolving Availability Period in US Dollars in an aggregate principal amount at any time outstanding that will not result in (i) such Lender's US Tranche Revolving Exposure exceeding its US Tranche Commitment or (ii) the aggregate amount of the Lenders' US Tranche Revolving Exposures exceeding the aggregate amount of the US Tranche Commitments.

(c) Subject to the terms and conditions set forth herein, each European Tranche Lender agrees to make European Tranche Revolving Loans from time to time during the Revolving Availability Period to the European Borrower in US Dollars or Euros and to the Company in US Dollars in an aggregate principal amount at any time outstanding that will not result in (i) such Lender's European Tranche Revolving Exposure exceeding its European Tranche Commitment or (ii) the aggregate amount of the Lenders' European Tranche Revolving Exposures exceeding the aggregate amount of the European Tranche Commitments.

Section 2.02. Loans and Borrowings. (a) Each Term Loan shall be made as part of a Borrowing consisting of Term Loans made by the Term Lenders ratably in accordance with their respective Term Commitments. Each US Tranche Revolving Loan shall be made as part of a Borrowing consisting of US Tranche Revolving Loans made by the US Tranche Lenders ratably in accordance with their respective US Tranche Commitments. Each European Tranche Revolving Loan shall be made as part of a Borrowing consisting of European Tranche Revolving Loans made by the European Tranche Lenders ratably in accordance with their respective European Tranche Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required hereunder.

(b) Subject to Section 2.14, (i) each Term Borrowing shall be comprised entirely of Eurocurrency Loans or ABR Loans as the Company may request in accordance herewith; (ii) each US Tranche Revolving Borrowing shall be comprised entirely of Eurocurrency Loans or ABR Loans as the Company may request in accordance herewith; (iii) each European Tranche Revolving Borrowing shall be comprised entirely of (A) in the case of a Borrowing made by the Company, Eurocurrency Loans or ABR Loans as the Company may request in accordance herewith and, (B) in the case of a Borrowing made by the European Borrower, Eurocurrency Loans; and (iv) each Swingline Loan shall be comprised entirely of ABR Loans. Each

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Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan (and in the case of an Affiliate, the provisions of Sections 2.14, 2.15, 2.16 and 2.17 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the applicable Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Borrowing (other than a Swingline Loan), such Borrowing shall be in an aggregate amount that is at least equal to the Borrowing Minimum and an integral multiple of the Borrowing Multiple; provided that (i) an ABR Revolving Borrowing may be made in an aggregate amount that is equal to the aggregate available US Tranche Commitments or European Tranche Commitments, as the case may be and (ii) a Revolving Borrowing made to refinance an existing Swingline Loan may be made in an aggregate principal amount that is equal to the aggregate principal amount of

such existing Swingline Loan. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of (i) eight US Tranche Eurocurrency Revolving Borrowings outstanding or (ii) four European Tranche Eurocurrency Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.03. Notice of Borrowings. To request a Borrowing (other than a Swingline Loan), the applicable Borrower, or the Company on behalf of the applicable Borrower, shall notify the Applicable Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing, not later than 12:00 noon, Local Time, three Business Days before the date of the proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 12:00 noon, Local Time, one Business Day before the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e) may be given not later than 12:00 noon, Local Time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Applicable Agent of a written Borrowing Request in a form approved by the Applicable Agent and signed by the applicable Borrower, or by the Company on behalf of the applicable Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the Borrower requesting such Borrowing (or on whose behalf the Company is requesting such Borrowing);

(ii) whether the requested Borrowing is to be a Term Borrowing, US Tranche Revolving Borrowing or a European Tranche Revolving Borrowing;

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(iii) the currency and aggregate principal amount of the requested Borrowing;

(iv) the date of the requested Borrowing, which shall be a Business Day;

(v) the Type of the requested Borrowing;

(vi) in the case of a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(vii) the location and number of the relevant Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

If no currency is specified with respect to any requested Eurocurrency Revolving Borrowing, then the relevant Borrower shall be deemed to have selected US Dollars. If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be (i) in the case of a Borrowing by the Company, an ABR Borrowing and (ii) in the case of a Borrowing by the European Borrower, a Eurocurrency Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Borrowing, then the relevant Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Applicable Agent shall advise each Lender that will make a Loan as part of the requested Borrowing of the details thereof and of the amount of the Loan to be made by such Lender as part of the requested Borrowing.

Section 2.04. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Company from time to time during the Revolving Availability Period in an aggregate principal amount at any time outstanding that will not exceed the lesser of (i) \$25,000,000 and (ii) the difference between (A) total US Tranche Commitments and (B) the sum of (x) the aggregate principal amount of US Tranche Revolving Loans outstanding at such time and (y) the LC Exposure at such time; provided that no Swingline Loan shall be made to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Company shall notify the

Administrative Agent of such request by telephone (confirmed by telecopy), not later than 1:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount (which shall be no less than \$1,000,000) of the requested Swingline Loan and the location and number of the Company's account to which funds are to be disbursed, which account shall comply with the requirements of Section 2.06. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Company. The Swingline Lender shall make each Swingline Loan

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available to the Company by means of a credit or wire transfer to the account specified in writing by the Company in such notice (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 12:00 noon, New York City time, on any Business Day require the US Tranche Lenders to acquire participations on such Business Day in all or a portion of the outstanding Swingline Loans. Such notice shall specify the aggregate amount of Swingline Loans in which US Tranche Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each US Tranche Lender, specifying in such notice such Lender's US Tranche Percentage of such Swingline Loan or Swingline Loans. Each US Tranche Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's US Tranche Percentage of such Swingline Loan or Swingline Loans. Each US Tranche Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the US Tranche Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each US Tranche Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the US Tranche Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the US Tranche Lenders. The Administrative Agent shall promptly notify the Company in writing of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent, for the account of the US Tranche Lenders, and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Company (or other party on behalf of the Company) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the US Tranche Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Company of any default in the payment thereof provided, that a US Tranche Lender shall not be required to purchase a participation in a Swingline Loan pursuant to this Section 2.04(c) if (x) a Default shall have occurred and was continuing at the time such Swingline Loan was made and (y) such US Tranche Lender shall have notified the Swingline Lender in writing, not less than one Business Day before such Swingline Loan was made, that such Default has occurred and that such US Tranche Lender will not refund or participate in any Swingline Loans made while such Default exists.

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Section 2.05. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Company may request the issuance (or the amendment, renewal or extension) of Letters of Credit denominated in US Dollars or any Designated Foreign Currency, in any case in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Revolving Availability Period. In the event of any inconsistency between this Agreement and any form of letter of credit application or other agreement submitted by the Company or the European Borrower to, or entered into by the Company or the European Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. The Existing Letters of Credit will, for all purposes of this Agreement, be deemed to have been issued hereunder on the Effective Date and will, for all purposes



of this Agreement, constitute Letters of Credit. On the Effective Date, (i) any fronting fees provided for in the agreements under which the Existing Letters of Credit were issued shall cease to accrue and shall be replaced by the fronting fee provided for in Section 2.12(b) (it being understood that any other fees referred to in Section 2.12(b) that shall have been agreed upon by the Company and the Existing Issuing Bank shall continue to apply, but that no new issuance fee will be charged in connection with the deemed issuance of any Existing Letter of Credit on the Effective Date).

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Company shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the currency and amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to enable the Issuing Bank to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Company also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Company shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (i) the LC Exposure will not exceed \$50,000,000 and (ii) the aggregate US Tranche Revolving Exposures will not exceed the aggregate US Tranche Commitments. Notwithstanding anything to the contrary contained herein, no Existing Letter of Credit may be amended, renewed or extended.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the

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Maturity Date provided, that any Letter of Credit with a one-year tenor may provide for renewal thereof under procedures satisfactory to the Issuing Bank for additional one-year periods (which shall in no event extend beyond the date referred to in clause (ii) above).

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the US Tranche Lenders, the Issuing Bank hereby grants to each US Tranche Lender, and each US Tranche Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such US Tranche Lender's US Tranche Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each US Tranche Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, in US Dollars such Lender's US Tranche Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Company on the date due as provided in paragraph (e) of this Section or of any reimbursement payment required to be refunded to the Company for any reason. Each US Tranche Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the US Tranche Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Company shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement, not later than 1:00 p.m., New York City time, on the date that such LC Disbursement is made, if the Company shall have received notice of such LC Disbursement prior to 11:00 a.m., New York City time, on such date, or, if such notice has not been received by the Company prior to such time on such date, then not later than 1:00 p.m., New York City time, on (A) the Business Day that the Company receives such notice, if such notice is received prior to 11:00 a.m., New York City time, on the day of receipt, or (B) the Business Day

immediately following the day that the Company receives such notice, if such notice is not received prior to such time on the day of receipt. If the Company fails to make such payment when due then, upon notice from the applicable Issuing Bank to the Company and the Administrative Agent, (i) if the applicable Letter of Credit is denominated in a Designated Foreign Currency, the Company's obligation to reimburse such LC Disbursement shall be converted into an obligation in US Dollars in such amount as the Administrative Agent shall determine would be required, based on current exchange rates, to enable it to purchase an amount of such Designated Foreign Currency equal to the amount of such LC Disbursement, and (ii) the Administrative Agent shall notify each US Tranche Lender of the applicable LC Disbursement, the payment then due from the Company in respect thereof and such Lender's US Tranche Percentage, thereof. Promptly following receipt of such notice, each US Tranche Lender shall pay to the Administrative Agent in US Dollars its US Tranche Percentage of the payment then due from the Company in the same manner as provided in Section 2.06 with respect to Loans made by such US Tranche Lender (and Section 2.06 shall apply, mutatis

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mutandis, to the payment obligations of the US Tranche Lenders), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the US Tranche Lenders. Promptly following receipt by the Administrative Agent of any payment from the Company pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that US Tranche Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such US Tranche Lenders and the Issuing Bank as their interests may appear. Any payment made by a US Tranche Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement shall not constitute a Loan and shall not relieve the Company of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Company's obligations to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement or any other Loan Document, or any term or provision herein or therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of set-off against, the Company's obligations hereunder. None of the Administrative Agent, the US Tranche Lenders or the Issuing Bank, or any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Company to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the

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contrary, or refuse to accept and make payment upon such documents if such

documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Company by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse the Issuing Bank and the US Tranche Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Company shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Company reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, at all times after the Company fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, Section 2.13(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any US Tranche Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such US Tranche Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Company, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Company shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If the US Tranche Commitments shall be terminated, then on the Business Day that the Company receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, US Tranche Lenders with LC Exposures representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Company shall deposit in an account with the Administrative Agent, in the

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name of the Administrative Agent and for the benefit of the US Tranche Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand presentment, protest or other notice of any kind, all of which are expressly waived by the Borrowers, upon the occurrence of any Event of Default with respect to the Company described in clause (g) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Company under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Company's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Company for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of US Tranche Lenders with LC Exposures representing greater than 50% of the total LC Exposure) be applied to satisfy other obligations of the Company under this Agreement. If the Company is required to provide an amount of cash collateral hereunder as a result of the

occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to it within three Business Days after all Events of Default have been cured or waived.

