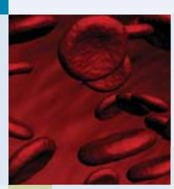
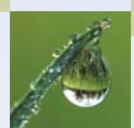



2008 Annual Report



Waters

THE SCIENCE OF WHAT'S POSSIBLE.™

1950s	1960s	1970s	1980s		

James Logan Waters
and five employees open for business as Waters Associates in the basement of the Framingham, Mass. police station

GPC 100
First commercially available liquid chromatograph

µBondaPak C18 Columns
Best-selling HPLC column in history based on 10 micron silica particle technology

M6000 Pump
Revolutionary dual-piston reciprocating pump ushers in the era of modern-day high performance liquid chromatography (HPLC)

Sep-Pak Chemistry
First solid phase, silica-based extraction chemistry in cartridge format for normal and reversed-phase LC, and most widely-referenced product of its type

Millennium Software
First software to employ a relational database to manage chromatography data

TA Instruments Inc. Acquisition
Waters acquires leading maker of thermal analysis products

50 Years of Innovation

Waters wishes to thank Julie Leary, Ph.D., Professor, Molecular and Cellular Biology, University of California – Davis; Johannes Aerts, Ph.D., Professor, Medical Biochemistry, University of Amsterdam; and Frank Mullins, Ph.D., Technical Director, ICON Development Solutions, for allowing us to feature them on our 2008 Annual Report cover. Their inspiring stories of innovation and success can be viewed at www.waters.com/customer.

1990s

2000s

Alliance HPLC System
Waters best-selling HPLC system ever

Oasis HLB Sorbent
Waters fastest-growing sample preparation product ever

Micromass Acquisition
Waters purchases Micromass Ltd. and its world-class mass spectrometry product portfolio

Rheology Business Acquisition from Rheometric Scientifics
Waters establishes a strong position in controlled strain rheometers, as a complementary position to existing controlled-stress equipment position.

ACQUITY UPLC Systems and ACQUITY BEH Columns
Waters sub two-micron hybrid particle technology radically changes separations science bringing new levels of efficiency to the laboratory and ushering in the age of UltraPerformance Liquid Chromatography (UPLC)

Q-Series Family of Calorimeters
TA Instruments introduces Q-Series family of calorimeters that can accommodate robotic sample handlers and a variety of sample cells and temperature control features for analyzing a broad range of materials.

SYNAPT HDMS
Award-winning hybrid mass spectrometer is first to analyze molecules by size, charge, mass and shape

Customer Success is Our Mission

Waters creates business advantages for laboratory-dependent organizations by delivering practical and sustainable scientific innovation to enable significant advancements in such areas as healthcare delivery, environmental management, food safety, and water quality worldwide.

Bringing keen understanding and deep experience to those responsible for laboratory infrastructure and performance, Waters helps customers make profound discoveries, optimize lab operations, deliver product performance, and ensure regulatory compliance.

Pioneering a connected portfolio of separation and analytical science, laboratory informatics, and mass spectrometry, Waters' technology breakthroughs and laboratory solutions provide an enduring platform for customer success.

50 YEAR LEGACY
VISION ■ CONTRIBUTION ■ ADVANCEMENT

2008 Shareholder Letter

Although like many other companies, Waters endured the economic turbulence in the late part of the year, I am pleased to tell you that in 2008 we delivered solid overall financial performance and introduced an exciting array of new products. Our financial results were highlighted by record operating cash flow and 20% adjusted growth in earnings per share* excluding unusual items. Despite a weakening economic environment as we closed out the year, we were able to grow our revenues on the strength of our new products, our solid reputation and our superior field organization.

Our sales growth for the full year was 7%. The continued expansion of our business into developing countries more than offset slower growth in revenues from countries that were more affected by recessionary pressures. Our ACQUITY™ UPLC™ systems and new mass spectrometry platforms, including the Xevo™ TQ tandem quadrupole mass spectrometer, enabled us to expand in new applications and strengthen our market share.

Among new applications that helped us grow in 2008, the expanded role of our instrumentation technologies in food safety analyses was certainly a highlight. Established relationships with regulatory agencies in China and other Asian nations positioned us well to secure business related to testing requirements to ensure the safety and quality of the food supply. We believe that global demand for such testing will increase in future years and that we are well positioned to benefit from increased food testing requirements.

Our base of large integrated pharmaceutical customers endured a relatively tough 2008 due to the combined effects of patent expirations, weak pipelines and industry consolidation. For the year, our business to the broadly defined drug industry was flat. Though the issues that impacted these firms in 2008 are likely to take some time to correct, we believe that global demand for pharmaceuticals will recover and that we will be well positioned to enjoy future growth with this customer set. In fact, our newer products, such as ACQUITY and Xevo TQ, offer our pharmaceutical customers the higher efficiency and improved work flows to help them do more at lower operating costs in these difficult times.

Along with advanced instrument systems, Waters also provides customers a portfolio of services and chromatography consumables. These sources of recurring revenue address the need of a growing base of instrument users and the growth of these businesses is less impacted by economic pressures that inhibit capital spending. In 2008, almost half of Waters sales were recurring in nature and their growth was a key factor in delivering higher stability to our overall business performance. We believe that we will continue to benefit from the growth of our recurring product lines and will continue to invest in expanding and improving these offerings.

In 2008, Waters continued to leverage its strong technological and market leadership position with the introduction of several innovative instrument systems and continued geographical expansion of its business.

On the chromatography front, we continued to expand the application range of ACQUITY technology by embodying the speed and resolution advantages of sub-two micron particle chromatography sorbents in new instrument configurations. Our new PATROL™ UPLC Process Analyzer system is designed to enable pharmaceutical and chemical producers to move analytical procedures directly onto the manufacturing floor to improve product yield and eliminate the inefficiencies of porting samples to a laboratory. For life science

*Earnings per share (EPS) grew 23% on a GAAP basis. Please refer to the Company's website www.waters.com/Investors/SEC filings and Form 8-K filed on January 27, 2009 for a 2008 GAAP to adjusted EPS reconciliation.

researchers, we introduced a new nano-scale separations format that we call Trizaic.™ The Trizaic system couples a nano-scale version of our ACQUITY system with an innovative nanotile-based consumable. This combination greatly enhances the simplicity and reproducibility of challenging LC-MS experiments and is indicative of our intent to continuously build more product differentiation through higher value consumable products.

Also on the new product front, exciting new mass spectrometry platforms took center stage with the introduction of a new family of Xevo™ systems designed to offer a combination of unmatched performance and simplified operation.

In 2008, many of our customers were confronted by a severe shortage of a popular chromatography solvent, acetonitrile. Many analytical methodologies were based upon use of this reagent and its limited availability, due to slumping demand for certain plastics from which it is a byproduct, resulted in soaring prices and rationing of this solvent. Faced with this problem, as well as increasing costs for solvent disposal, many of our customers came to appreciate the significantly lower solvent demands of our ACQUITY UPLC system. In fact, Waters is taking an industry leading position in cost effective and environmentally friendly instrumentation design. The recent acquisition of Thar Instruments, Inc. in February 2009 further strengthens our position in "green" analytical instrumentation. Thar's technology uses carbon dioxide as a primary input reagent in place of more costly and organic solvents and offers performance advantages over conventional HPLC for several emerging application areas.

Looking again at our financials, Waters profitability and operational efficiency allowed us to generate very strong operating cash flow in 2008. We deployed these funds toward our stock repurchase program shares and to selective acquisitions. In the year, we purchased two small companies; APG Inc., an environmental laboratory proficiency testing firm, and VTI Inc., a leader in moisture analysis testing. Both firms were quickly integrated into existing business units and are positioned to augment our product offerings in 2009 and beyond. In general, we believe that a conservative acquisition strategy is in the best long-term interest for our company and plan to continue with that philosophy going forward.

In summary, we enter 2009 with a mix of caution and confidence. The global recession that is now upon us will make it very challenging to grow our top-line and bottom-line in the near-term. However, we remain very optimistic in the long-term health of the markets we serve and are committed to continuously developing innovative products and maintaining high levels of customer support to ensure that we will be well positioned when our end markets rebound. On behalf of the over five thousand Waters employees, I again thank you for your interest in our company and commit to you our dedication in continuing to work toward positive outcomes for our customers and shareholders.

Sincerely yours,

Douglas Berthiaume

Douglas A. Berthiaume
Chairman, President and Chief Executive Officer

UNITED STATES 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, 2008

or

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

Commission File Number: 01-14010

Waters Corporation
(Exact name of registrant as specified in its charter)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:	Common Stock, par value $0.01 per share New York Stock Exchange, Inc. Series A Junior Participating Preferred 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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 June 28, 2008: $6,447,529,000.

Indicate the number of shares outstanding of the registrant's common stock as of February 18, 2009: 97,048,783

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2009 Annual Meeting of Stockholders are incorporated by reference in Part III.

WATERS CORPORATION AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

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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, rheometry and calorimetry instruments. The Company is also a developer and supplier of software-based products that interface with the Company's instruments as well as other 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 analysis and environmental testing. The Company's thermal analysis, rheometry and calorimetry instruments are used in predicting the suitability of fine chemicals and polymers for uses in various industrial, consumer goods and healthcare products.

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 operating decision makers. 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, designing, manufacturing, distributing and servicing products in three technologies: LC and MS instruments; columns and other consumables; and thermal analysis, rheometry and calorimetry instruments. The Company's two operating segments, Waters Division and TA Division, 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 products, services and geographic areas is set forth in Note 18 in the 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, develop manufacturing methods and 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, such as the United States Food and Drug Administration ("FDA") and the United States Environmental Protection Agency ("EPA") and their international counterparts that 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 2004, Waters introduced a novel technology that the Company describes as ultra performance liquid chromatography that utilizes a packing material with small, uniform diameter particles and a specialized instrument, the ACQUITY UPLC®, 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 them to uncover 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 2008, 2007 and 2006, the Company experienced growth in the LC instrument systems product line primarily from the sales of the ACQUITY UPLC.

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 systems for regulated testing, and that have 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 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 material, 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 and 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. 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 2008, 2007 and 2006, excluding the small impact from acquisitions mentioned below, the Company experienced growth in its LC chromatography column and sample preparation businesses, especially in ACQUITY UPLC columns.

In December 2008, the Company acquired the net assets of Analytical Products Group, Inc. ("APG"), a provider of environmental testing products for quality control and proficiency testing used in environmental laboratories, for $5 million in cash. The APG business has been integrated into the Company's Environmental Resources Associates, Inc. ("ERA") business, which was acquired in December 2006. The Company acquired all of the outstanding capital stock of ERA, a provider of environmental testing products for quality control, proficiency testing and specialty calibration chemicals used in environmental laboratories, for $62 million in cash, including the assumption of $4 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. In February 2006, the Company acquired the net assets of the food safety business of VICAM Limited Partnership ("VICAM") for $14 million in cash. VICAM is a leading provider of tests to identify and quantify mycotoxins in various agricultural commodities. The Company's test kits provide reliable, quantitative detection of particular mycotoxins through the choice of flurometer, LC-MS or HPLC. The APG, ERA and VICAM acquisitions have all been integrated into the chromatography column product line.

In June 2007, the Company made an equity investment in Thar Instruments, Inc. ("Thar"), a privately held global leader in the design, development and manufacture of analytical and preparative supercritical fluid chromatography and supercritical fluid extraction systems, for $4 million in cash. This investment is accounted for under the cost method of accounting. On February 2, 2009, the Company acquired all of the remaining outstanding capital stock of Thar for $36 million, including the assumption of $4 million of debt.

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.

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 a wide range of MS instruments utilizing various combinations of quadrupole, Tof, ion mobility 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.

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 Xevo™ TQ 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 Synapt™ MS, are often used to analyze the role of proteins in disease processes, an application sometimes referred to as "proteomics". In late 2006, the Company 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. In 2008, the Company introduced a new Q-Tof instrument called the Synapt MS. This instrument is an improved version of the Q-Tof Premier™ that customers may opt to upgrade to Synapt HDMS capability. In late 2008, the Xevo quadrupole time-of-flight (QTof) mass spectrometer (MS), an exact mass MS/MS bench-top instrument was introduced. The introduction of these new products has augmented the growth of the MS instrument systems.

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 and service integrated LC-MS systems.

Service

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 and an agreement to promptly repair a non-functioning instrument in return for a fee described in a contract that is priced according to the configuration of the instrument.

TA DIVISION

Thermal Analysis, Rheometry and Calorimetry

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, including calorimetry. 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 into 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 healthcare 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 2008, 2007 and 2006.

In July 2008, the Company acquired the net assets of VTI Corporation ("VTI"), a manufacturer of sorption analysis and thermogravimetric analysis instruments, for $3 million in cash. VTI's products are widely used in the evaluation of pharmaceuticals, catalysts and energy-related materials. This acquisition adds two technologies which complement TA's existing gravimetric analysis product line. VTI sorption analysis products are designed for water and organic vapor sorption studies of pharmaceuticals and related materials. VTI's high pressure, high vacuum TGA projects are designed for high pressure sorption studies which are commonly used in the analysis of energy-related materials.

In August 2007, the Company acquired all of the outstanding capital stock of Calorimetry Sciences Corporation ("CSC"), a privately held company that designs, develops and manufactures highly sensitive calorimeters, for $7 million in cash, including the assumption of $1 million of liabilities. CSC products and services are primarily used in the life sciences industry. This acquisition adds two systems which complement TA's existing TAM micro-calorimeter product line. The Nano-ITC is an isothermal titration calorimeter designed to measure protein-ligand binding and the interaction of biological materials. The Nano-DSC is an ultra-sensitive scanning calorimeter used to measure the stability of proteins and other macromolecules in dilute solutions and is commonly used in pharmaceutical development processes.

In August 2006, the Company acquired all of the outstanding capital stock of Thermometric AB ("Thermometric"), a manufacturer of high performance micro-calorimeters, for $3 million in cash, including the assumption of $1 million of debt. Thermometric's flagship product, the TAM III, is a modular calorimeter that employs proprietary technology to deliver calorimetric sensitivity and temperature stability. It is 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 the CSC product lines acquired in 2007. Thermometric's manufacturing and research and development were moved and consolidated with CSC late in 2008.

Service

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, contract research organizations (CROs) 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 2008, 2007 and 2006, 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 the various instrument systems installed base. Across these product technologies, using respective specialized sales and service forces, the Company serves its customer base with approximately 2,600 field representatives in 88 sales offices throughout the world as of December 31, 2008, compared to approximately 2,500 field representatives in 86 sales offices as of December 31, 2007. 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 information through various corporate and regional internet web sites and product literature, and also makes consumable products available through electronic ordering facilities and a dedicated catalog.

Manufacturing

The Company provides high quality LC products by controlling each stage of the production of its instruments, columns and chemical reagents. The Company currently assembles a 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 Quality System Regulations and the European In-Vitro Diagnostics 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 pursuing outsourcing opportunities.

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 TA Division product lines. These facilities meet the same ISO and FDA standards met by the Milford, Massachusetts facility and are registered with the FDA. VICAM manufactures antibody resin and magnetic beads that are packed into columns and kits in Watertown, Massachusetts and Nixa, Missouri. ERA manufactures environmental proficiency kits in Arvada, Colorado.

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 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, rheometry and calorimetry products are manufactured by 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. CSC and Thermometric manufacture high performance calorimeters in Lindon, Utah. VTI manufactures sorption analysis and thermogravimetric analysis instruments in Hialeah, FL. Similar to MS, 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 2008, 2007 and 2006 were $82 million, $81 million and $77 million, respectively. 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, 2008, there were 646 employees involved in the Company's research and development efforts, compared to 628 employees in 2007. 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 5,000 employees at both December 31, 2008 and 2007. Approximately 44% and 47% of the Company's employees were located in the United States at December 31, 2008 and 2007, respectively. The Company believes its employee relations are generally good. The Company's employees are not unionized or affiliated with any internal or external labor organizations. The Company believes that its future success largely depends upon its continued ability to attract and retain highly skilled employees.

Competition

The analytical instrument and systems market is highly competitive. The Company encounters competition from several worldwide instrument manufacturers and other companies 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, service and, to a lesser extent, price. Some competitors have instrument businesses that are generally more diversified than the Company's business but are typically less focused on the Company's chosen markets. Some competitors have greater financial and other resources than the Company.

In the markets served by the Waters Division, the Company's principal competitors include: Agilent Technologies, Inc., Life Technologies, Inc., Thermo Fisher Scientific Inc., Varian, Inc., Shimadzu Corporation, Dionex Corporation and Bruker BioSciences Corporation. In the markets served by the TA Division, the Company's principal competitors include: PerkinElmer Inc., Mettler-Toledo International Inc., NETZSCH-Geraetebau GmbH, Thermo Fisher Scientific Inc., Malvern Instruments Ltd., Anton-Paar and General Electric Corporation. 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 LC 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, performance and, to a lesser extent, price. The Company's principal competitors for consumable products include: Phenomenex, Supelco Inc., Agilent Technologies, Inc., General Electric Corporation, 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 and the Company believes that the expansion of the ACQUITY UPLC instrument base 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 has operated its business in the past in substantial compliance with applicable environmental laws. From time to time, operations of the Company have resulted or may result in noncompliance with environmental laws 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 website is http://www.sec.gov. The Company also makes available, free of charge on its website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any 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 > Investors.

Forward-Looking Statements

Certain of the statements in this Form 10-K and the documents incorporated herein 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"), with respect to 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; (iv) the Company's ability to continue to control costs and maintain quality and (v) current economic conditions. You can identify these forward-looking statements by the use of the words "believes", "anticipates", "plans", "expects", "may", "will", "would", "intends", "appears", "estimates", "projects", "should" 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, the impact on demand among the Company's various market sectors from current economic difficulties and possible recession; the impact of changes in accounting principles and practices or tax rates, including the effect of recently restructuring certain legal entities; the ability to access capital in volatile market conditions; the ability to successfully integrate acquired businesses; fluctuations in capital expenditures by the Company's 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 and loss of market share; 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; changes in distribution of the Company's products; 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 in Item 1A, Risk Factors, of this Form 10-K. 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. All forward-looking statements speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in this report. The Company does not assume any obligation to update any forward-looking statements.

Item 1A: ***Risk Factors***

Global Economic Conditions

Global economic conditions have recently deteriorated significantly, which has and will continue to have an unpredictable impact on demand for the Company's products. These conditions resulted in a decline in demand for the Company's products and services in the fourth quarter of 2008. There can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies. Any further deterioration or prolonged disruption in the financial markets or market conditions generally may result in reduced demand for the Company's products and services. The Company's global business may also be adversely affected by decreases in the general level of economic activity as a result of the economic and financial market situations.

Financial Market Conditions
Financial markets in the U.S., Europe and Asia have been experiencing extreme disruption in recent months, including, among other things, a sharp increase in the cost of new capital, severely diminished capital availability and severely reduced liquidity in money markets. Financial and banking institutions have also experienced disruptions, resulting in large asset write-downs, higher cost of capital, rating downgrades and reduced desire to lend money. While currently these conditions have not impacted the Company's ability to access its existing cash or borrow on its existing revolving credit facility, there can be no assurance that there will not be further deterioration or prolonged disruption in financial markets or financial institutions. Any further deterioration or prolonged disruption in financial markets or financial institutions may impair the Company's ability to access its existing cash and revolving credit facility, and impair its ability to access sources of new capital and increase the cost of any new capital raised.

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 timing and level of capital expenditures of the Company's customers; changes in government regulations; funding available to academic and government institutions; general economic conditions and the rate of economic growth in the Company's major markets and competitive considerations. The Company typically experiences an increase in sales in its fourth quarter, as a result of purchasing habits for capital goods by customers that tend to exhaust their spending budgets by calendar year end. 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 or the continuation of weakness in global economic conditions.

Additionally, the analytical instrument market may, from time to time, experience low sales growth. Approximately 50% and 52% of the Company's net sales in 2008 and 2007, 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.

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, rheometry and calorimetry product lines, is highly competitive and subject to rapid changes in technology. The Company encounters competition from several international instrument manufacturers and other companies in both domestic and foreign markets. Some competitors have instrument businesses that are generally more diversified than the Company's business but are typically less focused on the Company's chosen 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.

Risk of Disruption of Operations
The Company manufactures LC instruments at facilities in Milford, Massachusetts and Singapore; chemistry 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; rheometry products at its facilities in New Castle, Delaware and Crawley, England and other instruments and consumables at various other locations as a result of the Company's 2008, 2007 and 2006 acquisitions. Any prolonged disruption to the operations at any of these facilities, whether due to labor difficulties, destruction of or damage to any 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 70% and 68% of the Company's net sales in 2008 and 2007, respectively, were outside of the United States and were primarily denominated in foreign currencies. In addition, the Company has considerable manufacturing operations in Ireland, the United Kingdom and Singapore. 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, cost of sales, operating expenses, interest, taxes and net income varies with currency exchange rate fluctuations. Significant increases or decreases in the value of the U.S. dollar relative to certain foreign currencies could have a material adverse effect or benefit 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 have 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 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 LC and MS instruments are manufactured by long-standing outside contractors. In April 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.

Risk in Unexpected Shifts in Taxable Income between Tax Jurisdictions

The Company is subject to a range of income tax rates, from 0% to in excess of 35%, depending on specific tax jurisdictions around the world. The Company typically generates a substantial portion of its taxable income in the fourth quarter of each fiscal year. Shifts in actual taxable income from previous quarters' projections due to factors, including, but not limited to, changes in volume and foreign currency translation rates, could have a notable favorable or unfavorable effect on the Company's income tax expense and results of operations.

Levels of Debt and Debt Service Requirements

The Company had approximately $536 million in debt and $429 million in cash and cash equivalents as of December 31, 2008. As of December 31, 2008, the Company also has the ability to borrow an additional $599 million from its existing credit facilities. Most of the Company's debt is in the U.S. There is a substantial cash requirement in the U.S. to fund operations and capital expenditures, service debt interest obligations, finance potential acquisitions and continue authorized stock repurchase programs. A majority of the Company's cash is maintained and generated from foreign operations. The Company's financial condition and results of operations could be adversely impacted if the Company is unable to maintain a sufficient level of cash flow in the U.S. to address these requirements through cash from U.S. operations, efficient and timely repatriation of cash from overseas and other sources obtained at an acceptable cost.

Item 1B: *Unresolved Staff Comments*

None.

Item 2: *Properties*

Waters operates 23 United States facilities and 74 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

Location	Function(1)	Owned/Leased
Franklin, MA	D	Leased
Milford, MA	M, R, S, A	Owned
Taunton, MA	M, R	Owned
Watertown, MA	M, R, S, A	Leased
Nixa, MO	M, S, D, A	Leased
Arvada, CO	M, R, S, D, A	Leased
Lindon, UT	M, R, S, D, A	Leased
Hialeah, FL	M, R, S, D, A	Leased
Etten-Leur, Netherlands	S, D, A	Owned
Singapore	R, S, D, A	Leased
Wexford, Ireland	M, R, 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
Brasov, Romania	R, 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 63 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)

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

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

Item 3: *Legal Proceedings*

Agilent Technologies, Inc.

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. 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. 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 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 filed a further appeal in the case and the appeal was dismissed in March 2007. The Company 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 was held in September 2007 and, in December 2007, the French court held that the modified features of the Alliance pump are non-infringing. Agilent has appealed this ruling and no decision has yet been rendered. In January 2009, the French appeals court affirmed that the Company had infringed the Agilent patent and a judgment was issued against the Company. The Company has appealed this judgment. In the meantime, however, the Company has recorded a

$7 million provision in 2008 for damages and fees estimated to be incurred in connection with this case. The accrued patent litigation expense is in other current liabilities in the consolidated balance sheets at December 31, 2008.

In the German case, a German court 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 sought an appeal in that action and the appeal was heard in April 2007. Following the hearing, the German Federal Court of Justice set aside the judgment of the appeals court and remanded the case back to the appeals court for further proceedings. In 2008, the appeals court found the patent infringed. The Company has appealed this finding to the German Federal Court of Justice. In July 2005, Agilent brought a new action against the Company alleging that certain features of the Alliance pump continued 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 filed an appeal in this action. A hearing on this appeal was held in January 2008. The appeals court affirmed the finding of the trial court that the Company did not infringe. Agilent has appealed this finding to the German Federal Court of Justice.

The Company recorded provisions in 2004, 2005 and 2008 for estimated damages, legal fees and court costs to be 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.

Other
In November 2008, the City of Dearborn Heights Act 345 Police & Fire Retirement System commenced a class action lawsuit against the Company in the United States District Court for the District of Massachusetts. The complaint alleges that the Company misrepresented its projected revenues and earnings, its effective tax rates and the level of business activity in Japan between January 24, 2007 and January 22, 2008, when the Company released earnings for the fourth quarter of 2007. The complaint asserts that the Company and Messrs. Berthiaume and Ornell violated the federal securities laws by misrepresenting or failing to fully disclose the above referenced information. The plaintiff class is allegedly comprised of purchasers of common stock that were injured during the time period stated above. In January 2009, Inter-Local Pension Fund ABC/IBT filed a motion to be appointed as lead plaintiff. The Company intends to mount a vigorous defense.

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, 60, 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, a Trustee of the Children's Hospital Medical Center and The University of Massachusetts Amherst Foundation and a Director of Genzyme Corporation.

Arthur G. Caputo, 57, 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, 51, 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, 51, 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, 54, 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*

Securities Authorized for Issuance under Equity Compensation Plans

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 Exchange Act, and is listed on the New York Stock Exchange under the symbol WAT. As of February 18, 2009, the Company had 217 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.

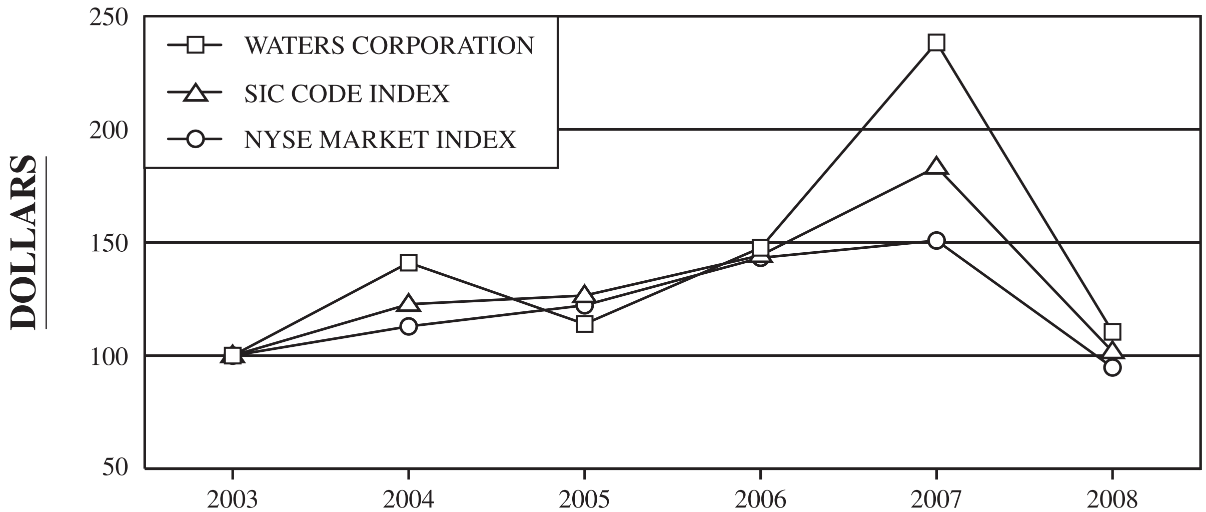
The Company has not made any sales of unregistered securities in the years ended December 31, 2008, 2007 or 2006.

STOCK PRICE PERFORMANCE GRAPH

The following performance graph and related information shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates it by reference into such filing.

The following graph compares the cumulative total return on $100 invested as of December 31, 2003 (the last day of public trading of the Company's common stock in fiscal year 2003) through December 31, 2008 (the last day of public trading of the common stock in fiscal year 2008) 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, 2003 AMONG WATERS CORPORATION, NYSE MARKET INDEX AND SIC CODE 3826 — LABORATORY ANALYTICAL INSTRUMENTS



	2003	2004	2005	2006	2007	2008
WATER CORPORATION	100.00	141.10	113.99	147.68	238.45	110.52
SIC CODE INDEX	100.00	112.72	126.57	144.32	183.38	101.78
NYSE MARKET INDEX	100.00	112.92	122.25	143.23	150.88	94.76

Market for Registrant's Common Equity

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

For the Quarter Ended	Price Range High	Price Range Low
March 31, 2007	$58.40	$48.67
June 30, 2007	$61.38	$58.20
September 29, 2007	$68.19	$58.26
December 31, 2007	$80.07	$66.20
March 29, 2008	$80.77	$52.59
June 28, 2008	$65.17	$53.70
September 27, 2008	$70.19	$55.52
December 31, 2008	$58.18	$34.77

Purchase of Equity Securities by the Issuer

The following table provides information about purchases by the Company during the three months ended December 31, 2008 of equity securities registered by the Company under the Exchange Act (in thousands, except per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs(1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs(2)
September 28 to October 25, 2008	50	$40.62	50	$122,805
October 26 to November 22, 2008	585	41.64	585	98,446
November 23 to December 31, 2008	—	—	—	98,446
Total	635	41.56	635	98,446

(1) The Company purchased an aggregate of 4.1 million shares of its outstanding common stock during 2008 in open market transactions pursuant to a repurchase program that was announced in February 2007 (the "2007 Program"). The 2007 Program authorized the repurchase of up to $500 million of common stock in open market transactions over a two-year period.

(2) In February 2009, the Company's Board of Directors authorized the Company to repurchase up to an additional $500 million of its outstanding common stock over a two-year period.

Item 6: *Selected Financial Data*

Reference is made to information contained in the section entitled "Selected Financial Data" and is incorporated by reference from page 73 of this Form 10-K, included in Item 8, Financial Statements and Supplementary Data, and should be considered an integral part of this Item 6.

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

Business and Financial Overview

The Company's sales were $1,575 million, $1,473 million and $1,280 million in 2008, 2007 and 2006, respectively. Sales grew 7% in 2008 over 2007 and 15% in 2007 over 2006. Overall, the sales growth achieved in these years can be primarily attributed to the Company's introduction of new products, the increase in chemistry consumable and service sales, the benefits from acquisitions and the effects of foreign currency translation. In the fourth quarter of 2008, the Company experienced the effects of reduced capital spending by the Company's customers as a result of the global economic conditions and the sudden strengthening of the U.S. dollar. Company sales growth in the fourth quarter of 2008 decreased from the fourth quarter of 2007 by 4% from the effects of foreign currency translation. The Company expects this effect of foreign currency trend to continue into 2009.

During 2008 and 2007, U.S. sales increased 1% and 17%; European sales increased 7% and 17%; Asian sales (including Japan) increased 16% and 12%; and sales in the rest of the world increased 3% and 11%, respectively. The effect of currency translation benefited the 2008 and 2007 sales growth rate by 2% and by 3%, respectively, both increases principally resulting from European sales.

In 2008 and 2007, global sales to pharmaceutical customers grew 3% and 13%, respectively. Global sales to government and academic customers were 10% higher in 2008 and 24% higher in 2007 over the prior year, respectively, and can be primarily attributed to demand for the Company's new products in the U.S. and Asia. Global sales to industrial and food safety customers grew 13% in 2008 and 16% in 2007 primarily as a result of new governmental regulatory testing requirements, higher awareness of food safety issues, higher chemistry consumable and service sales, the benefit from acquisitions and demand for the Company's new products.

The Waters Division sales grew by 7% in 2008 and 14% in 2007. The Waters Division's products and services consist of high performance liquid chromatography ("HPLC"), ultra performance liquid chromatography® ("UPLC" and together with HPLC, herein referred to as "LC"), mass spectrometry ("MS") and chemistry consumable products and related services. The Waters Division sales growth was strongly influenced by ACQUITY UPLC® sales, shipments of new Synapt™ HDMS™, Xevo™ TQ and Synapt MS systems and recurring sales growth from the service and chemistry consumables business.

In December 2008, the Company acquired the net assets of Analytical Products Group, Inc. ("APG"), a provider of environmental testing products for quality control and proficiency testing used in environmental laboratories, for $5 million in cash. APG's product sales in 2009 are expected to be approximately $4 million. In June 2007, the Company made an equity investment in Thar Instruments, Inc. ("Thar"), a privately held global leader in the design, development and manufacture of analytical and preparative supercritical fluid chromatography and supercritical fluid extraction systems, for $4 million in cash. On February 2, 2009, the Company acquired all of the remaining outstanding capital stock of Thar for $36 million, including the assumption of $4 million of debt. The Company expects that Thar will add approximately $20 million of product sales and be about neutral to earnings in 2009 after debt service costs.

Sales growth for the TA Division ("TA") grew 10% and 25% for 2008 and 2007, respectively. TA's products and services consist of thermal analysis, rheometry and calorimetry instrument systems and service sales. TA's sales growth can be primarily attributed to new product introductions, the effect of foreign currency translation and the impact of acquisitions. The effect of foreign currency translation benefited sales by 2% in 2008 and 3% in 2007. The July 2008 acquisition of VTI Corporation ("VTI") and the August 2007 acquisition of Calorimetry Sciences Corporation ("CSC") added 3% to TA's sales growth in 2008. TA sales growth for 2007 also benefited from a larger than normal backlog of orders in 2006 which were shipped in the first quarter of 2007, as well as the benefit of the CSC acquisition and the 2006 acquisition of Thermometric AB, which added 4% to TA's sales growth.

Operating income was $390 million, $349 million and $295 million in 2008, 2007 and 2006, respectively. The $41 million net increase in operating income in 2008 over 2007 is primarily a result of the benefits from an increase in sales volume, the favorable effect of foreign currency translation and the impact of a one-time $12 million expense recorded in 2007 related to the contribution into the Waters Employee Investment Plan, a 401(k) defined contribution plan for U.S. employees. This 2008 increase was partially offset by a patent litigation provision of $7 million and the $9 million impact of an out-of-period capitalized software amortization adjustment recorded during the three months ended June 28, 2008. The $54 million net increase in operating income in 2007 over 2006 is primarily a result of the benefits from an increase in sales volume and the impact of $8 million of restructuring costs recorded in 2006 relating to the February 2006 cost reduction initiative being offset by the $12 million expense recorded in 2007 related to the transitional contribution into the Waters Employee Investment Plan.

