Waters

THE SCIENCE OF WHAT'S POSSIBLE.™

2009 annual report

Waters wishes to thank John Engen, Ph.D., Assoicate Professor at Northeastern University, for allowing us to feature him on our 2009 Annual Report cover. His inspiring story of innovation and success can be viewed at www.waters.com/customer.

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.

2009 Shareholder Letter

The impact of the worldwide recession on global businesses in 2009 has been well-documented. For Waters, the year started with a high degree of financial uncertainty that was quickly confirmed by a severe global recession. Market demand for new analytical solutions dropped. However, around the midpoint of 2009, the uncertainties for our markets began to abate and a more stable, though weaker demand pattern emerged. During the second half of the year, Waters experienced more predictable market demand and there were some indications that certain segments of our end markets were potentially seeing modest levels of recovery.

Fortunately, we were able to see the storm clouds building in late 2008 and we adequately anticipated market weakness as we designed our 2009 business plans. Early in 2009, steps were taken to tightly control spending while continuing to support critical growth programs. In hindsight, we can appreciate the results of this strategy as we were able to grow our earnings, generate strong operating cash flow, and introduce exciting new products in this most difficult environment.

Our financial results were highlighted by a five percent growth in adjusted earnings per share* despite 2009's difficult economic challenges. We continued to invest in new product development, support our customer base, manage our expenses prudently, and continue our stock repurchase program. Waters' full year sales were down by five percent, which includes the effects of foreign currency translation representing two percent of the reduction in sales. Geographically, our revenues were largely balanced when viewed in light of 2008 results. Overall, disciplined pricing along with prudent fiscal financial management enabled us to maintain profitability growth.

While the year had its challenges, Waters reinforced its position as the industry's technology leader by introducing several products, highlighted by the second generation, research-grade SYNAPT™ G2 mass spectrometer. The SYNAPT G2 has higher resolution time-of-flight technology and a wider quantitative dynamic range than its predecessor. The system also features next-generation ion mobility separations technology that separates similar sample components – based on size, charge, mass, and shape - allowing scientists to identify sample components that might have remained invisible to them until now. Taken together, these features deliver greater analytical power for biopharmaceutical, metabolite identification, metabonomics, proteomics, biomarker studies, and food and environmental applications. The new system was quickly embraced by the market. In fact, second half orders for the SYNAPT G2 were stronger than for any previously introduced high-end MS instrument from Waters. The system started shipping in the fourth quarter.

The chromatography news in 2009 continued to be the rapid adoption of UPLC™ technology. First introduced in 2004, ACQUITY™ UltraPerformance LC® continues to displace HPLC system sales and now represents more than 50 percent of our chromatography instrument sales. In our view, recent competitive LC introductions validate UPLC technology and is helping accelerate the conversion of the overall market to proven sub-2-micron particle chromatography – as pioneered by Waters.

* Earnings per share (EPS) grew 4% on a GAAP basis. Please refer to the Company's website www.waters.com/Investors/SEC filings and Form 8-K filed on January 26, 2010 for a 2009 GAAP to adjusted EPS reconciliation.

Along with advanced instrument systems, no other company provides customers with as comprehensive a portfolio of services and chromatography consumables as Waters. These sources of recurring revenue address the need of a growing base of instrument users and the growth of this revenue is less impacted by economic pressures that inhibit capital spending. Waters' recurring business continues to be a key factor in delivering higher stability to our overall business performance.

Two thousand and nine also saw Waters continue its acquisition strategy with the acquisition of Pittsburgh-based Thar Instruments, Inc., the world's largest supercritical fluid chromatography (SFC) manufacturer. Considered a leading "green" analytical and purification technology, Thar's SFC and extraction systems are used to separate, isolate and quantify chemical compounds. The principles of SFC are similar to those of liquid chromatography; however SFC typically uses carbon dioxide as the main mobile phase. Carbon dioxide offers environmental and cost benefits compared to liquid chromatography solvents. Thar products are used in pharmaceutical, life science, chemical and petrochemical companies, as well as government agencies, research institutions and universities. In a world seeking renewable technologies for solving waste and disposal problems, Waters and Thar seek to fill the void with innovative "green" chemistry solutions.

Turning our attention to 2010, we are cautiously optimistic that the stability experienced the second half of 2009 will continue.