Section 2.06. Funding of Borrowings. (a) Each Lender shall make each Loan (other than a Swingline Loan) to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds in the applicable currency by 11:00 a.m., Local Time, to the account of the Applicable Agent most recently designated by it for such purpose for Loans of such Class and currency by notice to the applicable Lenders. The Applicable Agent will make such Loans available to the relevant Borrower by promptly crediting the amounts so received, in like funds, to an account of such Borrower (i) in New York City or Boston, in the case of Loans denominated in US Dollars and (ii) in London, in the case of Loans denominated in Euros; provided that US Tranche Revolving Loans made to finance the reimbursement of an LC Disbursement shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Applicable Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Applicable Agent such Lender's share of such Borrowing, the Applicable Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the relevant Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Applicable Agent, then the applicable Lender and such Borrower severally agree to pay to the Applicable Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding

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the date of payment to the Applicable Agent, at (i) in the case of such Lender, the rate reasonably determined by the Applicable Agent to be the cost to it of funding such amount or (ii) in the case of such Borrower, the interest rate applicable to the subject Loan. If such Lender pays such amount to the Applicable Agent, then such amount shall constitute such Lender's Loan included in such Borrowing and the Applicable Agent shall return to such Borrower any amount (including interest) paid by such Borrower to the Applicable Agent pursuant to this paragraph.

Section 2.07. Repayment of Borrowings; Evidence of Debt. (a) Each Borrower hereby unconditionally promises to pay to the Applicable Agent for the accounts of the applicable Lenders (i) the then unpaid principal amount of each Revolving Borrowing and Term Loan of such Borrower on the Maturity Date and (ii) the then unpaid amount of each Swingline Loan on the earlier of the Maturity Date and the twenty-first Business Day after such Swingline Loan is made.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class, Type and currency thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by any Agent hereunder for the accounts of the Lenders and each Lender's share thereof. The London Agent shall furnish to the Administrative Agent, promptly after the making of any Loan or Borrowing with respect to which it is the Applicable Agent or the receipt of any payment of principal or interest with respect to any such Loan or Borrowing, information with respect thereto that will enable the Administrative Agent to maintain the accounts referred to in the preceding sentence. The Administrative Agent shall notify the London Agent promptly after the making of any Loan or Borrowing with respect to which it is the Applicable Agent or the receipt of payment of any principal with respect to any such Loan or Borrowing.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans of any Class made by it to any

Borrower be evidenced by a promissory note, substantially in the form of Exhibit E hereto. In such event, each applicable Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by each such promissory note

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and interest thereon shall at all times (including after assignment pursuant to Section 11.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.08. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the relevant Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Borrowing, may elect Interest Periods therefor, all as provided in this Section and on terms consistent with the other provisions of this Agreement. A Borrower may elect different options with respect to different portions of an affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Revolving Borrowing. This Section shall not apply to Swingline Loans, which may not be converted or continued pursuant to this Section 2.08.

(b) To make an election pursuant to this Section, a Borrower, or the Company on its behalf, shall notify the Applicable Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Applicable Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the relevant Borrower, or by the Company on its behalf. Notwithstanding any contrary provision herein, this Section shall not be construed to permit any Borrower to (i) change the currency of any Borrowing, (ii) elect an Interest Period for Eurocurrency Loans that does not comply with Section 2.02(d) or (iii) convert any Borrowing to a Borrowing of a Type not available under the Class of Commitments pursuant to which such Borrowing was made.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) the Type of the resulting Borrowing; and

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(iv) if the resulting Borrowing is to be a Eurocurrency Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Applicable Agent shall advise each Lender holding a Loan to which such request relates of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the relevant Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Borrowing prior to the end of

the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period, such Borrowing shall (i) in the case of a Borrowing denominated in US Dollars, be converted to an ABR Borrowing and (ii) in the case of any other Eurocurrency Borrowing, become due and payable on the last day of such Interest Period.

Section 2.09. Termination and Reduction of Commitments. (a) The Term Commitment shall terminate upon the earlier of the borrowing of the Term Loans and 5:00 p.m., New York City time, on the Effective Date. Unless previously terminated, the US Tranche Commitments and European Tranche Commitments shall terminate on the Maturity Date; provided that all Commitments shall terminate at 5:00 p.m., New York City time, on January 31, 2007, if the Effective Date shall not have occurred prior to such time.

(b) The Company may at any time terminate, or from time to time reduce, without premium or penalty, the Commitments of any Class; provided that (i) each reduction of the Commitments of any Class shall be in an amount that is an integral multiple of the Borrowing Multiple and not less than the Borrowing Minimum, (ii) the Company shall not terminate or reduce the US Tranche Commitments if, after giving effect to any concurrent prepayment of the US Tranche Revolving Loans in accordance with Section 2.11, the aggregate US Tranche Revolving Exposures would exceed the aggregate US Tranche Commitments and (iii) the Company shall not terminate or reduce the European Tranche Commitments if, after giving effect to any concurrent prepayment of the European Tranche Revolving Loans in accordance with Section 2.11, the aggregate European Tranche Revolving Exposures would exceed the aggregate European Tranche Commitments.

(c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments of any Class under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying the effective date of such election. Promptly following receipt of any such notice, the Administrative Agent shall advise the European Agent and the applicable Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments

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delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the applicable Lenders in accordance with their respective Commitments of such Class.

Section 2.10. Increase in Commitments. (a) The Company may on one or more occasions, by written notice to the Administrative Agent (which shall promptly deliver a copy to each of the Lenders), request that the total US Tranche Commitments or European Tranche Commitments be increased by an amount not less than \$25,000,000 (with simultaneous increases in the US Tranche Commitments and the European Tranche Commitments being deemed to be a single increase); provided that the aggregate amount of the increases in the US Tranche Commitments and the European Tranche Commitments shall not exceed \$250,000,000. Such notice shall set forth the amount of the requested increase in the total US Tranche Commitments or European Tranche Commitments, as the case may be, and the date on which such increase is requested to become effective (which shall be not less than 30 days or more than 60 days after the date of such notice), and shall offer each Lender the opportunity to increase its Commitment by its US Tranche Percentage or European Tranche Percentage, as the case may be, of the proposed increased amount. Each applicable Lender shall, by notice to the Company and the Administrative Agent given not more than 10 Business Days after the date of the Company's notice, either agree to increase its applicable Commitment by all or a portion of the offered amount (each Lender so agreeing being an "Increasing Lender") or decline to increase its applicable Commitment (and any Lender that does not deliver such a notice within such period of 10 Business Days shall be deemed to have declined to increase its Commitment) (each Lender so declining or deemed to have declined being a "Non-Increasing Lender"). In the event that, on the 10th Business Day after the Company shall have delivered a notice pursuant to the first sentence of this paragraph, the Lenders shall have agreed pursuant to the preceding sentence to increase their Commitments by an aggregate amount less than the increase in the total Commitments requested by the Company, the Company may arrange for one or more banks or other financial institutions (any such bank or other financial institution being called an "Augmenting Lender"), which may include any Lender, to extend US Tranche Commitments or European Tranche Commitments, as the case may be, or increase their existing US Tranche Commitments or European Tranche Commitments, as the case may be, in an aggregate

amount equal to the unsubscribed amount; provided that each Augmenting Lender, if not already a Lender hereunder, shall be subject to the approval of the Administrative Agent, the Issuing Bank and the Swingline Lender (which approval shall not be unreasonably withheld) and the Borrowers and each Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence the Commitment of such Augmenting Lender and/or its status as a Lender hereunder. Any increase in the total US Tranche Commitments or European Tranche Commitments, as the case may be, may be made in an amount which is less than the increase requested by the Company if the Company is unable to arrange for, or chooses not to arrange for, Augmenting Lenders.

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(b) On the effective date (the "Increase Effective Date") of any increase in the total US Tranche Commitments or European Tranche Commitments pursuant to this Section (the "Commitment Increase"), (i) the aggregate principal amount of the US Tranche Revolving Loans or European Tranche Revolving Loans, as the case may be, outstanding (the "Initial Loans") immediately prior to giving effect to the Commitment Increase on the Increase Effective Date shall be deemed to be paid, (ii) each Increasing Lender and each Augmenting Lender that shall have been a US Tranche Lender or European Tranche Lender, as the case may be, prior to the Commitment Increase shall pay to the Administrative Agent or, if designated by the Administrative Agent for such purpose, the European Agent in same day funds an amount equal to the difference between (A) the product of (1) such Lender's US Tranche Percentage or European Tranche Percentage, as the case may be (calculated after giving effect to the Commitment Increase), multiplied by (2) the amount of the Subsequent Borrowings (as hereinafter defined) and (B) the product of (1) such Lender's US Tranche Percentage or European Tranche Percentage, as the case may be (calculated without giving effect to the Commitment Increase), multiplied by (2) the amount of the Initial Loans, (iii) each Augmenting Lender that shall not have been a Lender prior to the Commitment Increase shall pay to the Administrative Agent or, if designated by the Administrative Agent for such purpose, the European Agent in same day funds an amount equal to the product of (1) such Augmenting Lender's US Tranche Percentage or European Tranche Percentage (calculated after giving effect to the Commitment Increase) multiplied by (2) the amount of the Subsequent Borrowings, and (iv) after the Administrative Agent or European Agent receives the funds specified in clauses (ii) and (iii) above, the Administrative Agent or European Agent shall pay to each Non-Increasing Lender the portion of such funds that is equal to the excess of (A) the product of (1) such Non-Increasing Lender's US Tranche Percentage or European Tranche Percentage (calculated without giving effect to the Commitment Increase) multiplied by (2) the amount of the Initial Loans, over (B) the product of (1) such Non-Increasing Lender's US Tranche Percentage or European Tranche Percentage (calculated after giving effect to the Commitment Increase) multiplied by (2) the amount of the Subsequent Borrowings, (v) after the effectiveness of the Commitment Increase, the applicable Borrowers shall be deemed to have made new Borrowings (the "Subsequent Borrowings") in an aggregate principal amount equal to the aggregate principal amount of the Initial Loans and of the types and for the Interest Periods specified in a Borrowing Request delivered to the Administrative Agent in accordance with Section 2.03, (vi) each Non-Increasing Lender, each Increasing Lender and each Augmenting Lender shall be deemed to hold its US Tranche Percentage or European Tranche Percentage, as the case may be, of each Subsequent Borrowing (each calculated after giving effect to the Commitment Increase) and (vii) the applicable Borrowers shall pay each Increasing Lender and each Non-Increasing Lender any and all accrued but unpaid interest on the Initial Loans. The deemed payments made pursuant to clause (i) above in respect of each Eurocurrency Loan shall be subject to indemnification by the Borrowers pursuant to the provisions of Section 2.16 if the Increase Effective Date occurs other than on the last day of the Interest Period relating thereto and breakage costs result. In the case of an increase in the European Tranche Commitments at a time when Loans denominated in both Euro and US Dollars shall be outstanding, the amounts payable by the Increasing Lenders and any Requesting Lenders pursuant to this paragraph

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shall be paid in Euro and US Dollars in proportion to the principal amounts of the Euro and US Dollar denominated European Tranche Revolving Loans outstanding on the Increase Effective Date.

(c) Increases and new Commitments pursuant to this Section shall become effective on the date specified in the notice delivered by the Company pursuant to the first sentence of paragraph (a) above.

(d) Notwithstanding the foregoing, no increase in the Commitments of any Class (or in any Commitment of any Lender) or addition of an Augmenting Lender shall become effective under this Section unless, (i) on the date of such increase, the conditions set forth in paragraphs (a) and (b) of Section 4.02 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by the chief financial officer of the Company, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders) documents consistent with those delivered on the Effective Date under clauses (b) and (c) of Section 4.01 as to the corporate power and authority of the applicable Borrowers to borrow hereunder after giving effect to such increase.

Section 2.11. Prepayment of Loans. (a) Any Borrower shall have the right at any time and from time to time to prepay any Borrowing of such Borrower in whole or in part, subject to prior notice in accordance with paragraph (d) of this Section.