Net income per diluted share was $3.21, $2.62 and $2.13 in 2008, 2007 and 2006, respectively. Net income per diluted share grew at a rate of 23% in both 2008 over 2007 and 2007 over 2006, respectively.

During the second quarter of 2008, the Company identified errors originating in periods prior to the three months ended June 28, 2008. The errors primarily related to (i) an overstatement of the Company's income tax expense of $16 million as a result of errors in recording its income tax provision during the period from 2000 to March 29, 2008 and (ii) an understatement of amortization expense of $9 million for certain capitalized software. The Company incorrectly calculated its provision for income taxes by tax-effecting its tax liability utilizing a U.S. tax rate of 35% instead of an Irish tax rate of 10%. In addition, the Company incorrectly accounted for Irish-based capitalized software and the related amortization expense as U.S. Dollar-denominated instead of Euro-denominated, resulting in an understatement of amortization expense and cumulative translation adjustment. The out-of-period adjustment increased the 2008 net income per diluted share by $0.08.

In addition, the Company recorded a one-time $5 million tax provision in the third quarter of 2008 associated with the reorganization of certain foreign legal entities in October 2008. This $5 million tax provision decreased net income per diluted share by $0.05 in 2008. These entities were effectively liquidated into the U.S. to better align the Company's legal entity structure with its current business objectives. The majority of this legal entity reorganization qualifies as a tax-free liquidation and it resulted in the Company being able to utilize $572 million of cash and short-term investments domestically. In February 2009, the U.S. Treasury promulgated changes in income tax regulations that eliminate concerns with respect to the $5 million unrecognized tax benefit that was originally recorded in the third quarter of 2008 through the Company's tax provision. Because these changes in income tax regulations were promulgated during the first quarter of 2009, the Company will record this $5 million item as a recognized tax benefit and, therefore, as a reduction of its income tax provision for the first quarter of 2009.

In October 2008, the Company utilized the cash from the reorganization described above to voluntarily prepay the $150 million term loan under the credit agreement entered into in March 2008 (the "2008 Credit Agreement"). There was no penalty for prepaying the term loan and the repayment of the term loan effectively terminated all lending arrangements under the 2008 Credit Agreement. In addition, the Company utilized these cash balances to voluntarily repay $340 million of revolving outstanding debt under the credit agreement entered into in January 2007 (the "2007 Credit Agreement"). The Company prepaid debt in order to reduce the Company's exposure to leverage and interest rate risk in the currently volatile capital and investment markets.

The Company also recorded a $7 million provision in 2008 for damages and fees estimated to be incurred in connection with a judgment issued against the Company relating to an ongoing patent infringement lawsuit with Agilent Technologies, Inc. This litigation provision decreased net income per diluted share by $0.04 in 2008.

Net cash provided by operating activities was $418 million, $371 million and $264 million in 2008, 2007 and 2006, respectively. The $47 million increase in operating cash flow in 2008 as compared to 2007 is primarily the result of higher net income and improved cash collections from customers, partially offset by a $13 million one-time transition benefit payment into the Waters Employee Investment Plan that was expensed in 2007, increases in inventory and the timing of payments to vendors. The $107 million increase in operating cash flow in 2007 as compared to 2006 is primarily the result of higher net income, the leveling off of an inventory ramp-up in 2006 for new product introductions and an increase in safety stock related to the outsourcing to Singapore and the timing of payments to vendors. In addition, the 2006 operating cash flow included a $9 million tax payment associated with the American Jobs Creation Act ("AJCA"), $7 million of severance and other facility-related payments made in connection with the cost reduction initiative and a $4 million litigation payment.

Within cash flows used in investing activities, capital expenditures related to property, plant, equipment and software capitalization were $69 million, $60 million and $51 million in 2008, 2007 and 2006, respectively. In December 2008, the Company acquired the net assets of APG for $5 million in cash. In July 2008, the Company paid $3 million in cash to acquire the net assets of VTI. In August 2007, the Company paid $7 million in cash, including the assumption of $1 million of liabilities, for CSC. In June 2007, the Company made an equity investment in Thar for $4 million in cash. The Company continues to evaluate the acquisition of businesses, product lines and technologies to augment the Waters and TA operating divisions.

Within cash flows used in financing activities, the Company received $29 million, $91 million and $40 million of proceeds from stock plans in 2008, 2007 and 2006, respectively. Fluctuations in these amounts are primarily attributed to the change in the Company stock price and the expiration of stock option grants. In February 2007, the Company's Board of Directors authorized the Company to repurchase up to $500 million of its outstanding common stock over a two-year period. During 2008, 2007 and 2006, the Company repurchased 4.1 million, 3.4 million and 5.8 million shares at a cost of $235 million, $201 million and $249 million under the February 2007 authorization and previously announced stock repurchase programs. In February 2009, the Company's Board of Directors authorized the Company to repurchase up to an additional $500 million of its outstanding common stock over a two-year period. The Company 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.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Sales
Net sales for 2008 and 2007 were $1,575 million and $1,473 million, respectively, an increase of 7%. Foreign currency translation benefited sales growth for 2008 by 2%. Product sales were $1,140 million and $1,088 million for 2008 and 2007, respectively, an increase of 5%. The increase in product sales was primarily due to the overall positive growth in Waters and TA instrument systems, chemistry consumables and foreign currency translation benefits. Service sales were $435 million and $385 million in 2008 and 2007, respectively, an increase of 13%. The increase in service sales was primarily attributable to increased sales of service plans and billings to a higher installed base of customers and foreign currency translation benefits.

Waters Division Net Sales
The Waters Division net sales grew 7% in 2008. The effect of foreign currency translation benefited the Waters Division across all product lines, resulting in a benefit to total sales growth of 2%. Chemistry consumables sales grew 9% in 2008. This growth was driven by increased column sales of ACQUITY UPLC proprietary column technology and sales of HPLC columns. Waters Division service sales grew 12% in 2008 due primarily to increased sales of service plans and billings to the higher installed base of customers. Waters instrument systems sales (LC and MS) grew 3% in 2008. The increase in instrument systems sales during 2008 is primarily attributable to higher sales of ACQUITY UPLC, Synapt HDMS, Synapt MS and the Xevo TQ. Sales were negatively impacted by the slowdown in industrial customer spending which occurred during fourth quarter of 2008 due to the economic recession. Waters Division sales by product line were essentially unchanged in 2008 and 2007 with instrument systems, chemistry consumables and service representing approximately 55%, 17% and 28% of sales, respectively. Geographically, Waters Division sales in Europe, Asia and the rest of the world grew approximately 6%, 17% and 4% in 2008, respectively. Sales to the U.S. were flat in 2008. The sales growth in 2008 was primarily due to higher demand from the Company's government, academic and industrial customers. Asia's sales growth was primarily driven by increased sales in India and China. The effects of foreign currency translation increased sales growth in Europe and Asia by 4% and 5% in 2008, respectively.

TA Division Net Sales
TA's sales grew 10% in 2008 primarily as a result of new product introductions, acquisitions and the effect of foreign currency translation. The effect of foreign currency translation benefited the TA sales growth by 2% in 2008. Instrument system sales grew 6% and represented approximately 78% and 81% of sales in 2008 and 2007, respectively. TA service sales grew 27% in 2008 and can be primarily attributed to the higher installed base of customers and new service sales to the customers of recently acquired companies. Geographically, sales growth for TA in 2008 was predominantly in the U.S., Europe and Asia. The July 2008 VTI acquisition and the August 2007 acquisition of CSC added 3% to TA's sales growth for 2008.

Gross Profit
Gross profit for 2008 was $914 million compared to $842 million for 2007, an increase of $72 million, or 9%. Gross profit as a percentage of sales increased to 58.0% in 2008 from 57.2% in 2007. This increase is primarily due to higher sales volume, increased comparative benefits of foreign currency translation and, to a lesser extent, lower manufacturing costs. Also, the overall gross profit increase was negatively impacted by a $9 million out-of-period capitalized software amortization adjustment recorded during 2008. The gross profit increase can also be attributed to the $3 million expense recorded in 2007 relating to the contribution into the Waters Employee Investment Plan.

Selling and Administrative Expenses
Selling and administrative expenses for 2008 and 2007 were $427 million and $404 million, respectively, an increase of 6%. Included in selling and administrative expenses for 2007 is the impact of a one-time $7 million expense related to the contribution into the Waters Employee Investment Plan. The remaining $16 million increase in total selling and administrative expenses for 2008 is primarily due to annual merit increases, modest headcount additions to support increased sales volume and the comparative unfavorable impact of foreign currency translation. As a percentage of net sales, selling and administrative expenses were 27.1% for 2008 compared to 27.4% for 2007.

Research and Development Expenses
Research and development expenses were $82 million and $81 million for 2008 and 2007, respectively, an increase of $1 million, or 1%. Included in research and development expenses for 2007 is $2 million of expense related to the contribution into the Waters Employee Investment Plan. The remaining increase in research and development expenses for 2008 is primarily due to the timing of new product introduction costs, annual merit increases and modest headcount additions.

Litigation Provision
The Company has recorded a $7 million provision in 2008 for damages and fees estimated to be incurred in connection with a judgment issued against the Company relating to an ongoing patent infringement lawsuit with Agilent Technologies Inc.

Interest Expense
Interest expense was $39 million and $57 million for 2008 and 2007, respectively. The decrease in interest expense is primarily attributable to a decrease in average borrowing costs and lower average borrowings during 2008 as compared to 2007.

Interest Income
Interest income was $21 million and $31 million for 2008 and 2007, respectively. The decrease in interest income is primarily due to lower yields and lower cash and short-term investment balances.

Provision for Income Taxes
The Company's effective tax rates for 2008 and 2007 were 13.4% and 17.1%, respectively. The 2008 effective tax rate includes a $5 million tax provision associated with the reorganization of certain foreign legal entities. This one-time provision increased the Company's effective tax rate by 1.4 percentage points for 2008. In February 2009, the U.S. Treasury promulgated changes in income tax regulations that eliminate concerns with respect to the $5 million unrecognized tax benefit that was originally recorded in the third quarter of 2008 through the Company's tax provision. Because these changes in income tax regulations were promulgated during the first quarter of 2009, the Company will record this $5 million item as a recognized tax benefit and, therefore, as a reduction of its income tax provision for the first quarter of 2009.

The 2008 tax provision also contains out-of-period adjustments to correct errors relating to capitalized software amortization and the income tax provision. The $16 million tax benefit from the out-of-period adjustments reduced the Company's effective tax rate by 4.0 percentage points for 2008. The 2007 tax provision includes a $4 million tax benefit associated with a one-time contribution into the Waters Employee Investment Plan. The remaining decrease in the effective tax rate for 2008 is primarily attributable to proportionately greater growth in income in jurisdictions with comparatively lower effective tax rates.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Sales
Net sales for 2007 and 2006 were $1,473 million and $1,280 million, respectively, an increase of 15%. Foreign currency translation benefited sales growth for 2007 by 3%. Product sales were $1,088 million and $936 million for 2007 and 2006, respectively, an increase of 16%. The increase in product sales was primarily due to the overall positive growth in Waters and TA instrument systems, chemistry consumables and the effect of acquisitions. The impact of 2006 acquisitions accounted for 2% of the product sales growth in 2007. Service sales were $385 million

and $344 million in 2007 and 2006, respectively, an increase of 12%. The increase in service sales was primarily attributable to growth in the Company's installed base of instruments and higher sales of service contracts.

Waters Division Net Sales

The Waters Division net sales grew 14% in 2007. The effect of foreign currency translation benefited the Waters Division sales growth by 3%. Chemistry consumables sales grew 24% in 2007. This growth was driven by increased column sales of ACQUITY UPLC proprietary column technology products, new XBridge™ columns, Oasis® sample preparation products and sales associated with the 2006 acquisitions (Environmental Resources Associates ("ERA") and VICAM Limited Partnership ("VICAM") product lines). These acquisitions benefited the chemistry consumable sales growth rate by 9%. Waters Division service sales grew 11% in 2007 due to increased sales of service plans to the higher installed base of customers. Waters instrument systems sales grew 13% in 2007. The increase in instrument systems sales during 2007 is primarily attributable to higher sales of ACQUITY UPLC and Synapt HDMS system sales. Waters Division sales by product mix were essentially unchanged in 2007 and 2006 with instrument systems, chemistry and service representing approximately 56%, 17% and 27% of sales, respectively. Geographically, Waters Division sales in the U.S., Europe and Asia strengthened approximately 15%, 16% and 10% in 2007, respectively. Sales to the rest of the world increased 10% in 2007. The effects of foreign currency translation increased sales growth by 9% in Europe and increased sales growth in Asia by 1% in 2007. U.S., Europe and Asia sales growth in 2007 was primarily due to higher demand from the Company's pharmaceutical and industrial customers. The growth in Europe was broad-based across most major countries, particularly in Eastern Europe. Asia's growth was primarily driven by increased sales in India and China which was offset by a 1% sales decrease in Japan. Japan's 2007 instrument systems and consumable sales were impacted by strong 2006 sales attributed to drinking water and food safety regulation changes.

TA Division Net Sales

TA's sales grew 25% in 2007 primarily as a result of TA's new product introductions, strong sales growth in the U.S. and Europe and expansion of its Asian businesses, as well as a larger than normal backlog of orders in 2006 which were shipped in the first quarter of 2007. The sales growth rate in 2007 also benefited from the CSC and Thermometric acquisitions which added 4% to the TA sales growth rate. The effect of foreign currency translation benefited the TA sales growth by 3% in 2007. Instrument system sales grew 25% and represented approximately 81% of sales in both 2007 and 2006, respectively. TA service sales grew 25% in 2007 and can be primarily attributed to the higher installed base of customers. Geographically, sales growth for 2007 was strongest in the U.S., Europe and Asia.

Gross Profit

Gross profit for 2007 was $842 million compared to $744 million for 2006, an increase of $98 million, or 13%, and is generally consistent with the increase in net sales. Gross profit as a percentage of sales decreased to 57.2% in 2007 from 58.1% in 2006. This decrease is primarily due to increased sales of new products which have higher manufacturing costs and the unfavorable foreign currency impact related to the cost of products manufactured in Ireland and the United Kingdom. In addition, gross profit was negatively impacted by the $3 million expense recorded in 2007 related to the contribution into the Waters Employee Investment Plan.

Selling and Administrative Expenses

Selling and administrative expenses for 2007 and 2006 were $404 million and $358 million, respectively, an increase of 13%. Included in selling and administrative expenses for 2007 is a $7 million expense related to the contribution into the Waters Employee Investment Plan. The remaining $39 million increase in total selling and administrative expenses for 2007 is primarily due to annual merit increases across most divisions, headcount additions to support increased sales volume, costs from new acquisitions and the unfavorable impact of foreign currency translation. As a percentage of net sales, selling and administrative expenses were 27.4% for 2007 compared to 27.9% for 2006.

Research and Development Expenses
Research and development expenses were $81 million and $77 million for 2007 and 2006, respectively, an increase of $4 million, or 4%. The increase in research and development expenses is primarily due to the $2 million expense related to the contribution into the Waters Employee Investment Plan.

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 Company does not expect to incur any additional charges in connection with the February 2006 cost reduction initiative.

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

	Balance December 31, 2006	Charges	Utilization	Balance December 31, 2007
Severance	$1,433	$—	$(667)	$766
Other	48	—	(48)	—
Total	$1,481	$—	$(715)	$766

Other Expense, Net
In the fourth quarter of 2006, the Company recorded a $6 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. In March 2007, Caprion merged with Ecopia BioSciences Inc. and is now named Thallion Pharmaceuticals Inc. ("Thallion"). Thallion is publicly traded on the Toronto Stock Exchange and the Company's investment is accounted for under Statement of Financial Accounting Standard ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The market value of the Thallion investment was less than $1 million as of December 31, 2007 and was $2 million as of December 31 2006.

Interest Expense
Interest expense was $57 million and $52 million for 2007 and 2006, respectively. The increase in interest expense is primarily attributable to an increase in average borrowings in the U.S. to fund stock repurchase programs and, to a lesser extent, an increase in interest rates on the Company's outstanding debt during 2007.

Interest Income
Interest income was $31 million and $25 million for 2007 and 2006, respectively. The increase in interest income is primarily due to higher invested cash balances.

Provision for Income Taxes
The Company's effective tax rates for 2007 and 2006 were 17.1% and 15.5%, respectively. This net increase is primarily attributable to increased net income in jurisdictions with comparatively higher tax rates. Included in the 2007 tax provision is a tax benefit of $4 million associated with the charge related to the contribution into the Waters Employee Investment Plan.

Liquidity and Capital Resources

Condensed Consolidated Statements of Cash Flows (in thousands):

	Year Ended December 31,		
	2008	2007	2006
Net income	$ 322,479	$ 268,072	$ 222,200
Depreciation and amortization	65,271	53,317	46,159
Stock-based compensation	30,782	28,855	28,813
Deferred income taxes	(19,626)	5,946	506
Change in accounts receivable	21,739	(26,266)	(7,210)
Change in inventories	(20,618)	(6,368)	(29,853)
Change in accounts payable and other current liabilities	(19,970)	32,309	1,670
Change in deferred revenue and customer advances	1,976	6,244	1,230
Other changes	36,215	8,398	79
Net cash provided by operating activities	418,248	370,507	263,594
Net cash provided by (used in) investing activities	18,811	(167,907)	(130,374)
Net cash used in financing activities	(572,938)	(119,686)	(125,906)
Effect of exchange rate changes on cash and cash equivalents	(32,932)	253	13,264
(Decrease) increase in cash and cash equivalents	$(168,811)	$ 83,167	$ 20,578

Cash Flow from Operating Activities

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net cash provided by operating activities was $418 million and $371 million in 2008 and 2007, respectively. The $47 million increase in net cash provided from operating activities in 2008 compared to 2007 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:

- The change in accounts receivable in 2008 compared to 2007 is primarily attributable to the timing of payments made by customers and the higher sales volume in 2008 as compared to 2007. Days-sales-outstanding ("DSO") decreased to 63 days at December 31, 2008 from 66 days at December 31, 2007.

- The change in inventories in 2008 and 2007 is attributable to the increase in sales volume and an increase in ACQUITY UPLC and new mass spectrometry and TA products.

- The 2008 change in accounts payable and other current liabilities includes a $13 million one-time transition pension benefit payment into the Waters Employee Investment Plan. The 2007 change in accounts payable and other current liabilities includes the accrual related to the one-time transition benefit. In addition, accounts payable and other current liabilities changed as a result of the timing of payments to vendors.

- Net cash provided from deferred revenue and customer advances in both 2008 and 2007 was a result of the installed base of customers renewing annual service contracts.

- Other changes are comprised of the timing of various provisions, expenditures and accruals in other current assets, other assets and other liabilities.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net cash provided by operating activities was $371 million and $264 million in 2007 and 2006, respectively. The $107 million increase in net cash provided from operating activities in 2007 compared to 2006 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:

- The change in accounts receivable in 2007 compared to 2006 is primarily attributable to the timing of payments made by customers and the higher sales volume in 2007 as compared to 2006. DSO increased to 66 days at December 31, 2007 from 64 days at December 31, 2006.
- Inventory growth was much lower in 2007 compared to 2006 primarily due to 2006 having a higher ramp-up of new products launched later in that year and the increased levels of Alliance inventory during the 2006 outsourcing transition to Singapore.
- The changes in accounts payable and other current liabilities and other changes in 2007 compared to 2006 is primarily attributable to the reclassification within these line items of certain income tax liabilities from current to long-term liabilities required by the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" ("FIN 48"). See Note 10, "Income Taxes", in the Notes to Consolidated Financial Statements for additional information. The overall net change in these items can be attributed to an increase in accounts payable and accrued expenses resulting from the timing of payments to vendors, an increase in income tax liabilities and an increase in accrued compensation resulting from a $13 million contribution into the Waters Employee Investment Plan partially offset by the reduction in the pension liability relating to the freezing of the U.S. Pension Plans. The one-time contribution into the Waters Employee Investment Plan was made in the first quarter of 2008.
- The 2006 change in accounts payable and other current liabilities was also impacted by a $9 million tax payment related to the distribution and repatriation of cash under the AJCA, $7 million of severance and other facility-related payments made in connection with the cost reduction initiative and a $4 million litigation payment to settle the Agilent litigation.
- Net cash provided from deferred revenue and customer advances in both 2007 and 2006 was a result of the installed base of customers renewing annual service contracts.

Cash Used in Investing Activities

Net cash provided by investing activities totaled $19 million in 2008 compared to net cash used in investing activities which totaled $168 million in 2007 and $130 million in 2006. Additions to fixed assets and software capitalization were $69 million in 2008, $60 million in 2007 and $51 million in 2006. Capital spending and software capitalization additions were consistent with historical capital spending trends. During 2008 and 2007, the Company purchased $20 million and $391 million of short-term investments while $115 million and $295 million of short-term investments matured, respectively. Business acquisitions, net of cash acquired, were $8 million, $9 million and $79 million in 2008, 2007 and 2006, respectively. In addition, in 2007, the Company received $1 million from the former shareholders of ERA in connection with the finalization of the purchase price in accordance with the purchase and sales agreement. In June 2007, the Company made an equity investment in Thar for $4 million in cash.

In October 2008, the Company entered into an agreement to purchase land adjacent to its TA facility in Delaware for approximately $7 million. The Company plans to construct a new 150,000 square foot facility in 2009 that will consolidate TA's existing Delaware operations and accommodate future expansion at a cost of approximately $26 million. In addition, the Company entered into a lease termination agreement with its existing Delaware landlord that requires the Company to pay a lease termination fee of approximately $5 million when the Company vacates the existing leased property. The Company expects to vacate the leased property in the middle of 2009 once the construction of the new facility is complete.

Cash Used in Financing Activities

During 2008 and 2007, the Company's net debt borrowings decreased by $348 million and $19 million, respectively, compared to an increase of $72 million in 2006.

In March 2008, the Company entered into the 2008 Credit Agreement that provides for a $150 million term loan facility. In January 2007, the Company entered into the 2007 Credit Agreement that provides for a $500 million term loan facility and $600 million in revolving facilities, which include both a letter of credit and a swingline subfacility. Both credit agreements mature on January 11, 2012 and require no scheduled prepayments before that date. The Company uses the revolving line of credit to fund its working capital needs.

The interest rates applicable to the 2008 and 2007 Credit Agreements 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 137.5 basis points for LIBOR rate loans and range between zero basis points and 37.5 basis points for base rate loans. The 2008 and 2007 Credit Agreements require 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 2008 and 2007 Credit Agreements include negative covenants that are customary for investment grade credit facilities. The 2008 and 2007 Credit Agreements also contain certain customary representations and warranties, affirmative covenants and events of default.

In October 2008, the Company utilized cash balances associated with the effective liquidation of certain foreign legal entities into the U.S. to voluntarily prepay the $150 million term loan under the 2008 Credit Agreement. The Company prepaid the term loan in order to reduce interest expense and there was no penalty for prepaying the term loan. The repayment of the term loan effectively terminated all lending arrangements under the 2008 Credit Agreement. In addition, the Company utilized these cash balances to voluntarily repay $340 million of revolving outstanding debt under the 2007 Credit Agreement. The Company prepaid debt in order to reduce future interest expense since the yield on the Company's existing cash and short-term investments had recently declined significantly. There were no penalties for prepaying this debt.

As of December 31, 2008, the Company had $500 million borrowed under the 2007 Credit Agreement that matures in 2012. As of December 31, 2008, the total amount available to borrow under the 2007 Credit Agreement was $599 million after outstanding letters of credit.

In February 2007, the Company's Board of Directors authorized the Company to repurchase up to $500 million of its outstanding common stock over a two-year period. During 2008 and 2007, the Company repurchased a total of 6.9 million shares at a cost of $402 million under this program, leaving $98 million authorized for future repurchases. The Company repurchased 4.1 million, 3.4 million and 5.8 million shares at a cost of $235 million, $201 million and $249 million during 2008, 2007 and 2006, respectively, under the February 2007 authorization and previously announced programs. In February 2009, the Company's Board of Directors authorized the Company to repurchase up to an additional $500 million of its outstanding common stock over a two-year period.

The Company received $29 million, $91 million and $40 million of proceeds from the exercise of stock options and the purchase of shares pursuant to employee stock purchase plan in 2008, 2007 and 2006, respectively. Proceeds from stock option exercises were higher in 2007 compared to 2008 and 2006 and are believed to be attributable to the change in the Company's stock price and the expiration of stock option grants.

The Company believes that the cash and cash equivalent balance of $429 million as of December 31, 2008 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 external sources, will be sufficient to meet future operating and investing needs for the foreseeable future.

The Company's cash equivalents represent highly liquid investments, with original maturities of generally 90 days or less, in commercial paper rated A1 or A1+ by Standard & Poors and P1 by Moody's Investors Service, bank deposits, repurchase agreements, U.S. Government Treasury Bills and AAA rated U.S. Treasury Bill and European government bond money market funds. Similar investments with longer maturities are classified as short-term investments. Cash equivalents and short-term investments are convertible to a known amount of cash and carry an insignificant risk of change in market value. The Company maintains balances in various operating accounts in excess of federally insured limits, and in foreign subsidiary accounts in currencies other than U.S. dollars.

Contractual Obligations and Commercial Commitments

The following is a summary of the Company's known contractual obligations as of December 31, 2008 (in thousands):

	Payments Due by Year							
Contractual Obligations	Total	2009	2010	2011	2012	2013	2014	After 2014
Notes payable and debt(1)	$ 36,120	$36,120	$ —	$ —	$ —	$ —	$ —	$ —
Long-term debt(1)	500,000	—	—	—	500,000	—	—	—
Operating leases	90,046	28,031	17,931	13,989	10,057	6,314	5,057	8,667
Other long-term liabilities(2)	—	—	—	—	—	—	—	—
Total	$626,166	$64,151	$17,931	$13,989	$510,057	$6,314	$5,057	$8,667

	Amount of Commitments Expiration Per Period							
Other Commercial Commitments	Total	2008	2009	2010	2011	2012	2013	After 2013
Letters of credit	$1,437	$1,437	$—	$—	$—	$—	$—	$—

(1) The interest rates applicable to 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 ½%) 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. At current and long-term debt levels and interest rates consistent with those at December 31, 2008, the Company's interest expense would be approximately $13 million annually, which is not disclosed in the above table.

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

The Company licenses certain technology and software from third parties which expire at various dates through 2009. Fees paid for licenses were less than $1 million each in 2008, 2007 and 2006. Future minimum license fees payable under existing license agreements as of December 31, 2008 are immaterial.

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, will not be material to the Company's financial position or results of operations. Current litigation is described in Item 3, Legal Proceedings, of Part I of this Form 10-K.

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 2009, the Company expects to contribute approximately $7 million to $11 million to the Company's defined benefit plans. Capital expenditures in 2009 are expected to be higher than in 2008 due to the construction of the new TA facility which is estimated to cost approximately $33 million in total. Capital expenditures excluding the TA facility are expected to be about the same in 2009 as in 2008.

FIN 48, which became effective on January 1, 2007, 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 those tax reporting positions, as well as all of the pertinent facts and circumstances, but it prohibits any discounting of any of the related tax effects for the time value of money. If all of the Company's unrecognized tax benefits accrued as of December 31, 2008 were to become recognizable in the future, the Company would record a total reduction of approximately $76 million in the income tax provision. As of December 31, 2008, however, the Company is not able to estimate the portion of that total potential reduction that may occur within the next twelve months. As a result, this information is not disclosed in the above table.

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 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 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, 2008, the Company had current and long-term deferred revenue liabilities of approximately $87 million and $14 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; 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") 97-2, "Software Revenue Recognition", as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions". Software 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. Historically, the Company has not experienced significant bad debt losses. 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, 2008 was $292 million, net of allowances for doubtful accounts and sales returns of $8 million.

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, 2008 was $173 million, net of write-downs to net realizable value of $12 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 patents, trademarks 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. Net intangible assets, long-lived assets and goodwill amounted to $150 million, $172 million and $268 million, respectively, as of December 31, 2008. The Company performs annual impairment reviews of its goodwill. The Company performed its annual review during the fourth quarter of 2008 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, 2008, the Company's warranty liability was $10 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 changes in 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. In addition, the Company adopted FIN 48 as of January 1, 2007. FIN 48 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 those tax reporting positions, as well as all of the pertinent facts and circumstances, but it prohibits any discounting of any of the related tax effects for the time value of money. The Company's unrecognized tax benefits at December 31, 2008 were $77 million.

Litigation
As described in Item 3, Legal Proceedings, 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 in Item 3. 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. 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 Waters Retirement 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, 2008 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, 2008, the Company determined this rate to be 6.38% for the Waters Retirement Plan, which is the majority of the Company's 2008 benefit obligation and 2009 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 Waters Retirement Plan by less than $1 million. A one-quarter percentage point increase in the assumed long-term rate of return would decrease the Company's net periodic benefit cost for the Waters Retirement Plan by less than $1 million.

Stock-based Compensation
The Company adopted SFAS No. 123(R) 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 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.

As of December 31, 2008, unrecognized compensation costs and related weighted-average lives over which the costs will be amortized were as follows (in millions):

	Unrecognized Compensation Costs	Weighted-Average Life in Years
Stock options	$41	3.3
Restricted stock units	$25	3.4
Restricted stock	$ 1	1.6
Total	$67	3.3

Recent Accounting Standards Changes

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115", which is effective for fiscal years beginning after November 15, 2007. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The Company did not elect to re-measure any of its existing financial assets or liabilities under the provisions of this standard.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations", which replaces SFAS No. 141. This revised standard requires assets, liabilities and non-controlling interests acquired to be measured at fair value and requires that costs incurred to effect the acquisition be recognized separately from the business combination. In addition, this statement expands the scope to include all transactions and other events in which one entity obtains control over one or more businesses. This statement is effective for all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

SFAS No. 141(R) will be applied prospectively to business combinations with acquisition dates on or after January 1, 2009. Adoption is not expected to materially impact the Company's consolidated financial position or results of operations directly when it becomes effective, as the only impact that the standard will have on recorded amounts at that time relates to disposition of uncertain tax positions related to prior acquisitions. Following adoption, the resolution of such items at values that differ from recorded amounts will be adjusted through earnings rather than through goodwill. Adoption of this statement is, however, expected to have a significant effect on how acquisition transactions subsequent to January 1, 2009 are reflected in the financial statements.

In December 2007, the FASB issued SFAS No. 160, “Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51”. This statement establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for fiscal years beginning on or after December 15, 2008. Adoption of this statement is not expected to have a material impact on the Company’s consolidated financial position, results of operations or cash flows when it becomes effective, but may affect the accounting for non-controlling (or minority) interests from that date forward.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities”. This statement is intended to help investors better understand how derivative instruments and hedging activities affect an entity’s financial position, financial performance and cash flows through enhanced disclosure requirements. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position (“FSP”) No. 142-3, “Determination of the Useful Life of Intangible Assets”. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets”. The objective of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other U.S. generally accepted accounting principles (“GAAP”). This FSP applies to all intangible assets, whether acquired in a business combination or otherwise, and shall be effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and shall be applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles”. This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants Statement on Auditing Standards No. 69, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles”. This statement is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to U.S. Auditing Standards Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles”. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

In December 2008, the FASB issued FSP No. 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets”. This FSP amends the standard to provide guidance on employers’ disclosures about plan assets of a defined benefit pension or other postretirement plan. This FSP is effective for financial statements issued for fiscal years ending after December 15, 2009. The provisions of this FSP are not required for earlier periods presented and early adoption is permitted. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its 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.

Hedge Transactions

The Company records its hedge transactions in accordance with SFAS No. 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 and interest rate risks. The Company's objectives for holding derivatives are to minimize foreign currency and interest rate risk using the most effective methods to eliminate or reduce the impact of foreign currency and interest rate exposures. 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.

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 August 2007, the Company entered into two floating-to-fixed-rate interest rate swaps, each with a notional amount of $50 million and maturity dates of April 2009 and October 2009, to hedge floating rate debt related to the term loan facility of its outstanding debt. For the years ended December 31, 2008 and 2007, the Company recorded a cumulative net pre-tax unrealized loss of $2 million and $1 million in accumulated other comprehensive income, respectively, on these interest rate swap agreements.

In the fourth quarter of 2005, the Company entered into a floating-to-fixed-rate interest rate swap, with a notional amount of $200 million and maturity date of June 2007, to hedge floating rate debt related to the term loan facility of its outstanding debt. For the year ended December 31, 2006, the Company recorded a cumulative net pre-tax realized gain of $1 million and, in December 2006, the Company closed out the swap, resulting in a pre-tax gain of less than $1 million. The gain was deferred and was recognized in earnings in 2007 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 35% of its sales denominated in Euros, 10% in Japanese Yen and smaller sales exposures in other currencies in 2008. 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 2007 and 2006, the Company hedged its net investment in Euro foreign affiliates with cross-currency interest rate swaps, with notional values ranging from $30 million to $100 million. At December 31, 2008 and 2007, the Company had no outstanding cross-currency interest rate swaps contracts. For the year ended December 31, 2007, the Company recorded cumulative net pre-tax losses of $10 million in accumulated other comprehensive income, which consists of realized losses of $10 million. At December 31, 2006, the notional amount of the outstanding contracts totaled $100 million. For the year ended December 31, 2006, the Company recorded cumulative net pre-tax losses of $11 million in accumulated other comprehensive income, which consists of realized losses of $10 million and unrealized losses of $1 million.