(b) If the aggregate Exposures of any Class shall exceed the aggregate Commitments of such Class, then (i) on the last day of any Interest Period for any Eurocurrency Revolving Borrowing and (ii) on any other date in the event ABR Revolving Borrowings of such Class shall be outstanding, the applicable Borrowers shall prepay Revolving Loans of such Class in an amount equal to the lesser of (A) the amount necessary to eliminate such excess (after giving effect to any other prepayment of Loans on such day) and (B) the amount of the applicable Borrowings referred to in clause (i) or (ii), as applicable. If, on any Reset Date, the aggregate amount of the Exposures of any Class shall exceed 105% of the aggregate Commitments of such Class, then the applicable Borrowers shall, not later than the next Business Day, prepay one or more Borrowings of such Class in an aggregate principal amount sufficient to eliminate such excess.

(c) Prior to any prepayment of Borrowings hereunder, the applicable Borrower shall select the Borrowing or Borrowings to be prepaid and shall specify such selection in the notice of such prepayment pursuant to paragraph (d) of this Section.

(d) The applicable Borrower, or the Company on behalf of the applicable Borrower, shall notify the Applicable Agent by telephone (confirmed by telecopy) of any prepayment of a Borrowing hereunder not later than 11:00 a.m., Local Time, three Business Days before the date of such prepayment (to the extent practicable, in the case of a prepayment under paragraph (b) above). Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in

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connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09(c), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09(c). Promptly following receipt of any such notice, the Applicable Agent shall advise the applicable Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by (i) accrued interest to the extent required by Section 2.13 and (ii) break funding payments pursuant to Section 2.16.

Section 2.12. Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue (i) with respect to US Tranche Lenders and European Tranche Lenders, at the Applicable Rate with respect to the facility fee (A) on the daily amount of the US Tranche Commitment and the European Tranche Commitment of such Lender (whether used or unused) during the period from and including the date hereof to but excluding the date on which the last of such Commitments terminates and (B) after the Commitment of each Class terminates, on the daily amount of such Lender's Exposure of such Class to but excluding the date on which such Lender ceases to have any such Exposure and (ii) with respect to Term Lenders, at the Applicable Rate with respect to the facility fee on the daily amount of such Lender's Term Loan Exposure to but excluding the date on which such Lender ceases to have any Term Loan Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year, commencing on the first such date to occur after the date hereof, and on the date on which all the Commitments shall have terminated and the Lenders shall have no further Exposures. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).



(b) The Company agrees to pay (i) to the Administrative Agent for the account of each US Tranche Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the Applicable Rate used to determine the interest rate applicable to US Tranche Eurocurrency Revolving Loans on the daily amount of such US Tranche Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date hereof to but excluding the later of the date on which such US Tranche Lender's US Tranche Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date hereof to but excluding the later of the date of termination of the US Tranche Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued under this paragraph through and including the last day of March, June, September and December of each year shall be payable on

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such last day, commencing on the first such date to occur after the date hereof; provided that all such fees shall be payable on the date on which the US Tranche Commitments terminate and any such fees accruing after the date on which the US Tranche Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees payable under this paragraph shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Company agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for prompt distribution, in the case of facility fees and participation fees with respect to Letters of Credit, to the Lenders. Fees paid hereunder shall not be refundable.

Section 2.13. Interest. (a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% per annum plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Revolving Loans as provided in paragraph (a) above.

(d) Accrued interest on each Loan shall be payable by the applicable Borrower in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (c) above shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Revolving Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurocurrency Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when

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the Alternate Base Rate is based on the Prime Rate shall be computed on the

basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Applicable Agent, and such determination shall be conclusive absent manifest error.

Section 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing denominated in any currency:

(a) the Applicable Agent determines (which determination shall be conclusive absent manifest error) that adequate means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(b) the Applicable Agent is advised by a majority in interest of the Lenders that would participate in such Borrowing that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period; then the Applicable Agent shall give notice thereof to the applicable Borrower and the applicable Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Applicable Agent notifies the applicable Borrower and the applicable Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing denominated in such currency to, or continuation of any Revolving Borrowing denominated in such currency as, a Eurocurrency Borrowing shall be ineffective, and any Eurocurrency Borrowing denominated in such currency that is requested to be continued shall be repaid on the last day of the then current Interest Period applicable thereto, and (ii) any Borrowing Request for a Eurocurrency Revolving Borrowing denominated in such currency shall be ineffective.

Section 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurocurrency Loans made by such Lender or any Letter of Credit or participations therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Company will pay or cause the European Borrower to pay to such Lender or the Issuing Bank, as the case may be, such additional

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amount or amounts as will compensate such Lender or the Issuing Bank for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank reasonably determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital or on the capital of such Lender's or Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Company will pay or cause the European Borrower to pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company, as the case may be, as specified in paragraph (a) or (b) of this Section, and setting forth in reasonable detail the calculations used by such Lender or the Issuing Bank to determine such amount, shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay or cause the European Borrower to pay to such Lender or the Issuing Bank, as the case may be, the amount shown as

due on any such certificate within 15 Business Days after receipt thereof. Any additional interest owed pursuant to paragraph (b) above shall be determined by the relevant Lender, which determination shall be conclusive absent manifest error, and notified to the relevant Borrower (with copies to the Administrative Agent and the London Agent) at least five Business Days before each date on which interest is payable for the relevant Loan, and such additional interest so notified to the relevant Borrower by such Lender shall be payable to the London Agent for the account of such Lender on each date on which interest is payable for such Loan.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Company shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the applicable Borrower of the Change in Law giving rise to such increased costs or reductions; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.16. Break Funding Payments. In the event of (a) the payment (or deemed payment pursuant to Section 2.10) of any principal of any Eurocurrency Loan

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other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurocurrency Loan to a Loan of a different Type or Interest Period other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(d) and is revoked in accordance therewith), or (d) the assignment or deemed assignment of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.19 or the CAM Exchange, then, in any such event, the applicable Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurocurrency Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate such Lender would bid were it to bid, at the commencement of such period, for deposits in the applicable currency of a comparable amount and period from other banks in the London interbank market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section, and setting forth in reasonable detail the calculations used by such Lender to determine such amount or amounts, shall be delivered to the applicable Borrower and shall be conclusive absent manifest error. The applicable Borrower shall pay such Lender the amount shown as due on any such certificate within 15 Business Days after receipt thereof.

Section 2.17. Taxes. (a) Any and all payments by or on account of any Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if any Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, the London Agent, the applicable Lender or the Issuing Bank, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Loan Parties shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Each Borrower shall indemnify the Administrative Agent, the London Agent, each Lender and the Issuing Bank, within 15 Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Agent or Lender or the Issuing Bank, as the case may be, on or with

respect to any payment by or on account of any obligation of such Borrower hereunder or under any other Loan

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Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability setting forth in reasonable detail the circumstances giving rise thereto and the calculations used by such Lender to determine the amount thereof delivered to the Company by a Lender or the Issuing Bank, or by an Agent, on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Company (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Company as will permit such payments to be made without withholding or at a reduced rate (including, in the case of a European Tranche Lender, the certificate attached hereto as Exhibit C); provided that such Lender has received written notice from the Company advising it of the availability of such exemption or reduction and containing all applicable documentation. Each Lender shall promptly notify the Company at any time it determines that it is no longer in a position to provide any such previously delivered documentation to the Company.

Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Setoffs. (a) Each Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, Local Time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Applicable Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Applicable Agent to the applicable account specified in Schedule 2.18 or, in any such case, to such other account as the Applicable Agent shall from time to time specify in a notice delivered to the Company; provided that payments to be made directly to the Issuing Bank as expressly provided herein and payments pursuant to Sections 2.15, 2.16, 2.17 and 11.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein (it being agreed that the Borrowers will be deemed to have satisfied their obligations with respect to payments

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referred to in this proviso if they shall make such payments to the persons entitled thereto in accordance with instructions provided by the Administrative Agent; the Administrative Agent agrees to provide such instructions upon request, and no Borrower will be deemed to have failed to make such a payment if it shall transfer such payment to an improper account or address as a result of the failure of the Administrative Agent to provide proper instructions). The Applicable Agent shall distribute any such payments received by it for the account of any Lender or other Person promptly following receipt thereof at the appropriate lending office or other address specified by such Lender or other Person. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder of principal or interest in respect of any Loan or LC Disbursement shall, except or otherwise expressly provided herein, be made in the currency of such Loan or LC Disbursement; all other payments hereunder and under each other Loan Document shall be made in US Dollars. Any payment required to be made by an Agent

hereunder shall be deemed to have been made by the time required if such Agent shall, at or before such time, have taken the necessary steps to make such payment in accordance with the regulations or operating procedures of the clearing or settlement system used by such Agent to make such payment.

(b) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of their respective Loans and participations in LC Disbursements and accrued interest thereon; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Company or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(c) Unless the Applicable Agent shall have received notice from the relevant Borrower prior to the date on which any payment is due for the account of all or

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certain of the Lenders or the Issuing Bank hereunder that such Borrower will not make such payment, the Applicable Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the applicable Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the applicable Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Applicable Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Applicable Agent, at a rate determined by the Applicable Agent in accordance with banking industry practices on interbank compensation.

(d) If any Lender shall fail to make any payment required to be made by it to any Agent pursuant to this Agreement, then the Agents may, in their discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by them for the account of such Lender to satisfy such Lender's obligations to the Agents until all such unsatisfied obligations are fully paid.

Section 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable, direct, out-of-pocket costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if any Loan Party is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without

recourse (in accordance with and subject to the restrictions contained in Section 11.04), all its interests, rights and obligations under the Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent (and if a US Tranche Revolving Commitment is being assigned, the Issuing Bank and the Swingline Lender), which consent shall not be unreasonably withheld and (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee or the Company. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a

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result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

### ARTICLE III

#### Representations and Warranties

Each of the Company and the European Borrower represents and warrants as follows:

Section 3.01. Corporate Existence and Standing. The Company and each Subsidiary is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, except for failures which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect or a material adverse effect on the rights or interests of the Lenders hereunder, and has all requisite authority to conduct its business in each jurisdiction in which the failure so to qualify could reasonably be expected to result in a Material Adverse Effect. The European Borrower is a wholly owned direct or indirect subsidiary of the Company.

Section 3.02. Authorization; No Violation. The Transactions are within each Loan Party's corporate or partnership powers, have been duly authorized by all necessary corporate or partnership action and do not contravene (i) any Loan Party's charter, by-laws or other constitutive documents or (ii) any law or contractual restriction binding on or affecting any Loan Party, except for contraventions of contractual restrictions which individually or in the aggregate could not reasonably be expected to result in a Material Adverse Effect or a material adverse effect on the rights or interests of the Lender hereunder.

Section 3.03. Governmental Consents. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or regulatory body is required for the due execution, delivery and performance by the Loan Parties of this Agreement or the other Loan Documents.

Section 3.04. Validity. This Agreement is, and the other Loan Documents when executed and delivered will be, the legal, valid and binding obligations of the Loan Parties party thereto, enforceable against such Loan Parties in accordance with their respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.05. Use of Proceeds. The Borrowers will use the proceeds of the Loans and the Letters of Credit only for the purposes specified in the preamble to this Agreement.

Section 3.06. Litigation. As of the date hereof, there is no pending or, to the best of the knowledge of the Borrowers, threatened action or proceeding affecting the

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Company or any of its Subsidiaries before any court, Governmental Authority or arbitrator, which could reasonably be expected to result in a Material Adverse Effect, or which purports to affect the legality, validity or enforceability of this Agreement or any other Loan Document.

Section 3.07. Financial Statements; No Material Adverse Change. (a) The consolidated balance sheet of the Company and the Subsidiaries and the

related consolidated statements of income, shareholders' equity and cash flows of the Company and the Subsidiaries (i) as at December 31, 2005, and for the year then ended, which financial statements are accompanied by the report of PricewaterhouseCoopers LLC, and (ii) as at April 1, July 1 and September 30, 2006, and for the fiscal quarters and the portions of the fiscal year then ended, certified by the Company's chief financial officer, as heretofore furnished to the Lenders, fairly present in all material respects the consolidated financial condition of the Company and the Subsidiaries as at such dates and their consolidated results of operations, shareholders' equity and cash flows for the periods then ended in conformity with GAAP, subject to year-end adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) As of the date hereof, there has been, since December 31, 2005, no Material Adverse Effect.

Section 3.08. Investment Company Act. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 3.09. Taxes. The Company and each Subsidiary has timely filed or caused to be filed all Tax returns and reports required to have been filed by it and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Company or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 3.10. ERISA. (a) No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

(b) The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87, as amended, or any successor standard) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan by an amount that could reasonably be expected to result in a Material Adverse Effect, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of

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all such underfunded Plans by an amount that could reasonably be expected to result in a Material Adverse Effect.

Section 3.11. Regulation U. Neither the Company nor any of the Subsidiaries is engaged in the business of purchasing or carrying Margin Stock. The value of the Margin Stock owned directly or indirectly by the Company and the Subsidiaries which is subject to any arrangement hereunder described in the definition of "indirectly secured" in Section 221.2 of Regulation U issued by the Board represents less than 25% of the value of all assets of the Company and the Subsidiaries subject to such arrangement. For the purpose of making the calculation pursuant to the preceding sentence, to the extent consistent with Regulation U, Treasury Stock shall be deemed not to be an asset of the Company and its Subsidiaries.

Section 3.12. Environmental Matters. The operations of the Company and each Subsidiary comply in all material respects with all Environmental Laws, the noncompliance with which could reasonably be expected to result in a Material Adverse Effect.

Section 3.13. Disclosure. None of the Confidential Information Memorandum or any other information prepared and furnished by or on behalf of the Loan Parties to any Agent or Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains or will contain as of the date thereof (or, in the case of any such information that is not dated, the earliest date on which such information is furnished to the Administrative Agent or any Lender) any material misstatement of fact or omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Company represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Section 3.14. Subsidiary Guarantors. The Subsidiary Guarantors include each Subsidiary of the Company other than Excluded Subsidiaries and newly-acquired or created Domestic Subsidiaries that are not yet required to have become Subsidiary Guarantors under the definition of "Guarantee Requirement".

#### ARTICLE IV

##### Conditions

Section 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions has been satisfied (or waived in accordance with Section 11.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which

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may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of (i) Bingham McCutchen LLP, counsel for the Company, substantially in the form of Exhibit D-1, (ii) Matheson Ormsby Prentice, Irish counsel for the European Borrower, substantially in the form of Exhibit D-2 and (iii) the general counsel of the Company, substantially in the form of Exhibit D-3. Each Loan Party hereby requests such counsel to deliver such opinions.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the formation, existence and good standing of the Loan Parties and the authorization of the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received (i) a certificate, dated the Effective Date and signed by the chief financial officer of the Company, confirming that the conditions set forth in paragraphs (a) and (b) of Section 4.02 and in paragraphs (f) and (g) of this Section have been satisfied.

(e) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent an invoice with respect thereto shall have been received by the Company, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Company hereunder or under any other Loan Document.

(f) The Guarantee Requirement shall be satisfied.

(g) The Existing Credit Agreements shall have been terminated, all amounts outstanding or accrued thereunder shall have been paid and all letters of credit issued thereunder (other than the Existing Letters of Credit) shall have been terminated or shall have expired.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions shall be satisfied (or waived pursuant to Section 11.02) on or prior to January 31, 2007.

Section 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of each Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Loan Parties set forth in the



Loan Documents shall be true and correct in all material respects on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, other than representations which are given as of a particular date, in which case such representations shall be true and correct as of that date.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, and the application of the proceeds thereof, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Company on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

## ARTICLE V

### Affirmative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed, each of the Company and the European Borrower covenants and agrees with the Lenders that it will:

Section 5.01. Payment of Taxes, Etc. Pay and discharge, and cause each Subsidiary to pay and discharge, before the same shall become delinquent, (i) all material taxes, assessments and governmental charges or levies imposed upon it or upon its income, profit or property, and (ii) all material lawful claims which, if unpaid, might by law become a lien upon its property; provided, however, that neither the Company nor any Subsidiary shall be required to pay or discharge any such tax, assessment, charge or claim which is being contested in good faith and by proper proceedings and with respect to which the Company shall have established appropriate reserves in accordance with GAAP.

Section 5.02. Preservation of Existence, Etc. Preserve and maintain, and cause each Subsidiary to preserve and maintain, its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business, except to the extent that failures to keep in effect such rights, licenses, permits, privileges, franchises and, in the case of Subsidiaries only, legal existence could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution not prohibited under Section 6.04.

Section 5.03. Compliance with Laws, Etc. Comply, and cause each Subsidiary to comply, with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority (including, without limitation, all Environmental

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Laws), noncompliance with which could reasonably be expected to result in a Material Adverse Effect.

Section 5.04. Keeping of Books. Keep, and cause each Subsidiary to keep, proper books of record and account in all material respects, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each Subsidiary in accordance with GAAP consistently applied.

Section 5.05. Inspection. Permit, and cause each Subsidiary to permit, the Administrative Agent, and its representatives and agents, to inspect any of the properties, corporate books and financial records of the Company and its Subsidiaries, to examine and make copies of the books of account and other financial records of the Company and its Subsidiaries, and to discuss the affairs, finances and accounts of the Company and its Subsidiaries with, and to be advised as to the same by, their respective officers or directors, at such reasonable times and upon reasonable advance notice during normal business hours and intervals as the Administrative Agent may reasonably designate.

Section 5.06. Reporting Requirements. Furnish to the Administrative Agent for distribution to each Lender:

(a) As soon as available and in any event within 55 days after the end of each of the first three quarters of each fiscal year of the Company, a consolidated balance sheet of the Company and the consolidated Subsidiaries as of the end of such quarter and consolidated statements of income and changes in financial position (or consolidated statement of cash flow, as the case may be) of the Company and the consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Company;

(b) As soon as available and in any event within 100 days after the end of each fiscal year of the Company, an audited consolidated balance sheet of the Company and the consolidated Subsidiaries as of the end of such year and audited consolidated statements of income and stockholder's equity and changes in financial position of the Company and the consolidated Subsidiaries for such fiscal year and accompanied by a report of PricewaterhouseCoopers LLC, independent public accountants of the Company, or other independent public accountants of nationally recognized standing, on the results of their examination of such consolidated annual financial statements of the Company and the consolidated Subsidiaries, which report shall be reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, or shall be otherwise reasonably acceptable to the Required Lenders;

(c) Promptly after the sending or filing thereof, copies of all financial information, reports and proxy materials the Company files with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, including, without limitation, all such reports that disclose material

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litigation pending against the Company or any Subsidiary or any material noncompliance with any Environmental Law on the part of the Company or any Subsidiary;

(d) Together with each delivery of financial statements pursuant to clause (a) or (b) above, a certificate signed by the chief financial officer of the Company (A) stating that no Default exists or, if any does exist, stating the nature and status thereof and describing the action the Company proposes to take with respect thereto, (B) demonstrating, in reasonable detail, the calculations used by such officer to determine compliance with the financial covenants contained in Sections 6.07 and 6.08 and (C) identifying the Subsidiaries, if any, that are "Excluded Subsidiaries" under clause (c) of the definition of such term;

(e) With respect to each fiscal year for which the Company shall have an aggregate Unfunded Liability of \$20,000,000 or more for all of its single employer Plans covered by Title IV of ERISA and all Multiemployer Plans covered by Title IV of ERISA to which the Company has an obligation to contribute, as soon as available, and in any event within ten months after the end of such fiscal year, a statement of Unfunded Liabilities of each such Plan or Multiemployer Plan, certified as correct by an actuary enrolled in accordance with regulations under ERISA and a statement of estimated Withdrawal Liability as of the most recent plan year end as customarily prepared by the trustees under the Multiemployer Plans to which the Company has an obligation to contribute;

(f) As soon as possible, and in any event within 30 days after the occurrence of each event the Company knows is or may be a reportable event (as defined in Section 4043 of ERISA, but excluding any reportable event with respect to which the 30 day reporting requirement has been waived) with respect to any Plan or Multiemployer Plan with an Unfunded Liability in excess of \$20,000,000, a statement signed by the chief financial officer of the Company describing such reportable event and the action which the Company proposes to take with respect thereto;

(g) As soon as possible, and in any event within five Business Days after a Responsible Officer of the Company shall become aware of the occurrence of each Default, which Default is continuing on the date of such statement, a statement of the chief financial officer of the Company setting forth details of such Default or event and the action which the Company proposes to take with respect thereto;

(h) From time to time, such other information as to the business and financial condition of the Company and the Subsidiaries and their compliance with the Loan Documents as any Agent, or any Lender through the

Administrative Agent, may reasonably request; and

(i) Promptly following a request therefor, all documentation and other information that a Lender reasonably requests in order to comply with its ongoing

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obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act.

Information required to be delivered to the Administrative Agent for distribution to the Lenders pursuant to this Section shall be deemed to have been so delivered or distributed, as the case may be, (i) on the date on which such information, or one or more annual or quarterly reports containing such information, shall have been delivered to the Administrative Agent and posted by the Administrative Agent on an IntraLinks or similar website to which the Lenders have been granted access or (ii) in the case of information referred to in paragraphs (a), (b) and (c) of this Section, on the date on which the Borrower provides notice to the Administrative Agent that such information is available (A) on the website of the Securities and Exchange Commission at <http://www.sec.gov> or (B) on the Borrower's website at <http://www.waters.com>. Information required to be delivered pursuant to this Section may also be delivered by electronic communications pursuant to procedures approved by the Administrative Agent.

Section 5.07. Use of Proceeds and Letters of Credit. Use the proceeds of Borrowings hereunder and the Letters of Credit for the purposes referred to in the recitals to this Agreement, and not for any purpose that would entail a violation of any applicable law or regulation (including, without limitation, Regulations U and X of the Board).

Section 5.08. Guarantee Requirement. Cause the Guarantee Requirement to be satisfied at all times.

#### ARTICLE VI

##### Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed, each of the Company and the European Borrower covenants and agrees with the Lenders that it will not:

Section 6.01. Subsidiary Debt. Permit any Subsidiary that is not a Subsidiary Guarantor to create, incur, assume or permit to exist any Debt, except:

(a) Debt created hereunder;

(b) Debt existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Debt that do not increase the outstanding principal amount thereof;

(c) Debt to the Company or any other Subsidiary; and

(d) other Debt; provided that the sum of (without duplication) (i) the

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principal amount of all Debt permitted by this clause (d), (ii) the principal amount of all Debt secured by Liens permitted by Section 6.02 and (iii) all Attributable Debt in respect of Sale and Leaseback Transactions (other than Sale and Leaseback Transactions entered into at the time the property subject thereto is acquired or within 90 days thereafter) permitted by Section 6.03 does not at any time exceed the greater of \$150,000,000 or 15% of Consolidated Net Tangible Assets.

Section 6.02. Liens Securing Debt. Create, incur, assume or permit to exist, or permit any Subsidiary to create, incur, assume or permit to exist, any Lien on any property or asset now owned or hereafter acquired by it securing Debt unless, after giving effect thereto, the sum of (without duplication) (i) all Debt secured by all such Liens, (ii) the principal amount of all Debt of Subsidiaries that are not Subsidiary Guarantors permitted by Section 6.01(d) and

(iii) all Attributable Debt in respect of Sale and Leaseback Transactions (other than Sale and Leaseback Transactions entered into at the time the property subject thereto is acquired or within 90 days thereafter) permitted by Section 6.03 does not at any time exceed the greater of \$150,000,000 or 15% of Consolidated Net Tangible Assets. For the purpose of this Section 6.02, Treasury Stock to the extent constituting Margin Stock shall be deemed not to be an asset of the Company and its Subsidiaries.