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 primarily include the Euro, Japanese Yen, British Pound and Singapore Dollar. 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, 2008, 2007 and 2006, the Company held forward foreign exchange contracts with notional amounts totaling approximately $120 million, $101 million and $71 million, respectively. For the year ended December 31, 2008, the Company recorded cumulative net pre-tax losses of $23 million, which consists of realized losses of $22 million relating to the closed forward contracts and $1 million of unrealized losses relating to the open forward contracts. For the year ended December 31, 2007, the Company recorded cumulative net pre-tax gains of $2 million, which consists of realized gains of $3 million relating to the closed forward contracts and $1 million of unrealized losses relating to the open forward contracts. For the year ended December 31, 2006, the Company recorded cumulative net pre-tax gains of $4 million, which consists of realized gains of $3 million relating to the closed forward contracts and $1 million of unrealized gains relating to 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 outstanding as of December 31, 2008 would decrease earnings by approximately $12 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 original maturities of generally 90 days or less, in commercial paper rated A1 or A1+ by Standard & Poors and P1 by Moody's Investors Service, bank deposits, repurchase agreements, U.S. Government Treasury Bills and AAA rated U.S. Treasury Bill and European government bond money market funds. Similar investments with longer maturities are classified as short-term investments. Cash equivalents and short-term investments are convertible to a known amount of cash and carry an insignificant risk of change in market value. The Company maintains balances in various operating accounts in excess of federally insured limits, and in foreign subsidiary accounts in currencies other than U.S. dollars. As of December 31, 2008, the Company has no holdings in auction rate securities or commercial paper issued by structured investment vehicles, collateralized debt obligation conduits or asset-backed conduits.

The Company's cash, cash equivalents and short-term investments are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2008, the carrying value of the Company's cash and cash equivalents approximated fair value.

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 Rules 13a-15(f) or 15d-15(f) under the Exchange Act. 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.

Under the supervision and with the participation of our management, including our chief executive officer and chief 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, including our chief executive officer and chief financial officer, concluded that our internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of our internal control over financial reporting as of December 31, 2008 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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of Waters Corporation and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Notes 10, 14 and 17 to the consolidated financial statements, respectively, the Company changed the manner in which it accounts for uncertain tax positions effective January 1, 2007, share-based compensation effective January 1, 2006 and defined benefit pension and other postretirement plans effective December 31, 2006.

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

Boston, Massachusetts
February 27, 2009

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31 2008	December 31 2007
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 428,522	$ 597,333
Short-term investments	—	95,681
Accounts receivable, less allowances for doubtful accounts and sales returns of $7,608 and $9,634 at December 31, 2008 and December 31, 2007, respectively	291,763	317,792
Inventories	173,051	175,888
Other current assets	62,966	50,368
Total current assets	956,302	1,237,062
Property, plant and equipment, net	171,588	160,856
Intangible assets, net	149,652	141,759
Goodwill	268,364	272,626
Other assets	76,992	68,752
Total assets	$ 1,622,898	$ 1,881,055
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and debt	$ 36,120	$ 384,176
Accounts payable	47,240	47,451
Accrued employee compensation	43,535	58,771
Deferred revenue and customer advances	87,492	87,348
Accrued income taxes	—	994
Accrued warranty	10,276	13,119
Other current liabilities	64,843	66,575
Total current liabilities	289,506	658,434
Long-term liabilities:		
Long-term debt	500,000	500,000
Long-term portion of retirement benefits	77,017	52,353
Long-term income tax liability	80,310	70,079
Other long-term liabilities	15,060	14,113
Total long-term liabilities	672,387	636,545
Total liabilities	961,893	1,294,979
Commitments and contingencies (Notes 9, 10, 11, 13 and 17)		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, 5,000 shares authorized, none issued at December 31, 2008 and December 31, 2007	—	—
Common stock, par value $0.01 per share, 400,000 shares authorized, 148,069 and 147,061 shares issued, 97,891 and 100,975 shares outstanding at December 31, 2008 and December 31, 2007, respectively	1,481	1,471
Additional paid-in capital	756,499	691,746
Retained earnings	1,913,403	1,590,924
Treasury stock, at cost, 50,178 and 46,086 shares at December 31, 2008 and December 31, 2007, respectively	(2,001,797)	(1,764,297)
Accumulated other comprehensive income	(8,581)	66,232
Total stockholders' equity	661,005	586,076
Total liabilities and stockholders' equity	$ 1,622,898	$ 1,881,055

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	December 31		
	2008	2007	2006
	(In thousands, except per share data)		
Product sales	$1,139,886	$1,087,592	$ 936,269
Service sales	435,238	385,456	343,960
Total net sales	1,575,124	1,473,048	1,280,229
Cost of product sales	457,886	441,877	369,008
Cost of service sales	203,380	189,245	167,177
Total cost of sales	661,266	631,122	536,185
Gross profit	913,858	841,926	744,044
Selling and administrative expenses	426,699	403,703	357,664
Research and development expenses	81,588	80,649	77,306
Purchased intangibles amortization	9,290	8,695	5,439
Litigation provision	6,527	—	—
Restructuring and other charges, net	—	—	8,484
Operating income	389,754	348,879	295,151
Other expense, net	—	—	(5,847)
Interest expense	(38,521)	(56,515)	(51,657)
Interest income	20,959	30,828	25,312
Income from operations before income taxes	372,192	323,192	262,959
Provision for income taxes	49,713	55,120	40,759
Net income	$ 322,479	$ 268,072	$ 222,200
Net income per basic common share	$ 3.25	$ 2.67	$ 2.16
Weighted-average number of basic common shares	99,199	100,500	102,691
Net income per diluted common share	$ 3.21	$ 2.62	$ 2.13
Weighted-average number of diluted common shares and equivalents	100,555	102,505	104,240

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2008	2007	2006
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 322,479	$ 268,072	$ 222,200
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for doubtful accounts on accounts receivable	3,924	1,382	1,661
Provisions on inventory	10,632	6,024	5,903
Impairment of investments	—	—	5,847
Stock-based compensation	30,782	28,855	28,813
Deferred income taxes	(19,626)	5,946	506
Depreciation	29,071	27,467	25,896
Amortization of intangibles	36,200	25,850	20,263
Change in operating assets and liabilities, net of acquisitions:			
Decrease (increase) in accounts receivable	21,739	(26,266)	(7,210)
Increase in inventories	(20,618)	(6,368)	(29,853)
Decrease (increase) in other current assets	(4,633)	(3,032)	(2,919)
Decrease (increase) in other assets	5,180	(6,600)	(13,146)
(Decrease) increase in accounts payable and other current liabilities	(19,970)	32,309	1,670
Increase in deferred revenue and customer advances	1,976	6,244	1,230
Increase in other liabilities	21,112	10,624	2,733
Net cash provided by operating activities	418,248	370,507	263,594
Cash flows from investing activities:			
Additions to property, plant, equipment and software capitalization	(69,065)	(60,342)	(51,421)
Business acquisitions, net of cash acquired	(7,805)	(9,076)	(78,953)
Investment in unaffiliated company	—	(3,532)	—
Purchase of short-term investments	(19,738)	(390,542)	—
Maturity of short-term investments	115,419	294,861	—
Cash received from escrow related to business acquisition	—	724	—
Net cash provided by (used in) investing activities	18,811	(167,907)	(130,374)
Cash flows from financing activities:			
Proceeds from debt issuances	469,407	1,131,834	406,844
Payments on debt	(817,463)	(1,151,119)	(334,629)
Payments of debt issuance costs	(501)	(1,081)	—
Proceeds from stock plans	28,646	91,427	39,913
Purchase of treasury shares	(237,500)	(200,648)	(249,203)
Excess tax benefit related to stock option plans	6,669	16,999	16,503
Payments of debt swaps and other derivative contracts	(22,196)	(7,098)	(5,334)
Net cash used in financing activities	(572,938)	(119,686)	(125,906)
Effect of exchange rate changes on cash and cash equivalents	(32,932)	253	13,264
(Decrease) Increase in cash and cash equivalents	(168,811)	83,167	20,578
Cash and cash equivalents at beginning of period	597,333	514,166	493,588
Cash and cash equivalents at end of period	$ 428,522	$ 597,333	$ 514,166
Supplemental cash flow information:			
Income taxes paid	40,571	29,294	38,049
Interest paid	44,081	49,224	51,853

The accompanying notes are an integral part of the consolidated interim 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	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Statements of Comprehensive Income
					(In thousands)				
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, net of tax	—	—	—	—	—	—	4,210	4,210	4,210
Other comprehensive income	—	—	—	—	—	—	20,707	20,707	20,707
Comprehensive income									$242,907
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	
Adoption of SFAS No. 123(R)	—	—	(255)	255	—	—	—	—	
Adoption of SFAS No. 158	—	—	—	—	—	—	(1,714)	(1,714)	
Treasury stock	—	—	—	—	—	(249,203)	—	(249,203)	
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	
Comprehensive income, net of tax:									
Net income	—	—	—	—	268,072	—	—	268,072	$268,072
Other comprehensive income (loss):									
Foreign currency translation	—	—	—	—	—	—	26,276	26,276	26,276
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	—	—	—	—	—	—	(11,720)	(11,720)	(11,720)
Changes in pension and postretirement benefits, net of tax	—	—	—	—	—	—	8,852	8,852	8,852
Unrealized gains (losses) on investments, net							(841)	(841)	(841)
Other comprehensive income	—	—	—	—	—	—	22,567	22,567	22,567
Comprehensive income									$290,639
Issuance of common stock for employees:									
Stock Purchase Plan	61	1	2,883	—	—	—	—	2,884	
Stock options exercised	2,844	28	88,515	—	—	—	—	88,543	
Tax benefit related to stock option plans	—	—	16,999	—	—	—	—	16,999	
Adoption of FIN 48	—	—	—	—	(3,905)	—	—	(3,905)	
Treasury stock	—	—	—	—	—	(200,648)	—	(200,648)	
Stock-based compensation	64	1	29,180	—	—	—	—	29,181	
Balance December 31, 2007	147,061	1,471	691,746	—	1,590,924	(1,764,297)	66,232	586,076	
Comprehensive income, net of tax:									
Net income	—	—	—	—	322,479	—	—	322,479	$322,479
Other comprehensive income (loss):									
Foreign currency translation	—	—	—	—	—	—	(53,704)	(53,704)	(53,704)
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	—	—	—	—	—	—	(519)	(519)	(519)
Changes in pension and postretirement benefits, net of tax	—	—	—	—	—	—	(20,466)	(20,466)	(20,466)
Unrealized gains (losses) on investments, net							(124)	(124)	(124)
Other comprehensive loss	—	—	—	—	—	—	(74,813)	(74,813)	(74,813)
Comprehensive income									$247,666
Issuance of common stock for employees:									
Stock Purchase Plan	61	1	3,409	—	—	—	—	3,410	
Stock options exercised	825	8	25,228	—	—	—	—	25,236	
Tax benefit related to stock option plans	—	—	6,669	—	—	—	—	6,669	
Increase in valuation allowance			(1,732)					(1,732)	
Treasury stock	—	—	—	—	—	(237,500)	—	(237,500)	
Stock-based compensation	122	1	31,179	—	—	—	—	31,180	
Balance December 31, 2008	148,069	$1,481	$756,499	$ —	$1,913,403	$(2,001,797)	$ (8,581)	$ 661,005	

The accompanying notes are an integral part of the consolidated interim 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, rheometry and calorimetry instruments which are used primarily in predicting the suitability of polymers and liquids for various industrial, consumer goods and healthcare products as well as for life science research. The Company is also a developer 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 ongoing 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, warranty and installation provisions, income taxes, contingencies, litigation, retirement plan obligations and stock-based compensation. 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, global economic and credit conditions, development by its competitors of new technological innovations, risk of disruption, fluctuations in foreign currency exchange rates, dependence on key personnel, protection and litigation of proprietary technology, compliance with regulations of the U.S. Food and Drug Administration and similar foreign regulatory authorities and agencies and changes in the fair value of the underlying assets of the Company's defined benefit plans.

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.

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 70% in 2008, 68% in 2007 and 68% in 2006. 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 generally 90 days or less, in commercial paper rated A1 or A1+ by Standard & Poor's and P1 by Moody's Investors Service, bank deposits, repurchase agreements, U.S. Government Treasury Bills and AAA rated U.S. Treasury Bill and European government bond money market funds which are convertible to a known amount of cash and carry an insignificant risk of change in market value. Similar investments with longer maturities are classified as short-term investments. The Company maintains balances in various operating accounts in excess of federally insured limits, and in foreign subsidiary accounts in currencies other than U.S. dollars.

Short-Term Investments

Short-term investments were classified as available-for-sale in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". All available-for-sale securities are recorded at fair market value and any unrealized holding gains and losses, to the extent deemed temporary, are included in accumulated other comprehensive income in stockholders' equity, net of the related tax effects. Realized gains and losses are determined on the specific identification method and are included in other income (expense) net. If any adjustment to fair value reflects a decline in the value of the investment, the Company considers all available evidence to evaluate the extent to which the decline is "other than temporary" and marks the investment to market through a charge to the statement of operations. The Company classifies its investments as short-term investments exclusive of those categorized as cash equivalents. At December 31, 2007, the Company had short-term investments with a cost of $96 million, which approximated market value. The Company had no short-term investments as of December 31, 2008.

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 50% in 2008, 52% in 2007 and 52% in 2006. None of the Company's individual customers accounted for more than 3% of annual Company sales in 2008, 2007 or 2006. 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.

Seasonality of Business

The Company experiences an increase in sales in the fourth quarter, as a result of purchasing habits for capital goods of customers that tend to exhaust their spending budgets by calendar year end.

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 on at least a quarterly basis. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged against the allowance when the Company feels it is probable that 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 the activity of the Company's allowance for doubtful accounts and sales returns for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Allowance for Doubtful Accounts and Sales Returns:				
2008	$9,634	$5,470	$(7,496)	$7,608
2007	$8,439	$6,617	$(5,422)	$9,634
2006	$6,550	$4,254	$(2,365)	$8,439

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 the 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 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. A liability has also been recorded to recognize uncertain tax return reporting positions.

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 2008, 2007 and 2006.

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. 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 was 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, 2008 and 2007, capitalized internal software included in property, plant and equipment totaled $2 million each, net of accumulated amortization of $5 million and $4 million, respectively.

Investments

The Company accounts for its investments that represent less than twenty percent ownership using SFAS No. 115. 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, 2008 and 2007 are included in other assets and amounted to $7 million and $8 million, respectively. See Note 6, "Business Investments", for net other-than-temporary impairment charges taken in 2006 for 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

Effective January 1, 2008, the Company adopted Financial Accounting Standards Board ("FASB") 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 GAAP. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows. Relative to SFAS No. 157, the FASB issued FASB Staff Position ("FSP") Nos. 157-1, 157-2 and 157-3. FSP No. 157-1 amends SFAS No. 157 to exclude SFAS No. 13, "Accounting for Leases", and its related interpretive accounting pronouncements that address leasing transactions, while FSP No. 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis. As is permitted by FSP No. 157-2, the Company has elected to defer implementation of this standard as it relates to the Company's non-financial assets and non-financial liabilities that are recognized and disclosed at fair value in the financial statements on a non-recurring basis until January 1, 2009. The Company is in the process of evaluating whether the adoption of FSP No. 157-2 will have a material effect on its financial position, results of operations or cash flows. FSP No. 157-3 clarifies the application of SFAS No. 157 as it relates to the valuation of financial assets in a market that is not active for those financial assets. This FSP is effective immediately and includes those periods for which financial statements have not been issued. As of December 31, 2008, the Company currently does not have any financial assets that are valued using inactive markets, and, as such are not currently impacted by the issuance of this FSP.

SFAS No. 157 establishes a three-level value hierarchy for disclosure of fair-value measurements. The valuation hierarchy is based on the transparency of the inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 — Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — Unobservable inputs (e.g. a reporting entity's own data).

In accordance with methodology prescribed by SFAS No. 157, the Company has measured and disclosed the fair value of the following financial instrument assets and liabilities as of December 31, 2008 (in thousands):

	Total December 31, 2008	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$223,000	$—	$223,000	$—
Waters Retirement Restoration Plan assets	12,888	—	12,888	—
Total	$235,888	$—	$235,888	$—
Liabilities:				
Interest rate swap agreements	1,798	—	1,798	—
Foreign currency exchange contract agreements	1,595	—	1,595	—
Total	$ 3,393	$—	$ 3,393	$—

The fair values of the Company's cash equivalents, plan assets and derivative instruments are determined through market, observable and corroborated sources. Fair values of cash, cash equivalents, short-term investments, accounts receivable, accounts payable and debt approximate cost.

Stockholders' Equity

In February 2007, the Company's Board of Directors authorized the Company to repurchase up to $500 million of its outstanding common stock over a two-year period. During 2008 and 2007, the Company repurchased a total of 6.9 million shares at a cost of $402 million under this program, leaving $98 million authorized for future purchases. The Company repurchased 4.1 million, 3.4 million and 5.8 million shares at a cost of $235 million, $201 million and $249 million during 2008, 2007 and 2006, respectively, under the February 2007 authorization and previously announced programs. In February 2009, the Company's Board of Directors authorized the Company to repurchase up to an additional $500 million of its outstanding common stock over a two-year period. 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.

Hedge Transactions

The Company records its hedge transactions in accordance with SFAS No. 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 and interest rate risks. The Company's objectives for holding derivatives are to minimize foreign currency and interest rate risk using the most effective methods to eliminate or reduce the impact of foreign currency and interest rate exposures. 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 August 2007, the Company entered into two floating-to-fixed-rate interest rate swaps, each with a notional amount of $50 million and maturity dates of April 2009 and October 2009, to hedge floating rate debt related to the term loan facility of its outstanding debt. For the years ended December 31, 2008 and 2007, the Company recorded a cumulative net pre-tax unrealized loss of $2 million and $1 million in accumulated other comprehensive income, respectively, on these interest rate swap agreements.

In the fourth quarter of 2005, the Company entered into a floating-to-fixed-rate interest rate swap, with a notional amount of $200 million and maturity date of June 2007, to hedge floating rate debt related to the term loan facility of its outstanding debt. For the year ended December 31, 2006, the Company recorded a cumulative net pre-tax realized gain of $1 million and, in December 2006, the Company closed out the swap, resulting in a pre-tax gain of less than $1 million. The gain was deferred and was recognized in earnings in 2007 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 35% of its sales denominated in Euros, 10% in Japanese Yen and smaller sales exposures in other currencies in 2008. 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 2007 and 2006, the Company hedged its net investment in Euro foreign affiliates with cross-currency interest rate swaps, with notional values ranging from $30 million to $100 million. At December 31, 2008 and 2007, the Company had no outstanding cross-currency interest rate swaps contracts. For the year ended December 31, 2007, the Company recorded cumulative net pre-tax losses of $10 million in accumulated other comprehensive income, which consists of realized losses of $10 million. At December 31, 2006, the notional amount of the outstanding contracts totaled $100 million. For the year ended December 31, 2006, the Company recorded cumulative net pre-tax losses of $11 million in accumulated other comprehensive income, which consists of realized losses of $10 million and unrealized losses of $1 million.

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 primarily include the Euro, Japanese Yen, British Pound and Singapore Dollar. 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, 2008, 2007 and 2006, the Company held forward foreign exchange contracts with notional amounts totaling approximately $120 million, $101 million and $71 million, respectively. For the year ended December 31, 2008, the Company recorded cumulative net pre-tax losses of $23 million, which consists of realized losses of $22 million relating to the closed forward contracts and $1 million of unrealized losses relating to the open forward contracts. For the year ended December 31, 2007, the Company recorded cumulative net pre-tax gains of $2 million, which consists of realized gains of $3 million relating to the closed forward contracts and $1 million of unrealized losses relating to the open forward contracts. For the year ended December 31, 2006, the Company recorded cumulative net pre-tax gains of $4 million, which consists of realized gains of $3 million relating to the closed forward contracts and $1 million of unrealized gains relating to 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; 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 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 are recorded as a reduction to sales. Rights of return are not included in sales arrangements. Revenue associated with products that contain specific customer acceptance criteria is not recognized before the customer acceptance criteria are satisfied. Discounts from list prices are recorded as a reduction to sales.

Sales of software are accounted for in accordance with SOP 97-2, "Software Revenue Recognition", as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions". Software 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.

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, 2008, 2007 and 2006 (in thousands):

	Balance at Beginning of Period	Accruals for Warranties	Settlements Made	Balance at End of Period
Accrued warranty liability:				
2008	$13,119	$ 9,644	$(12,487)	$10,276
2007	$12,619	$19,719	$(19,219)	$13,119
2006	$11,719	$17,940	$(17,040)	$12,619

Advertising Costs

All advertising costs are expensed as incurred and are included in selling and administrative expenses in the consolidated statements of operations. Advertising expenses for 2008, 2007 and 2006 were $9 million, $6 million and $8 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 14, "Stock-Based Compensation".

Earnings 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.

Recent Accounting Standards Changes

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115", which is effective for fiscal years beginning after November 15, 2007. This standard permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The Company did not elect to re-measure any of its existing financial assets or liabilities under the provisions of this standard.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations", which replaces SFAS No. 141. This revised standard requires assets, liabilities and non-controlling interests acquired to be measured at fair value and requires that costs incurred to effect the acquisition be recognized separately from the business combination. In addition, this statement expands the scope to include all transactions and other events in which one entity obtains control over one or more businesses. This statement is effective for all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

SFAS No. 141(R) will be applied prospectively to business combinations with acquisition dates on or after January 1, 2009. Adoption is not expected to materially impact the Company's consolidated financial position or results of operations directly when it becomes effective, as the only impact that the standard will have on recorded amounts at that time relates to disposition of uncertain tax positions related to prior acquisitions. Following adoption, the resolution of such items at values that differ from recorded amounts will be adjusted through earnings rather than through goodwill. Adoption of this statement is, however, expected to have a significant effect on how acquisition transactions subsequent to January 1, 2009 are reflected in the financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51". This statement establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for fiscal years beginning on or after December 15, 2008. Adoption of this statement is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows when it becomes effective, but may affect the accounting for non-controlling (or minority) interests from that date forward.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities". This statement is intended to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows through enhanced disclosure requirements. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

In April 2008, the FASB issued FSP No. 142-3, "Determination of the Useful Life of Intangible Assets". This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. The objective of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other U.S. GAAP. This FSP applies to all intangible assets, whether acquired in a business combination or otherwise, and shall be effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years and shall be applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles". This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants Statement on Auditing Standards No. 69, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". This statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to U.S. Auditing Standards Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

In December 2008, the FASB issued FSP No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets". This FSP amends the standard to provide guidance on employers' disclosures about plan assets of a defined benefit pension or other postretirement plan. This FSP is effective for financial statements issued for fiscal years ending after December 15, 2009. The provisions of this FSP are not required for earlier periods presented and early adoption is permitted. The Company is in the process of evaluating whether the adoption of this standard will have a material effect on its financial position, results of operations or cash flows.

3 Out-of-Period Adjustments

During the second quarter of 2008, the Company identified errors originating in periods prior to the three months ended June 28, 2008. The errors primarily related to (i) an overstatement of the Company's income tax expense of $16 million as a result of errors in recording its income tax provision during the period from 2000 to March 29, 2008 and (ii) an understatement of amortization expense of $9 million for certain capitalized software. The Company incorrectly calculated its provision for income taxes by tax-effecting its tax liability utilizing a U.S. tax rate of 35% instead of an Irish tax rate of 10%. In addition, the Company incorrectly accounted for Irish-based capitalized software and the related amortization expense as U.S. Dollar-denominated instead of Euro-denominated, resulting in an understatement of amortization expense and cumulative translation adjustment.

The Company identified and corrected the errors in the three months ended June 28, 2008, which had the effect of increasing cost of sales by $9 million; reducing gross profit and income from operations before income tax by $9 million; reducing the provision for income taxes by $16 million and increasing net income by $8 million. For the year ended December 31, 2008, the errors had the effect of reducing the Company's effective tax rate by 4.0 percentage points. In addition, as of June 28, 2008, the out-of-period adjustments increased the gross carrying value of capitalized software by $46 million; increased accumulated amortization for capitalized software by $36 million; reduced deferred tax liabilities by $14 million and increased accumulated other comprehensive income by $17 million.

The Company does not believe that the prior period errors, individually or in the aggregate, are material to any previously issued annual or quarterly financial statements. In addition, the Company does not believe that the adjustments described above to correct the cumulative effect of the errors in the three months ended June 28, 2008 are material to the three months ended June 28, 2008 or to the full year results for 2008. As a result, the Company has not restated its previously issued annual financial statements or interim financial data.

4 Inventories

Inventories are classified as follows (in thousands):

	December 31	
	2008	2007
Raw materials	$ 59,957	$ 51,426
Work in progress	12,899	16,970
Finished goods	100,195	107,492
Total inventories	$173,051	$175,888

5 Property, Plant and Equipment

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

	December 31	
	2008	2007
Land and land improvements	$ 9,735	$ 8,755
Buildings and leasehold improvements	123,278	118,517
Production and other equipment	222,361	206,361
Construction in progress	16,693	13,735
Total property, plant and equipment	372,067	347,368
Less: accumulated depreciation and amortization	(200,479)	(186,512)
Property, plant and equipment, net	$ 171,588	$ 160,856

During 2008, 2007 and 2006, the Company retired and disposed of approximately $9 million, $4 million and $30 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.

6 Business Investments

In June 2007, the Company made an equity investment in Thar Instruments, Inc. (“Thar”), a privately held global leader in the design, development and manufacture of analytical and preparative supercritical fluid chromatography and supercritical fluid extraction systems, for $4 million in cash. This investment is accounted for under the cost method of accounting. On February 2, 2009, the Company acquired all of the remaining outstanding capital stock of Thar for $36 million, including the assumption of $4 million of debt.

In the fourth quarter of 2006, the Company recorded a $6 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. In March 2007, Caprion merged with Ecopia BioSciences Inc. and is now named Thallion Pharmaceuticals Inc. (“Thallion”). Thallion is publicly traded on the Toronto Stock Exchange and the Company’s investment is accounted for under SFAS No. 115. The market value of the Thallion investment was less than $1 million at both December 31, 2008 and 2007.

7 Acquisitions

In December 2008, the Company acquired the net assets of Analytical Products Group, Inc. (“APG”), a provider of environmental testing products for quality control and proficiency testing used in environmental laboratories, for $5 million in cash. This acquisition was accounted for under the purchase method of accounting and the results of APG 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 $3 million of the purchase price to intangible assets comprised of non-compete agreements, acquired technology, customer relationships and tradename. These intangible assets are being amortized over a weighted-average period of ten years. The excess purchase price of $1 million after this allocation has been accounted for as goodwill. The goodwill is deductible for tax purposes.

In July 2008, the Company acquired the net assets of VTI Corporation ("VTI"), a manufacturer of sorption analysis and thermogravimetric analysis instruments, for $3 million in cash. This acquisition was accounted for under the purchase method of accounting and the results of VTI 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 $1 million of the purchase price to intangible assets comprised of a non-compete agreement and acquired technology. These intangible assets are being amortized over a weighted-average period of nine years. The excess purchase price of $2 million after this allocation has been accounted for as goodwill. The goodwill is deductible for tax purposes.

In October 2007, the Company acquired certain net assets and customer lists from a South Korean distributor of thermal analysis products for a total of $2 million in cash. The Company has allocated $2 million of the purchase price to intangible assets comprised of customer relationships and non-compete agreements. These intangible assets are being amortized over a weighted-average period of ten years.

In August 2007, the Company acquired all of the outstanding capital stock of Calorimetry Sciences Corporation ("CSC"), a privately held company that designs, develops and manufactures highly sensitive calorimeters, for $7 million in cash, including the assumption of $1 million of liabilities. This acquisition was accounted for under the purchase method of accounting and the results of operations of CSC 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 $3 million of the purchase price to intangible assets comprised of customer relationships, non-compete agreements and acquired technology. These intangible assets are being amortized over a weighted-average period of nine years. The excess purchase price of $5 million after this allocation has been accounted for as goodwill. The sellers also have provided the Company with normal representations, warranties and indemnification which would be settled in the future if and when the contractual representation or warranty condition occurs. The goodwill is deductible for tax purposes.

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 million, including the assumption of $4 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.

In August 2006, the Company acquired all of the outstanding capital stock of Thermometric AB ("Thermometric"), a manufacturer of high performance micro-calorimeters, and certain net assets and customer lists from a Taiwan distributor of thermal analysis products for a total of $3 million in cash. As part of the Thermometric acquisition, the Company assumed $1 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.

In February 2006, the Company acquired the net assets of the food safety business of VICAM Limited Partnership ("VICAM") for $14 million. 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 following represents the unaudited pro forma results of the ongoing operations for Waters, APG, VTI, CSC, ERA, Thermometric and VICAM as though the acquisitions of APG, VTI, CSC, ERA, Thermometric and VICAM 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 occurred had the acquisition taken place at the beginning of the periods presented, nor is it necessarily indicative of future results.

	Year Ended December 31,		
	2008	2007	2006
Net revenues	$1,580,936	$1,482,258	$1,309,693
Net income	$ 323,152	$ 268,097	$ 226,853
Net income per basic common share	$ 3.26	$ 2.67	$ 2.21
Net income per diluted common share	$ 3.21	$ 2.62	$ 2.18

The pro forma effects of other acquisitions are immaterial.

8 Goodwill and Other Intangibles

The carrying amount of goodwill was $268 million and $273 million at December 31, 2008 and 2007, respectively. The overall decrease is primarily attributable to an $8 million decrease due to currency translation being partially offset by the $3 million of goodwill from the Company's acquisitions of VTI and APG (Note 7).

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

	December 31, 2008			December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period
Purchased intangibles	$113,526	$ 51,662	10 years	$111,207	$ 43,180	10 years
Capitalized software	184,434	109,876	4 years	133,215	74,298	4 years
Licenses	9,345	7,235	9 years	10,522	7,011	9 years
Patents and other intangibles	20,918	9,798	8 years	19,182	7,878	8 years
Total	$328,223	$178,571	7 years	$274,126	$132,367	7 years

The gross carrying value of capitalized software and related accumulated amortization increased by $46 million and $36 million, respectively, during the six months ended June 28, 2008 primarily as a result of an out-of-period adjustment (Note 3). During the year ended December 31, 2008, the Company acquired $4 million of purchased intangibles as a result of the acquisitions of VTI and APG. During the year ended December 31, 2007, the Company acquired $4 million of purchased intangibles as a result of the acquisitions of CSC and the distributor rights from a South Korean distributor of thermal analysis products. In addition, the gross carrying value of intangible assets decreased by $25 million in 2008 and increased $3 million in 2007, respectively, due to the effect of foreign currency translation. The gross carrying value of accumulated amortization for intangible assets decreased by $17 million in 2008 and increased by $1 million in 2007 due to the effect of foreign currency translation.

For the years ended December 31, 2008, 2007 and 2006, amortization expense for intangible assets was $36 million, $26 million and $20 million, respectively. Included in amortization expense for the year ended December 31, 2008 is a $9 million out-of-period adjustment related to capitalized software. Amortization expense for intangible assets is estimated to be approximately $28 million for each of the next five years.

9 Debt

In March 2008, the Company entered into a new credit agreement (the "2008 Credit Agreement") that provides for a $150 million term loan facility. In January 2007, the Company entered into a credit agreement (the "2007 Credit Agreement") that provides for a $500 million term loan facility and $600 million in revolving facilities, which include both a letter of credit and a swingline subfacility. Both credit agreements mature on January 11, 2012 and require no scheduled prepayments before that date. The outstanding portions of the revolving facilities have been classified as short-term liabilities in the consolidated balance sheets due to the fact that the Company utilizes the revolving line of credit to fund its working capital needs. It is the Company's intention to pay the outstanding revolving line of credit balance during the subsequent twelve months following the respective period end date.

The interest rates applicable to the 2008 and 2007 Credit Agreements 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 ½%) 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 137.5 basis points for LIBOR rate loans and range between zero basis points and 37.5 basis points for base rate loans. The 2008 and 2007 Credit Agreements require 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 2008 and 2007 Credit Agreements include negative covenants that are customary for investment grade credit facilities. The 2008 and 2007 Credit Agreements also contain certain customary representations and warranties, affirmative covenants and events of default. As of December 31, 2008, the Company was in compliance with all such covenants.

In October 2008, the Company utilized cash balances associated with the effective liquidation of certain foreign legal entities into the U.S. to voluntarily prepay the $150 million term loan under the 2008 Credit Agreement. The Company prepaid the term loan in order to reduce interest expense and there was no penalty for prepaying the term loan. The repayment of the term loan effectively terminated all lending arrangements under the 2008 Credit Agreement. In addition, the Company utilized these cash balances to voluntarily repay $340 million of revolving outstanding debt under the 2007 Credit Agreement. The Company prepaid debt in order to reduce future interest expense since the yield on the Company's existing cash and short-term investments had declined significantly. There were no penalties for prepaying this debt.

As of December 31, 2008, the Company had $500 million borrowed under the 2007 Credit Agreement and an amount available to borrow of $599 million after outstanding letters of credit. At December 31, 2008, $500 million of the total debt was classified as long-term debt in the consolidated balance sheets. As of December 31, 2007, the Company had $865 million borrowed under the 2007 Credit Agreement and an amount available to borrow of $233 million after outstanding letters of credit. At December 31, 2007, $500 million of the total debt was classified as long-term debt and $365 million classified as short-term debt in the consolidated balance sheets. The weighted-average interest rates applicable to these borrowings were 2.43% and 5.67% at December 31, 2008 and 2007, respectively.

The Company, and its foreign subsidiaries, also had available short-term lines of credit, totaling $88 million at December 31, 2008 and $99 million at December 31, 2007. At December 31, 2008 and 2007, related short-term borrowings were $36 million at a weighted-average interest rate of 2.18% and $19 million at a weighted-average interest rate of 3.30%, respectively.