Section 6.03. Sale and Leaseback Transactions. Enter into or be party to, or permit any Subsidiary to enter into or be party to, any Sale and Leaseback Transaction (other than any Sale and Leaseback Transaction entered into at the time the property subject thereto is acquired or within 90 days thereafter) unless after giving effect thereto the sum of (without duplication) (i) all Attributable Debt permitted by this Section, (ii) the principal amount of all Debt of Subsidiaries that are not Subsidiary Guarantors permitted by Section 6.01(d) and (iii) the principal amount of all Debt secured by Liens permitted by Section 6.02(i) does not exceed the greater of \$150,000,000 or 15% of Consolidated Net Tangible Assets.

Section 6.04. Merger, Consolidation, Etc. (a) In the case of the Company, merge or consolidate with or into, or transfer or permit the transfer of all or substantially all its consolidated assets to, any Person (including by means of one or more mergers or consolidations of or transfers of assets by Subsidiaries), except that the Company may merge or consolidate with any US Corporation if (i) the Company shall be the surviving corporation in such merger or consolidation, (ii) immediately after giving effect thereto no Default shall have occurred and be continuing and (iii) the Company shall be in compliance with the covenants set forth in Sections 6.07 and 6.08 as of and for the most recently ended period of four fiscal quarters for which financial statements shall have been delivered pursuant to Section 5.06, giving pro forma effect to such merger or consolidation and any related incurrence of Debt as if they had occurred at the beginning of such period, and the Administrative Agent shall have received a certificate of the chief financial officer of the Company setting forth computations demonstrating such compliance.

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(b) In the case of any Material Subsidiary, merge or consolidate with or into, or transfer all or substantially all its assets to, any Person, except that (i) any Material Subsidiary may merge into or transfer all or substantially all its assets to the Company, (ii) any Material Subsidiary may merge or consolidate with or transfer all or substantially all its assets to any Subsidiary; provided that if either constituent corporation in such merger or consolidation, or the transferor of such assets, shall be a Subsidiary Guarantor, then the surviving or resulting corporation or the transferee of such assets, as the case may be, must be or at the time of such transaction become a Subsidiary Guarantor and (iii) so long as, at the time of and immediately after giving effect to such transaction, no Default shall have occurred and be continuing, any Material Subsidiary may merge or consolidate with or transfer all or substantially all its assets to any Person other than the Company or a Subsidiary so long as such transaction would not be prohibited by paragraph (a)(iii) above. Notwithstanding the foregoing, nothing in this paragraph shall (a) so long as, at the time of and immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing, prohibit the Company or any Subsidiary from (i) transferring any assets of such Person to acquire Foreign Subsidiaries, (ii) making capital or working capital contributions to Foreign Subsidiaries in the ordinary course of business, or (iii) selling or otherwise disposing of assets to a Foreign Subsidiary on arm's-length terms (as determined in good faith by the Company or the applicable Subsidiary) or (b) require any Foreign Subsidiary to become a Subsidiary Guarantor hereunder.

(c) In the case of the Company, permit any Domestic Subsidiary to become a subsidiary of a Foreign Subsidiary; provided that nothing in this paragraph shall prevent the Company from acquiring, directly or indirectly, any Person that at the time of and immediately after giving effect to such acquisition would constitute a Foreign Subsidiary and would own any Domestic Subsidiary not acquired by it in contemplation of such acquisition.

For purposes of this Section 6.04, Treasury Stock to the extent constituting Margin Stock shall be deemed not to be an asset of the Company.

Section 6.05. Change in Business. Fail to be engaged in the business conducted by the Company and the Subsidiaries on the date hereof to an extent such that the character of the business conducted by the Company and the Subsidiaries on the date hereof, taken as a whole, shall be materially changed.

Section 6.06. Certain Restrictive Agreements. Enter into, or permit

any Subsidiary to enter into, any contract or other agreement that would limit the ability of any Subsidiary to pay dividends or make loans or advances to, or to repay loans or advances from, the Company or any other Subsidiary, other than (i) customary non-assignment provisions in any lease or sale agreement relating to the assets that are the subject of such lease or sale agreement, (ii) any restriction binding on a Person acquired by the Company at the time of such acquisition, which restriction is applicable solely to the Person so acquired and its subsidiaries and was not entered into in contemplation of such acquisition and (iii) in connection with any secured Debt permitted under Section 6.02, customary restrictions on the transfer of the collateral securing such Debt.

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Section 6.07. Leverage Ratio. Permit the Leverage Ratio as of the end of any fiscal quarter to exceed 3.25:1.00.

Section 6.08. Interest Coverage Ratio. Permit the Interest Coverage Ratio as of the end of any fiscal quarter for any period of four consecutive fiscal quarters to be less than 3.50:1.00.

#### ARTICLE VII

##### Events of Default

If any of the following events ("Events of Default") shall occur and be continuing:

(a) Any Borrower shall fail to pay (i) any amount of principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when due hereunder or (ii) any interest, fee or other amount due hereunder and such default shall continue for five days; or

(b) Any representation or warranty made or deemed made by the Company or any other Loan Party (or any of their respective officers) in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect when made or deemed made; provided, however, that no Event of Default shall be deemed to exist by reason of the incorrectness of any representation or warranty after such incorrectness shall have been cured (other than by disclosure, which shall not be deemed to cure any breach of a representation or warranty); or

(c) The Company or the European Borrower shall fail to maintain its corporate, limited liability company or partnership existence as required by Section 5.02, or the Company shall fail for five Business Days to comply with Section 5.06(g), or the Company or any Subsidiary shall fail to perform or observe any term, covenant or agreement contained in Section 5.07 or Article VI of this Agreement on its part to be performed or observed; or

(d) The Company or any Subsidiary shall (i) fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document on its part to be performed or observed (other than those failures or breaches referred to in paragraphs (a), (b) and (c) above) and any such failure shall remain unremedied for 30 days after written notice thereof has been given to the Company by the Administrative Agent or the Required Lenders; or

(e) The Company or any Subsidiary shall fail to pay any amount of principal of, interest on or premium with respect to, Material Debt (other than the Loans) when due (whether at scheduled maturity or by required prepayment, acceleration, demand or otherwise) and such failure shall continue beyond the applicable grace period, if any, specified in the agreement or instrument governing such Debt, or any other event shall occur or condition shall exist with respect to Material Debt (other than the Loans) of

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the Company or such Subsidiary if the effect of such other event or condition is to cause, or to permit the holder or holders of such debt (or any trustee or agent on their behalf) to cause, such Material Debt to become due, or to require such Material Debt to be prepaid or repurchased, prior to the stated maturity thereof; or

(f) The Company or any Subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally; or

(g) The Company or any Subsidiary shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or such Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property; or the Company or any such Subsidiary shall take corporate action to authorize any of the actions set forth above in this paragraph (f); provided that, in the case of any such proceeding filed or commenced against the Company or any Subsidiary, such event shall not constitute an "Event of Default" hereunder unless either (i) the same shall have remained undismissed or unstayed for a period of 60 days, (ii) an order for relief shall have been entered against the Company or such Subsidiary under the federal bankruptcy laws as now or hereafter in effect or (iii) the Company or such Subsidiary shall have taken corporate action consenting to, approving or acquiescing in the commencement or maintenance of such proceeding; or

(h) Any judgment or judgments for the payment of money in excess of \$20,000,000 in the aggregate for all such judgments shall be rendered against the Company or one or more Subsidiaries and (i) enforcement proceedings shall have been commenced by any creditor upon such judgments or (ii) there shall be any period of 10 consecutive days during which stays of enforcement of such judgments, by reason of pending appeals or otherwise, shall not be in effect;

(i) Either (i) the PBGC shall terminate any single-employer Plan (as defined in Section 4001(b)(2) of ERISA) that provides benefits for employees of the Company or any Subsidiary and such plan shall have an Unfunded Liability in an amount in excess of \$20,000,000 at such time or (ii) Withdrawal Liability shall be assessed against the Company or any Subsidiary in connection with any Multiemployer Plan (whether under Section 4203 or Section 4205 of ERISA) and such Withdrawal Liability shall be an amount in excess of \$20,000,000 or

(j) the guarantee of any Subsidiary Guarantor under the Subsidiary Guarantee Agreement or the Company's guarantee under Article X shall not be (or shall be asserted by the Company or any Subsidiary Guarantor not to be) valid or in full force and effect; or

(k) a Change of Control shall have occurred.

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then, and in any such event, the Administrative Agent shall at the request, or may with the consent, of the Required Lenders, by notice to the Company, (i) declare the obligation of each Lender to make Loans and of the Issuing Bank to issue Letters of Credit hereunder to be terminated, whereupon the same shall forthwith terminate and/or (ii) declare the Loans, all interest accrued and unpaid thereon and all other amounts outstanding or accrued under this Agreement to be forthwith due and payable, whereupon the Loans, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrowers. In the event of the occurrence of an Event of Default under clause (g) of this Article VII, (A) the obligation of each Lender to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall automatically be terminated and (B) the Loans, all interest accrued and unpaid thereon and all other amounts outstanding or accrued under this Agreement shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by each Borrower.

#### ARTICLE VIII

##### The Agents

In order to expedite the transactions contemplated by this Agreement, the Persons named in the heading of this Agreement are hereby appointed to act as Administrative Agent and London Agent on behalf of the Lenders and the Issuing Bank. Each of the Lenders, each assignee of any Lender and the Issuing Bank hereby irrevocably authorizes the Agents to take such actions on their behalf and to exercise such powers as are delegated to the Agents by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto. The Agents are hereby expressly authorized by the Lenders and the Issuing Bank, without hereby limiting any implied authority, (a) to receive on behalf of the Lenders and the Issuing Bank all payments of principal of and interest on the Loans and all other amounts due to the Lenders or the Issuing Bank hereunder, and promptly to distribute to each Lender or the Issuing

Bank its proper share of each payment so received; (b) to give notice on behalf of each of the Lenders to the Company of any Event of Default of which the Administrative Agent has actual knowledge acquired in connection with its agency hereunder; and (c) to distribute to each Lender copies of all notices, financial statements and other materials delivered by the Company or any other Loan Party pursuant to this Agreement or the other Loan Documents as received by the Administrative Agent.

With respect to the Loans made by it hereunder, each Agent in its individual capacity and not as Agent shall have the same rights and powers as any other Lender and may exercise the same as though it were not an Agent, and the Agents and their Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if it were not an Agent.

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The Agents shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise upon receipt of notice in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.02), and (c) except as expressly set forth in the Loan Documents, no Agent shall have any duty to disclose, and no Agent shall be liable for the failure to disclose, any information relating to the Company or any of its Subsidiaries that is communicated to or obtained by the institution serving as Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.02) or in the absence of its own gross negligence or wilful misconduct. No Agent shall be deemed to have knowledge of any Default unless and until written notice thereof is given to such Agent by a Borrower, and no Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for any Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Each Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

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Subject to the appointment and acceptance of a successor Agent as provided in this paragraph, any Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Company. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after

the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After the Agent's resignation hereunder, the provisions of this Article and Section 11.03 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Each Lender hereby acknowledges that each institution named on the cover page of this Agreement as Co-Syndication Agent has no duties or responsibilities hereunder other than, in the case of a Co-Syndication Agent that is a Lender, in its capacity as a Lender.

#### ARTICLE IX

##### Collection Allocation Mechanism

Section 9.01. CAM Exchange. (a) On the CAM Exchange Date, (i) the Commitments shall automatically and without further act be terminated as provided in Article VII and (ii) the Lenders shall automatically and without further act be deemed to have exchanged interests in the Specified Obligations such that, in lieu of the interests of each Lender in the particular Specified Obligations that it shall own as of such date and prior to the CAM Exchange, such Lender shall own an interest equal to such Lender's CAM Percentage in all the Specified Obligations. Each Lender, each person acquiring a participation from any Lender as contemplated by Section 11.02, the Company and the European Borrower hereby consents and agrees to the CAM Exchange. Each of the Company, the European Borrower and the Lenders agrees from time to time to execute

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and deliver to the Agents all such promissory notes and other instruments and documents as the Administrative Agent shall reasonably request to evidence and confirm the respective interests and obligations of the Lenders after giving effect to the CAM Exchange, and each Lender agrees to surrender any promissory notes originally received by it hereunder to the Administrative Agent against delivery of any promissory notes so executed and delivered; provided that the failure of the Company or the European Borrower to execute or deliver or of any Lender to accept any such promissory note, instrument or document shall not affect the validity or effectiveness of the CAM Exchange.

(b) As a result of the CAM Exchange, on and after the CAM Exchange Date, (i) each payment received by an Agent pursuant to any Loan Document in respect of the Specified Obligations shall be distributed to the Lenders pro rata in accordance with their respective CAM Percentages (to be redetermined as of each such date of payment or distribution to the extent required by paragraph (c) below) and (ii) Section 2.17(e) shall not apply with respect to any Taxes required to be withheld or deducted by a Borrower from or in respect of payments hereunder to any Lender or Administrative Agent that exceed the Taxes such Borrower would have been required to withhold or deduct from or in respect of payments to such Lender or Agent had such CAM Exchange not occurred.

(c) In the event that, on or after the CAM Exchange Date, the aggregate amount of the Specified Obligations shall change as a result of the making of an LC Disbursement by the Issuing Bank that is not reimbursed by a Borrower, then (i) each US Tranche Lender (determined without giving effect to the CAM Exchange) shall, in accordance with Section 2.05(d), promptly purchase from the applicable Issuing Bank a participation in such LC Disbursement in the amount of such US Tranche Lender's applicable US Tranche Percentage of such LC Disbursement (without giving effect to the CAM Exchange), (ii) the Administrative Agent shall redetermine the CAM Percentages after giving effect to such LC Disbursement and the purchase of participations therein by the applicable US Tranche Lenders, and (iii) in the event distributions shall have been made in accordance with clause (i) of paragraph (b) above, the Lenders



shall make such payments to one another as shall be necessary in order that the amounts received by them shall be equal to the amounts they would have received had each LC Disbursement been outstanding immediately prior to the CAM Exchange. Each such redetermination shall be binding on each of the Borrowers and Lenders and their successors and assigns and shall be conclusive absent manifest error.

#### ARTICLE X

##### Guarantee

In order to induce the Lenders to extend credit to the European Borrower hereunder, the Company hereby irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, the payment when and as due of the Obligations of the European Borrower. The Company further agrees that the due and punctual payment of

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such Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee hereunder notwithstanding any such extension or renewal of any such Obligation.

The Company waives presentment to, demand of payment from and protest to the European Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Company under this Article X shall not be affected by (a) the failure of any Agent or Lender to assert any claim or demand or to enforce any right or remedy against any Loan Party under the provisions of this Agreement, any other Loan Document or otherwise; (b) any extension or renewal of any of the Obligations; (c) any rescission, waiver, amendment or modification of, or release from, any of the terms or provisions of this Agreement, or any other Loan Document or agreement; (d) any default, failure or delay, wilful or otherwise, in the performance of any of the Obligations; or (e) any other act, circumstance, omission or delay to do any other act which may or might in any manner or to any extent vary the risk of the Company or otherwise operate as a discharge of or defense available to a guarantor as a matter of law or equity or which would impair or eliminate any right of the Company to subrogation.

The Company further agrees that its agreement under this Article X constitutes a guarantee of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and waives any right to require that any resort be had by any Agent or Lender to any balance of any deposit account or credit on the books of any Agent or Lender in favor of any Borrower or any other Person.

The obligations of the Company under this Article X shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of any of the Obligations, any impossibility in the performance of any of the Obligations or otherwise.

The Company further agrees that its obligations under this Article X shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Agent or Lender upon the bankruptcy or reorganization of any Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Agent or Lender may have at law or in equity against the Company by virtue hereof, upon the failure of the European Borrower to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Company hereby promises to and will, upon receipt of written demand by any Agent or Lender, forthwith pay, or cause to be paid, to the applicable Agent or Lender in cash an amount equal to the unpaid principal amount of such Obligation then due, together with accrued and unpaid interest thereon. The Company further agrees that if payment in respect of any Obligation shall be due in a currency other than US Dollars

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and/or at a place of payment other than New York and if, by reason of any Change in Law, disruption of currency or foreign exchange markets, war or civil disturbance or other event, payment of such Obligation in such currency or at

such place of payment shall be impossible or, in the reasonable judgment of any Agent or Lender, not consistent with the protection of its rights or interests, then, at the election of the Administrative Agent, the Company shall make payment of such Obligation in US Dollars (based upon the applicable Exchange Rate in effect on the date of payment) and/or in New York, and shall indemnify each Agent and Lender against any losses or reasonable out-of-pocket expenses that it shall sustain as a result of such alternative payment.

Upon payment by the Company of any sums as provided above, all rights of the Company against the European Borrower arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations owed by the European Borrower to the Agents and the Lenders.

Nothing shall discharge or satisfy the liability of the Company hereunder except the full performance and indefeasible payment in full in cash of the Obligations.

#### ARTICLE XI

##### Miscellaneous

Section 11.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any Borrower, to 34 Maples Street, Milford, Massachusetts, 01757, Attention of John Lynch (Telecopy No. (508) 482-2249);

(b) if to the Administrative Agent, to JPMorgan Chase Bank, N.A., 131 South Dearborn, 6th floor, Mailcode: IL1-0010, Chicago, IL 60670-0010, Attention of Claudia Kech (Telecopy No. (312) 385-7096, Telephone No. (312) 385-7041);

(c) if to the London Agent, to it at J.P. Morgan Europe Limited, 125 London Wall, Floor 9, London EC2Y5AJ, Attention of Mark Satchel (Telecopy No. 44-207-7772360, Telephone No. 44-207-7771166); with a copy to the Administrative Agent as provided in paragraph (b) above;

(d) if to the Issuing Bank, to it at the JPMorgan Chase Bank, N.A., 420 West Van Buren, Floor 2, Chicago, IL 60606, Attention of Fiore Petrassi (Telecopy No. (312) 954-5303, Telephone No. (312) 954-1933); and

(e) if to any Lender, to it at its address (or telecopy number) set forth in its

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##### Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 11.02. Waivers; Amendments. (a) No failure or delay by any Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Agents, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) None of this Agreement, or any other Loan Document or any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the

Required Lenders or by the Company and the Administrative Agent with the consent of the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, in each case with the consent of the Required Lenders; provided that no such agreement shall (i) increase any Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan, LC Disbursement or reimbursement obligation of any Borrower with respect to any Letter of Credit ("Reimbursement Obligation") or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender adversely affected thereby, (iii) postpone the date of any scheduled payment of the principal amount of any Loan, LC Disbursement or Reimbursement Obligation, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender, or alter the manner in which payments or prepayments of principal, interest or other amounts hereunder shall be applied as among Lenders or Types of Loans without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders (or

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Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be), (vi) release the Company or all or substantially all the Subsidiary Guarantors from, or limit or condition, its or their obligations under Article X or the Subsidiary Guarantee Agreement, or change the definition of Guarantee Requirement without the written consent of each Lender, (vii) change any provisions of Article IX or any provision of this Agreement that requires action by each Lender without the written consent of each Lender, or (viii) change any provisions of any Loan Document in a manner that by its terms adversely affects the rights in respect of payments due to Lenders holding Loans of any Class differently than those of Lenders holding Loans of any other Class without the written consent of Lenders holding a majority in interest of the outstanding Loans and unused Commitments of each adversely affected Class; provided further that (A) no such agreement shall amend, modify or otherwise affect the rights or duties of any Agent or the Issuing Bank hereunder or under any other Loan Document without the prior written consent of such Agent or the Issuing Bank, as the case may be, and (B) any waiver, amendment or modification of this Agreement that by its terms affects the rights or duties under this Agreement of the Lenders of one Class (but not the Lenders of any other Class) may be effected by an agreement or agreements in writing entered into by the Company and requisite percentage in interest of the affected Class of Lenders.

Section 11.03. Expenses; Indemnity; Damage Waiver. (a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Agents and their Affiliates, including the reasonable fees, charges and disbursements of counsel for the Agents, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses (including reasonable fees, charges and disbursements of any counsel) incurred by any Agent, and, following and during the continuance of an Event of Default, the Issuing Bank and/or any Lender, in connection with the enforcement or protection of its rights in connection with any Loan Document, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

The Company shall indemnify each Agent, the Issuing Bank and each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, liabilities and reasonable out-of-pocket costs or expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnatee, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) any transaction or proposed transaction (whether or not consummated) in which any proceeds of any borrowing hereunder are applied or proposed to be applied, directly or indirectly,

by the Company or any Subsidiary, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), or (iii) the execution, delivery or performance by the Company and the Subsidiaries of the Loan Documents, or any actions or omissions of the Company or any Subsidiary in connection therewith (and, in the case of any such loss, liability, cost or expense arising out of any litigation, investigation or other proceeding, regardless of whether such proceeding shall have been commenced by the Company, any Subsidiary of the Company or any other Person or whether any Indemnitee shall be a party thereto); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, liabilities, costs or expenses are determined by a court of competent jurisdiction by final and unappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee or from the breach of such Indemnitee of its agreements hereunder.

(b) To the extent that the Company fails to pay any amount required to be paid by it to any Agent or the Issuing Bank or any of their Related Parties under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to such Agent or the Issuing Bank, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed loss, liability, cost or expense, as the case may be, was incurred by or asserted against such Agent or the Issuing Bank (or such Related Party) in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its share of the sum (without duplication) of the total Exposures and unused Commitments at the time.

(c) To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(d) All amounts due under this Section shall be payable within 15 Business Days after receipt by the Company of a reasonably detailed invoice therefor.

Section 11.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Agents, the Issuing Bank and the

Lenders (including any Affiliate of the Issuing Bank that issues any Letter of Credit)) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans or other amounts at the time owing to it); provided that (i) except in the case of an assignment to a Lender the Administrative Agent (and in the case of an assignment of all or a portion of a US Tranche Commitment or any Lender's obligations in respect of its LC Exposure, the Issuing Bank) and, except (A) in the case of an assignment to a Lender, an Affiliate of a Lender or a Related Fund of any Lender or (B) if an Event of Default shall have occurred and be continuing, the Company must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) unless an event of default has occurred and is continuing, except in the case of an assignment to a Lender, an Affiliate of a Lender or a Related Fund of any Lender or an assignment of the entire remaining amount of the assigning Lender's Commitments and outstanding Loans, the amount of the

Commitments and outstanding Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Company and the Administrative Agent otherwise consent, (iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (iv) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 11.03). At the time of any assignment, the assignee shall provide to the Company the documentation described in Section 2.17(e). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of each Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for

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all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of any Borrower or the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that (A) such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement and (B) such Participant shall be bound by the provisions of Section 11.12 as if such Participant were a Lender; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clause (i), (ii), (iii) or (vi) of the first proviso to Section 11.02(b) that affects such Participant. Subject to paragraph (f) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 11.08 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled

to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant shall not be entitled to the benefits of Section 2.17 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 2.17(e) as though it were a Lender. A Participant shall receive all information delivered under or in connection with this Agreement directly from the Lender from which it shall have purchased its participation, and the Borrowers shall not have any obligation to furnish any such information directly to any Participant.