10 Income Taxes

Income tax data for the years ended December 31, 2008, 2007 and 2006 is as follows (in thousands):

	Year Ended December 31		
	2008	2007	2006
The components of income from operations before income taxes are as follows:			
Domestic	$ (6,728)	$ 1,638	$ 11,812
Foreign	378,920	321,554	251,147
Total	$372,192	$323,192	$262,959

	Year Ended December 31		
	2008	2007	2006
The current and deferred components of the provision for income taxes on operations are as follows:			
Current	$ 64,837	$ 62,126	$ 46,883
Deferred	(15,124)	(7,006)	(6,124)
Total	$ 49,713	$ 55,120	$ 40,759
The jurisdictional components of the provision for income taxes on operations are as follows:			
Federal	$ 1,687	$ 10,239	$ 6,121
State	2,422	1,700	2,603
Foreign	45,604	43,181	32,035
Total	$ 49,713	$ 55,120	$ 40,759
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	$130,267	$113,117	$ 92,036
Extraterritorial income exclusion	—	—	(2,676)
State income tax, net of federal income tax benefit	1,575	1,105	1,692
Net effect of foreign operations	(82,200)	(59,395)	(49,568)
Other, net	71	293	(725)
Provision for income taxes	$ 49,713	$ 55,120	$ 40,759

	December 31 2008	December 31 2007
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	$100,795	$107,362
Depreciation and capitalized software	5,846	3,824
Amortization	776	2,106
Stock-based compensation	19,580	13,192
Deferred compensation	23,262	16,487
Revaluation of equity investments	11,336	11,458
Inventory	2,185	1,530
Accrued liabilities and reserves	13,463	9,787
Other	10,938	9,733
	188,181	175,479
Valuation allowance	(82,978)	(81,639)
Deferred tax asset, net of valuation allowance	105,203	93,840
Deferred tax liabilities:		
Depreciation and capitalized software	(5,526)	(14,149)
Amortization	(5,686)	(6,422)
Indefinite lived intangibles	(17,660)	(16,604)
Other	(159)	(119)
	(29,031)	(37,294)
Net deferred tax assets	$ 76,172	$ 56,546

Net deferred tax assets of $30 million and $24 million are included in other current assets and $46 million and $33 million are included in other assets at December 31, 2008 and 2007, 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, 2008: $20 million ($50 million pre-tax) benefit of U.S. federal and state net operating loss carryforwards that begin to expire in 2020 and 2009, respectively; $70 million in foreign tax credits, which begin to expire in 2009; $10 million in research and development credits that begin to expire in 2010; and $1 million ($5 million pre-tax) in foreign net operating losses, $1 million ($4 million pre-tax) of which do not expire under current law, the remainder of which begin to expire in 2009. The Company has excluded the benefit of $13 million ($35 million pre-tax) of U.S. federal and state net operating loss carryforwards from the deferred tax asset balance at December 31, 2008. This amount represents an "excess tax benefit", as the term is defined in SFAS No. 123(R), "Share Based Payment", which will be recognized as a reduction to the Company's accrued income taxes and an addition to its additional paid-in capital when it is realized in the Company's tax returns.

As of December 31, 2008, the Company has provided a deferred tax valuation allowance of $83 million, principally against foreign tax credits ($70 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 $7 million, $17 million and $17 million for the years ended December 31, 2008, 2007 and 2006, respectively.

At December 31, 2008, there were unremitted earnings of foreign subsidiaries of approximately $1.1 billion. 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.

In July 2006, the FASB issued FIN 48. FIN 48 prescribes the 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. FIN 48, which became effective on January 1, 2007, 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 those tax reporting positions, as well as all of the pertinent facts and circumstances, but it prohibits any discounting of any of the related tax effects for the time value of money. FIN 48 also mandates expanded financial statement disclosure about uncertainty in income tax reporting positions.

The Company implemented the methodology prescribed by FIN 48 as of January 1, 2007. The Company recorded the effect of adopting FIN 48 with a $4 million charge to beginning retained earnings in the consolidated balance sheet as of January 1, 2007. The 2008 and 2007 activity in the Company's unrecognized tax benefits is summarized as follows (in thousands):

	December 31	
	2008	2007
Balance at beginning of period	$68,463	$62,418
Additions for tax positions of the current year	8,832	6,045
Balance at end of period	$77,295	$68,463

For the years ended December 31, 2008 and 2007, the Company recorded increases of $9 million and $6 million, respectively, in unrecognized tax benefits via the income tax provision. Included in the income tax provision for the year ended December 31, 2008 is an unrecorded tax benefit of $5 million that is associated with the reorganization of certain foreign entities in October 2008. In February 2009, the U.S. Treasury promulgated changes in income tax regulations that eliminate concerns with respect to the $5 million unrecognized tax benefit that was originally recorded in the third quarter of 2008 through the Company's tax provision. Because these changes in income tax regulations were promulgated during the first quarter of 2009, the Company will record this $5 million item as a recognized tax benefit and, therefore, as a reduction of its income tax provision for the first quarter of 2009. If all of the Company's unrecognized tax benefits accrued as of December 31, 2008 were to become recognizable in the future, the Company would record a total reduction of approximately $76 million in the income tax provision. As of December 31, 2008, the Company believes $5 million of that total potential reduction may occur within the next twelve months.

The Company's accounting policy is to record estimated interest and penalties related to the potential underpayment of income taxes, net of related tax effects, as a component of the income tax provision. For the years ended December 31, 2008 and 2007, the Company included $1 million and $1 million ($2 million and $2 million pre-tax), respectively, of such interest expense, net of related tax benefits, and no income tax penalty expense in the income tax provision. As of December 31, 2008 and 2007, the Company had accrued $5 million ($8 million pre-tax) and $4 million ($6 million pre-tax), respectively, of such estimated interest expense, net of related tax benefits. As of both December 31, 2008 and 2007, the Company had accrued no income tax penalty expense.

The Company's uncertain tax positions are taken with respect to income tax return reporting periods beginning after December 31, 1999, which are the periods that remain generally open to income tax audit examination by the various income tax authorities that have jurisdiction over the Company's income tax reporting for that period of time. The Company has monitored and will continue to monitor the lapsing of statutes of limitations on potential tax assessments for related changes in the measurement of unrecognized tax benefits, related net interest and penalties, and deferred tax assets and liabilities. As of December 31, 2008, however, the Company does not expect to record any material changes in the measurement of unrecognized tax benefits, related net interest and penalties or deferred tax assets and liabilities due to the lapsing of statutes of limitations on potential tax assessments within the next twelve months.

The Company's effective tax rates for years ended December 31, 2008, 2007 and 2006 were 13.4%, 17.1% and 15.5%, respectively. The 2008 effective tax rate includes a $5 million tax provision associated with the reorganization of certain foreign legal entities. This one-time provision increased the Company's effective tax rate by 1.4 percentage points for 2008. The 2008 tax provision also contains out-of-period adjustments to correct errors relating to capitalized software amortization and the income tax provision. The $16 million tax benefit from the out-of-period adjustments reduced the Company's effective tax rate by 4.0 percentage points for 2008. The 2007 tax provision includes a $4 million tax benefit associated with a one-time contribution into the Waters Employee Investment Plan. The remaining decrease in the effective tax rate for 2008 as compared with 2007 is primarily attributable to proportionately greater growth in income in jurisdictions with comparatively lower effective tax rates. The net increase in the effective tax rate for 2007 as compared with 2006 is primarily attributable to increased net income in jurisdictions with comparatively higher tax rates.

11 Patent Litigation

The Company is involved in various litigation matters arising in the ordinary course of business. The Company believes the outcome, if the plaintiff ultimately prevails, will not have a material impact on the Company's financial position.

The Company has been engaged in ongoing patent litigation with Agilent Technologies GmbH in England, France and Germany. In January 2009, the French appeals court affirmed that the Company had infringed the Agilent Technologies GmbH patent and a judgment was issued against the Company. The Company has appealed this judgment. In the meantime, however, the Company has recorded a $7 million provision in 2008 for damages and fees estimated to be incurred in connection with this case. The accrued patent litigation expense is in other current liabilities in the consolidated balance sheets at December 31, 2008. No provision has been made for the German patent litigation and the Company believes the outcome, if the plaintiff ultimately prevails, will not have a material impact on the Company's financial position.

12 Restructuring and Other Charges

In February 2006, the Company implemented a cost reduction plan, primarily affecting operations in the U.S. and Europe, which 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 Company incurred $8 million of charges in 2006 related to the February 2006 initiative. The Company does not expect to incur any additional charges in connection with this cost reduction initiative. The Company's restructuring liability included in other current liabilities on the consolidated balance sheet was less than $1 million at both December 31, 2008 and 2007.

13 Other Commitments and Contingencies

Lease agreements, expiring at various dates through 2026, cover buildings, office equipment and automobiles. Rental expense was $30 million, $23 million and $23 million during the years ended December 31, 2008, 2007 and 2006, respectively. Future minimum rents payable as of December 31, 2008 under non-cancelable leases with initial terms exceeding one year are as follows (in thousands):

2009	$28,031
2010	17,931
2011	13,989
2012	10,057
2013 and thereafter	20,038

The Company licenses certain technology and software from third parties, which expire at various dates through 2009. Fees paid for licenses were less than $1 million for each of the years ended December 31, 2008, 2007 and 2006. Future minimum license fees payable under existing license agreements as of December 31, 2008 are immaterial for the years ended December 31, 2009 and thereafter.

In October 2008, the Company entered into an agreement to purchase land adjacent to its TA facility in Delaware for approximately $7 million. The Company plans to construct a new 150,000 square foot facility in 2009 that will consolidate TA's existing Delaware operations and accommodate future expansion at a cost of approximately $26 million. In addition, the Company entered into a lease termination agreement with its existing Delaware landlord that requires the Company to pay a lease termination fee of approximately $5 million when the Company vacates the existing leased property. The Company expects to vacate the leased property in the second half of 2009 once the construction of the new facility is complete.

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, will not be material to the Company's 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.

14 Stock-Based Compensation

In May 2003, the Company's shareholders approved the Company's 2003 Equity Incentive Plan ("2003 Plan"). As of December 31, 2008, the 2003 Plan has 3.9 million shares available for granting in the form of incentive or non-qualified stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units or other types of awards. The Company issues new shares of common stock upon exercise of stock options or restricted stock 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 in equal annual installments 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, 2008, the Company had stock options, restricted stock and restricted stock unit awards outstanding.

In February 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, 2008, 0.9 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 less than $1 million for each of the years ended December 31, 2008, 2007 and 2006.

The Company accounts for stock-based compensation costs in accordance with 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 recognizes the expense using the straight-line attribution method. The stock-based compensation expense recognized in the consolidated statements of operations is based on awards that ultimately are expected to vest; therefore, the amount of expense has been reduced for estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated based on historical experience. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted. In addition, if 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 consolidated statements of operations for the years ended December 31, 2008, 2007 and 2006 include the following stock-based compensation expense related to stock option awards, restricted stock, restricted stock unit awards and the employee stock purchase plan (in thousands):

	2008	2007	2006
Cost of sales	$ 2,980	$ 3,352	$ 4,345
Selling and administrative	23,164	21,225	19,357
Research and development	4,638	4,278	5,111
Total stock-based compensation	$30,782	$28,855	$28,813

As of both December 31, 2008 and 2007, the Company has capitalized stock-based compensation costs of less than $1 million to inventory in the consolidated balance sheets. As of both December 31, 2008 and 2007, the Company has capitalized stock-based compensation costs of $2 million to capitalized software in the consolidated balance sheets.

Stock Option Plans

In determining the fair value of the stock options, the Company makes a variety of assumptions and estimates, including volatility measures, expected yields and expected stock option lives. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model. The Company uses implied volatility on its publicly traded options as the basis for its estimate of expected volatility. The Company believes that implied volatility is the most appropriate indicator of expected volatility because it is generally reflective of historical volatility and expectations of how future volatility will differ from historical volatility. The expected life assumption for 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 stock options granted in 2008, 2007 and 2006 are as follows:

Options Issued and Significant Assumptions Used to Estimate Option Fair Values	2008	2007	2006
Options issued in thousands	583	516	572
Risk-free interest rate	2.1	3.8	4.5
Expected life in years	6.0	6.0	6.0
Expected volatility	.557	.291	.280
Expected dividends	—	—	—

Weighted-average Exercise Price and Fair Values of Options on the Date of Grant	2008	2007	2006
Exercise price	$42.91	$75.29	$48.64
Fair value	$22.69	$27.33	$18.08

During 2008, 2007 and 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 $26 million, $98 million and $40 million, respectively. The total cash received from the exercise of these stock options was $25 million, $89 million and $37 million for the years ended December 31, 2008, 2007 and 2006, respectively.

As of December 31, 2008, 2007 and 2006, there were $41 million, $51 million and $61 million of total unrecognized compensation costs related to unvested stock option awards. These costs are expected to be recognized over a weighted-average period of 3.3 years.

The following table details the weighted-average remaining contractual life of options outstanding at December 31, 2008 by range of exercise prices (in thousands, except per share data):

Exercise Price Range	Number of Shares Outstanding	Weighted Average Exercise Price	Remaining Contractual Life of Options Outstanding	Number of Shares Exercisable	Weighted Average Exercise Price
$21.05 to $38.99	2,912	$31.78	4.4	2,687	$31.19
$39.00 to $59.99	2,632	$46.33	7.2	1,362	$47.46
$60.00 to $80.97	1,291	$74.46	4.6	888	$72.91
	6,835	$45.44	5.5	4,937	$43.18

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

	Number of Shares	Price per Share	Weighted Average Exercise Price
Outstanding at December 31, 2007	7,097	$19.50 to $80.97	$43.93
Granted	583	$41.20 to $76.75	$42.91
Exercised	(825)	$19.50 to $72.06	$30.57
Cancelled	(20)	$32.12 to $72.06	$49.25
Outstanding at December 31, 2008	6,835	$21.05 to $80.97	$45.44

The aggregate intrinsic value of the outstanding stock options at December 31, 2008 was $15 million. Options exercisable at December 31, 2008, 2007 and 2006 were 4.9 million, 4.7 million and 6.3 million, respectively. The weighted-average exercise prices of options exercisable at December 31, 2008, 2007 and 2006 were $43.18, $40.77 and $37.43, respectively. The weighted-average remaining contractual life of the exercisable outstanding stock options at December 31, 2008 was 4.5 years.

At December 31, 2008, the Company had 6.7 million stock options which are vested and expected to vest. The intrinsic value, weighted-average price and remaining contractual life of the vested and expected to vest stock options were $15 million, $45.35 and 5.5 years, respectively, at December 31, 2008.

Restricted Stock

During each of the years ended December 31, 2008, 2007 and 2006, the Company granted eight thousand shares of restricted stock. The restrictions on these shares lapse at the end of a three-year period. The Company has recorded less than $1 million of compensation expense in each of the years ended December 31, 2008, 2007 and 2006 related to the restricted stock grants. The weighted-average fair value on the grant date of the restricted stock for 2008, 2007 and 2006 was $76.75, $48.88 and $39.64, respectively. As of December 31, 2008, the Company has 24 thousand unvested shares of restricted stock outstanding with a total of $1 million of unrecognized compensation costs. These costs are expected to be recognized over a weighted-average period of 1.6 years.

Restricted Stock Units

The following table summarizes the unvested restricted stock unit award activity (in thousands, except per share data):

	Shares	Weighted-Average Price
Unvested at December 31, 2007	489	$48.44
Granted	241	$60.37
Vested	(118)	$47.46
Forfeited	(15)	$49.22
Unvested at December 31, 2008	597	$53.43

Restricted stock units are generally issued annually in February and vest in equal annual installments over a five-year period. The amount of compensation costs recognized for the years ended December 31, 2008, 2007 and 2006 on the restricted stock units expected to vest were $8 million, $5 million and $2 million, respectively. As of December 31, 2008, there were $23 million of total unrecognized compensation costs related to the restricted stock unit awards that are expected to vest. These costs are expected to be recognized over a weighted-average period of 3.4 years.

15 Earnings Per Share

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

	Year Ended December 31, 2008		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
Net income per basic common share	$322,479	99,199	$3.25
Effect of dilutive stock option, restricted stock and restricted stock unit securities:			
Outstanding		1,161	
Exercised and cancellations		195	
Net income per diluted common share	$322,479	100,555	$3.21

	Year Ended December 31, 2007		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
Net income per basic common share	$268,072	100,500	$2.67
Effect of dilutive stock option, restricted stock and restricted stock unit securities:			
Outstanding		1,445	
Exercised and cancellations		560	
Net income per diluted common share	$268,072	102,505	$2.62

	Year Ended December 31, 2006		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
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

For the years ended December 31, 2008, 2007 and 2006, the Company had 1.3 million, 0.9 million and 3.5 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.

16 Comprehensive Income

Comprehensive income details follow (in thousands):

	Year Ended December 31		
	2008	2007	2006
Net income	$322,479	$268,072	$222,200
Foreign currency translation	(53,704)	26,276	27,072
Net depreciation and realized losses on derivative instruments	(798)	(18,031)	(16,269)
Income tax benefit	279	6,311	5,694
Net depreciation and realized losses on derivative instruments, net of tax	(519)	(11,720)	(10,575)
Net foreign currency adjustments	(54,223)	14,556	16,497
Unrealized losses on investments before income taxes	(191)	(1,294)	—
Income tax benefit	67	453	—
Unrealized losses on investments, net of tax	(124)	(841)	—
Retirement liability adjustment, net of tax	(20,466)	8,852	4,210
Other comprehensive income (loss)	(74,813)	22,567	20,707
Comprehensive income	$247,666	$290,639	$242,907

17 Retirement Plans

U.S. employees are eligible to participate in the Waters Employee Investment Plan, a 401(k) defined contribution plan, after one month of service. Employees may contribute from 1% to 30% of eligible pay on a pre-tax basis. Prior to the amendments described below, which became effective on January 1, 2008, the Company made matching contributions of 50% for contributions up to 6% of eligible pay after one year of service. Employees are 100% vested in employee and Company matching contributions. For the years ended December 31, 2008, 2007 and 2006, the Company's matching contributions amounted to $10 million, $4 million and $4 million, respectively.

U.S. employees were eligible to participate in the Waters Retirement Plan, a defined benefit, cash balance plan, after one year of service. Annually, the Company credited 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, the Waters Retirement Restoration Plan, which is non-qualified and restores the benefits under the Waters Retirement Plan that are limited by IRS benefit and compensation maximums.

In September 2007, the Company's Board of Directors approved various amendments to freeze the pay credit accrual under the Waters Retirement Plan and the Waters Retirement Restoration Plan (the "U.S. Pension Plans") effective December 31, 2007. In accordance with SFAS No. 88, "Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", the Company recorded a curtailment gain of $1 million. In addition, the Company re-measured the U.S. Pension Plans' liabilities in September 2007 and the Company reduced the projected benefit obligation liability by $7 million with a corresponding adjustment, net of tax, to accumulated other comprehensive income as a result of the curtailment reducing the accrual for future service.

The Company's Board of Directors also approved a $13 million payment that was contributed to the Waters Employee Investment Plan in the first quarter of 2008. The $13 million of expense was reduced by a curtailment gain of $1 million, relating to various amendments to freeze the pay credit accrual, resulting in $12 million of expense recorded in the consolidated statements of operations in the year ending December 31, 2007 with $3 million included in cost of sales, $7 million included in selling and administrative expenses and $2 million included in research and development expenses. In addition, effective January 1, 2008, the Company's Board of Directors increased the employer matching contribution in the Waters Employee Investment Plan to 100% for contributions up to 6% of eligible pay, an increase of 3%, and eliminated the one-year service requirement to be eligible for matching contributions.

The Company also sponsors other unfunded employee benefit plans in the U.S., including a retirement healthcare 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, "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans", which amends SFAS No. 87, "Employers' Accounting for Pensions", SFAS No. 88, SFAS No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions", 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, which was only disclosed in the footnotes to the financial statements prior to 2006, 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 net periodic pension cost under SFAS No. 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.

Summary data for the U.S. Pension Plans, the U.S. retirement healthcare plan and the Company's non-U.S. retirement plans are presented in the following tables, using the measurement date of December 31, 2008 and 2007, respectively.

The summary of the projected benefit obligations at December 31, 2008 and 2007 is as follows (in thousands):

	2008			2007		
	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	$92,311	$5,416	$21,716	$91,413	$4,941	$21,084
Service cost	91	691	1,502	7,122	658	1,224
Interest cost	5,944	329	885	5,271	277	815
Plan amendments	—	—	—	(6,448)	—	—
Employee rollovers	1,402	—	—	77	—	—
Actuarial losses (gains)	2,227	230	(626)	(3,016)	(162)	(1,279)
Disbursements	(3,639)	(318)	(673)	(2,108)	(298)	(1,476)
Currency Impact	—	—	1,002	—	—	1,348
Projected benefit obligation, December 31	$98,336	$6,348	$23,806	$92,311	$5,416	$21,716

The summary of the accumulated benefit obligations at December 31, 2008 and 2007 is as follows (in thousands):

	2008			2007		
	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
Accumulated benefit obligation	$98,022	*	$18,140	$91,989	*	$17,133

* Not applicable.

The summary of the fair value of the plan assets at December 31, 2008 and 2007 is as follows (in thousands):

	2008			2007		
	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	$ 79,544	$2,134	$11,283	$69,380	$1,753	$10,750
Actual return on plan assets	(23,310)	(368)	(95)	7,886	92	622
Company contributions	4,459	175	1,011	4,309	189	1,016
Employee contributions	—	460	—	—	398	—
Disbursements	(3,639)	(318)	(673)	(2,108)	(298)	(1,476)
Employee rollovers	1,402	—	—	77	—	—
Currency Impact	—	—	(1,457)	—	—	371
Fair value of assets, December 31	$ 58,456	$2,083	$10,069	$79,544	$2,134	$11,283

The summary of the funded status of the plans at December 31, 2008 and 2007 is as follows (in thousands):

	2008			2007		
	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	$(98,336)	$(6,348)	$(23,806)	$(92,311)	$(5,416)	$(21,716)
Fair value of plan assets	58,456	2,083	10,069	79,544	2,134	11,283
Projected benefit obligation in excess of fair value of plan assets	$(39,880)	$(4,265)	$(13,737)	$(12,767)	$(3,282)	$(10,433)

The summary of the amounts recognized in the consolidated balance sheets for the plans at December 31, 2008 and 2007 under SFAS No. 158 is as follows (in thousands):

	2008			2007		
	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
Long-term assets	$ —	$ —	$ 2,589	$ —	$ —	$ 2,467
Current liabilities	(54)	—	(56)	(59)	—	(46)
Long-term liabilities	(39,826)	(4,265)	(16,270)	(12,708)	(3,282)	(12,854)
Net amount recognized at December 31	$(39,880)	$(4,265)	$(13,737)	$(12,767)	$(3,282)	$(10,433)

The summary of the components of net periodic pension costs for the plans for the years ended December 31, 2008, 2007 and 2006 is as follows (in thousands):

	2008			2007			2006		
	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	$ 91	$ 231	$1,502	$ 7,122	$ 260	$1,224	$ 7,916	$273	$1,137
Interest cost	5,944	329	885	5,271	277	815	4,529	241	687
Return on plan assets	(6,128)	(156)	(432)	(5,427)	(127)	(400)	(4,695)	(95)	(328)
Net amortization:									
Prior service (cost) or credit	148	(54)	—	(55)	(53)	—	(82)	(54)	—
Net actuarial loss (gain)	86	—	(27)	613	—	20	1,234	—	13
Curtailment gain	—	—	—	(466)	—	—	—	—	—
Net periodic pension cost	$ 141	$ 350	$1,928	$ 7,058	$ 357	$1,659	$ 8,902	$365	$1,509

The summary of the amounts included in accumulated other comprehensive income (loss) in stockholders' equity for the plans at December 31, 2008 and 2007 is as follows (in thousands):

	2008			2007		
	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
Net (loss) or gain	$(36,863)	$(740)	$(699)	$(5,285)	$ 14	$30
Prior service (cost) or credit	(148)	321	—	(295)	374	—
Total	$(37,011)	$(419)	$(699)	$(5,580)	$388	$30

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, 2008 is as follows (in thousands):

	2008		
	U.S. Pension Plans	U.S. Retirement Healthcare Plan	Non-U.S. Pension Plans
Net loss	$392	$ 11	$21
Prior service cost or (credit)	148	(54)	—
Total	$540	$(43)	$21

The plans' investment asset mix is as follow at December 31, 2008 and 2007:

	2008			2007		
	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	58%	41%	0%	72%	56%	0%
Debt securities	34%	21%	2%	26%	23%	2%
Cash and cash equivalents	4%	38%	0%	2%	21%	0%
Other	4%	0%	98%	0%	0%	98%
Total	100%	100%	100%	100%	100%	100%

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	65%	40% - 80%	0%
Debt securities	25%	20% - 60%	2%
Cash and cash equivalents	0%	0% - 20%	0%
Other	10%	0% - 10%	98%

The asset allocation policy for the U.S. Pension Plans and U.S. retirement healthcare plan was developed in consideration of the following long-term investment objectives: achieving a return on assets consistent with the investment policy, 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 plans, investments are diversified among market capitalization and investment strategy. Up to 20% of the U.S. retirement plans' 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 plans' assets.

The Company prohibits the following types of assets or transactions in the U.S. retirement plans: 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, 2008, 2007 and 2006 are as follows:

	2008		2007		2006	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	6.38%	3.65%	6.40%	4.12%	5.82%	3.84%
Increases in compensation levels	4.75%	3.21%	4.75%	3.24%	4.75%	2.99%

The weighted-average assumptions used to determine the pension cost at December 31, 2008, 2007 and 2006 are as follows:

	2008		2007		2006	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	6.40%	4.12%	5.94%	3.84%	5.50%	3.59%
Return on assets	8.00%	4.03%	7.97%	3.80%	7.97%	3.48%
Increases in compensation levels	4.75%	3.24%	4.75%	2.99%	4.75%	2.89%

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 Waters Retirement Plan by less than $1 million. A one-quarter percentage point increase in the assumed long-term rate of return would decrease the Company's net periodic benefit cost for the Waters Retirement Plan by less than $1 million.

During fiscal year 2009, the Company expects to contribute approximately $7 million to $11 million to the Company's defined benefit plans.

Estimated future benefit payments as of December 31, 2008 are as follows (in thousands):

	U.S. Pension and Retirement Healthcare Plans	Non-U.S. Pension Plans	Total
2009	$ 3,760	$ 212	$ 3,972
2010	3,856	765	4,621
2011	4,729	849	5,578
2012	4,785	634	5,419
2013	5,217	885	6,102
2014 - 2018	40,937	6,627	47,564

18 Business Segment Information

SFAS No. 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 services, geographic areas and major customers. The 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, rheometry and calorimetry 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 years ended December 31, 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
Product net sales			
Waters instrument systems	$ 767,122	$ 742,045	$ 658,457
Chemistry	243,855	223,593	180,519
TA instrument systems	128,909	121,954	97,293
Total product net sales	1,139,886	1,087,592	936,269
Service net sales			
Waters service	398,409	356,544	320,895
TA service	36,829	28,912	23,065
Total service net sales	435,238	385,456	343,960
Total net sales	$1,575,124	$1,473,048	$1,280,229

Geographic sales information is presented below (in thousands):

Year Ended December 31	2008	2007	2006
Net Sales:			
United States	$ 476,301	$ 473,322	$ 405,632
Europe	545,620	511,973	437,088
Japan	151,685	134,757	135,791
Asia	291,639	246,587	205,440
Other	109,879	106,409	96,278
Total consolidated sales	$1,575,124	$1,473,048	$1,280,229

The Other category includes Canada, Latin America and Puerto Rico. Net sales 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.

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

December 31	2008	2007
Long-lived assets:		
United States	$129,324	$115,698
Europe	33,243	37,991
Japan	1,943	1,364
Asia	5,679	4,306
Other	1,399	1,497
Total long-lived assets	$171,588	$160,856

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

19 Unaudited Quarterly Results

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

2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$371,712	$398,771	$386,310	$418,331	$1,575,124
Cost of sales	155,451	175,232	158,520	172,063	661,266
Gross Profit	216,261	223,539	227,790	246,268	913,858
Selling and administrative expenses	105,837	111,935	107,463	101,464	426,699
Research and development expenses	19,786	22,228	19,946	19,628	81,588
Purchased intangibles amortization	2,272	2,352	2,349	2,317	9,290
Litigation provision	—	—	—	6,527	6,527
Operating Income	88,366	87,024	98,032	116,332	389,754
Interest expense	(11,157)	(9,807)	(10,570)	(6,987)	(38,521)
Interest income	6,913	4,952	6,028	3,066	20,959
Income from operations before income taxes	84,122	82,169	93,490	112,411	372,192
Provision for income tax expense (benefit)	15,647	(979)	21,987	13,058	49,713
Net Income	$ 68,475	$ 83,148	$ 71,503	$ 99,353	$ 322,479
Net income per basic common share	$ 0.68	$ 0.83	$ 0.72	$ 1.01	$ 3.25
Weighted-average number of basic common shares	100,401	99,586	98,891	98,029	99,199
Net income per diluted common share	$ 0.67	$ 0.82	$ 0.71	$ 1.01	$ 3.21
Weighted-average number of diluted common shares and equivalents	101,983	101,035	100,566	98,821	100,555

2007	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$330,777	$352,630	$352,638	$437,003	$1,473,048
Cost of sales	143,232	152,219	153,679	181,992	631,122
Gross Profit	187,545	200,411	198,959	255,011	841,926
Selling and administrative expenses	93,907	102,223	105,577	101,996	403,703
Research and development expenses	18,722	19,115	21,974	20,838	80,649
Purchased intangibles amortization	2,125	2,133	2,176	2,261	8,695
Operating Income	72,791	76,940	69,232	129,916	348,879
Interest expense	(13,188)	(13,335)	(14,783)	(15,209)	(56,515)
Interest income	6,353	6,939	8,061	9,475	30,828
Income from operations before income taxes	65,956	70,544	62,510	124,182	323,192
Provision for income taxes	10,019	10,635	9,227	25,239	55,120
Net Income	$ 55,937	$ 59,909	$ 53,283	$ 98,943	$ 268,072
Net income per basic common share	$ 0.55	$ 0.60	$ 0.53	$ 0.98	$ 2.67
Weighted-average number of basic common shares	101,416	100,327	99,821	100,689	100,500
Net income per diluted common share	$ 0.54	$ 0.59	$ 0.52	$ 0.96	$ 2.62
Weighted-average number of diluted common shares and equivalents	103,198	102,130	101,712	102,778	102,505

The Company experiences an 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 and third quarters over the first quarter in each year as the Company's annual payroll merit increases take effect. Selling and administrative expenses will vary in the fourth quarter in relation to performance in the quarter and for the year. In the second quarter of 2008, the Company recorded out-of-period adjustments related to capitalized software amortization and the income tax provision (Note 3). In the third quarter of 2008, the Company recorded a $5 million tax provision associated with the reorganization of certain foreign legal entities (Note 10). In the fourth quarter of 2008, the Company recorded a $7 million provision related to ongoing litigation (Note 11). In the third quarter of 2007, the Company recorded a $12 million expense related to the contribution into the Waters Employee Investment Plan, which was made in the first quarter of 2008 (Note 17).

SELECTED FINANCIAL DATA

The following table sets forth selected historical consolidated financial and operating data for the periods indicated. The statement of operations and balance sheet data is derived from audited financial statements for the years 2008, 2007, 2006, 2005 and 2004. The Company's financial statements as of December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008 are included in Item 8, Financial Statements and Supplemental Data, in Part II of this Form 10-K.

In thousands, except per share and employees data	2008*	2007*	2006*	2005	2004
STATEMENT OF OPERATIONS DATA:					
Net sales	$1,575,124	$1,473,048	$1,280,229	$1,158,236	$1,104,536
Income from operations before income taxes	$ 372,192	$ 323,192	$ 262,959	$ 274,563	$ 285,671
Net income	$ 322,479	$ 268,072	$ 222,200	$ 201,975	$ 224,053
Net income per basic common share:					
Net income per basic common share	$ 3.25	$ 2.67	$ 2.16	$ 1.77	$ 1.87
Weighted-average number of basic common shares	99,199	100,500	102,691	114,023	119,640
Net income per diluted common share:					
Net income per diluted common share	$ 3.21	$ 2.62	$ 2.13	$ 1.74	$ 1.82
Weighted- average number of diluted common shares and equivalents	100,555	102,505	104,240	115,945	123,069
BALANCE SHEET AND OTHER DATA:					
Cash, cash equivalents and short-term investments	$ 428,522	$ 693,014	$ 514,166	$ 493,588	$ 539,077
Working capital**	$ 666,796	$ 578,628	$ 313,846	$ 309,101	$ 480,894
Total assets	$1,622,898	$1,881,055	$1,617,313	$1,428,931	$1,460,426
Long-term debt, including current maturities	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 250,000
Stockholders' equity**	$ 661,005	$ 586,076	$ 362,383	$ 283,632	$ 678,686
Employees	5,033	4,956	4,687	4,503	4,271

* As a result of the adoption of SFAS No. 123(R) 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 No. 123(R) was $31 million, $29 million and $29 million for the years ended December 31, 2008, 2007 and 2006, respectively.

** 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 $2 million after-tax.

** As a result of the adoption of FIN 48 as of January 1, 2007, the Company is required to 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. Prior to January 1, 2007, these amounts were included in accrued income taxes in current liabilities. On January 1, 2007, the Company recorded the effect of adopting FIN 48 which included a $4 million charge to beginning retained earnings and a $58 million reclassification from accrued income taxes, which was included in working capital, to the long-term income tax liability in the consolidated balance sheet.

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

None.

Item 9A: ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer (principal executive and principal financial officer), with the participation of management, 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 effective as of December 31, 2008 and (1) designed to ensure that information required to be disclosed by the Company, including its consolidated subsidiaries, in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, to allow timely decisions regarding the required disclosure and (2) designed to 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.

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 36 of this Form 10-K.

Report of the Independent Registered Public Accounting Firm

See report of PricewaterhouseCoopers LLP in Item 8 on page 37 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

No change in the Company's internal control over financial reporting identified in the evaluation discussed above (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended December 31, 2008 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 Goverance***

Information regarding the Company's directors is contained in the definitive proxy statement for the 2009 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 compliance Section 16(a) of the Exchange Act is contained in the Company's definitive proxy statement for the 2009 Annual Meeting of Stockholders under the heading "Section 16(A) Beneficial Ownership Reporting Compliance." Information regarding the Company's Audit Committee and Audit Committee Financial Expert is contained in the definitive proxy statement for the 2009 Annual Meeting of Stockholders under the heading "Report of the Audit Committee of the Board of Directors". Such information is incorporated herein by reference. Information regarding the Company's executive officers is contained in 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 and that is in compliance with Item 406 of Regulation S-K. 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, under the caption "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 also 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 Company's website, www.waters.com, under the caption 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.

As required by Section 303A.12(a) of the New York Stock Exchange ("NYSE") Listed Company Manual, the Company has filed the 2007 Domestic Company Section 303A Annual CEO Certification with the NYSE and there were no qualifications. This certifies that the Company's Chief Executive Officer is not aware of any violation by the Company of the NYSE corporate governance listing standards. The Company has also filed the Sarbanes-Oxley Section 302 Certifications regarding the quality of the Company's public disclosure with this Form 10-K and with the Form 10-K for the period ended December 31, 2007.

Item 11: *Executive Compensation*

This information is contained in the Company's definitive proxy statement for the 2009 Annual Meeting of Stockholders under the heading "Compensation of Directors and Executive Officers" And "Compensation and Management Development Committee Interlocks and Insider Participation". 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 the Company's definitive proxy statement for the 2009 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, 2008 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	6,835	$45.44	3,911
Equity compensation plans not approved by security holders	—	—	—
Total	6,835	$45.44	3,911

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

This information is contained in the Company's definitive proxy statement for the 2009 Annual Meeting of Stockholders under the heading "Directors and Executive Officers" And "Corporate Governance". Such information is incorporated herein by reference.

Item 14: *Principal Accountant Fees and Services*

This information is contained in the Company's definitive proxy statement for the 2009 Annual Meeting of Stockholders under the heading "Proposal 4 Ratification of Independent Registered Public Accounting Firm" and "Report of the Audit Committee of the Board of Directors". 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 72. The report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, dated February 27, 2009, is set forth on page 37 of this Form 10-K.

(2) Financial Statement Schedule:

None.

(3) Exhibits:

Exhibit Number	Description of Document
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.(4)
3.12	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, as amended July 27, 2000.(7)
3.13	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, as amended May 25, 2001.(9)
3.21	Amended and Restated Bylaws of Waters Corporation dated as of December 13, 2006.(18)
4.1	Rights Agreement dated August 9, 2002, between the Waters Corporation and Equiserve Trust Co.(11)
4.2	Amendment to Rights Agreement, dated as of March 4, 2005, between Waters Corporation and The Bank of New York as Rights Agent.(16)
10.3	Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(6)(*)
10.4	Waters Corporation 1996 Employee Stock Purchase Plan.(2)(*)
10.5	Amended and Restated Waters Corporation 1996 Non-Employee Director Deferred Compensation Plan, Effective January 1, 2008.(*)
10.6	Waters Corporation Amended and Restated 1996 Non-Employee Director Stock Option Plan.(6)(*)
10.10	Waters Corporation Retirement Plan.(3)(*)
10.17	First Amendment to the Waters Corporation 2003 Equity Incentive Plan.(13)(*)
10.27	Form of Director Stock Option Agreement under the Waters Corporation Amended 2003 Equity Incentive Plan.(14)(*)
10.28	Form of Director Restricted Stock Agreement under the Waters Corporation Amended 2003 Equity Incentive Plan.(14)(*)
10.29	Form of Executive Officer Stock Option Agreement under the Waters Corporation Amended 2003 Equity Incentive Plan.(14)(*)
10.31	First Amendment to the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(10)(*)
10.32	Form of Amendment to Stock Option Agreement under the Waters Corporation Second Amended and Restated 1996 Long Term Performance Incentive Plan.(15)(*)
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.(15)(*)
10.36	2008 Waters Corporation Management Incentive Plan.(*)
10.38	Second Amendment to the Waters Corporation 2003 Equity Incentive Plan.(17)(*)
10.41	December 1999 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(5)(*)

Exhibit Number	Description of Document
10.42	March 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(5)(*)
10.43	June 1999 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(8)(*)
10.44	July 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(8)(*)
10.46	Second Amendment to the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(18)(*)
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.(18)
10.48	Third Amendment to the Waters Corporation 2003 Equity Incentive Plan.(18)(*)
10.49	Amended and Restated Waters Retirement Restoration Plan, Effective January 1, 2008.(*)
10.50	Amended and Restated Waters 401(k) Restoration Plan, Effective January 1, 2008.(19)(*)
10.53	Change of Control/Severance Agreement, dated as of February 27, 2008 between Waters Corporation and Mark T. Beaudouin.(20)(*)
10.54	Change of Control/Severance Agreement, dated as of February 27, 2008 between Waters Corporation and Douglas A. Berthiaume.(20)(*)
10.55	Change of Control/Severance Agreement, dated as of February 27, 2008 between Waters Corporation and Arthur G. Caputo.(20)(*)
10.56	Change of Control/Severance Agreement, dated as of February 27, 2008 between Waters Corporation and William J. Curry.(20)(*)
10.57	Change of Control/Severance Agreement, dated as of February 27, 2008 between Waters Corporation and John Ornell.(20)(*)
10.58	Change of Control/Severance Agreement, dated as of February 27, 2008 between Waters Corporation and Elizabeth B. Rae.(20)(*)
10.59	Term Credit Agreement, dated as of March 25, 2008 among Waters Corporation, JP Morgan Chase Bank, N.A. and other lenders party thereto.(21)
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 (File No. 001-14010).

(2) Incorporated by reference to Exhibit B of the Registrant's 1996 Proxy Statement (File No. 001-14010).

(3) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 333-96934).

(4) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 11, 1999 (File No. 001-14010).

(5) Incorporated by reference to the Registrant's Report on Form 10-K dated March 30, 2000 (File No. 001-14010).

(6) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 8, 2000 (File No. 001-14010).

(7) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 8, 2000 (File No. 001-14010).

(8) Incorporated by reference to the Registrant's Report on Form 10-K dated March 27, 2001 (File No. 001-14010).

(9) Incorporated by reference to the Registrant's Report on Form 10-K dated March 28, 2002 (File No. 001-14010).

(10) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 12, 2002 (File No. 001-14010).

(11) Incorporated by reference to the Registrant's Report on Form 8-A12B/A dated August 27, 2002 (File No. 001-14010).

(12) Incorporated by reference to the Registrant's Report on Form S-8 dated November 20, 2003 (File No. 333-110613).

(13) Incorporated by reference to the Registrant's Report on Form 10-K dated March 12, 2004 (File No. 001-14010).

(14) Incorporated by reference to the Registrant's Report on Form 10-Q dated November 10, 2004 (File No. 001-14010).

(15) Incorporated by reference to the Registrant's Report on Form 10-K dated March 15, 2005 (File No. 001-14010).

(16) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 6, 2005 (File No. 001-14010).

(17) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 5, 2005 (File No. 001-14010).

(18) Incorporated by reference to the Registrant's Report on Form 10-K dated March 1, 2007 (File No. 001-14010).

(19) Incorporated by reference to the Registrant's Report on Form 10-Q dated November 2, 2007 (File No. 001-14010).

(20) Incorporated by reference to the Registrant's Report on Form 10-K dated February 29, 2008 (File No. 001-14010).

(21) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 2, 2008 (File No. 001-14010).

(*) 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.

SIGNATURES

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

WATERS CORPORATION

/s/ JOHN ORNELL

John Ornell
Vice President, Finance and Administration and Chief Financial Officer

Date: February 27, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2009.

/s/ DOUGLAS A. BERTHIAUME Douglas A. Berthiaume	Chairman of the Board of Directors, President and Chief Executive Officer (principal executive officer)
/s/ JOHN ORNELL John Ornell	Vice President, Finance and Administration and Chief Financial Officer (principal financial officer and principal accounting officer)
/s/ JOSHUA BEKENSTEIN Joshua Bekenstein	Director
/s/ DR. MICHAEL J. BERENDT Dr. Michael J. Berendt	Director
/s/ EDWARD CONARD Edward Conard	Director
/s/ DR. LAURIE H. GLIMCHER Dr. Laurie H. Glimcher	Director
/s/ CHRISTOPHER A. KUEBLER Christopher A. Kuebler	Director
/s/ WILLIAM J. MILLER William J. Miller	Director
/s/ JOANN A. REED JoAnn A. Reed	Director
/s/ THOMAS P. SALICE Thomas P. Salice	Director

Waters

Notice and Proxy Statement
2009

Waters

April 2, 2009

Dear Stockholder:

On behalf of the Board of Directors of Waters Corporation ("Waters" or the "Company"), I cordially invite you to attend the Annual Meeting of Stockholders (the "Meeting") of the Company to be held at Waters Corporation, 34 Maple Street, Milford, Massachusetts 01757 on May 12, 2009 at 11:00 a.m., local time.

The notice of Meeting, Proxy Statement and proxy card from Waters are enclosed. You may also read the notice of Meeting, the Proxy Statement and Annual Report on the Internet at **http://www.proxydocs.com/wat.**

In 2008, Waters adopted the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that this e-proxy process expedites stockholders' receipt of proxy materials, lowers the costs and reduces the environmental impact of our annual meeting. On April 2, 2009, we mailed to stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our Proxy Statement and Annual Report and vote by Internet. The Notice contains instructions on how you can (i) receive a paper copy of the Proxy Statement and Annual Report, if you only received a Notice by mail, or (ii) elect to receive your Proxy Statement and Annual Report over the Internet.

The matters scheduled to be considered at the Meeting are (i) to elect directors to serve for the ensuing year and until their successors are elected, (ii) to approve the Company's 2009 Employee Stock Purchase Plan, (iii) to approve the Company's Management Incentive Plan, (iv) to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009 and (v) to consider and act upon any other matters which may properly come before the Meeting or any adjournment thereof. These matters are more fully explained in the Proxy Statement that you are encouraged to read in its entirety.

The Company's Board of Directors values and encourages stockholder participation at the Meeting. It is important that your shares be represented, whether or not you plan to attend the Meeting. Please take a moment to vote on the Internet, by telephone, or sign, date and return your proxy card in the envelope provided even if you plan to attend the Meeting.

We hope you will be able to attend the Meeting.

Sincerely,

Douglas Berthiaume

Douglas A. Berthiaume
Chairman, President and
Chief Executive Officer

Waters

WATERS CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of Stockholders (the "Meeting") of Waters Corporation ("Waters" or the "Company") will be held at Waters Corporation, 34 Maple Street, Milford, Massachusetts 01757 on May 12, 2009 at 11:00 a.m., local time, for the following purposes:

1. To elect directors to serve for the ensuing year and until their successors are elected;
2. To approve the Company's 2009 Employee Stock Purchase Plan;
3. To approve the Company's Management Incentive Plan;
4. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009; and
5. To consider and act upon any other matters which may properly come before the Meeting or any adjournment thereof.

In accordance with the provisions of the Company's bylaws, the Company's Board of Directors has fixed the close of business on March 18, 2009 as the record date for the determination of the holders of Common Stock entitled to notice of and to vote at the Meeting.

The Proxy Statement and Annual Report and the means to vote by Internet are available at **http://www.proxydocs.com/wat.**

By order of the Board of Directors

Mark T. Beaudouin
Vice President
General Counsel and Secretary

Milford, Massachusetts
April 2, 2009

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ELECTRONIC DELIVERY OF WATERS STOCKHOLDER COMMUNICATIONS

Notice of Electronic Availability of Proxy Statement and Annual Report

As permitted by the Securities and Exchange Commission ("SEC") rules, Waters Corporation is making this Proxy Statement and its Annual Report available to its stockholders electronically via the Internet. On April 2, 2009, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials ("Notice") containing instructions on how to access this Proxy Statement and our Annual Report and vote by Internet. If you received the Notice by mail, you *will not* receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the Proxy Statement and Annual Report electronically or to receive a printed version in the mail. The Notice also instructs you on how you may submit your proxy over the Internet or by mail.

Important Notice Regarding Availability of Proxy Materials:

The Proxy Statement and Annual Report are available at **http://www.proxydocs.com/wat.**

Whether or not you expect to attend the Meeting in person, we urge you to vote your shares by phone, via the Internet, or by signing, dating, and returning the enclosed proxy card at your earliest convenience. This will ensure the presence of a quorum at the Meeting. Promptly voting your shares will save us the expense and extra work of additional solicitation. Submitting your proxy now will not prevent you from voting your stock at the Meeting if you want to do so, as your vote by proxy is revocable at your option.

VOTING

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the Meeting in person. Stockholders have three options for submitting their votes: (1) via the Internet, (2) by phone or

(3) by mail, using a paper proxy card. If you have Internet access, we encourage you to record your vote on the Internet. It is convenient for you, and it saves the Company significant postage and processing costs. In addition, when you vote via the Internet or by telephone prior to the Meeting date, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. Refer to your Notice, or the email you received for electronic delivery of the Proxy Statement for further instructions on voting.

VOTE BY INTERNET	VOTE BY TELEPHONE	VOTE BY MAIL
http://www.proxypush.com/wat	866-307-0858	Mark, sign, and date the proxy card and return it in the enclosed postage- paid envelope.
24 hours a day/7 days a week	toll-free 24 hours a day/7 days a week	
Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.	Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.	

If you vote your proxy by Internet or by telephone, please do NOT mail back the proxy card. You can access, view and download this year's Proxy Statement and Annual Report at http://www.proxydocs.com/wat.

WATERS CORPORATION
34 Maple Street
Milford, Massachusetts 01757

PROXY STATEMENT
Annual Meeting of Stockholders
May 12, 2009, 11:00 a.m.

This Proxy Statement is being furnished by the Board of Directors (the "Board") of Waters Corporation ("Waters" or the "Company"), in connection with the Board's solicitation of proxies (each a "Proxy" and, collectively, "Proxies"), for use at the 2009 Annual Meeting of Stockholders (the "Meeting") to be held on May 12, 2009 at 11:00 a.m., local time, at the Company's headquarters located at 34 Maple Street, Milford, Massachusetts 01757. Solicitation of Proxies, which is being made by the Board, may be made through officers and regular employees of the Company by telephone or by oral communications with stockholders following the original solicitation. No additional compensation will be paid to officers and regular employees for such Proxy solicitation. The Company has hired the Altman Group, Inc. to do a broker solicitation for a fee of $4,500, plus reasonable out-of-pocket expenses. Expenses incurred in connection with the solicitation of Proxies will be borne by the Company.

VOTING MATTERS

The representation in person or by Proxy of a majority of the outstanding shares of common stock of the Company, par value $.01 per share (the "Common Stock"), entitled to vote at the Meeting is necessary to provide a quorum for the transaction of business at the Meeting. Shares can only be voted if a stockholder is present in person, has voted via the Internet or by telephone, or is represented by a properly signed Proxy. Each stockholder's vote is very important. Whether or not you plan to attend the Meeting in person, please vote over the Internet or sign and promptly return the enclosed Proxy card, which requires no additional postage if mailed in the United States. All signed and returned Proxies will be counted towards establishing a quorum for the Meeting, regardless of how the shares are voted.

Shares represented by Proxy will be voted in accordance with your instructions. You may specify how you want your shares to be voted by voting on the Internet, by telephone, or marking the appropriate box on the Proxy card. If your Proxy card is signed and returned without specifying how you want your shares to be voted, your shares will be voted in favor of the proposals made by the Board, and as the individuals named as Proxy holders on the Proxy deem advisable on all other matters as may properly come before the Meeting.

Any stockholder voting by Proxy has the power to revoke the Proxy prior to its exercise either by voting by ballot at the Meeting, by executing a later dated Proxy or by delivering a signed written notice of the revocation to the office of the Secretary of the Company at 34 Maple Street, Milford, Massachusetts 01757 before the Meeting begins. The Proxy will be voted at the Meeting if the signer of the Proxy was a stockholder of record on March 18, 2009 (the "Record Date").

Representatives of the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, are expected to be present at the Meeting. They will have the opportunity to make statements if they desire to do so and will be available to respond to appropriate questions.

As of the Record Date, there were 96,406,901 shares of Common Stock outstanding and entitled to vote at the Meeting. Each outstanding share of Common Stock is entitled to one vote. This Proxy Statement and form of Proxy is first being made available to the stockholders on or about April 2, 2009. A list of the stockholders entitled to vote at the Meeting will be available for inspection at the Meeting and for ten days prior to the meeting at the Company's headquarters for proper purposes relating to the Meeting.

MATTERS TO BE ACTED UPON

PROPOSAL 1. ELECTION OF DIRECTORS

Nine members of the Board (the "Directors") are to be elected at the Meeting, each to hold office until his or her successor is elected and qualified or until his or her earlier resignation, death or removal. It is intended that the Proxies in the form enclosed with this Proxy Statement will be voted for the nominees set forth below unless stockholders specify to the contrary in their Proxies or specifically abstain from voting on this matter.

The following information pertains to the nominees, their principal occupations for at least the last five-years, certain directorships and their ages as of April 2, 2009.

Douglas A. Berthiaume, 60, has served as Chairman of the Board since February 1996 and has served as President, Chief Executive Officer and a Director of the Company since August 1994 (except from January 2002 to March 2003, during which time he did not serve as President). From 1990 to 1994, Mr. Berthiaume served as President of the Waters Chromatography Division of Millipore Corporation, the predecessor business of the Company, which was purchased in 1994. 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.

Joshua Bekenstein, 50, has served as a Director of the Company since August 1994. He is a Managing Director of Bain Capital, LLC, where he has worked since its inception in 1984. Mr. Bekenstein is a director of Bombardier Recreational Products, Inc., Toys R'Us, Bright Horizons Family Solutions, Inc., Dollarama, Michaels Stores, Inc. and Burlington Coat Factory Warehouse Corporation.

Michael J. Berendt, Ph.D., 60, has served as a Director of the Company since March 1998. Dr. Berendt is the President and Chief Executive Officer of Aegera Therapeutics Inc., a position he assumed in March 2006. From August 2004 to December 2005, Dr. Berendt served as Managing Director of Research Corporation Technologies. From November 2000 to August 2004, Dr. Berendt served as Managing Director of AEA Investors. Dr. Berendt also worked for 18 years, from 1982 to 2000, in the pharmaceutical industry where he served in a number of senior management positions including Senior Vice President of Research for the Pharmaceutical Division of Bayer Corporation, and a Group Director of Drug Discovery at Pfizer, Inc. Dr. Berendt has served as a director of Onyx Pharmaceuticals, Myriad Genetics, Inc., Catalyst Biosciences and Northstar Neuroscience.

Edward Conard, 52, has served as a Director of the Company since August 1994. Mr. Conard is an independent director and investor. He was a Managing Director of Bain Capital, LLC from March 1993 to December 31, 2007. Mr. Conard was previously a Director of Wasserstein Perella and Company, an investment banking firm that specializes in mergers and acquisitions, and a Vice President of Bain & Company heading up the firm's operations practice area. Mr. Conard is a director of Unisource Worldwide, Inc., Broder Brothers and Sensata Technologies, Inc.

Laurie H. Glimcher, M.D., 57, has served as a Director of the Company since January 1998. Dr. Glimcher has been Irene Heinz Given Professor of Immunology at the Harvard School of Public Health and Professor of Medicine at Harvard Medical School since 1991. Dr. Glimcher is a director of Bristol-Myers Squibb Company. She is a Fellow of the American Academy of Arts and Sciences and a member of the National Academy of Sciences and the Institutes of Medicine of the National Academy of Sciences.

Christopher A. Kuebler, 55, has served as a Director of the Company since May 2006. Mr. Kuebler served as Chairman and CEO of Covance Inc., and its predecessor companies from November 1994 to December 2004. He served as Chairman during 2005. Prior to joining Covance, Mr. Kuebler spent nearly 20 years in the pharmaceutical industry, at Abbott Laboratories, Squibb Inc. and Monsanto Health Care. Mr. Kuebler is a director of Nektar Therapeutics.

William J. Miller, 63, has served as a Director of the Company since January 1998. Mr. Miller is an independent director and investor. From April 1996 to November 1999, Mr. Miller served as Chief Executive Officer and Chairman of the Board of Directors of Avid Corporation, where from September 1996 to January 1999 he served as President. From March 1992 to September 1995, Mr. Miller served as Chief Executive Officer of Quantum Corporation. From May 1992 to September 1995, Mr. Miller served as a member of the Board of Directors of Quantum Corporation and from September 1993 to August 1995, he served as Chairman of the Board of Directors. From 1981 to March 1992, he served in various positions at Control Data Corporation, most recently as Executive Vice President and President, Information Services. Mr. Miller is a director of Nvidia Corporation, Digimarc Corporation, Glu Mobile Inc., and Overland Storage, Inc.

JoAnn A. Reed, 53, has served as a Director of the Company since May 2006. Ms. Reed is an advisor to the Chief Executive Officer of Medco Health Solutions, Inc. She served as Senior Vice President, Finance and Chief Financial Officer of Medco Health Solutions from 2002 to March 2008. From 1992 to 2002 she served as Senior Vice President, Finance. She joined Medco Containment Services, Inc. in 1988. Her prior experience includes CBS, Inc., Aetna/American Re-insurance Co., Standard and Poor's, and Unisys/Timeplex. Ms. Reed is a director of American Tower and a trustee of St. Mary's College of Notre Dame.

Thomas P. Salice, 49, has served as a Director of the Company since July 1994. Mr. Salice is a Managing Member of SFW Capital Partners, LLC, a position he assumed in January 2005. From June 1989 to December 2004 Mr. Salice served in a variety of capacities with AEA Investors, Inc. including Managing Director, President and Chief Executive Officer and most recently as Vice-Chairman from October 2002 through 2004. Mr. Salice is a Director of Mettler-Toledo International, Inc.

Required Vote: Recommendation of the Board of Directors

With respect to the election of Directors of the Company, a nominee for director shall be elected to the Board by a majority vote (i.e. the votes cast for such nominee's election exceed the votes cast against such nominee's election), except that, Directors will be elected by plurality vote at any meeting of stockholders for which the number of nominees exceeds the number of directors to be elected. If an incumbent director fails to be re-elected by a majority vote when such a vote is required and offers to resign, and if that resignation is not accepted by the Board, 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 an incumbent director's resignation is accepted by the Board, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board, in its sole discretion, may fill any resulting vacancy. Shares for which authority to vote for the election of a nominee is withheld (so-called "Abstentions") and shares with respect to which a broker or representative does not vote on a particular matter because it does not exercise its discretionary voting authority on that matter (so-called "Broker Non-Votes") will be counted as present for the purpose of determining whether a quorum is present but not be treated as shares voted for any nominee and therefore will not have an effect on the determination of whether a nominee has been elected.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH NOMINEE FOR DIRECTOR SET FORTH ABOVE.

PROPOSAL 2. APPROVAL OF THE COMPANY'S 2009 EMPLOYEE STOCK PURCHASE PLAN

We are requesting that the stockholders vote in favor of approving the Company's 2009 Employee Stock Purchase Plan (the "ESPP") which was adopted by the Board on February 27, 2009. A copy of the ESPP is attached as Exhibit A to this Proxy Statement and is incorporated herein by reference. We encourage you to read the ESPP in its entirety. The ESPP provides an incentive to, and encourages stock ownership by, all eligible employees of the Company and participating subsidiaries so that they may share in our growth by acquiring or increasing their share ownership in the Company. The ESPP is designed to encourage eligible employees to remain in our employ. It is intended that the ESPP constitute an "employee stock purchase plan" within the meaning of Section 423 of the Code.

Under the ESPP, eligible executive officers and employees who wish to do so may purchase Company common stock through payroll deductions. The ESPP authorizes the issuance of shares of Company common stock to eligible executive officers and employees up to an aggregate of the sum of: (i) seven hundred fifty thousand (750,000), plus (ii) 116,456, the number of shares reserved for issuance pursuant to the Company's 1996 Employee Stock Purchase Plan (the "Prior Plan") but not issued thereunder as of April 1, 2009. The Company intends to discontinue use of the Prior Plan after the current plan period, which is scheduled to end on March 31, 2009.

The ESPP may be administered by the Compensation and Management Development Committee of the Board (the "Compensation Committee") or by the Board directly. The Compensation Committee, has the discretion, subject to the provisions of the ESPP, to make or to select the manner of making all determinations with respect to options granted under the ESPP. Further, the Compensation Committee has complete authority to interpret the ESPP, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary or advisable for the administration of the ESPP.

The ESPP will be implemented through a series of purchase periods called "plan periods." Each plan period begins on the first business day of each January, April, July and October and ends on the last business day of the following March, June, September and December, respectively. An eligible employee will be granted an option at the beginning of the plan period, and can accumulate money to pay the exercise price for the option by electing to have payroll deductions taken from each payroll during a plan period of an amount between 1% and 15% of his or her compensation. At the end of each plan period, the option will be exercised by applying the employee's accumulated payroll deductions to the purchase of Common Stock. The exercise price paid by the employee will be the lesser of 90% of the fair market value of the Common Stock at the beginning of the plan period or 100% of the fair market value of the Common Stock at the end of the plan period.

Employees of the Company or a participating subsidiary are eligible to participate in the ESPP if we employ them for at least 20 hours per week and at least five months per year. Currently, approximately five executive officers and 3,696 employees are eligible to participate in the ESPP. However, no employee shall be granted an option under the ESPP if, immediately after the grant, the employee would own stock, including any outstanding options to purchase stock, equaling 5% or more of the total voting power or value of all classes of our stock. In addition, the ESPP provides that no employee may be granted an option if the option would permit the employee to purchase stock under all of our employee stock purchase plans in an amount that exceeds $25,000 of the fair market value of such stock for each calendar year in which the option is outstanding.

In the event of a dissolution or liquidation of the Company, the plan period then in progress will terminate. In the event of another significant corporate transaction such as a merger or consolidation of us with and into another person or entity or the sale of transfer of all or substantially all of our assets, each right to purchase stock under the ESPP will be assumed, or an equivalent right will be substituted by, the successor corporation. In the event that the successor corporation refuses to assume each purchase right or to substitute an equivalent right, any ongoing offering period will be shortened so that employees' rights to purchase stock under the ESPP are exercised prior to the transaction, unless the employee has withdrawn.

The Board has the power to amend or terminate the ESPP and to change or terminate plan periods as long as any action does not adversely affect any outstanding rights to purchase stock; provided, however, that the Board may amend or terminate the ESPP or a plan period even if it would adversely affect outstanding options in order to avoid our incurring adverse accounting charges or if the Board determines that termination of the ESPP and/or plan period is in our best interest and the best interest of our stockholders.

The ESPP will continue in effect until terminated by the Board.

The dollar value of benefits that will be received by any employee or group of employees in the ESPP is not determinable due to the voluntary nature of the ESPP and the variables involved in the calculation of any such benefits (including our stock price). In 2008, 773 employees, including three executive officers, participated in the Prior Plan and received $226,954 in benefits under the Prior Plan (measured as the difference between the price paid for shares of our Common Stock purchased under the Prior Plan and the market value of such Common Stock on the date of such purchase). In 2008, we have raised approximately $3,392,674 of additional capital through sales of Common Stock pursuant to the Prior Plan.

The following is a brief and general discussion of the United States federal income tax consequences to recipients of awards granted under the ESPP. This summary is not comprehensive and is based upon laws and regulations in effect on April 1, 2009. Such laws and regulations are subject to change. This summary is intended for the information of stockholders considering how to vote and not as tax guidance to participants in the ESPP. Employees participating in the ESPP should consult their own tax advisors as to the tax consequences of participation.

An employee will not have to report taxable income either upon receipt of an option under the ESPP or upon exercise of the option. An employee may have to report income upon the sale of shares acquired by exercising the option, and the employee will be taxed on such income in the same way as any other compensation for services. The amount of taxable income that an employee must report depends upon the employee's specific circumstances, as follows. If an employee sells his or her shares within two years after the date he or she received the option, or within one year after he or she exercised the option, the employee will have to report as compensation income the difference between the value of the shares at the date of exercise and the amount the employee paid for the shares. If an employee sells his or her shares more than two years after the date he or she received the option, and more than one year after he or she exercised the option, the employee will have to report as compensation income the lesser of: (i) the value of the shares at the sale date minus the option exercise price, or (ii) the value of the shares at the grant date minus the option exercise price. In addition, an employee may also have a capital gain or loss upon sale of the shares. The amount of gain or loss will be measured by the difference between the amount received from the sale of the shares and the employee's basis in the shares. An employee's basis in the shares is the exercise price paid for the shares plus the amount of compensation income reported in connection with the sale of the shares.

For purposes of the foregoing summary, we assumed that no option under the ESPP will be considered "deferred compensation" as that term is defined for purposes of recent federal tax legislation governing non-qualified deferred compensation arrangements, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or, if any option was considered to any extent to constitute deferred compensation, its terms would comply with the requirements of that legislation (in general, by limiting any flexibility in the time of payment). If an option includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an option under the ESPP will be taxable when it is earned and vested (even if not then payable) and the recipient will be subject to a 20% additional tax.

Although the foregoing summarizes the essential features of the ESPP, it is qualified in its entirety by reference to the full text of the ESPP as attached. We rely on the Prior Plan and the ESPP, and our employees' ability to purchase stock of the Company thereunder, as an essential part of the benefits package necessary to attract and retain qualified and experienced employees. The Board believes that adoption of the ESPP is essential to permit the Company to continue to provide long-term equity based incentives to present and future employees and to align employees' interests with those of the Company's stockholders

Approval of the proposal to adopt the ESPP will require an affirmative vote of a majority of the outstanding shares of Common Stock of the Company represented in person or by proxy at the Meeting and entitled to vote. Abstentions and Broker Non-Votes will be counted as present for the purpose of determining whether a quorum is present and will be treated as shares present and entitled to vote, but will not be treated as an affirmative vote in favor of the proposal and therefore will have the effect of a vote against the proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE COMPANY'S 2009 EMPLOYEE STOCK PURCHASE PLAN

PROPOSAL 3. APPROVAL OF THE COMPANY'S MANAGEMENT INCENTIVE PLAN

We are requesting that the stockholders vote in favor of approving the Company's Management Incentive Plan (the "MIP") which was adopted by the Compensation Committee on December 10, 2008 and approved by the Board on February 27, 2009. A copy of the MIP is attached as Exhibit B to this Proxy Statement and is incorporated herein by reference. We encourage you to read the MIP in its entirety. By voting in favor of this proposal, you will be voting to approve the material terms of the MIP for purposes of qualifying awards thereunder as performance-based compensation under Section 162(m) of the Code.

The purposes of the MIP are to (i) align the interests of eligible employees with the Company's stockholders, (ii) motivate eligible employees to achieve annual financial and operating targets, (iii) provide increasing levels of incentive plan payout opportunity consistent with increasing levels of annual financial performance, (iv) enhance individual accountability for goal achievement and align employee interests and objectives worldwide, and (v) attract and retain key employees.

The MIP may be administered by the Compensation Committee of the Board or by the Board directly. The Compensation Committee has the discretion, subject to the provisions of the MIP, to make or to select the manner of making all determinations with respect to the MIP. Further, the Compensation Committee has complete authority to interpret the MIP, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary or advisable for the administration of the MIP.

Executive officers and employees of the Company and its affiliates are eligible to participate in the MIP, subject to designation by the Compensation Committee. Five executive officers and 240 employees are currently eligible to participate in the MIP. MIP participants will be eligible to receive awards as determined by the Compensation Committee in its sole discretion, and will receive payments pursuant to awards based upon the degree of achievement of performance goals.

Amounts which would be payable in the future under the MIP cannot be determined because they are contingent upon the attainment of pre-established performance goals, the outcome of which is substantially uncertain at the time the performance goals are established. Similarly, as the performance goals established by the Compensation Committee pursuant to the MIP are applicable only to a specific year, the amount that would have been paid in the prior fiscal year to eligible participants in the MIP is not determinable.

Qualified performance-based awards are awards which include performance criteria intended to satisfy Section 162(m) of the Code. Section 162(m) of the Code limits the Company's federal income tax deduction for compensation to certain specified senior executives to $1 million, but excludes from that limit "performance-based compensation." Accordingly, qualified performance-based awards will be subject to satisfaction of one of the following criteria (the "Performance Criteria"), either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or affiliate, either individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Compensation Committee in the award: cash flow (before or after dividends); earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization); stock price; return on equity; stockholder return or total stockholder return; return on capital (including without limitation return on total capital or return on invested capital); return on investment; return on assets or net assets; market capitalization; economic value added; debt leverage (debt to capital); revenue; sales or net sales; backlog; income, pre-tax income or net income; operating income or pre-tax profit; operating profit, net operating profit or economic profit; gross margin, operating margin or profit margin; return on operating revenue or return on operating assets; cash from operations; operating ratio; operating revenue; market share improvement; general and administrative expenses; or customer service.

No payment or other amount will be available to a recipient of a qualified performance-based award except upon the Compensation Committee's determination that a particular goal or goals established by the Compensation Committee for the criteria (from among those specified above) selected by the Compensation Committee have been satisfied. The maximum qualified performance-based award payment to any one participant for a performance period is $5,000,000.

Generally, if a participant's employment with the Company or any affiliate is terminated for any reason prior to the last day of a performance period, then the participant will forfeit the award and will not become entitled to any payment thereunder. If, however, a participant's employment is terminated during the performance period due to death, disability or retirement, then the Committee may, in its sole discretion and only to the extent permitted by the terms of the MIP, authorize the Company to make payment, in full or on a prorated basis, pursuant to an award.

In the event of any corporate action (including but not limited to a merger or consolidation of the Company with or into another entity, a sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions, a liquidation or dissolution of the Company, a reorganization, a recapitalization, a reclassification, a stock dividend, a stock split, a reverse stock split, or other similar distribution), the Compensation Committee may make such adjustment of outstanding awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. In addition, the Compensation Committee may make adjustments in the terms and conditions of, and the Performance Criteria included in awards in recognition of unusual or nonrecurring events (including, without limitation, the events described above) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Compensation Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the MIP.

Generally the Board may amend or modify the MIP at any time subject to the rights of holders of outstanding awards on the date of amendment or modification.