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(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or, in the case of a Lender that is an investment fund, to the trustee under the indenture to which such fund is a party, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 11.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties herein or in any other Loan Document or in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto or thereto and shall survive the execution and delivery of this Agreement and any other Loan Document and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17, 11.03 and 11.12 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any other Loan Document or any provision hereof or thereof. Provided, however, that the provisions of Section 11.12 shall expire two years after the later of (i) the repayment of the Loans and the expiration or termination of the Letters of Credit and the Commitments and (ii) the termination of this Agreement.

Section 11.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

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Section 11.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 11.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby

authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final and in whatever currency denominated) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 11.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

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(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 11.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 11.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 11.12. Confidentiality. Each Agent, the Issuing Bank and each Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors, to Related Funds' directors and officers and to any direct or indirect contractual counterparty in swap agreements (it being understood that each Person to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) to the extent required or advisable in the judgment of counsel in connection with any suit, action or proceeding relating to the enforcement of rights of the Agents

or the Lenders against any of the Borrowers under this Agreement or any other Loan Document, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Company or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section of which such Agent or Lender is aware or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than the Company other than as a result of a breach of this Section of which such Agent or Lender is aware. For the purposes of this Section, "Information" means all information received from the Company relating to the Company or its

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business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Company other than as a result of a breach of this Section of which such Agent or Lender is aware. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 11.13. Conversion of Currencies. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of each Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrowers contained in this Section 11.13 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

Section 11.14. Release of Subsidiary Guarantors. Notwithstanding any contrary provision herein or in any other Loan Document, if the Company shall request the release under the Subsidiary Guarantee Agreement of any Subsidiary to be sold or otherwise disposed of (including through the sale or disposition of any Subsidiary owning any such Subsidiary) to a Person other than the Company or a Subsidiary in a transaction permitted under the terms of this Agreement and shall deliver to the Administrative Agent a certificate to the effect that such sale or other disposition will comply with the terms of this Agreement, the Administrative Agent, if satisfied that the applicable certificate is correct, shall, without the consent of any Lender, execute and deliver all such instruments, releases or other agreements, and take all such further actions, as shall be necessary to effectuate the release of such Subsidiary at the time of or at any time after the completion of such sale or other disposition.

Section 11.15. USA Patriot Act. Each Lender hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Borrowers, which information

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includes the name and address of each Borrower and other information that will allow such Lender to identify each Borrower in accordance with the USA Patriot Act.

[signatures follow]



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

WATERS CORPORATION,

by /s/ John A. Ornell

-----  
Name: John A. Ornell  
Title: Vice President Finance and  
Administration and Chief  
Financial Officer

Present when the common seal of WATERS  
TECHNOLOGIES IRELAND LIMITED was  
affixed hereto:

by /s/ John A. Ornell

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Name: John A. Ornell  
Title: Director

by /s/ Lawrence Walsh

-----  
Name: Lawrence Walsh  
Title: Director

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JPMORGAN CHASE BANK, NA., individually and  
as Administrative Agent, Issuing Bank and  
Swingline Lender,

by /s/ D. Scott Farquhar

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Name: D. Scott Farquhar  
Title: Vice President

J.P. MORGAN EUROPE LIMITED, as London Agent,

by /s/ M. Graves

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Name: M. Graves  
Title: Associate

ABN AMRO BANK N.V.,

by /s/ Alexander M. Blodi

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Name: Alexander M. Blodi  
Title: Managing Director

by /s/ Nick Zorin

-----  
Name: Nick Zorin  
Title: Assistant Vice President

LENDER: Allied Irish Banks Plc.

by: /s/ Ray Alcock

-----  
Name: Ray Alcock  
Title: Manager

by: /s/ Michael Doyle

-----  
Name: Michael Doyle  
Title: Senior Manager

LENDER: Bank of America, N.A.

by: /s/ Amie L. Edwards  
-----

Name: Amie L. Edwards  
Title: Vice President

LENDER: The Governor and Company of the  
Bank of Ireland

by: /s/ Fergus Woods  
-----

Name: Fergus Woods  
Title: Manager

by: /s/ Fergus McDonald  
-----

Name: Fergus McDonald  
Title: Director

LENDER: The Bank of New York

by: /s/ Jonathan Rollins  
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Name: Jonathan Rollins  
Title: Vice President

LENDER: Bank of Tokyo-Mitsubishi UFJ  
Trust Company

by: /s/ Lillian Kim  
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Name: Lillian Kim  
Title: Vice President

LENDER: Barclays Bank Plc.

by: /s/ Nicholas A. Bell  
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Name: Nicholas A. Bell  
Title: Director

LENDER: Chang Hwa Commercial Bank, Ltd.,  
New York Branch

by: /s/ Jim C. Y. Chen  
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Name: Jim C. Y. Chen  
Title: VP & General Manager

LENDER: Citizens Bank of Massachusetts

by: /s/ Li-Mei Yang  
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Name: Li-Mei Yang  
Title: Vice President

LENDER: Deutsche Bank AG New York Branch

by: /s/ Frederick W. Laird  
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Name: Frederick W. Laird  
Title: Managing Director

by: /s/ Ming K. Chu  
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Name: Ming K. Chu  
Title: Vice President

LENDER: Fortis Capital Corp.

by: /s/ John W. Deegan  
-----  
Name: John W. Deegan  
Title: Senior Vice President

by: /s/ Steven Silverstein  
-----  
Name: Steven Silverstein  
Title: Vice President

LENDER: HSBC Bank USA, National Association

by: /s/ Kenneth V. McGraime  
-----  
Name: Kenneth V. McGraime  
Title: SVP, Commercial  
Executive

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LENDER: KBC Bank N.V.

by: /s/ Robert Surdam, Jr.  
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Name: Robert Surdam, Jr.  
Title: Vice President

by: /s/ Robert Snauffer  
-----  
Name: Robert Snauffer  
Title: First Vice President

LENDER: Key Bank N.A.

by: /s/ J.T. Taylor  
-----  
Name: J.T. Taylor  
Title: Senior Vice President

LENDER: Mizuho Corporate Bank, USA

by: /s/ Raymond Ventura  
-----  
Name: Raymond Ventura  
Title: Senior Vice President

LENDER: PNC Bank, National Association

by: /s/ Michael Richards  
-----  
Name: Michael Richards  
Title: Senior Vice President

LENDER: SunTrust Bank

by: /s/ John W. Teasley  
-----  
Name: John W. Teasley  
Title: Director

LENDER: UBS Loan Finance LLC

by: /s/ Richard L. Tawow  
-----  
Name: Richard L. Tawow  
Title: Director Banking  
Products Services, US

by: /s/ Irja H. Otsa  
-----  
Name: Irja H. Otsa  
Title: Associate Director  
Banking Products  
Services, US

THIRD AMENDMENT  
TO THE  
WATERS CORPORATION 2003 EQUITY INCENTIVE PLAN

WHEREAS, Waters Corporation (the "Corporation") has established and maintains an equity incentive plan for the benefit of certain employees, consultants and directors of the Corporation entitled the Waters Corporation 2003 Equity Incentive Plan (the "Plan"); and

WHEREAS, the Corporation desires to amend the Plan;

NOW THEREFORE, in accordance with the power of amendment contained in Section 13 of the Plan, the Plan is hereby amended, effective as of December 13, 2006, as follows:

1. Section 2.1 of the Plan ("Accelerate, Accelerated and Acceleration") is hereby amended to read in its entirety as follows:

"2.1. Accelerate, Accelerated, and Acceleration, when used with respect to an Option or Stock Appreciation Right, means that as of the time of reference the Option or Stock Appreciation Right will become exercisable with respect to some or all of the shares of Common Stock for which it was not then otherwise exercisable by its terms, and, when used with respect to Restricted Stock or Restricted Stock Units, means that the Risk of Forfeiture otherwise applicable to the Stock shall expire with respect to some or all of the shares of Restricted Stock or Units then still otherwise subject to the Risk of Forfeiture."

2. Section 2.4 of the Plan ("Award") is hereby amended to read in its entirety as follows:

"2.4. Award means any grant or sale pursuant to the Plan of Options, Restricted Stock, Stock Appreciation Rights, Restricted Stock Units or Stock Grants."

3. Section 2 of the Plan ("Definitions") is hereby amended by renumbering Sections 2.21 through 2.26 as Sections 2.22 and 2.27, respectively, and by adding a new Section 2.21 immediately following Section 2.20 to read in its entirety as follows:

"2.21. Restricted Stock Units means rights to receive shares of Stock at the close of a Restriction Period, subject to a Risk of Forfeiture."

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4. Section 2.22 of the Plan ("Restriction Period"), as renumbered in accordance with paragraph 3 above, is hereby amended to read in its entirety as follows:

"2.22. Restriction Period means the period of time, established by the Committee in connection with an Award of Restricted Stock or Restricted Stock Units, during which the shares of Restricted Stock or Units are subject to a Risk of Forfeiture described in the applicable Award Agreement."

5. Section 2.23 of the Plan ("Risk of Forfeiture"), as renumbered in accordance with paragraph 3 above, is hereby amended to read in its entirety as follows:

"2.23. Risk of Forfeiture means a limitation on the right of the Participant to retain Restricted Stock or Restricted Stock Units, including a right in the Company to reacquire the Shares at less than their then Market Value, arising because of the occurrence or non-occurrence of specified events or conditions."

6. Section 7 of the Plan ("Specific Terms of Awards") is hereby amended by renumbering Sections 7.4 and 7.5 as Sections 7.5 and 7.6, respectively, and by adding a new Section 7.4 immediately following Section 7.3 to read in its entirety as follows:

"7.4. Restricted Stock Units.

"(a) Character. Each Restricted Stock Unit shall entitle the recipient to a share of Stock at a close of such Restriction Period as the Committee may establish and subject to a Risk of Forfeiture arising on the basis of such conditions relating to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

"(b) Form and Timing of Payment. Payment of earned Restricted Stock Units shall be made in a single lump sum following the close of the applicable Restriction Period. At the discretion of the Committee, Participants may be entitled to receive payments equivalent to any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such dividend equivalents shall be paid, if at all, without interest or other earnings."

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7. Section 8.2 of the Plan ("Change in Control") is hereby amended to read in its entirety as follows:

"8.2. Change in Control. In the event of a Change in Control (including a Change of Control which is an Acquisition), any Restricted Stock Award or Restricted Stock Unit still then subject to a Risk of Forfeiture and any outstanding Option or Stock Appreciation Right not then exercisable in full shall fully vest whether or not the repurchase rights for Restricted Stock are acquired by an acquiring entity and whether or not outstanding Options or Stock Appreciation Rights are assumed by an acquiring entity or replaced by comparable options to purchase shares of the capital stock of a successor or acquiring entity or parent thereof or stock appreciation rights."

8. The Plan is hereby amended by adding at the end thereof a new Attachment B ("Subplan for Stock Grants in France") in the form attached hereto as Exhibit 1.

IN WITNESS WHEREOF, the Corporation has caused this amendment to be signed on its behalf by its duly authorized representative this 13th day of December, 2006.

WATERS CORPORATION

By: /s/ Elizabeth B. Rae

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Its: Vice President, Corporate Human Resources

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Exhibit 1

ATTACHMENT B

SUBPLAN FOR RESTRICTED STOCK UNITS IN FRANCE

This subplan will apply to Participants in the 2003 Equity Incentive Plan (the "2003 Plan") who are or may become subject to French taxation (i.e., income tax and/or social security tax) as a result of Restricted Stock Units awarded under the 2003 Plan.