The following is a brief and general discussion of the United States federal income tax consequences to recipients of awards granted under the MIP. This summary is not comprehensive and is based upon laws and regulations in effect on April 1, 2009. Such laws and regulations are subject to change. This summary is intended for the information of stockholders considering how to vote and not as tax guidance to participants in the MIP. Participants in the MIP should consult their own tax advisors as to the tax consequences of participation.

A participant will generally recognize ordinary income on receipt of payment in satisfaction of an award. In general, whenever a participant is required to recognize ordinary income in connection with an award, the Company will be entitled to a corresponding tax deduction. However, the Company will not be entitled to deductions in connection with awards under the MIP to certain senior executive officers to the extent that the amount of deductible income in a year to any such officer, together with his or her other compensation from the Company exceeds the $1 million limitation of Section 162(m) of the Code. Compensation which qualifies as "performance-based" is not subject to this limitation, however.

For purposes of the foregoing summary, we assumed that no award under the MIP will be considered "deferred compensation" as that term is defined for purposes of recent federal tax legislation governing nonqualified deferred compensation arrangements, Section 409A of the Code, or, if any award were considered to any extent to constitute deferred compensation, its terms would comply with the requirements of that legislation (in general, by limiting any flexibility in the time of payment). If an award includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an award under the MIP will be taxable when it is earned and vested (even if not then payable) and the recipient will be subject to a 20% additional tax.

Although the foregoing summarizes the essential features of the MIP, it is qualified in its entirety by reference to the full text of the MIP as attached.

Approval of the proposal to approve the MIP will require an affirmative vote of a majority of the outstanding shares of Common Stock of the Company represented in person or by proxy at the Meeting and entitled to vote. Abstentions and Broker Non-Votes will be counted as present for the purpose of determining whether a quorum is present and will be treated as shares present and entitled to vote, but will not be treated as an affirmative vote in favor of the proposal and therefore will have the effect of a vote against the proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSAL TO APPROVE THE COMPANY'S MANAGEMENT INCENTIVE PLAN

PROPOSAL 4. RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP, an independent registered public accounting firm, to audit the books, records and accounts of the Company for the fiscal year ending December 31, 2009. In accordance with a vote of the Audit Committee and as approved by the Board, this selection is being presented to the stockholders for ratification at the Meeting.

The affirmative vote of the majority of the shares present at the Meeting in person or represented by Proxy and entitled to vote on the matter is required to approve the proposal. Abstentions and Broker Non-Votes will be counted as present for the purpose of determining whether a quorum is present and will be treated as shares present and entitled to vote, but will not be treated as an affirmative vote in favor of the proposal and therefore will have the effect of a vote against the proposal. Ratification by stockholders is not required. If this Proposal 4 is not approved by the stockholders, the Audit Committee does not intend to change the appointment for fiscal year 2009, but will consider the stockholder vote in selecting an independent registered public accounting firm for fiscal year 2010.

Fees

The aggregate fees for the fiscal years ended December 31, 2008 and December 31, 2007 by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, were as follows:

	2008	2007
Audit Fees	$3,594,505	$3,321,786
Audit-Related Fees	61,901	67,547
Tax Related Fees		
Tax Compliance	471,103	550,529
Tax Planning	229,560	266,052
Total Tax Related Fees	700,663	816,581
All Other Fees	1,500	1,500
Total	$4,358,569	$4,207,414

Audit Fees — consists of fees for the audit of the Company's financial statements, review of the interim condensed consolidated financial statements included in quarterly reports, assistance with review of documents filed with the SEC, and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements, and attest services, except those not required by statute or regulation.

Audit-Related Fees — consists of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees". These services include employee benefit plan audits, acquisition-related services, attest services not required by statute or regulation, and accounting consultations and reviews for various matters.

Tax Related Fees — consists of fees for tax compliance and planning services. Tax compliance fees include fees for professional services related to international tax compliance and preparation. Tax planning fees consist primarily of fees related to the impact of acquisitions and restructuring on international subsidiaries.

All Other Fees — consists of fees for all other permissible services other than those reported above.

The Audit Committee approved 100% of the services listed under the preceding captions "Audit-Related Fees," "Tax Related Fees" and "All Other Fees." The Audit Committee's pre-approval policies and procedures are described in its report set forth in this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

PROPOSAL 5. OTHER BUSINESS

The Board does not know of any other business to be presented at the Meeting. If any other matters properly come before the Meeting, however, it is intended that the persons named in the enclosed form of Proxy will vote said Proxy in accordance with their best judgment.

DIRECTORS MEETINGS AND BOARD COMMITTEES

The Board held five meetings during the year ended December 31, 2008. The Board has determined that each Director other than Mr. Berthiaume, the Company's Chairman, President and Chief Executive Officer, has no material relationship with the Company and otherwise qualifies as "independent" under applicable listing standards of the New York Stock Exchange and the Company's independence criteria, which are summarized under the Corporate Governance section below. Mr. Berthiaume has certified to the New York Stock Exchange as of June 5, 2008 that he is not aware of any violation by the Company of the New York Stock Exchange's Corporate Governance Listing Standards.

The Nominating and Corporate Governance Committee currently consists of Dr. Michael J. Berendt (Chairman), Dr. Laurie H. Glimcher, and Mr. Thomas P. Salice. The responsibilities of the Nominating and Corporate Governance Committee include the recruitment and recommendation of candidates for the Board. The Nominating and Corporate Governance Committee may, as it deems appropriate, give consideration to any candidates suggested by the stockholders of the Company. The Nominating and Corporate Governance Committee also develops and recommends to the Board the Corporate Governance Guidelines for the Company. The charter of the Nominating and Corporate Governance Committee, which sets forth all of the committee's functions, is available at the Company's website at **http://www.waters.com** under the caption Governance. Each member of the Nominating and Corporate Governance Committee is independent under the SEC rules and applicable listing standards of the New York Stock Exchange and the Company's independence criteria, which are summarized under the Corporate Governance section below.

The Audit Committee, which currently consists of Mr. Thomas P. Salice (Chairman), Mr. Edward Conard, Mr. William J. Miller and Ms. JoAnn A. Reed, oversees the activities of the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP. The Audit Committee meets the definition of "Audit Committee" as defined in Section 3(a)(58) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit Committee recommends the engagement of the independent registered public accounting firm, and performs certain other functions pursuant to its charter, a copy of which is available at the Company's website at **http://www.waters.com** under the caption Governance. Each member of the Audit Committee is independent under the applicable listing standards of the New York Stock Exchange and the Company's independence criteria, which are summarized under the Corporate Governance section below.

The Compensation Committee, which currently consists of Mr. William J. Miller (Chairman), Mr. Joshua Bekenstein, Mr. Christopher A. Kuebler and Mr. Thomas P. Salice, approves the compensation of executives of the Company, makes recommendations to the Board with respect to standards for setting compensation levels and administers the Company's incentive plans, consistent with its charter, which is available at the Company's website at **http://www.waters.com** under the caption Governance. Each member of the Compensation Committee is independent under the applicable listing standards of the New York Stock Exchange and the Company's independence criteria, which are summarized under the Corporate Governance section below.

During fiscal year 2008, each of the Company's Directors attended in excess of 75% of the aggregate of the meetings of the Board and the meetings of committees of the Board of which such Director was a member. During fiscal year 2008, the Compensation Committee met three times, the Audit Committee met seven times and the Nominating and Corporate Governance Committee met two times. The Company does not have a formal policy, but encourages Director attendance at annual stockholder meetings. All Directors attended the 2008 annual meeting.

CORPORATE GOVERNANCE

Annual Evaluation

During 2008, the Nominating and Corporate Governance Committee of the Board conducted its annual comprehensive evaluation of the Board and each of its Audit, Nominating and Corporate Governance and Compensation Committees (the "Committees"). The evaluation, in the form of a questionnaire, was circulated to all members of the Board and Committees in November 2008. The Company's General Counsel received all of the questionnaires, compiled the results and circulated them to the Board and each Committee for discussion and analysis in January and February 2009. It is the intention of the Nominating and Corporate Governance Committee to continue to engage in this process annually.

Related Party Transactions Policy

During 2007 the Board adopted a Related Party Transactions Policy, which covers "Interested Transactions" between a "Related Party" or parties and the Company. An Interested Transaction is a transaction or arrangement in which the aggregate amount involved will or may be expected to exceed $120,000 in any calendar year and in which the Company and/or any Related Party may have an interest. A Related Party includes an executive officer, director or nominee for election as a director of the Company, any holder of more than a 5% beneficial interest in the Company, any immediate family member of any of the foregoing or any firm, corporation or entity in which any of the foregoing persons is employed or is a general partner or principal or in which such person or persons collectively have a 10% or greater beneficial ownership interest.

Pursuant to the policy, the General Counsel has the responsibility for identifying potential Interested Transactions and determining whether a proposed transaction or relationship is an Interested Transaction reportable to the Nominating and Corporate Governance Committee for consideration at its next regularly scheduled meeting. The Nominating and Corporate Governance Committee will review the material facts of all such transactions and report its recommendations to the Board who shall either approve or disapprove the Interested Transaction.

The Nominating and Corporate Governance Committee and the Board have reviewed and determined that certain categories of Interested Transactions are deemed to be pre-approved or ratified (as applicable) by the Board under the terms of the Policy. These are: (a) the employment and compensation arrangements of executive officers required to be reported in the Company's proxy statement; (b) Director compensation required to be reported in the Company's proxy statement; (c) ordinary course charitable contributions periodically reviewed by the Compensation Committee of the Company; and (d) ordinary course business transactions conducted on an "arm's length" basis with each of Genzyme Corporation (of which Mr. Berthiaume is a director) and Bristol-Myers Squibb Corporation (of which Dr. Glimcher is a director).

Equity Ownership Guidelines

Increasingly, stockholders of public companies are focusing on the amount of equity ownership by directors and officers of the companies in which they invest. In order to more closely align the interests of the Company's stockholders with those of management, the Company has minimum stock ownership guidelines for Directors and the Company's executive officers. These guidelines, which were implemented in February 2004, provide for the accumulation by the Chief Executive Officer of Common Stock equal to five times his base salary over a three year period, which requirement also applies to any successor to the Chief Executive Officer. Additionally, members of the Company's Executive Committee, Messrs. Caputo, Ornell, Beaudouin and Ms. Rae, are each required to accumulate Common Stock of the Company equal to two times their base salary over a five year period. If an executive officer does not achieve his or her ownership guideline within the three or five year periods, respectively, a disposition guideline will be applied. The disposition guideline requires that, upon subsequent exercise of a stock option, 50% of the executive's net after tax profit from such exercise must be retained in shares of Common Stock until the stock ownership guideline is achieved. An executive officer who achieves the ownership guideline and subsequently falls out of compliance will have 12 months to again achieve compliance before the disposition guideline on stock option exercises is again applied. Pursuant to the guidelines, members of the Board are required to accumulate a minimum of 5,000 shares of common stock of the Company over a five year period. For purposes of accumulation of minimum stock ownership, grants of restricted stock by the Company to such executives or to members of the Board apply towards satisfaction of the guidelines.

Lead Director

Also in 2004, the Board elected a "lead director" to preside over executive sessions of the non-management Directors of the Board and to provide a focal point for and to facilitate communication among non-management Directors, Company management and Company stockholders. In May 2004, the Board elected Thomas P. Salice as the Company's lead director.

Majority Voting

In 2006, following a review of public company trends and corporate governance practices, the Nominating and Corporate Governance Committee recommended and the Board approved majority voting for Directors and the by-laws of the Company were appropriately amended. The description of the Company's majority voting provisions can be found under "Proposal 1. Election of Directors" herein.

Guidelines and Code of Conduct

The Board has adopted Corporate Governance Guidelines, a Code of Business Conduct and Ethics for employees, executive officers and Directors and a "whistleblower" policy regarding the treatment of complaints on accounting, internal accounting controls and auditing matters. All of these documents are available on the Company's website at **http://www.waters.com** under the caption Governance and a copy of any of them may be obtained, without charge, upon written request to the Company, c/o Secretary, 34 Maple Street, Milford, MA 01757.

Board Candidates

With respect to potential candidates to serve on the Board, the Nominating and Corporate Governance Committee considers suggestions from a variety of sources, including stockholders. Any nominations of candidates, together with appropriate biographical information, should be submitted to the Company, c/o Secretary, 34 Maple Street, Milford, MA 01757.

The Nominating and Corporate Governance Committee believes that candidates for service as a Director of the Company should meet certain minimum qualifications. In selecting Directors, the Board seeks individuals who are highly accomplished in their respective fields, with superior educational and professional credentials. Candidates should satisfy the Company's independence criteria, which are part of its Corporate Governance Guidelines and summarized below, the applicable listing standards of the New York Stock Exchange, and should have demonstrated experience in organizational leadership and management. Candidates for Director should also be of the highest moral and ethical character and integrity, consistent with the standards established by the Company.

The Company has a process for identifying and selecting candidates for Board membership. Initially, the Chairman/CEO, the Nominating and Corporate Governance Committee or other Board members identifies a need to either expand the Board with a new member possessing certain specific characteristics or to fill a vacancy on the Board. A search is then undertaken by the Nominating and Corporate Governance Committee, working with recommendations and input from Board members, members of senior management, professional contacts, external advisors, nominations by stockholders and/or the retention of a professional search firm, if necessary. An initial slate of candidates is identified that will satisfy the criteria for Board membership and is presented to the Nominating and Corporate Governance Committee for review. Upon review by the Nominating and Corporate Governance Committee, a series of interviews of one or more candidates is conducted by the Chairman/CEO and at least one member of the Nominating and Corporate Governance Committee. During this process, the full Board is informally apprised of the status of the search and its input is solicited.

Upon identification of a final candidate, the entire Nominating and Corporate Governance Committee will meet to consider the credentials of the candidate and thereafter, if approved, will submit the candidate for approval by the full Board.

Board/Director Independence

The Company's Corporate Governance Guidelines also include criteria adopted by the Board to assist it in making determinations regarding the independence of its members. The criteria, summarized below, are consistent with the New York Stock Exchange listing standards regarding director independence. To be considered independent, the Board must determine that a director does not have a material relationship, directly or indirectly, with the Company. A director will not be considered independent if he or she, or an immediate family member, has been within the last three years:

- an executive officer of the Company;
- a current partner or employee of an internal or external auditor of the Company or a partner or employee of an internal or external auditor of the Company who personally worked on the Company's audit;
- an executive officer of a public company that has on the compensation committee of its board an executive officer of the Company;
- a paid advisor or consultant to the Company receiving in excess of $100,000 per year in direct compensation from the Company (other than fees for service as a director) within the past three years or has an immediate family member who has been a paid advisor or consultant to the Company; and

- an employee (or in the case of an immediate family member, an executive officer) of a company that does business with the Company and the annual payments to or from the Company exceeded the greater of $1 million or 2% of the other company's annual gross revenues.

In addition, a director will be not considered independent if he or she, or an immediate family member, has been an executive officer of a tax-exempt entity that receives contributions in any fiscal year from the Company exceeding the greater of $1 million or 2% of its gross revenues. A director also will not be considered independent if he or she has an immediate family member who is a current employee of an internal or external auditor of the Company who participates in such firm's audit, assurance or tax compliance practice.

The Board has determined that each Director, other than Mr. Berthiaume, the Company's Chairman, President and Chief Executive Officer, has no material relationship with the Company and otherwise qualifies as "independent" under applicable listing standards of the New York Stock Exchange.

Board Communications

With respect to communications with the Board on general matters, stockholders and interested parties may communicate directly with the lead director or with the non-management Directors as a group by writing to Waters Corporation, c/o Secretary, 34 Maple Street, Milford, Massachusetts 01757. Any such communication should include the name and return address of the stockholder, the specific Director or Directors to whom the contact is addressed and the nature or subject matter of the contact. All communication will be sent directly to the appropriate Board member.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

During 2008, the Audit Committee of the Board, in conjunction with management and PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, focused on the following items:

1. Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Act") and the adequacy of Company internal controls;
2. The appropriateness of Company financial reporting and accounting processes;
3. The independence and performance of the Company's independent registered public accounting firm;
4. Company compliance with laws and regulations; and
5. Review of the Company's independent registered public accounting firm's quality control procedures.

During 2008, the Company continued its comprehensive efforts with respect to on-going compliance with the internal controls requirements of Section 404 of the Act. In 2008, in addition to PricewaterhouseCoopers LLP, the Company again retained Ernst &Young LLP to assist in elements of continuing compliance with Section 404 of the Act. The compliance project itself was managed primarily by the Company's Director of Internal Audit in conjunction with the Company's Chief Financial Officer and its Corporate Controller. During 2008, the Audit Committee received regular and detailed briefings from the Company's Director of Internal Audit and PricewaterhouseCoopers LLP on the progress of the Company's efforts to comply with Section 404 and on developments within the SEC and the Public Company Accounting Oversight Board with respects to modifications to Section 404. On February 27, 2009, PricewaterhouseCoopers LLP reported to the Audit Committee that it had identified no material weaknesses in the Company's internal controls over financial reporting as of December 31, 2008.

The Board has adopted a written charter setting out more specifically the functions that the Audit Committee is to perform. The charter is reviewed on an annual basis by the Committee and the Committee is advised as to any corporate governance developments which may warrant charter amendments. No such charter amendments were made in 2008. The charter is available at the Company's website at **http://www.waters.com** under the caption Governance.

The Audit Committee held seven meetings during the fiscal year ended December 31, 2008. The Committee reviewed on a quarterly basis, with members of the Company's management team, the Company's quarterly and annual financial results prior to the release of earnings and the filing of the Company's quarterly and annual financial statements with the SEC. The Board has determined that each of the four current members of the Audit Committee — Mr. Salice (Chairman), Mr. Conard, Mr. Miller and Ms. Reed — is an "audit committee financial expert" as defined under applicable rules and regulations of the SEC and has "accounting or related financial management expertise" within the meaning of the New York Stock Exchange rules. Company management has primary responsibility for the financial statements and reporting processes. The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, audits the annual financial statements and is responsible for expressing an opinion on their conformity with generally accepted accounting principles.

The Audit Committee has adopted the following guidelines regarding the engagement of PricewaterhouseCoopers LLP to perform non-audit services for the Company.

Company management will submit to the Audit Committee for approval the list and fees of non-audit services that it recommends the Committee engage its independent registered public accounting firm to provide from time to time during the fiscal year. Company management and the Company's independent registered public accounting firm will each confirm to the Audit Committee that each non-audit service on the list is permissible under all applicable legal requirements. The Audit Committee will, in its discretion, either approve or disapprove both the list of permissible non-audit services and the fees for such services. The Audit Committee will be informed routinely as to the non-audit services actually provided by the Company's independent registered public accounting firm pursuant to this pre-approval process as well as new non-audit services requesting approval.

To ensure prompt handling of unexpected matters, the Audit Committee delegates to its Chairman the authority to amend or modify the list of approved permissible non-audit services and fees. The Chairman will report action taken to the Audit Committee at the next Audit Committee meeting.

PricewaterhouseCoopers LLP must ensure that all audit and non-audit services provided to the Company have been pre-approved by the Audit Committee.

The Committee hereby reports for the fiscal year ended December 31, 2008 that:

1. It has reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2008 with Company management;

2. It has discussed with PricewaterhouseCoopers LLP those matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Codification of Statement on Auditing Standards, AU §380) as adopted by the Public Company Accounting Oversight Board ("PCAOB") in rule 3200T;

3. It has received from PricewaterhouseCoopers LLP the written disclosures and a letter required by the applicable requirements of the PCAOB regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence;

4. It has considered whether, and determined that, the provision of non-audit services to the Company by PricewaterhouseCoopers LLP as set forth below, was compatible with maintaining auditor independence; and

5. It has reviewed and discussed with PricewaterhouseCoopers LLP its internal quality control procedures, and any material issues raised by the most recent internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years.

Based on the items reported above, on February 27, 2009, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for filing with the SEC. The recommendation was accepted by the Board on the same date.

Mr. Thomas P. Salice   Mr. Edward Conard   Mr. William J. Miller   Ms. JoAnn A. Reed

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information as of December 31, 2008 about shares of Common Stock outstanding and available for issuance under the Waters 2003 Equity Incentive Plan.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under the waters 2003 equity incentive plan (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	6,835,000	$45.44	3,911,000
Equity compensation plans not approved by security holders	0	0	0
Total	6,835,000	$45.44	3,911,000

The Company's 2003 Equity Incentive Plan is intended to encourage ownership of Common Stock by employees and directors of the Company and its affiliates to provide additional incentive for them to promote the success of the Company's business. The Plan is administered by the Company's Compensation Committee who has the discretion to determine the employee or director to receive an award, the form of the award and any acceleration or extension of an award. Awards under the Plan include Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Stock Appreciation Rights and Stock Grants. No more than one million (1,000,000) shares of Common Stock may be issuable to any one person in any one calendar year pursuant to awards under the Plan.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee currently consists of Mr. Joshua Bekenstein, Mr. Christopher A. Kuebler, Mr. William J. Miller (Chairman), and Mr. Thomas P. Salice. No member of the Company's Compensation Committee was an officer or employee of the company or serves as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers serving as members of the Waters' Board or its Compensation Committee.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Objectives of Waters Executive Compensation Program

It is the philosophy of the Board's Compensation Committee that the Waters executive compensation program be both performance and market-based, and that a significant portion of compensation should be allocated to short and long-term variable performance-based compensation instruments. The objectives of the Company's executive compensation program are aligned with the Committee's philosophy and are as follows:

- To focus senior management on achieving financial and operating objectives which provide long-term stockholder value.
- To align the interests of senior management with the Company's stockholders.
- To attract and retain senior executive talent.

What is the Waters Executive Compensation Program designed to reward?

Throughout this Compensation Discussion and Analysis, those persons who served as (i) our principal executive officer during the year ended December 31, 2008, (ii) our principal financial officer during the year ended December 31, 2008 and (iii) our other three most highly compensated executive officers for the year ended December 31, 2008 are covered by the discussed compensation programs. The compensation programs described below apply in many cases to larger groups of the Company's employees other than the five executive officers.

The compensation program is designed to motivate and reward executives for sustained high levels of achievement of the Company's financial and operating objectives. It is the Company's general intent to provide base salaries that are less than the market median for similarly situated executives in comparable firms, and to provide annual incentive target awards that are at or slightly above the market median. In aggregate, these two components, less than median base salaries and at or slightly greater than median incentives, provide a target total cash compensation opportunity that approximates the median of the market for achieving target performance goals. Actual base salaries may vary from this generally targeted position based on the performance, tenure, experience and contributions of the individual. Actual incentives will vary with the performance of the Company. Actual total cash can be less than or greater than the median of the market, based on these factors. We believe that the structure of our total cash compensation effectively aligns executives interests with stockholders interests by placing emphasis on the achievement of annual financial and operating objectives.

Sustained high levels of annual achievement of diluted earnings per share ("E.P.S.") growth goals drive long-term stockholder value and the Company's compensation program is designed to reward the creation of stockholder value through the annual Management Incentive Plan and the use of stock options. E.P.S. growth goals are utilized in the annual Management Incentive Plan and are based on E.P.S. reported in accordance with generally accepted accounting principles ("GAAP"). Annual E.P.S. results may be adjusted to exclude certain charges and credits, net of tax, including but not limited to purchased intangibles amortization, restructuring, litigation, asset and equity investment impairments and other items considered unusual or one-time. The Compensation Committee reviews and approves the annual adjusted E.P.S. ("non-GAAP E.P.S.") for purposes of measuring E.P.S. growth goal achievement. The Compensation Committee considers these items non-operational transactions and not directly related to the ongoing operations of the Company and therefore utilizes non-GAAP E.P.S. goals in the annual Management Incentive Plan for executive officers.

Stock options align executive compensation with stockholder interests because options only provide value to the executive if the stock price increases over time. The value of Waters' stock option grants enhances the competitive position of the executive's total direct compensation (base salary, annual bonus and stock options) and further increases the orientation of total compensation toward performance-based instruments. The Compensation Committee reviews competitive market data in determining the value of executive stock option grants. Consistent with this performance-oriented compensation philosophy, performance-based compensation instruments comprise 70% or more of the total compensation (including benefits) for each of the named executive officers as outlined in the Summary Compensation Table.

What are the elements of executive compensation?

There are three key elements of executive compensation: base salary, senior management incentive bonus, and long-term performance-based awards. Although the amount of each element of compensation for each executive officer differs based on position-specific market data, the criticality of the executive position to the business and the executive's level of contribution, competitive compensation for their respective positions and other individual factors, the overall structure and compensation elements utilized are consistent for the Chief Executive Officer ("CEO") and all other executive officers.

Base Salary

The base salaries for executive officers are reviewed annually by the Compensation Committee. Individual salaries are based upon a combination of factors including past individual performance and experience, Company performance, scope of responsibility, competitive salary levels and an individual's potential for making contributions to future Company performance. The Compensation Committee considers all these factors in determining base salary increases and does not assign a specific weighting to any individual factor.

At the end of fiscal 2007, the Committee considered the factors listed above in determining the 2008 salary levels for executive officers, including the Company's 2007 non-GAAP E.P.S. growth of 20%, which exceeded the 15% target set by the Committee in February 2007. In addition, the competitive analysis, the details of which are described in a later section of this Proxy Statement indicated that on average the base salaries for executive officers fell at the 30th percentile of the competitive market for their respective positions. In December 2007, the Committee approved base salary increases for executive officers for fiscal year 2008 that ranged between 5.0% and 9.8%. The base salaries in effect for 2008 for all executive officers remain at or below the 50th percentile for their respective positions, which is consistent with our philosophy to emphasize performance-based pay.

Consistent with prior years, the Committee reviewed the above factors as well as the achievement of 20% non-GAAP E.P.S. growth in the review of executive base salaries at the end of fiscal 2008. Due to economic conditions at the end of fiscal 2008 and the projections for Company performance in 2009, the Committee, with agreement of the Company's executive officers, did not increase executive base salaries for fiscal year 2009.

Annual Incentive

The Management Incentive Plan is the annual incentive plan for executive officers, senior executives, and other key employees of the Company. The Committee establishes performance targets at the beginning of each fiscal year for executive officers. Executive officers then establish performance targets for the remaining participants. Achievement of 100% of the performance target is required for an incentive payout equal to 100% of the incentive plan target. The 2008 target payouts for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae are, as a percentage of base salary, 100%, 90%, 60%, 60% and 40%, respectively. The 2009 target payouts for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae are, as a percentage of base salary, 100%, 90%, 75%, 60% and 40%, respectively. The threshold payouts are 25% of the target payout, and are payable upon achievement of threshold performance. Performance below the threshold level results in no payout. The plan also provides for a maximum payout amount of $5,000,000 which was established to comply with the maximum payout requirements of Section 162(m) of the Code.

The Committee has historically established Management Incentive Plan targets for executive officers based on E.P.S. growth over the prior year. The Management Incentive Plan is designed to provide increasing levels of bonus payout to the executive consistent with increasing levels of E.P.S. growth. The Committee evaluates the results of the Company's performance against previously established targets in order to determine the individual bonuses for the executive officers under the Management Incentive Plan. For the 2008 fiscal year, the Committee established a 15% non-GAAP E.P.S. growth target over 2007. In addition, the Committee established a minimum threshold operating income performance requirement. In fiscal year 2008, the Company exceeded the threshold operating income requirement and achieved 20% non-GAAP E.P.S. growth. Non-GAAP E.P.S. for 2008 was $3.30 and excluded purchased intangible amortization, restructuring charges, a litigation provision, an out-of-period correction associated with software capitalization and amortization, and a tax charge associated with restructuring certain legal entities. Non-GAAP E.P.S. for 2007 was $2.75 and excluded purchased intangible amortization and a one-time charge associated with the freezing of pay credit accruals under the Company's U.S. defined benefit pension plan. This above target Company performance in 2008 resulted in above target payouts for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae equal to 200%, 180%, 125%, 125% and 80% of base salary, respectively, under the Management Incentive Plan for fiscal year 2008. These bonus amounts for above target performance are consistent with the Compensation Committee's philosophy to provide greater bonus opportunity for higher levels of performance. Over the past five years, the Company has achieved non-GAAP E.P.S. growth that has ranged from 10% to 26% and has exceeded 15% growth in four of the past five years. The Compensation Committee has established a 15% E.P.S. growth target and similar operating income threshold measures for fiscal year 2009.

Long-Term Performance-Based Awards

The Compensation Committee considers and grants stock options to executive officers and other senior executives to align the interests of these executives with those of Waters' stockholders. We believe that stock options provide strong alignment between stockholders and these executives because the value of a stock option to an executive is directly related to the stock price appreciation delivered to stockholders over time. Conversely, poor stock price performance provides no stock option value to the executive.

In 2005, the Compensation Committee reviewed and evaluated in detail various long-term incentive instruments with a compensation consultant, Pearl Meyer & Partners. Based on this analysis, the Compensation Committee determined that non-qualified stock options ("NSO") most effectively meet Waters' objectives for using performance oriented equity instruments for executive officers and senior executives. Below the senior executive level, the Company's primary objective for long-term equity compensation is the retention of key talent. Relying in part on advice from Pearl Meyer & Partners, the Committee also determined that restricted stock units ("RSU's") were the most effective long-term incentive instrument to meet its objective of retention for these employees. Waters has chosen not to employ restricted stock units for the senior management group to date.

It was the intention of the Compensation Committee to grant 125,000 NSO's to Mr. Berthiaume in 2008. As in the prior three years, Mr. Berthiaume declined to be considered for an option grant in 2008. The Compensation Committee expects to consider Mr. Berthiaume for future stock option grants.

The Committee considered the operational and financial performance of the Company during fiscal year 2008, individual performance and competitive market data in determining NSO grants for Messrs. Ornell, Caputo, Beaudouin and Ms. Rae. In addition to these factors, the Committee also considers dilution, share usage and Statement of Financial Accounting Standard No. 123(R) "Share-Based Payment" ("SFAS 123(R)") expense in determining the number of options to grant to executives. These factors were considered collectively without a specific weighting assigned to any one factor. The NSO's were granted under the Waters Corporation 2003 Equity Incentive Plan based on the closing price of the Common Stock on the grant date, December 10, 2008. These options will vest at 20% per year for five years, and have a ten-year term. The five-year vesting schedule supports both the long-term focus of this element of compensation and Waters' objective to retain senior executives.

Perquisites and Benefits

The Company does not offer any perquisites for the exclusive benefit of executive officers.

Senior executives are eligible to participate in compensation and benefit plans that are generally offered to other employees, such as the Waters Employee Investment Plan (the "401(k) Plan"), Employee Stock Purchase Plan, health and insurance plans. They are also eligible to participate in the Waters 401(k) Restoration Plan (the "401(k) Restoration Plan") that is available to all employees who meet certain minimum earnings eligibility criteria. The Waters 401(k) Restoration Plan is described in more detail in the Non-Qualified Deferred Compensation table and narrative section of this Proxy Statement.

Change in Control/Severance Agreements

Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae (the "Executive Committee") are each party to an Executive Change of Control/Severance Agreement, which is described in detail in the Payments Upon Termination or Change of Control section of this Proxy Statement.

The Company provides Change in Control/Severance Agreements for Executive Committee and key senior executives to ensure continuity of executive management in the event of a change in control of the Company, and to provide transition income for executives so that executives can evaluate a potential change in control in the best interests of the Company and stockholders. In addition, under the terms and conditions of the named executive officers' stock option agreements issued under the 1996 Long Term Performance Incentive Plan and the 2003 Equity Incentive Plan, in the event of a change in control, all of their outstanding and unvested stock options will fully accelerate and become fully exercisable. The terms of these agreements are more fully described in the Payments Upon Termination or Change of Control section herein.

Why does Waters choose to pay each element?

Each element of executive compensation addresses specific objectives of the program and together they meet the overall objectives of the Waters executive compensation program. The mix of short-term cash incentives and long-term equity incentives focuses executives on achievement of annual financial and operating objectives that drive long-term shareholder value. The Company does not target a specific mix of compensation between short-term and long-term vehicles. The Company does consider multiple factors, including the competitive market, Company and individual performance.

Base salaries are important in attracting and retaining senior executives and other key employees. It is Waters' general intent to set base salaries slightly below market median levels relative to the market for comparable positions and to consider the base salary amount in conjunction with the annual target incentive bonus amount.

The purpose of the Management Incentive Plan is to motivate executive officers, senior executives and other employees to achieve the annual E.P.S. growth and operating targets established at the beginning of the fiscal year. This element of compensation is important in meeting the objective of allocating a significant portion of annual compensation to variable performance-based compensation.

Long-term equity based compensation awards are designed to motivate senior executives and other key employees to contribute to the Company's long-term growth of stockholder value and to align executives' compensation with the growth in Waters' stock price.

The Waters 401(k) Restoration Plan and the Waters Retirement Restoration Plan are designed to restore the benefits, matching contributions and compensation deferral that are limited by IRS benefit and compensation maximums. Effective December 31, 2007, future pay credit accruals to the Retirement Restoration Plan on behalf of senior executives were discontinued and no further pay credit accruals will be made on or after January 1, 2008. These plans are described more fully in the narrative that accompanies the Pension table and the Non-Qualified Deferred Compensation table in this Proxy Statement.

How does Waters determine the amount of each compensation element?

Compensation Committee Role

In determining the overall structure of the compensation elements, the Compensation Committee reviews the competitive market and compensation practice data as provided by Pearl Meyer & Partners and as described in detail below. The Compensation Committee also reviews the compensation package in total to ensure that the total compensation package emphasizes performance-based compensation elements and is designed to meet the overall objectives of the executive compensation program.

The Compensation Committee considers a range of factors in determining the amount of each compensation element for each executive officer. The range of factors includes Company performance, individual performance and experience, competitive compensation levels, the competitive markets, scope of responsibility and an individual's potential for making future contributions to the Company.

Competitive Market Assessment

Competitive market data is an important component in determining the amount of compensation for each element and each executive. The Compensation Committee utilizes an outside consultant, Pearl Meyer & Partners, to provide advice on the structure of executive compensation as well as competitive data on base salary, total cash compensation, and long-term incentives. In addition, the Compensation Committee reviews the total compensation package for an executive from the perspective of total direct compensation, which includes base, actual bonus and the value of the long-term incentive grant.

Pearl Meyer & Partners and the Compensation Committee utilize multiple sources to review the competitive marketplace for each executive. Sources include surveys such as the Hewitt Executive Compensation Survey and the CHiPS Executive and Senior Management Total Compensation Survey, as well as a core peer group of 13 publicly traded firms within the life sciences and analytical instrument industry with generally similar revenues and market capitalization as Waters. The median revenue for the peer group for the four quarters ending September 30, 2008 is $2,028,000,000 and the median market capitalization as of November 5, 2008 is $2,864,000,000.

Peer Group Companies:

Agilent	Pall
Beckman Coulter	Perkin Elmer
Bio-Rad Laboratories	Sigma-Aldrich
Bruker	Thermo Fisher Scientific
Invitrogen	Varian
Mettler-Toledo	Varian Medical
Millipore	

Two companies in the 2007 peer group were excluded from the 2008 peer group due to acquisitions. Applied Biosystems was excluded from the 2008 peer group due to its merger with Invitrogen. The new company, Life Technologies, will be evaluated in the future for inclusion in the peer group. Dade Behring Holdings was excluded due to its acquisition by Siemens. Data from the survey sources and the peer companies are combined to develop a primary market composite. The Hewitt Executive Compensation Survey provides a general industry perspective based on revenue scope for each executive position. The CHiPS Executive and Senior Management Total Compensation Survey provides a high technology perspective based on revenue for each executive position.

In addition, the Compensation Committee considers data from a broader group of 18 high technology companies with median revenues for the four quarters ending September 30, 2008 of $1,721,000,000 and market capitalization as of November 5, 2008 of $3,803,000,000.

High Technology Group Companies:

Activision Blizzard	Hologic
Autodesk	Invitrogen
C.R. Bard	King Pharmaceuticals
Barr Pharmaceuticals	McAfee
Beckman Coulter	Millipore
BMC Software	Mylan Laboratories
Cadence Design Systems	ResMed
Citrix Systems	Sepracor
FLIR Systems	Varian Medical

Four companies that were in the high technology group in 2007 were excluded from the 2008 high technology peer group due to acquisitions. These companies include Applied Biosystems, Cognos, Dade Behring Holdings and Respironics. The Compensation Committee, with management, reviews the appropriateness of the peer group and the high technology group each year.

Management's Role in Executive Compensation

The Compensation Committee approves all compensation decisions for the executive officers. In discharging its responsibility with regard to the compensation of the Company's CEO and other executive officers, the Compensation Committee utilizes the services of Pearl Meyer & Partners as an outside compensation consultant. The Vice President of Human Resources also provides the Compensation Committee with information and analysis on the Company's executive compensation programs, as requested. Mr. Berthiaume provides the Compensation Committee with his assessment of the performance of the Company and other executive officers, and makes recommendations for the compensation of other executive officers. The Compensation Committee makes all decisions with respect to the compensation of the CEO and other executive officers. No executive officer makes any decision on any element of his/her own compensation.

Role of the Compensation Consultant

The Compensation Committee utilizes the services of Pearl Meyer & Partners as an outside compensation consultant. Pearl Meyer & Partners participates in Compensation Committee meetings and executive sessions and provides the Compensation Committee with information and advice on executive and director compensation such as competitive market assessments, trends, best practices and plan design.

Stock Ownership Guidelines

The importance of ownership in Waters' stock by its executive officers is emphasized through ownership guidelines that require the CEO to acquire and retain Common Stock equal to five times his base salary over a three-year period. Additionally, the remaining members of the Company's Executive Committee are required to acquire and retain Common Stock equal to two times their base salary over a five-year period. If an executive officer does not achieve his or her ownership guideline within the three or five year periods, respectively, a disposition guideline will be applied. The disposition guideline requires that, upon subsequent exercise of a stock option, 50% of the executive's net after tax profit from such exercise be retained in shares of Waters Common Stock until the stock ownership guideline is achieved. An executive officer who achieves the ownership guideline and subsequently falls out of compliance will have 12 months to again achieve compliance before the disposition guideline on stock option exercises is applied. These guidelines were originally approved in February, 2004 and amended to include the stock option exercise disposition guideline in January, 2009. The ownership guidelines have been met by Mr. Berthiaume, Mr. Caputo and Mr. Ornell. Mr. Beaudouin and Ms. Rae are in the process of meeting their ownership requirement.

Stock Option Grant Practices

It has been the consistent practice of the Committee to grant stock options to senior executives annually at the Compensation Committee's December meeting. Grant prices are established based on the closing price of the Common Stock on the date of grant.

Tax and Accounting Implications

Waters considers all the tax and accounting aspects of the compensation instruments utilized by the Company in determining the most efficient method to use in delivering executive compensation. This includes, but is not limited to, Section 162(m) of the Code. Section 162(m) generally limits the tax deduction available to public companies for annual compensation paid to senior executives in excess of $1 million unless the compensation qualifies as performance-based. The Compensation Committee believes that payments under the Management Incentive Plan and equity grants under the 2003 Equity Incentive Plan qualifies as performance-based compensation. It is the Company's intent to qualify plans for full deductibility to the extent that it is consistent with the Company's overall compensation objectives.

How does each element and Waters' decision regarding that element fit into the Company's overall compensation objectives and affect decisions regarding other elements of compensation?

The Compensation Committee considers the effectiveness of each element of compensation in meeting the Company's overall objectives for executive compensation as well as the competitive marketplace for each element of compensation. In addition, the Compensation Committee reviews the combined total of all compensation elements, or total direct compensation, in order to appropriately position total direct compensation relative to both the marketplace and the Company's objectives. The Compensation Committee also believes that it is important to provide meaningful reward and recognition opportunities to executive officers irrespective of the potential gains the executive may realize from prior awards.

The table below summarizes the total compensation paid to or earned by our Chief Executive Officer, Chief Financial Officer and the three other most highly paid executive officers for the fiscal years ended December 31, 2008, 2007 and 2006, respectively.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Douglas A. Berthiaume Chairman, President and Chief Executive Officer	2008	$735,000	—	—	$1,339,401	$1,470,000	$105,232	$129,432	$3,779,065
	2007	$700,000	—	—	$1,373,100	$1,400,000	$264,092	$71,082	$3,808,274
	2006	$650,000	—	—	$2,041,401	$1,625,000	$127,730	$31,758	$4,475,889
Arthur G. Caputo Executive Vice President and President, Waters Division	2008	$450,000	—	—	$2,186,661	$810,000	$52,391	$161,187	$3,660,239
	2007	$410,000	—	—	$1,887,749	$738,000	$126,055	$8,082	$3,169,886
	2006	$375,000	—	—	$1,845,367	$787,500	$62,891	$8,760	$3,079,518
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	2008	$360,000	—	—	$913,418	$450,000	$20,549	$100,435	$1,844,402
	2007	$338,000	—	—	$837,936	$422,500	$53,822	$16,431	$1,668,689
	2006	$310,000	—	—	$954,644	$465,000	$27,885	$16,503	$1,774,032
Mark T. Beaudouin Vice President, General Counsel and Secretary	2008	$360,000	—	—	$1,009,806	$450,000	$7,873	$95,472	$1,923,151
	2007	$338,000	—	—	$861,744	$422,500	$42,304	$25,191	$1,689,739
	2006	$310,000	—	—	$668,331	$465,000	$21,932	$16,503	$1,481,766
Elizabeth B. Rae Vice President Human Resources	2008	$215,000	—	—	$481,328	$172,000	$7,230	$55,072	$930,630
	2007	$200,000	—	—	$375,258	$160,000	$26,708	$12,402	$774,368
	2006	$185,000	—	—	$295,876	$231,250	$11,662	$6,726	$730,514

(c) Reflects the base salary earned by the executive officer during 2006, 2007 and 2008, respectively.

(f) SFAS 123(R) is the accounting standard used in determining option award expense. The SFAS 123(R) expense was determined using the Black Scholes option pricing model without regard to estimated forfeitures. The assumptions used to calculate the SFAS 123(R) expense are disclosed in the Company's Annual Reports for the fiscal years ended December 31, 2006, 2007, and 2008, respectively. The closing price of the Common Stock on the grant dates December 10, 2008, December 11, 2007 and December 13, 2006, were $41.20, $77.94 and $49.31, respectively. The option award expense for Mr. Berthiaume reflects that Mr. Berthiaume declined to be considered for a grant in 2006, 2007 and 2008, respectively. The amounts shown in this column reflect the Company's accounting expense for these grants without regard to estimated forfeitures, and not the value that may be recognized by the executive officers.

(g) Reflects the incentive earned for 2006, 2007 and 2008, respectively, under the Company's Management Incentive Plan.

(h) Reflects the change in the annual aggregate estimated present value of accrued retirement benefits from both the frozen Waters Retirement Plan and the frozen Waters Retirement Restoration Plan for 2008, 2007 and 2006, respectively for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae. There were no above market or preferential earnings on any non-qualified plan balances.

(i) Reflects the matching contribution for the benefit of the named executive under the non-qualified Waters 401(k) Restoration Plan, the qualified 401(k) Plan, and for the dollar value of group term life insurance premiums paid by the Company on behalf of each executive during 2006, 2007 and 2008, respectively. Also included in 2008 is the one-time transition benefit associated with the freezing of pay credits under the Company's Retirement Plan. The matching contributions in 2008 for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae, were $128,100, $13,800, $32,077, $51,450, and $22,500, respectively. The 2008 life insurance premiums paid by the Company on behalf of the executives for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $1,332, $1,332, $1,200, $1,200 and $622, respectively. The one-time transition benefits made in March, 2008 for Messrs. Caputo, Ornell, Beaudouin and Ms. Rae were $146,055, $67,158, $42,822, $31,950 respectively. Mr. Berthiaume declined to participate in the transition benefit. The matching contribution in 2007 for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $69,750, $6,750, $15,330, $24,090 and

$11,827, respectively. The 2007 life insurance premiums paid by the Company on behalf of the executive for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $1,332, $1,332, $1,101, $1,101, and $575, respectively. The matching contribution in 2006 for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $29,598, $6,600, $14,775, $14,775, and $5,927, respectively. The 2006 life insurance premiums paid by the Company on behalf of the executive for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $2,160, $2,160, $1,728, $1,728, and $799, respectively. The Company does not offer any perquisites for the exclusive benefit of executive officers.

(j) Reflects the total of columns (c) through (i) for each executive officer for 2006, 2007 and 2008, respectively.

The table below sets forth the range of potential payouts under the Management Incentive Plan and specifies the grant of stock option awards to the Company's executive officers in the last fiscal year.

Grants of Plan-Based Awards Fiscal Year 2008

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
		Threshold ($)	Target ($)	Maximum ($)			
(a)	(b)	(c)	(d)	(e)	(j)	(k)	(l)
Douglas A. Berthiaume Chairman, President and Chief Executive Officer		$183,750	$735,000	$2,756,250			
Arthur G. Caputo Executive Vice President and President, Waters Division	12/10/2008				100,000	$41.20	$2,241,000
		$101,250	$405,000	$1,417,500			
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	12/10/2008				40,000	$41.20	$896,400
		$54,000	$216,000	$756,000			
Mark T. Beaudouin Vice President, General Counsel and Secretary	12/10/2008				40,000	$41.20	$896,400
		$54,000	$216,000	$756,000			
Elizabeth B. Rae Vice President Human Resources	12/10/2008				30,000	$41.20	$672,300
		$21,500	$86,000	$301,000			

(c), (d), (e) Reflects the range of payout under the Company's Management Incentive Plan from threshold performance to maximum performance for 2008. Performance below threshold performance would result in no payout under the Management Incentive Plan. Pursuant to Section 162(m), the Management Incentive Plan has a $5,000,000 maximum payout limit.

(j) Reflects the number of non-qualified stock options granted by the Compensation Committee on December 10, 2008. These options will vest 20% per year for five years. It was the intention of the Committee to grant a stock option award to Mr. Berthiaume in 2008; however, Mr. Berthiaume declined to be considered for an option grant in 2008.

(k) Reflects the closing price of the Common Stock on December 10, 2008.

(l) Reflects the SFAS 123(R) fair value of the stock option grant made on December 10, 2008 without regard to forfeitures. Assumptions used to value these awards using the Black-Scholes option pricing model are disclosed in the Company's Annual Report for the fiscal year ended December 31, 2008.

Narrative Disclosure to the Summary Compensation Table and the Grants of PlanBased Awards Table

The non-equity incentive plan award payments, column (g) of the Summary Compensation Table, were earned under the Company's Management Incentive Plan during fiscal 2006, 2007 and 2008, respectively. These incentive payments, which are above the target payout as disclosed in column (d) in the Grants of Plan-Based Awards Table, were based on exceeding the threshold requirements for operating income and the above target achievement of the fiscal year E.P.S. goals. The estimated future payouts under the non-equity incentive plan awards in columns (c), (d) and (e) of the Grants of Plan-Based Awards Table represent the threshold, target and maximum payouts respectively for fiscal year 2008 under the Company's Management Incentive Plan.

The NSO awards listed in column (j) of the Grants of Plan-Based Awards Table were granted pursuant to the Waters Corporation 2003 Equity Incentive Plan. These 2008 stock option awards were granted at a meeting of the Compensation Committee held on December 10, 2008. The exercise price of $41.20 is equal to the closing market price of the Common Stock on December 10, 2008. All stock option grants to Messrs. Caputo, Ornell, and Beaudouin and Ms. Rae vest at 20% per year for five years and have a ten-year term. There have been no re-pricings or modifications of stock option awards for executive officers.

There were no discretionary or guaranteed bonus payments to executive officers in 2008. Salary comprises less than 23% of the total compensation for each executive officer and supports the Company's emphasis on performance oriented compensation.

Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae do not have employment agreements with the Company. However, each is a party to an Executive Change of Control/Severance Agreement with the Company as discussed in the Payments Upon Termination or Change of Control section of this Proxy Statement.

The table below sets forth the outstanding equity awards classified as exercisable and un-exercisable for each of the Company's executive officers as of December 31, 2008.

Outstanding Equity Awards at Fiscal Year-End 2008

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Douglas A. Berthiaume Chairman, President and Chief Executive Officer	120,000	30,000	—	$47.12	12/8/2014	—	—	—	—
	150,000	0	—	$32.12	12/11/2013	—	—	—	—
	150,000	0	—	$36.25	12/12/2011	—	—	—	—
	100,000	0	—	$72.06	12/7/2010	—	—	—	—
	140,000	0	—	$23.06	12/9/2009	—	—	—	—
Arthur G. Caputo Executive Vice President and President, Waters Division	0	100,000	—	$41.20	12/10/2018	—	—	—	—
	17,000	68,000	—	$77.94	12/11/2017	—	—	—	—
	40,000	60,000	—	$49.31	12/13/2016	—	—	—	—
	60,000	40,000	—	$38.99	12/2/2015	—	—	—	—
	100,000	25,000	—	$47.12	12/8/2014	—	—	—	—
	100,000	0	—	$32.12	12/11/2013	—	—	—	—
	60,000	0	—	$21.39	12/30/2012	—	—	—	—
	50,000	0	—	$72.06	12/7/2010	—	—	—	—
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	0	40,000	—	$41.20	12/10/2018	—	—	—	—
	6,800	27,200	—	$77.94	12/11/2017	—	—	—	—
	16,000	24,000	—	$49.31	12/13/2016	—	—	—	—
	24,000	16,000	—	$38.99	12/2/2015	—	—	—	—
	40,000	10,000	—	$47.12	12/8/2014	—	—	—	—
	50,000	0	—	$32.12	12/11/2013	—	—	—	—
	40,000	0	—	$21.39	12/30/2012	—	—	—	—
	60,000	0	—	$36.25	12/12/2011	—	—	—	—
	40,000	0	—	$72.06	12/7/2010	—	—	—	—
Mark T. Beaudouin Vice President, General Counsel and Secretary	0	40,000	—	$41.20	12/10/2018	—	—	—	—
	6,800	27,200	—	$77.94	12/11/2017	—	—	—	—
	16,000	24,000	—	$49.31	12/13/2016	—	—	—	—
	24,000	16,000	—	$38.99	12/2/2015	—	—	—	—
	40,000	10,000	—	$47.12	12/8/2014	—	—	—	—
	30,000	0	—	$32.12	12/11/2013	—	—	—	—
	10,000	0	—	$21.05	4/1/2013	—	—	—	—
Elizabeth B. Rae Vice President Human Resources	0	30,000	—	$41.20	12/10/2018	—	—	—	—
	5,000	20,000	—	$77.94	12/11/2017	—	—	—	—
	12,000	18,000	—	$49.31	12/13/2016	—	—	—	—
	18,000	12,000	—	$38.99	12/2/2015	—	—	—	—
	12,000	3,000	—	$47.12	12/8/2014	—	—	—	—
	3,000	0	—	$32.12	12/11/2013	—	—	—	—
	4,500	0	—	$36.25	12/12/2011	—	—	—	—
	6,000	0	—	$72.06	12/7/2010	—	—	—	—

(b) (c) Although it was the intention of the Compensation Committee to grant a stock option award to Mr. Berthiaume in 2005, 2006, 2007 and 2008, Mr. Berthiaume declined to be considered for an option grant in each of these years. The expiration date for all grants is ten years from the date of grant. The vesting schedule for all stock option grants is 20% per year for five years. Grants with expiration dates of December 11, 2013 or earlier are 100% vested as of December 11, 2008. Vesting dates for annual grants with expiration dates after December 11, 2013 are December 8, December 2, December 13, December 11, and December 10, respectively. On the annual anniversary of each of these dates, an additional 20% of the total number of shares granted will vest until 100% of the original grant is vested on the fifth anniversary of the grant date.

The table below sets forth certain information regarding stock option awards exercised for the Company's executive officers during the last fiscal year.

Option Exercises and Stock Vested Fiscal Year 2008

	Option Awards		Stock Awards	
Name	Number of Securities Acquired on Exercise (#)	Value Realized Upon Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
(a)	(b)	(c)	(d)	(e)
Douglas A. Berthiaume Chairman, President and Chief Executive Officer	200,000	$4,421,224	—	—
Arthur G. Caputo Executive Vice President and President, Waters Division	—	—	—	—
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	—	—	—	—
Mark T. Beaudouin Vice President, General Counsel and Secretary	—	—	—	—
Elizabeth B. Rae Vice President Human Resources	8,400	$309,798	—	—

(a) All of options exercised by Mr. Berthiaume had expiration dates of December 10, 2008.

The table below sets forth certain information regarding payments or other benefits in connection with retirement of the Company's executive officers.

Pension Benefits Fiscal Year 2008

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefits ($)	Payments During Last Fiscal Year ($)
(a)	(b)	(c)	(d)	(e)
Douglas A. Berthiaume Chairman, President and Chief Executive Officer	Waters Corporation Retirement Plan	28.12	$272,439	—
	Waters Corporation Retirement Restoration Plan	28.12	$1,488,921	—
Arthur G. Caputo Executive Vice President and President, Waters Division	Waters Corporation Retirement Plan	31.19	$280,993	—
	Waters Corporation Retirement Restoration Plan	31.19	$575,469	—
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	Waters Corporation Retirement Plan	18.54	$171,881	—
	Waters Corporation Retirement Restoration Plan	18.54	$152,018	—
Mark T. Beaudouin Vice President, General Counsel and Secretary	Waters Corporation Retirement Plan	5.75	$44,700	—
	Waters Corporation Retirement Restoration Plan	5.75	$82,321	—
Elizabeth B. Rae Vice President Human Resources	Waters Corporation Retirement Plan	12.96	$82,791	—
	Waters Corporation Retirement Restoration Plan	12.96	$13,977	—

The present value of the accumulated benefit is calculated in accordance with Statement of Financial Accounting Standard No. 87 "Employers Accounting for Pensions". Please refer to footnotes in the Company's Annual Report for the fiscal year ended December 31, 2008 for the Company's policy and assumptions made in the valuation of this accumulated benefit.

The Waters Retirement Plan ("Retirement Plan") is a U.S. defined benefit cash balance plan for eligible U.S. employees. The Waters Retirement Restoration Plan ("Retirement Restoration Plan") is a U.S. un-funded, non-qualified plan which restores the benefits under the Waters Retirement Plan that are limited by Internal Revenue Service benefit and compensation maximums. As a cash balance plan, each participant's benefit is determined based on annual pay credits and interest credits which are made to each participant's notional account. Effective December 31, 2007, future pay credits to the Retirement and Retirement Restoration Plans on behalf of senior executives were discontinued and no further pay credits will be made on or after January 1, 2008. Interest credits will continue to apply. Interest credits are based on the one-year constant maturity Treasury Bill rate on the first business day in November of the preceding plan year plus 0.5%, subject to a 5.0% minimum and a 10.0% maximum rate.

A participant is not vested in the Retirement and Retirement Restoration Plans until completion of five years of service at which time the employee becomes 100% vested. The normal retirement age under the plans is age 65. Messrs. Berthiaume and Caputo are currently eligible for early retirement under the Retirement Plan and Retirement Restoration Plan. Under these plans, early retirement is defined as attainment of age 62 with at least 10 years of service. However, former participants of the Millipore Retirement Plan (a former parent company of Waters) are eligible for early retirement upon attainment of age 55 with at least 10 years of service. Messrs. Berthiaume and Caputo are former Millipore Retirement Plan participants.

The valuation method and material assumptions used in calculating the benefit reported in column (d) are disclosed in the Company's Annual Report for the fiscal year ended December 31, 2008.

The table below summarizes the deferred compensation in the last fiscal year for the Company's executive officers.

Non-Qualified Deferred Compensation Fiscal Year 2008

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
(a)	(b)	(c)	(d)	(e)	(f)
Douglas A. Berthiaume **Chairman, President and Chief Executive Officer**	**$128,100**	**$114,300**	**$(2,144,018)**	**—**	**$2,951,996**
Arthur G. Caputo **Executive Vice President and President, Waters Division**	**—**	**$108,030**	**$(165,441)**	**—**	**$645,767**
John A. Ornell **Vice President Finance and Administration and Chief Financial Officer**	**$36,000**	**$60,910**	**$(331,704)**	**—**	**$475,998**
Mark T. Beaudouin **Vice President, General Counsel and Secretary**	**$78,250**	**$66,072**	**$(180,125)**	**—**	**$312,042**
Elizabeth B. Rae **Vice President Human Resources**	**$22,500**	**$16,125**	**$(17,989)**	**—**	**$39,171**

(b) Amounts in this column are also reported as salary (column(c)) or non-equity incentive compensation (column (g)) in the Summary Compensation Table.

(c) Amounts in this column represent Company contributions to the 401(k) Restoration Plan. In 2008, the Company contributions include both matching contributions and the one-time transition benefit associated with the freezing of pay credits under the Company's Retirement Plan. These amounts are also reported under "All Other Compensation" in the Summary Compensation Table.

(d) Amounts reflected in this column are not included in the Summary Compensation Table because the earnings are not "above-market" or preferential.

(f) The fiscal year-end balance reported for the 401(k) Restoration Plan includes the following amounts that were previously reported in the Summary Compensation Table as compensation for 2006, 2007 and 2008 for Messrs. Berthiaume, Caputo, Ornell, Beaudouin, and Ms. Rae: $311,795, $0, $96,031, $185,800, and $34,500, respectively.

All non-qualified deferred compensation contributions made by the executive officer, or by the Company on behalf of the executive officer, are made pursuant to the 401(k) Restoration Plan. The purpose of the 401(k) Restoration Plan is to allow certain management and highly compensated employees to defer wages to a non-qualified retirement plan in addition to the amount permitted to be deferred under the 401(k) Plan ($15,500 in 2008). The 401(k) Restoration Plan is also intended to permit participants to receive the additional matching contributions that they would have been eligible to receive under the 401(k) Plan if the IRS limit on compensation for such plan, $230,000 in 2008, did not apply.

Payments Upon Termination or Change of Control

Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae do not have employment agreements with the Company. However, each is party to an Executive Change of Control/Severance Agreement dated February 24, 2004 and amended February 27, 2008. Under the terms of their agreements if any such executive's employment is terminated without cause during the period beginning 9 months prior to, and ending 18 months following, a "change of control" of the Company (as defined in the agreement), or such executive terminates his or her employment "for good reason" (as defined in the agreement) during the 18 month period following a change of control of the Company, such officer would be entitled to receive the following in a lump sum payment:

- Two times the annual base salary;
- Two times the greater of the annual accrued bonus in the year of termination or target bonus; and
- Twenty-four months of continued insurance benefit coverage (life, accident, health and dental) substantially similar to the coverage he or she had been receiving prior to any such termination, or the premium equivalent.

In addition, under the terms and conditions of the named executive officers' stock option agreements issued under the 1996 Long Term Performance Incentive Plan and the 2003 Equity Incentive Plan, in the event of a change in control, all of their outstanding and unvested stock options will fully accelerate and become fully exercisable.

The agreement further provides that the benefits will be supplemented by an additional payment to "gross up" such executive for any excise tax under the "golden parachute" excise tax provisions of the Code §§ 280G and 4999 to ensure that after the payments for change in control, the executive is in the same economic position as if the payment were not subject to an excise tax. This additional payment would be equal to the sum of the excise tax on any "parachute payment" and the additional tax attributable to the receipt of the gross-up payment.

If the employment of a named executive officer had been terminated without cause or the officer resigned for good reason on December 31, 2008 and within 18 months of a change in control, they would have received the following cash severance and incremental benefits (given retroactive effect to the changes made):

Potential Severance and Incremental Benefits Upon Change-in-Control

Name	Cash Severance		Other Benefits			Total Value of Change-in-Control Related Benefits
	Base Salary (2X Current Base Salary)	Bonus (2X Target Bonus)	Benefits Continuation	In-the-Money Value of Accelerated Stock Options	Excise Tax Gross-Up	
Douglas A. Berthiaume Chairman, President and Chief Executive Officer	$1,470,000	$1,470,000	$31,010	$0	$0	$2,971,010
Arthur G. Caputo Executive Vice President and President, Waters Division	$900,000	$810,000	$31,010	$0	$0	$1,741,010
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	$720,000	$432,000	$30,610	$0	$0	$1,152,000
Mark T. Beaudouin Vice President, General Counsel and Secretary	$720,000	$432,000	$30,610	$0	$0	$1,152,000
Elizabeth B. Rae Vice President, Human Resources	$430,000	$172,000	$29,010	$0	$0	$631,000

The cash severance was calculated assuming the base salary and annual bonus target under the Management Incentive Plan for 2008, in effect on December 31, 2008. The benefit continuation payment is based on premium costs as of December 31, 2008.

The table below summarizes the director compensation for the Company's independent directors in the last fiscal year.

Director Compensation Fiscal Year 2008

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(f)	(f)
Joshua Bekenstein	**$59,000**	**$54,577**	**$79,108**	—	—	—	**$192,685**
Michael J. Berendt, Ph.D.	**$65,500**	**$54,577**	**$79,108**	—	—	—	**$199,185**
Edward Conard	**$63,500**	**$54,577**	**$79,108**	—	—	—	**$197,185**
Laurie H. Glimcher	**$60,500**	**$54,577**	**$79,108**	—	—	—	**$194,185**
Christopher A. Kuebler	**$62,000**	**$56,627**	**$45,297**	—	—	—	**$163,924**
William J. Miller	**$77,500**	**$54,577**	**$79,108**	—	—	—	**$211,185**
JoAnn A. Reed	**$68,000**	**$56,627**	**$45,297**	—	—	—	**$169,924**
Thomas P. Salice	**$90,500**	**$54,577**	**$79,108**	—	—	—	**$224,185**

SFAS 123(R) is the accounting standard used in determining option award expense. The SFAS 123(R) expense was determined using the Black Scholes option pricing model without regard to estimated forfeitures. The assumptions used to calculate the SFAS 123(R) expense are disclosed in the Company's Annual Report for the fiscal years ended December 31, 2008.

(c) Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller, Salice, and Ms. Glimcher and Ms. Reed were each granted 1,000 restricted stock awards on January 2, 2008, with a SFAS 123(R) fair value of \$76,750 and a vesting date of January 30, 2011. The closing price of the Common Stock was \$76.75 on January 2, 2008. On December 31, 2008, all Board members held 3,000 shares of unvested restricted stock.

(d) Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller, Salice, and Ms. Glimcher and Ms. Reed were each granted 3,500 non-qualified stock options on January 2, 2008, with a SFAS 123R fair value of \$98,879 and a vesting schedule of 20% per year for five years. The closing price of the Common Stock on January 3, 2008 was \$76.75 per share. The outstanding non-qualified stock options for Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller, Salice, Ms. Glimcher, and Ms. Reed on December 31, 2008, were 35,500, 35,500 , 35,500, 11,500, 35,500, 31,500, 20,300 and 11,500 options, respectively.

There will be no increase in Board compensation for 2009. In 2008, Board compensation included a retainer of \$50,000 for the year, paid quarterly, \$1,500 for each Board and Committee meeting attended. The lead director received an additional annual retainer of \$5,000 resulting in a total annual retainer of \$55,000. The annual retainer for the Audit Committee chairman was \$10,000. The chairmen of both the Nominating and Corporate Governance and Compensation Committees each received a \$5,000 annual retainer. Equity compensation of 1,000 restricted stock awards and 3,500 non-qualified stock options was granted on the first business day of the fiscal year.

All Directors are also reimbursed for expenses incurred in connection with their attendance at meetings. Directors who are full-time employees of the Company receive no additional compensation or benefits for service on the Board or its Committees.

The Compensation Committee utilizes an outside external consultant, Pearl Meyer & Partners, to provide advice on the structure of Director compensation. Pearl Meyer & Partners and the Committee utilize sources of data consistent with the executive compensation assessment which include the peer group of 13 publicly traded firms, as well as data from a broader group of 18 high technology companies with revenues and market capitalization similar to Waters. Based on the competitive assessment, the Board approved the compensation for Board members for services performed in 2008.

The Company also sponsors the 1996 Non-Employee Deferred Compensation Plan, which provides non-employee members of the Board with the opportunity to defer 100% of retainer, meeting and committee fees. Fees may be deferred in cash or invested in Waters Common Stock units. If a Director elects to defer his or her fees in Waters Common Stock units, the amount deferred is converted into Common Stock units by dividing the amount of fees payable by the average stock price of the Company's Common Stock for the fiscal quarter. Messrs. Bekenstein and Conard elected to defer fees into Waters Common Stock units in 2008.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Waters Corporation specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.

The Compensation Committee of the Company has reviewed and discussed with management the Compensation Discussion and Analysis as required by Item 402(b) of Regulation S-K of the Exchange Act. Based on these discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Mr. William J. Miller, Chairman   Mr. Joshua Bekenstein   Mr. Christopher A. Kuebler   Mr. Thomas P. Salice

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth certain information regarding beneficial ownership of Common Stock as of March 18, 2009 by each person or entity known to the Company who owns beneficially five percent or more of the Common Stock, by each named executive officer and Director nominee and all executive officers and Director nominees as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage of Outstanding Common Stock(1)
5% Stockholders		
Massachusetts Financial Services Company 500 Boylston Street Boston, MA 02116(2)	10,001,501	10.20%
Executive Officers and Directors		
Mark T. Beaudouin(3)(4)	130,613	*
Douglas A. Berthiaume(3)(5)	3,489,801	3.60%
Arthur G. Caputo(3)	602,734	*
John Ornell(3)(6)	293,363	*
Elizabeth Rae(3)(7)	64,164	*
Joshua Bekenstein(3)(8)(11)	49,900	*
Dr. Michael J. Berendt(3)(12)	37,900	*
Edward Conard(3)(8)(10)	45,900	*
Dr. Laurie H. Glimcher(3)(12)	18,700	*
Christopher A. Kuebler(3)(11)	8,700	*
William J. Miller(3)(8)(10)(11)	36,400	*
JoAnn A. Reed(3)(10)	8,700	*
Thomas P. Salice(3)(8)(9)(10)(11)(12)	76,800	*
All Directors and Executive Officers as a group (13 persons)	4,863,674	4.96%

* represents less than 1% of the total number of the issued and outstanding shares of Common Stock.

(1) Figures are based upon 96,406,901 shares of Common Stock outstanding as of March 18, 2009. The figures assume exercise by only the stockholder or group named in each row of all options for the purchase of Common Stock held by such stockholder or group which are exercisable within 60 days of March 18, 2009.

(2) Amounts shown reflect the aggregate number of shares of Common Stock held by Massachusetts Financial Services Company based on information set forth in Schedule 13GA filed with the SEC on February 4, 2009. Figures include 8,368,491 shares with sole power to vote or direct the vote, and 10,001,501 shares with sole power to dispose or to direct the disposition of shares.

(3) Includes share amounts which the named individuals have the right to acquire through the exercise of options which are exercisable within 60 days of March 18, 2009 as follows: Mr. Beaudouin 126,800, Mr. Berthiaume 660,000, Mr. Caputo 427,000, Mr. Ornell 276,800, Ms. Rae 60,500, Mr. Bekenstein 27,900, Dr. Berendt 27,900, Mr. Conard 27,900, Dr. Glimcher 12,700, Mr. Kuebler 4,700, Mr. Miller 27,900, Ms. Reed 4,700 and Mr. Salice 23,900.

(4) Includes 2,838 shares held in Mr. Beaudouin's ESPP and 401K accounts.

(5) Includes 69,000 shares held by Mr. Berthiaume's wife, 316,859 shares held by a family limited partnership, 35,290 shares held in Mr. Berthiaume's 401K Plan and 25,252 shares held in a family trust. Mr. Berthiaume disclaims beneficial ownership for the shares held by his wife, the shares held in a family trust and the shares held by a family limited partnership.

(6) Includes 10,559 shares held in Mr. Ornell's ESPP and 401K accounts and 3,000 shares held by his daughters for which Mr. Ornell disclaims beneficial ownership.

(7) Includes 2,764 shares held in Ms. Rae's ESPP and 401K accounts.