Section 7.6 of the 2003 Plan authorizes the Committee to modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed. This subplan has been established to qualify the Restricted Stock Units for the favorable French tax and social security treatment.

The terms of the 2003 Plan, as modified by this subplan for France, constitute the "2003 French Restricted Stock Units Plan", so as to comply with the provisions of Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code and French employment law. This subplan shall be interpreted and operated with that intention.

This subplan should be read in conjunction with the 2003 Plan and is subject to the terms and conditions of the 2003 Plan except to the extent that the terms and conditions of the 2003 Plan differ from or conflict with the terms set out in this subplan, in which event, the terms set out in this subplan shall prevail.

Under the 2003 French Restricted Stock Units Plan, Participants will be awarded only Restricted Stock Units, as defined below Section 1.1.

An award of Restricted Stock Units shall be subject to the terms of the 2003 French Restricted Stock Units Plan if the Award Agreement evidencing such award refers to the 2003 French Restricted Stock Units Plan.

The terms of this subplan are the terms set out in the rules of the 2003 Plan, modified as follows.

#### 1. DEFINITIONS

Capitalized terms used herein and not defined in this Section 1. shall have the meanings ascribed to such terms in the 2003 Plan.

##### 1.1. RESTRICTED STOCK UNIT

The term "Restricted Stock Unit" shall mean an unsecured and conditional right to receive, free of charge, at the Vesting Date, one share of Stock of the Company for each Restricted Stock Unit

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awarded, provided the Presence Condition described section 9, and any other condition which may be set forth in the applicable Award Agreement, is satisfied on the Vesting Date.

##### 1.2. VESTING DATE

The term "Vesting Date" shall mean the date on which the Presence Condition, and any other condition which may be set forth in the applicable Award Agreement, must be satisfied. This date is also the date on which, provided that the condition(s) is (are) satisfied, the Company Stock underlying the Restricted Stock Unit shall be delivered to the Participant.

##### 1.3. EMPLOYEE

The term "Employee" shall mean a current salaried employee, as defined by French labor law.

##### 1.4. Corporate Officer

The term "Corporate Officer" shall mean a corporate officer ("mandataire social") as defined in Article L. 225-197-1, II of the French Commercial Code.

#### 2. PARTICIPANT

Only an Employee, as defined Section 1.3., and/or a Corporate Officer, as defined Section 1.4., of the Company, or an Affiliate having a capital link as defined in Article L. 225-197-1, II of the French Commercial Code(1), shall be awarded Restricted Stock Units pursuant to this subplan.

Notwithstanding any other provision of the 2003 Plan, Restricted Stock Units awarded under the 2003 Plan to any Employee or Corporate Officer who is holding Stocks representing 10% or more of Waters Corporation's capital at the date of the award or who may hold Stocks representing 10% or more of Waters Corporation's capital due to the award of Restricted Stock Units shall not be deemed to have been awarded pursuant to this subplan.

#### 3. NUMBER OF SHARES OF STOCK GRANTED

Notwithstanding any other provision of the 2003 Plan, the total number of shares of Stock granted under the 2003 French Restricted Stock Units Plan may not exceed 10% of the Company's Stock.

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(1) - At least 10% of the employer's company capital must be held, directly or indirectly, by the issuing company.

- the employer's company must directly or indirectly hold at least 10% of the issuing company's capital.

- at least 50% of the employer's company capital must be held, directly or indirectly, by a company which holds at least 50% of the issuing company's capital. -

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4. MINIMUM PERIOD DURING WHICH THE SHARES OF STOCK CAN NOT BE DELIVERED

Notwithstanding any other provision of the 2003 Plan, the Restricted Stock Units shall not vest and the shares of Stock underlying the Restricted Stock Units shall not be delivered to Participants before the end of a minimum two-year period as from the date of award of the Restricted Stock Units, except in the event of death as described below in Section 7, or as otherwise provided by the French commercial code as exception to this vesting period.

5. RESTRICTION ON THE ACCELERATED VESTING

Notwithstanding any other provision of the 2003 Plan and pursuant to the minimum vesting period described Section 4, the vesting can not be accelerated before the second anniversary of the date of grant of the Restricted Stock Units, except in the event of death as described below in Section 7. or as otherwise provided by the French commercial code as exception to this vesting period.

6. NON TRANSFERABILITY OF THE AWARD

Notwithstanding any other provision of the 2003 Plan, the Restricted Stock Units can not be transferred or otherwise disposed of, except in the event mentioned Section 7.

7. TRANSFER TO HEIRS

Notwithstanding any other provision of the 2003 Plan, in the event of death of a Participant, his/her heirs are entitled to request that the number of shares of Stock corresponding to the unvested Restricted Stock Units at the date of death be delivered, provided such request is made within six months as from the date of death.

8. RELEASE OF WHOLE NUMBER OF SHARES OF STOCK

Notwithstanding any other provision of the 2003 Plan, only whole number of Restricted Stock Units shall vest and only whole number of shares of Stock shall be delivered to Participants.

9. PRESENCE CONDITION

9.1 Provided that Restricted Stock Units have been awarded to Employee, Restricted Stock Units shall vest subject to the continued employment of the Participant at the Vesting Date, except in the event of death as described above Section 7, or as otherwise provided by the French commercial code.

9.2 Provided that Restricted Stock Units have been awarded to a Corporate Officer in his capacity of Corporate Officer, Restricted Stock Units shall vest subject to the continued Corporate Officer status of the Participant at the Vesting Date, except in the event of death as described above Section 7, or as otherwise provided by the French commercial code.

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10. DEFINITIVE DELIVERY

Notwithstanding any other provision of the 2003 Plan, once the shares of Stock are delivered, they are delivered definitively and can not be cancelled or rescinded and the Participant can not be obliged to return the shares of Stock.

11. MINIMUM TWO YEAR HOLDING PERIOD

Notwithstanding any other provisions of the 2003 Plan, once delivered, the shares of Stock underlying the Restricted Stock Units must be compulsorily held by the Participant during a minimum period of two years beginning on the date of their delivery, except if otherwise provided by the French commercial code.

12. CLOSED PERIODS DURING WHICH THE SHARES OF STOCK CAN NOT BE SOLD

Notwithstanding any other provision of the 2003 Plan, once delivered, shares of Stock shall not be sold within the periods as set forth in Article L. 225-197-1,

I of the French Commercial Code(2).

13. NON ADJUSTABILITY OF THE AWARD

Notwithstanding any other provision of the 2003 Plan, the number of Restricted Stock Units awarded as well as the number of shares of Stock delivered can not be modified, except if provided by French law.

14. CHANGES TO THE 2003 PLAN

The Committee or the Board may not change the 2003 Plan in any way that affects this subplan, the Restricted Stock Units awarded or shares of Stock delivered under this subplan, if the change is inconsistent with French law and, in particular, French legislation regarding the granting of free shares of Stock, as defined in Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code and French labor law.

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(2) These periods are currently the following:

(i) The period of ten Stock Exchange trading sessions preceding and following the date on which the consolidated financial statements, or failing that, the annual accounts, are published;

(ii) The period between the date on which the corporate management of Waters Corporation becomes aware of information, which, if published, might have a significant effect on the price of the company's shares, and the latest date of the ten Stock Exchange trading sessions following the date on which this information is published.

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15. SEVERABILITY

The terms and conditions provided in the 2003 French Restricted Stock Units Plan are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable under French law, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.



WATERS CORPORATION AND SUBSIDIARIES  
12/31/2006

Waters Corporation (Delaware)  
 Waters Technologies Corporation (Delaware)  
 Waters Australia PTY LTD. (Australia)  
 Waters A/S (Denmark)  
 Waters AG (Switzerland)  
 Waters NV (Belgium)  
 Waters Cromatografia SA (Spain)  
 Waters SA de CV (Mexico)  
 Waters Technologies do Brasil Ltda (Brazil)  
 Waters OY (Finland)  
 Waters Ges.MBH (Austria)  
     Waters Kft (Hungary)  
     Waters Sp.Zo.o (Poland)  
 Waters SA (France)  
 Waters GmbH (Germany)  
     Waters Srl (Romania)  
 Waters SpA (Italy)  
 Waters Sverige AB (Sweden)  
 Thermometric AB (Sweden)  
     Thermometric, Inc. (U.S.)  
     Thermometric Ltd (U.K.)  
 Waters Limited (Canada)  
 TA Instruments-Waters LLC (Delaware)  
 TA Instruments, Inc. (Delaware)  
 Waters France Holding Corp. (Delaware)  
 NuGenesis Technologies Corporation  
 Environmental Resource Assoc., Inc. (Colorado)  
     Pharmaceutical Resource Assoc, Inc. (Colorado)  
     PRA Europe Limited (UK)  
 Waters Investments Limited (Delaware)  
     Waters India Pvt. Ltd.(India)  
         Esbee Wire Pvt. Ltd. (India)  
     Waters Asia Limited (Delaware)  
         Waters Korea (Korea)  
         Waters China Ltd. (Hong Kong)  
         Waters Technologies (Shanghai) Ltd  
         Waters Pacific Pte Ltd  
     Waters European Holdings LLP  
         Milford International Limited  
         Manchester International Limited  
         MM European Holdings LLP  
             Waters Finance III LLC  
             Waters Luxembourg SARL  
             Waters Tech. Holdings Ltd (Ireland)  
             Grand Duchy Finance SARL (Lux)  
             Waters Celtic Holdings Ltd (Ireland)  
                 Waters Tech Ireland Ltd  
     Nihon Waters Limited (Delaware)  
         Nihon Waters K.K. (Japan)  
         TA Instruments Japan, Inc. (Japan)  
     Microsep Proprietary Ltd (So. Africa) (24.5%)

Subsidiaries of Waters Luxembourg SARL  
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Micromass Holdings Ltd.  
 Waters Chromatography BV (Netherlands)  
 Waters Chromatography Europe BV (Netherlands)  
 Micromass Ltd. (UK)  
     Waters Ltd. (UK)  
         Phase Sep Ltd. (UK)  
         Phase Sep Eurl (France)  
     Micromass UK Ltd. (UK)  
         Micromass Investments Ltd. (UK)  
         Mass Analyser Prod Ltd. (UK)  
     Micromass International Ltd. (UK)  
         Micromass B.V. (Netherlands)  
     TA Instruments Ltd. (UK)  
 Sandygrow Ltd. (Ireland)  
     Rodolfo Holding Ltd. (Ireland)  
     Milford Finance BV (Netherlands)  
     Waters Chromatography Ireland Ltd. (Ireland)

All subsidiaries are 100% owned unless otherwise indicated.



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (No. 333-134492) and S-8 (Nos. 333-137990, 333-110613, 333-92332, 333-60054, 333-81723, 333-18371) of Waters Corporation of our report dated March 1, 2007 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP  
Boston, Massachusetts  
March 1, 2007

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.  
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Douglas A. Berthiaume, the Chief Executive Officer of Waters Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Waters Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 3a-15(f) and 15d – 15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

/s/ Douglas A. Berthiaume

Douglas A. Berthiaume  
Chief Executive Officer



**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.  
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, John Ornell, the Chief Financial Officer of Waters Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Waters Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 3a-15(f) and 15d – 15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2007

/s/ John Ornell  
John Ornell  
Chief Financial Officer



**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.  
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Annual Report of Waters Corporation (the "Company") on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas A. Berthiaume, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 1, 2007

By: /s/ Douglas A. Berthiaume  
Douglas A. Berthiaume  
Chief Executive Officer





**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.  
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Annual Report of Waters Corporation (the "Company") on Form 10-K for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Ornell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 1, 2007

By: /s/ John Ornell  
John Ornell  
Chief Financial Officer

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