(8) Excludes deferred compensation in the form of phantom stock, receipt of which may be, at the election of the Director, on a specified date at least six months in the future or upon his or her cessation of service as a Director of the Company.

(9) Includes 3,000 shares held in Mr. Salice's Individual Retirement Account and 3,200 shares held by a charitable trust and over which Mr. Salice shares voting and investment power with his spouse as trustees.

(10) Member of the Audit Committee.

(11) Member of the Compensation Committee.

(12) Member of the Nominating and Corporate Governance Committee.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Federal securities laws require the Company's Directors, executive officers, and persons who own more than 10% of the Common Stock to file with the SEC, the New York Stock Exchange and the Secretary of the Company initial reports of beneficial ownership and reports of changes in beneficial ownership of the Common Stock.

To the Company's knowledge, based solely on review of the copies of such reports and written representations furnished to the Company that no other reports were required, none of the Company's executive officers, Directors and greater-than-ten-percent beneficial owners failed to file on a timely basis during the fiscal year ended December 31, 2008.

STOCKHOLDER PROPOSALS

Proposals of stockholders to be presented at the 2010 Annual Meeting of Stockholders, anticipated to be scheduled on or about May 12, 2010, must be received by the Secretary of the Company at 34 Maple Street, Milford, Massachusetts 01757 in the following manner. Proposals that are submitted pursuant to Rule 14a-8 under the Exchange Act, and are to be considered for inclusion in the Company's Proxy Statement and form of Proxy relating to that meeting must be received by December 3, 2009. All other proposals must be received during the 60 to 90 day period preceding that meeting.

STOCKHOLDERS SHARING AN ADDRESS

Only one copy of our Annual Report, Proxy Statement or Notice is being delivered to multiple security holders sharing an address, unless we have received instructions to the contrary from one or more of the stockholders.

We will deliver promptly upon written or oral request a separate copy our Annual Report on Form 10-K, the Proxy Statement or Notice to any stockholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy our Annual Report on Form 10-K, Proxy Statement or Notice, or if two stockholders sharing an address have received two copies of any of these documents and desire to only receive one, you may write to the Director of Investor Relations at our principal executive offices at 34 Maple Street, Milford, Massachusetts 01757 or call the Director of Investor Relations of Waters at (508) 482-2349.

EXHIBIT A

WATERS CORPORATION

2009 Employee Stock Purchase Plan

1. Purpose and History

The purpose of this Plan is to give Employees wishing to do so a convenient means of purchasing Common Stock of the Company through payroll deductions. The Company believes that ownership of Common Stock by Employees will foster greater Employee interest in the Company's growth and development.

This Plan was adopted by the Board on February 27, 2009. It is the Company's intention that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of the Plan shall, accordingly, be construed in a manner consistent with the requirements of that Code section.

2. Definitions

As used in this Plan, the following terms shall have the following meanings:

2.1. *Board* means the Company's Board of Directors.

2.2. *Code* means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.

2.3. *Committee* means the Compensation Committee of the Board or such other committee delegated responsibility by the Board for the administration of the Plan, as provided in Section 5 of the Plan. For any period during which no such committee is in existence "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

2.4. *Common Stock* or *Stock* means the common stock, par value $.01 per share, of the Company.

2.5. *Company* means Waters Corporation, a corporation organized under the laws of the State of Delaware.

2.6. *Compensation* means an Employee's regular earnings plus commissions, lump sum cash payments of merit pay increases, overtime, short-term disability pay, unused vacation pay, and certain management-approved incentive bonuses.

2.7. *Continuous Status as an Employee* means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Plan administrator, provided that such leave is for a period of not more than three (3) months, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) transfers between locations of the Company or between the Company and a Covered Entity.

2.8. *Contributions* means all amounts credited to the account of a Participating Employee pursuant to the Plan.

2.9. *Corporate Transaction* means (1) any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) any sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions or (4) any liquidation or dissolution of the Company.

2.10. *Covered Entity* means any Subsidiary that may adopt the Plan from time to time in accordance with the procedures set forth in Section 14 hereof with the Company's consent.

2.11. *Effective Date* means February 27, 2009.

2.12. *Employee* means an employee of the Company or a Covered Entity who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year.

2.13. *Exchange Act* means the Securities Exchange Act of 1934, as amended.

2.14. *Fair Market Value* has the meaning set forth in Section 6.4(c), below.

2.15. *New Plan Period Termination Date* has the meaning set forth in Section 12.4, below.

2.16. *Participating Employee* means an Employee who elects to participate in the Plan pursuant to Section 6.2, below.

2.17. *Payroll Deduction* means a payroll deduction specified by a Participating Employee to be made from each paycheck during the Plan Period for the purchase of Shares under this Plan.

2.18. *Plan* means this Waters Corporation 2009 Employee Stock Purchase Plan.

2.19. *Plan Period Commencement Date* means the first day of each Plan Period.

2.20. *Plan Period Termination Date* means the last day of each Plan Period.

2.21. *Plan Period* means each period described in Section 6.1, at the end of which each Participating Employee shall purchase Shares.

2.22. *Purchase Price* means with respect to a Plan Period an amount equal to (a) ninety percent (90%) of the Fair Market Value (as defined in Section 6.4(c) below) of a Share on the Plan Period Commencement Date or (b) the Fair Market Value of a Share on the Plan Period Termination Date, whichever is lower; *provided, however*, that if (i) there is an increase in the number of Shares available for issuance under the Plan as a result of a stockholder-approved amendment to the Plan, (ii) all or a portion of such additional Shares are to be issued with respect to the Plan Period underway at the time of such increase (“Additional Shares”), and (iii) the Fair Market Value of a Share of Common Stock on the date of such increase (the “Approval Date Fair Market Value”) is higher than the Fair Market Value described in clause (a) above, then in such instance the Purchase Price with respect to Additional Shares shall be (x) ninety percent (90%) of the Approval Date Fair Market Value or (b) the Fair Market Value of a Share on the Plan Period Termination Date, whichever is lower.

2.23. *Share* means a share of Common Stock, as adjusted in accordance with Section 12 of the Plan.

2.24. *Subsidiary* means a corporation, in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. Shares Reserved For The Plan

Subject to adjustment as provided in Section 12 hereof, the number of Shares reserved for issuance hereunder shall be eight hundred eighty six thousand four hundred fifty six (886,456) which is the sum of: (i) seven hundred fifty thousand (750,000), plus (ii) the number of shares reserved for issuance pursuant to the Company’s 1996 Employee Stock Purchase Plan but not issued thereunder as of January 1, 2009. For purposes of applying the foregoing limitation, if any option expires, terminates or is cancelled for any reason without having been exercised in full, the Shares not purchased or received by the Employee shall again be available for options to be granted under the Plan. Shares issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

4. Administration

The Plan shall be administered by the Committee, *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder; and *provided, further*, that the Committee may delegate its duties in order to facilitate the purchase and transfer of Shares and to provide for the day-to-day administration of the Plan with all powers necessary to enable the delegate to carry out its duties in that respect. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each option to be granted by the Company under the Plan. In making such determinations, the Committee may take into account such factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an option granted pursuant to hereto.

5. Eligibility for Awards

Subject to the requirements of Section 6.2 and the limitations imposed by Section 423(b) of the Code, any Employee shall be eligible to participate in a Plan Period under the Plan as of the applicable Plan Period Commencement Date. Notwithstanding any provision of the Plan to the contrary, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (taking into account stock which would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds twenty-five thousand dollars ($25,000) of the Fair Market Value of such stock (determined on the basis of the Fair Market Value of such stock on the date or dates such option was granted) for each calendar year in which such option is outstanding at any time.

6. Terms of Participation

6.1. *Plan Periods.* Each calendar year shall be have four Plan Periods, beginning on the first day of each January, April, July and October for which a closing price for the Company Common Stock is available, and ending on the last day of the immediately following March, June, September and December for which a closing price for the Company Common Stock is available, respectively. Each such period is referred to herein as a "Plan Period."

6.2. *Election to Participate and Plan Deductions.*

(a) Shares shall be offered for purchase under the Plan through a series of successive, non-overlapping Plan Periods until such time as (i) the maximum number of Shares available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated. At any time and from time to time, the Committee may change the duration and/or the frequency of Plan Periods or suspend operation of the Plan with respect to Plan Periods not yet commenced.

(b) An eligible Employee may become a Participating Employee in the Plan by completing an enrollment agreement on the form provided by the company and filing it with the Company prior to the Company's enrollment deadline for the Plan Period in which such Employee desires to participate, unless a later time for filing the subscription agreement is set by the Committee for all eligible Employees with respect to a given Plan Period. The enrollment agreement shall set forth the percentage of the Employee's Compensation (subject to Section 6.2(c) below) to be paid as Contributions pursuant to the Plan. Payroll deductions shall commence on the first payroll following the Plan Period Commencement Date and shall end on the last payroll paid on or prior to the Plan Period Termination Date, unless sooner terminated by the Participating Employee as provided in Section 6.7.

(c) A Participating Employee may elect to have payroll deductions taken from each payroll during any Plan Period in an amount not less than one percent (1%) and not more than fifteen percent (15%) (or such other percentage as the Committee may establish from time to time before any Plan Period Commencement Date) of such Participating Employee's Compensation on each payroll date during the Plan Period. All payroll deductions made by a Participating Employee shall be credited to his or her account under the Plan. No interest shall accrue on Contributions to the Plan. A Participating Employee may not make any additional payments into such account.

(d) Unless the Committee announces otherwise before the start of a particular Plan Period, an eligible Employee's enrollment agreement in effect at the end of one Plan Period will remain in effect for each subsequent Plan Period.

(e) A Participating Employee may discontinue his or her participation in the Plan as provided in Section 6.7. In addition, a Participating Employee may, on one occasion only during each Plan Period, reduce the rate of his or her Contributions to zero percent (0%) with respect to the Plan Period by completing and filing with the Company a new enrollment agreement authorizing a change in the payroll deduction rate. Any such change in payroll deduction rate shall be effective as of the first payroll period following the date of filing of the new enrollment agreement, if the agreement is filed at least ten (10) business days prior to such period and, if not, as of the second following payroll period.

(f) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 5 herein, a Participating Employee's Payroll Deductions may be decreased during any Plan Period to zero percent (0%). Payroll Deductions reduced to zero percent (0%) in compliance with this Section 6.2(f) shall re-commence automatically at the rate provided in such Participating Employee's enrollment agreement at the beginning of the next Plan Period, unless terminated by the Participating Employee as provided in Section 6.7.

(g) Any amounts left over in a Participating Employee's account upon expiration or termination of the Plan (or upon a withdrawal by a Participating Employee or upon a Participating Employee purchasing the maximum dollar amount or number of shares hereunder) shall be returned to the Participating Employee.

6.3. *Shares.*

(a) If the Committee determines that, on a given Plan Period Termination Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of Shares that were available for sale under the Plan on the Plan Period Commencement Date, or (ii) the number of shares available for sale under the Plan on such Plan Period Termination Date, then the Company shall make a pro rata allocation of the Shares available for purchase on such Plan Period Termination Date in as uniform a matter as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participating Employees exercising options to purchase Common Stock on such Plan Period Termination Date. The Company shall make pro rata allocation of the Shares available on the Plan Period Commencement Date pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Plan Period Commencement Date.

(b) The Participating Employee shall have no interest or voting right in Shares covered by his or her option until such option has been exercised.

(c) Shares to be delivered to a Participating Employee under the Plan will be registered in the name of the Participating Employee.

6.4. <u>*Grant of Options.*</u>

(a) A Participating Employee shall be granted a separate purchase right for each Plan Period in which he or she participates. The purchase right shall be granted on the Plan Period Commencement Date for the Plan Period and shall provide the Participating Employee with the right to purchase Shares upon the terms set forth below.

(b) The number of Shares purchasable by a Participating Employee on each Plan Period Termination Date during the Plan Period, pursuant to Section 6.5 below, shall be determined by dividing such Employee's Contributions accumulated during such Plan Period prior to such Plan Period Termination Date and retained in the Participating Employee's account as of the Plan Period Termination Date by the applicable Purchase Price. However, the maximum number of Shares a Participating Employee may purchase during each Plan Period shall be five thousand (5,000) Shares, and provided further that such purchase shall be subject to the limitations set forth in Sections 6.2(c).

(c) The fair market value of the Shares on a given date (the "Fair Market Value") means the value of a share of common stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of the common stock as of any date, is the closing price for the common stock as reported by the New York Stock Exchange (or on any other national securities exchange on which the common stock is then listed) for that date.

6.5. <u>*Exercise.*</u> Unless a Participating Employee withdraws from the Plan as provided in Section 6.7, each purchase right shall be automatically exercised on each Plan Period Termination Date, and Shares shall accordingly be purchased on behalf of each Participating Employee on each such Plan Period Termination Date. The purchase shall be effected by applying the Participating Employee's Payroll Deductions for the Plan Period ending on such Plan Period Termination Date to the purchase of Shares (subject to the limitation on the maximum number of Shares purchasable per Participating Employee on any one Plan Period Termination Date) at the Purchase Price in effect for the Participating Employee for that Plan Period Termination Date. The Shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the Participating Employee on the Plan Period Termination Date. During his or her lifetime, a Participating Employee's option to purchase Shares hereunder is exercisable only by him or her.

6.6. <u>*Delivery.*</u> As promptly as practicable after each Plan Period Termination Date, the Company shall arrange the delivery to each Participating Employee, as appropriate, of the Shares purchased upon exercise of his or her option.

6.7. <u>*Voluntary Withdrawal; Termination of Employment.*</u>

(a) A Participating Employee may withdraw all but not less than all of the Contributions credited to his or her account under the Plan at any time prior to each Plan Period Termination Date by giving written notice to the Company in accordance with the Company's policy regarding withdrawal from the Plan. All of the Participating Employee's Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current Plan Period will be automatically terminated, and no further Contributions for the purchase of Shares will be made (or will be permitted to be made) during the Plan Period.

(b) Upon termination of the Participating Employee's Continuous Status as an Employee prior to a Plan Period Termination Date for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 8, and his or her option will be automatically terminated.

(c) In the event a Participating Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during the Plan Period in which the Employee is a Participating Employee, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account and remaining there will be returned to him or her and his or her option terminated.

(d) A Participating Employee's withdrawal during a Plan Period will not have any effect upon his or her eligibility to participate in a succeeding Plan Period or in any similar plan which may hereafter be adopted by the Company.

7. No Special Service Rights

Nothing contained in this Plan shall confer upon any Employee any right with respect to the continuation of his or her employment with the Company or any Covered Entity or any other entity, corporation, partnership, limited liability company or business trust controlling, controlled by or under common control with the Company, or interfere in any way with the right of any such entity, subject to the terms of any separate employment agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment relationship or to increase or decrease, or otherwise adjust, the other terms and conditions of the Employee's employment.

8. Designation of Beneficiary

8.1. A Participating Employee may file a written designation of a beneficiary who is to receive any Shares and cash, if any, from the Participating Employee's account under the Plan in the event of such Participating Employee's death subsequent to the end of a Plan Period but prior to delivery to him or her of such Shares and cash. Any such beneficiary shall also be entitled to receive any cash from the Participating Employee's account under the Plan in the event of such Participating Employee's death during a Plan Period.

8.2. Such designation of beneficiary may be changed by the Participating Employee at any time by written notice. In the event of the death of a Participating Employee and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participating Employee's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participating Employee, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participating Employee, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

9. Transferability of Options and Shares

Neither Contributions credited to a Participating Employee's account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 8) by the Participating Employee. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 6.7. In addition, if the Committee has so announced to Participating Employees at least five (5) days prior to the scheduled beginning of the next Plan Period, any Shares acquired on the Plan Period Termination Date of such Plan Period may be subject to restrictions specified by the Committee on the transfer of such Shares. Any Participating Employee selling or transferring any or all of his or her Shares purchased pursuant to the Plan must provide written notice of such sale or transfer to the Company within five (5) business days after the date of sale or transfer. Such notice to the Company shall include the gross sales price, if any, the Plan Period during which the Shares being sold were purchased by the Participating Employee, the number of Shares being sold or transferred and the date of sale or transfer.

10. Use of Funds

All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions from its other assets.

11. Reports

Individual accounts will be maintained for each Participating Employee in the Plan. Statements of account will be given to Participating Employees at least annually, which statements will set forth, with respect to the immediately prior calendar year, the amounts of Contributions, the per Share Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

12. Adjustments Upon Changes in Capitalization; Corporate Transactions

12.1. *Adjustment in General.* All of the share numbers set forth in the Plan reflect the capital structure of the Company as of the date of the Board's adoption of this Plan. If subsequent to that date the outstanding Shares (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to Shares, as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such shares of Stock, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of shares provided in Section 3, (ii) the numbers and kinds of shares or other securities subject to the then outstanding options, and (iii) the exercise price for each share or other unit of any other securities subject to then outstanding options.

12.2. *Adjustment Upon the Occurrence of Certain Unusual or Nonrecurring Events.* In the event of any corporate action not specifically covered by the preceding Section, including but not limited to an extraordinary cash distribution on Common Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding options and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee may make adjustments in the terms and conditions of, and the criteria included in, options in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

12.3. *Related Matters.* Any adjustment in Awards made pursuant to Section 12.1 or 12.2 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms which the Committee may deem necessary or appropriate so as to ensure the rights of the Participating Employees in their respective options are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 12.

12.4. *Corporate Transactions.* In the event of a Corporate Transaction that is a dissolution or liquidation of the Company, the Plan Period then in progress will terminate immediately prior to the consummation of such action, unless otherwise provided by the Committee. In the event of a Corporate Transaction, each option outstanding under the Plan shall be assumed or an equivalent option shall be substituted by the successor corporation or a parent or subsidiary of such successor corporation. In the event that the successor corporation refuses to assume or substitute for outstanding options, the Plan Period then in progress shall be shortened and a new Plan Period Termination Date shall be set (the "New Plan Period Termination Date"), as of which date the Plan Period then in progress will terminate. The New Plan Period Termination Date shall be on or before the date of consummation of the transaction and the

Committee shall notify each Participating Employee in writing, at least ten (10) days prior to the New Plan Period Termination Date, that the Plan Period Termination Date for his or her option has been changed to the New Plan Period Termination Date and that his or her option will be exercised automatically on the New Plan Period Termination Date, unless prior to such date he or she has withdrawn from the Plan Period as provided in Section 6.7. For purposes of this Section 12.4, an option granted under the Plan shall be deemed to be assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Corporate Transaction, each holder of an option under the Plan would be entitled to receive upon exercise of the option the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to the transaction, the holder of the number of Shares covered by the option at such time (after giving effect to any adjustments in the number of Shares covered by the option as provided for in this Section 12); *provided however* that if the consideration received in the transaction is not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per Share consideration received by holders of common stock in the transaction.

13. Settlement of Awards

13.1. *Violation of Law*. Notwithstanding any other provision of the Plan to the contrary, if, at any time, in the reasonable opinion of the Company, the issuance of Shares pursuant to the Plan may constitute a violation of law, then the Company may delay such issuance of such Shares until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the Shares are, at the time of the issue of such Shares, effectively registered under the Securities Act of 1933; or

(b) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such Shares or such beneficial interest, as the case may be, does not require registration under the Securities Act of 1933, as amended or any applicable State securities laws.

The Company shall make all reasonable efforts to bring about the occurrence of said events.

13.2. *Corporate Restrictions on Rights in Stock*. Any Shares to be issued pursuant to the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the charter, certificate or articles, and by-laws, of the Company.

13.3. *Investment Representations*. The Company shall be under no obligation to issue any Shares unless the Shares to be issued pursuant to the Plan have been effectively registered under the Securities Act of 1933, as amended.

13.4. *Placement of Legends; Stop Orders; etc*. Each Share to be issued pursuant to the Plan may bear a reference to any applicable restriction under the Plan. All certificates for Shares or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

14. Adopting Subsidiaries

Any Subsidiary of the Company may request that its Employees be allowed to participate in the Plan in accordance with procedures to be adopted by the Board. The Board of Directors of the Company may, in its sole discretion, approve or reject any such request. Any such Subsidiary whose request is approved by the Board of Directors shall be referred to herein as a "Covered Entity." In addition, the Board of Directors of the Company may determine, in its sole discretion, that a Subsidiary that is a Covered Entity will cease to be a Covered Entity with respect to Plan Periods not yet commenced.

15. Amendment and Termination

(a) The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Except as provided in Section 12, no termination of the Plan may affect options previously granted, provided that the Plan or a Plan Period may be terminated by the Board on a Plan Period Termination Date or by the Board's setting a new Plan Period Termination Date with respect to a Plan Period then in progress if the Board determines that termination of the Plan and/or any Plan Period is in the best interests of the Company and its stockholders or if continuation of the Plan and/or a Plan Period would cause the Company to incur adverse accounting charges as a result of the Plan. Except as provided in Section 12 or this Section 15, no amendment to the Plan shall make any change in any option previously granted which adversely affects the rights of any Participating Employee.

(b) In addition to the foregoing, without stockholder consent and without regard to whether any Participating Employee rights may be considered to have been adversely affected, the Committee shall be entitled to change the Plan Periods, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars (if applicable), permit payroll withholding in excess of the amount designated by a Participating Employee to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participating Employee properly correspond with amounts withheld from the Participating Employee's Compensation, and establish such other limitations or procedures as the Committee determines in its sole discretion advisable which are consistent with the Plan.

16. Notices and Other Communications

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (i) if to a Participating Employee, at his or her residence address last filed with the Company and (ii) if to the Company, at its principal place of business, addressed to the attention of its Treasurer, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report. In addition, the Company may, in its sole discretion, deliver any documents related to the Plan by electronic means or request that Participating Employee communicate with the Company with respect to the Plan by electronic means. By participating in the Plan, each Participating Employee will have consented to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, and such consent shall remain in effect throughout the Participating Employee's term of employment or service with the Company and thereafter until withdrawn in writing by Participant.

17. Governing Law

The Plan and all options and actions taken thereunder shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware without regard to the conflict of laws principles thereof.

18. Term of Plan

The Plan shall become effective immediately upon approval by the Board or upon such date as set by the Board. The Plan shall continue in effect until terminated pursuant to Section 15.

EXHIBIT B

WATERS CORPORATION

MANAGEMENT INCENTIVE PLAN

1. Purpose

The purpose of this Plan is to (i) align the interests of eligible employees with the Company's shareholders, (ii) motivate eligible employees to achieve annual financial and operating targets, (iii) provide increasing levels of incentive plan payout opportunity consistent with increasing levels of annual financial performance, (iv) enhance individual accountability for goal achievement and align employee interests and objectives worldwide, and (v) attract and retain key employees.

2. Definitions

As used in this Plan, the following terms shall have the following meanings:

2.1. *Affiliate* means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.

2.2. *Award* means a right to receive a cash incentive payment pursuant to the terms and conditions of the Plan.

2.3. *Board* means the Company's Board of Directors.

2.4. *Code* means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.

2.5. *Committee* means the Compensation Committee of the Board, which in general is responsible for the administration of the Plan, as provided in Section 3 of this Plan. For any period during which no such committee is in existence "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

2.6. *Company* means Waters Corporation, a corporation organized under the laws of the State of Delaware.

2.7. *Covered Employee* means a Participant who is a "covered employee" within the meaning of Section 162(m) of the Code.

2.8. *Participant* means an employee who is a holder of an Award under the Plan.

2.9. *Performance Criteria* means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. Solely with respect to Awards to Covered Employees, the Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales or net sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) general and administrative expenses and (xxv) customer service. The Performance Criteria used to establish Performance Goals for Participants who are not Covered Employees shall not be so limited solely by reason of this Section.

2.10. *Performance Goals* means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will, in the manner and within the time prescribed by Section 162(m) of the Code in the case of Qualified Performance-Based Awards, objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for any Participant. Solely with respect to Awards to Covered Employees, and to the extent consistent with Section 162(m) of the Code (in the case of Qualified Performance-Based Awards), the Committee may appropriately adjust any evaluation of performance against a Performance Goal to exclude any of the following events that occurs during a Performance Period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Principles Board Opinion No. 30, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period. With respect to Awards to Participants who are not Covered Employees, the Committee may exclude or otherwise take into account such other events that occur during a Performance Period as it deems appropriate in its sole discretion.

2.11. *Performance Period* means a period of one calendar year over which the attainment of one or more Performance Goals or other business objectives will be measured for purposes of determining a Participant's right to payment pursuant to an Award.

2.12. *Plan* means this Management Incentive Plan of the Company, as amended from time to time, and including any attachments or addenda hereto.

2.13. *Qualified Performance-Based Awards* means Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

3. Administration

The Plan shall be administered by the Committee; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder; *and provided, further*, that with respect to Awards to Participants who are not Covered Employees, the Committee may delegate to an executive officer, officer or employee the authority to exercise any of the powers and responsibilities assigned to the Committee under the Plan including the authority to grant Awards to such Participants. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to the Plan. In making such determinations, the Committee may take into account the nature of the services rendered by employees, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award granted pursuant hereto.

4. Eligibility for Awards

4.1. *Eligibility.* The Committee may from time to time and at any time prior to the termination of the Plan grant Awards to any employee of one or more of the Company and its Affiliates.

4.2. *Effect of Termination of Employment, Etc.* Unless the Committee shall provide otherwise with respect to any Award, in order to be eligible to receive payment pursuant to an Award, a Participant must have remained in the continuous employ of the Company and its Affiliates through the end of the applicable Performance Period and until date on which the Award payment is paid, except as follows:

(a) In the event of a Participant's termination of employment during the Performance Period due to death or disability the Committee may, in its sole discretion, authorize the Company or the applicable Affiliate to make payment, in full or on a prorated basis, pursuant to an Award, subject, unless the Committee determines otherwise, to achievement of the Performance Goal or Goals within the applicable Performance Period.

(b) In the event of the retirement (as determined by the Committee) of a Participant who is not a Covered Employee during the Performance Period, the Committee may, in its sole discretion, authorize the Company or the applicable Affiliate to make payment, in full or on a prorated basis, pursuant to an Award, subject, unless the Committee determines otherwise, to achievement of the Performance Goal or Goals within the applicable Performance Period.

(c) In the event of the retirement (as determined by the Committee) during the Performance Period of a Participant who is a Covered Employee, the Committee may, in its sole discretion, authorize the Company or the applicable Affiliate to make payment, in full or on a prorated basis, pursuant to an Award so long as the Committee has determined that the applicable Performance Goal or Goals were achieved within the applicable Performance Period.

5. Terms of Awards

5.1. *General Terms.* A Participant's eligibility for an Award shall be subject to all applicable terms and conditions of the Plan and such other terms and conditions, not inconsistent with the terms of the Plan, as the Committee may prescribe. No prospective Participant shall have any rights with respect to an Award, unless and until such Participant shall have complied with the applicable terms and conditions of such Award. The Committee shall set Performance Goals or other business objectives in its discretion which, depending on the extent to which they are met within the applicable Performance Period, will determine the payment to be made to the Participant pursuant to the terms of his or her Award. After the applicable Performance Period has ended, the Participant shall be entitled to payment pursuant to the terms of his or her Award, to be determined as a function of the extent to which the corresponding Performance Goals or other business objectives have been achieved.

5.2. *Payments.* Payment pursuant to an Award which is subject to U.S. taxation shall be made in a single lump sum on or before the March 15th next following the close of the applicable Performance Period. Payment pursuant to an Award which is not subject to U.S. taxation shall be made in a single lump sum on or about the March 15th next following the close of the applicable Performance Period or as soon as practicable thereafter.

5.3. *Qualified Performance-Based Awards.*

(a) *Purpose.* The purpose of this Section 5.3 is to provide the Committee the ability to qualify Awards as "performance-based compensation" under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant an Award as a Qualified Performance-Based Award, the provisions of this Section 5.3 will control over any contrary provision contained in the Plan. In the course of granting any Award, the Committee may specifically designate the Award as intended to qualify as a Qualified Performance-Based Award. However, no Award shall be considered to have failed to qualify as a Qualified Performance-Based Award solely because the Award is not expressly designated as a Qualified Performance-Based Award, if the Award otherwise satisfies the provisions of this Section 5.3 and the requirements of Section 162(m) of the Code and the regulations promulgated thereunder applicable to "performance-based compensation."

(b) *Authority.* All grants of Awards intended to qualify as Qualified Performance-Based Awards and determination of terms applicable thereto shall be made by the Committee or, if not all of the members thereof qualify as "outside directors" within the meaning of applicable IRS regulations under Section 162 of the Code, a subcommittee of the Committee consisting of such of the members of the Committee as do so qualify. Any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan.

(c) *Applicability.* This Section 5.3 will apply only to those Covered Employees, or to those persons who the Committee determines are reasonably likely to become Covered Employees in the period covered by an Award, selected by the Committee to receive Qualified Performance-Based Awards. The Committee may, in its discretion, grant Awards to Covered Employees that do not satisfy the requirements of this Section 5.3.

(d) *Discretion of Committee with Respect to Qualified Performance-Based Awards.* Each Award intended to qualify as a Qualified Performance-Based Award shall be subject to satisfaction of one or more Performance Goals. The Committee will have full discretion to select the length of any applicable Performance Period, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, an Affiliate or any division or business unit, or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable Performance Period (or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined in the regulations under Section 162(m) of the Code) at the time established.

(e) *Payment of Qualified Performance-Based Awards.* Except as otherwise provided in Section 4.2(a), a Participant will be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee. In determining the actual size of an individual Qualified Performance-Based Award, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

(f) *Maximum Amount Payable.* The maximum amount payable pursuant to Qualified Performance-Based Awards to all Participants under the Plan (and, therefore, to any one Participant under the Plan) for any Performance Period is $5,000,000.

(g) *Limitation on Adjustments for Certain Events.* Unless otherwise approved by the Committee, no adjustment of any Qualified Performance-Based Award pursuant to Section 6 shall be made except on such basis, if any, as will not cause such Award to provide other than "performance-based compensation" within the meaning of Section 162(m) of the Code.

6. Adjustment Provisions

6.1. *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* In the event of any corporate action including but not limited to a merger or consolidation of the Company with or into another entity, a sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions, a liquidation or dissolution of the Company, a reorganization, a recapitalization, a reclassification, a stock dividend, a stock split, a reverse stock split, or other similar distribution, the Committee may make such adjustment of outstanding

Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. In addition, the Committee may make adjustments in the terms and conditions of, and the Performance Criteria included in Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

6.2. *Related Matters*. Any adjustment in Awards made pursuant to Section 6.1 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms, including Performance Goals and other financial objectives 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 nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 6.

7. No Special Service Rights

Nothing contained in the Plan or in any Award Agreement shall confer upon any Participant any right with respect to the continuation of his or her employment with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment relationship or to increase or decrease, or otherwise adjust, the other terms and conditions of the Participant's employment with the Company and its Affiliates.

8. Section 409A; Unfunded Status of Plan

This Plan is intended to be exempt from Section 409A of the Code and the rules and regulations promulgated thereunder (collectively, "Section 409A"). By participating in the Plan, each Participant acknowledges that he or she bears the entire risk of any adverse federal and State tax consequences and penalty taxes in the event any payment pursuant to this Plan is deemed to be subject to Section 409A and that no representations have been made to Participant relating to the tax treatment of any payment pursuant to this Plan under Section 409A of the Code and the corresponding provisions of any applicable State income tax laws.

The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

9. Termination and Amendment of the Plan

9.1. *Termination or Amendment of the Plan*. The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment.

9.2. *Amendment of Outstanding Awards*. The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan.

9.3. *Limitations on Amendments, Etc*. Except as otherwise provided herein, no amendment or modification of the Plan by the Board, or of an outstanding Award by the Committee, shall impair the rights of the recipient of any Award outstanding on the date of such amendment or modification of such Award, as the case may be, without the Participant's consent; *provided, however,* that no such consent shall be required if (i) the Board or Committee, as the case may be, determines in its sole discretion and prior to the date of any change of control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation, including without limitation the provisions of Section 409A of the Code, or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard, or (ii) the Board or Committee, as the case may be, determines in its sole discretion and prior to the date of any change of control that such amendment or alteration is not reasonably likely to significantly diminish the benefits provided under the Award, or that any such diminution has been adequately compensated.

10. Notices and Other Communications

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (i) if to a Participant, at his or her residence address last filed with the Company and (ii) if to the Company, at its principal place of business, addressed to the attention of its Treasurer, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report.

11. Governing Law

The Plan and all Awards and actions taken thereunder shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware without regard to the conflict of laws principles thereof.

Directors

Joshua Bekenstein
Managing Director
Bain Capital, LLC

Dr. Michael J. Berendt
President and Chief Executive Officer
Aegera Therapeutics Inc.

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

Edward Conard
Independent Director and Investor

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

Christopher A. Kuebler
Retired Chairman and Chief Executive
Covance Inc.

William J. Miller
Independent Director and Investor

JoAnn A. Reed
Advisor to CEO and former
Chief Financial Officer
Medco Health Solutions, Inc.

Thomas P. Salice
Managing Member
SFW Capital Partners, LLC

Executive Officers

Douglas A. Berthiaume
Chairman, President and
Chief Executive Officer

Mark T. Beaudouin
Vice President
General Counsel and Secretary

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

John Ornell
Vice President
Finance and Administration
and Chief Financial Officer

Elizabeth B. Rae
Vice President
Human Resources

Transfer Agent and Registrar

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Certificates for Transfer and Address Changes

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Pittsburgh, Pennsylvania 15252-8015

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
125 High Street
Boston, Massachusetts 02110

Attorneys

Bingham McCutchen LLP
One Federal Street
Boston, Massachusetts 02110-1726

Stockholders' Meeting

Date: Tuesday, May 12, 11:00 a.m.
Location: Waters Corporation,
34 Maple Street, Milford, Massachusetts
Directions: Call 800-252-4752, Ext. 3314
or www.waters.com/directionsMilford

Stocklist Symbol

NYSE: WAT

Investor Relations

Eugene G. Cassis
Vice President, Investor Relations
508-482-2349
gene_cassis@waters.com

Form 10-K

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

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Milford, Massachusetts 01757

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VISION ▪ CONTRIBUTION ▪ ADVANCEMENT
50 YEAR LEGACY