The recently introduced ACQUITY UPLC H-Class System incorporates the proven, robust and reliable performance of ACQUITY UPLC with the operational familiarity of traditional HPLC, making it more accessible to a broader range of industries, applications and operators. Later in the year, Waters plans introductions of new MS systems that will push the performance envelope while broadening the attractiveness of MS technology to a wider base of customers.

Also in 2010, we will continue on the path of globalizing our manufacturing operations and move toward a structure that balances our production capacity with global demand patterns for our products.

In summary, we enter 2010 looking at the competitive landscape and the strength of our product portfolio. Our strategy of focusing on our technological strengths and staying close to our customer base put us in the best position to protect and grow our market share and deliver superior financial results. On behalf of the more than 5,000 Waters employees, I again thank you for your support and pledge to you our commitment to ensuring our customers are successful, which in turn ensures shareholder value.

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, 2009

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 whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation ST (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 ☐ Smaller reporting company ☐
(Do not check if a 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 July 4, 2009: $4,680,348,128.

Indicate the number of shares outstanding of the registrant's common stock as of February 19, 2010: 93,586,125

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2010 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, primarily designs, manufactures, sells and services, through its Waters Division, high performance liquid chromatography ("HPLC"), ultra performance liquid chromatography ("UPLC®" and together with HPLC, 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 primarily 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, polymers and viscous liquids for uses in various industrial, consumer goods and healthcare products, as well as for life science research.

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 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 16 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 who mandate testing requiring 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 solvents through the HPLC system, while the sample injector introduces samples 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 applications 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 2009, 2008 and 2007, the Company experienced growth in the LC instrument system product line primarily from the sales of ACQUITY UPLC systems.

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 primarily uses ACQUITY UPLC columns. In 2009, 2008 and 2007, 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 February 2009, the Company acquired all of the remaining outstanding capital stock of 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 ("SFC") systems, for $36 million in cash, including the assumption of $4 million of debt. 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 are part of the chemistry consumable product line.

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 and food safety 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, food 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 system upgrade. Larger 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 quadrupole time-of-flight ("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 2006, the Company introduced the tandem quadrupole device, the TQD, and a new hybrid Q-Tof 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™ QTof™ MS, an exact mass MS/MS benchtop instrument, was introduced. In late 2009, the Company introduced the Synapt™ G2 HDMS™ system. The Synapt G2 HDMS and Synapt™ G2 MS systems are high resolution exact mass MS/MS platforms that are performance enhanced replacements for the Synapt HDMS and Synapt MS systems. The performance enhancements offered by these new systems allow for higher resolution shape discrimination by the HDMS version and superior mass resolution, mass accuracy and quantification accuracy by both versions.

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 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.

Waters Division 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 fine chemicals, polymers and viscous liquids for various industrial, consumer goods and healthcare products, as well as for life science research. 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 2009, TA introduced the ARIES G2 rheometer, a high performance system uniquely capable of independently measuring stress and strain for a wide variety of solids and liquids.

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 added two technologies which complement TA's existing gravimetric analysis product line. VTI's 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 added 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.

TA Service

The Company sells, supports and services TA Division's product offerings through its headquarters 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 multinational 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 2009, 2008 and 2007, 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 2,700 field representatives in 92 sales offices throughout the world as of December 31, 2009. The Company's sales representatives have direct responsibility for account relationships, while service representatives work in the field to install instruments, train and minimize instrument downtime for customers. In-house, technical support representatives work directly with customers providing them assistance with applications and procedures on Company products. The Company provides customers with comprehensive information through various corporate and regional internet websites 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 overseeing 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, ISO 14001:2004 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 LC instrument systems and components to a well-established contract manufacturing firm 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 similar 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 Milford, Massachusetts and Nixa, Missouri. ERA manufactures environmental proficiency kits in Arvada, Colorado. Thar manufactures SFC systems in Pittsburgh, Pennsylvania.

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. Microcalorimetry products are manufactured at the Company's Lindon, Utah facility. VTI manufactures sorption analysis and thermogravimetric analysis instruments in Hialeah, Florida. 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 2009, 2008 and 2007 were $77 million, $82 million and $81 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 and customers. 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, 2009, there were 677 employees involved in the Company's research and development efforts. 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 5,200 employees at December 31, 2009, with approximately 44% of the Company's employees located in the United States. 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 Corporation, Thermo Fisher Scientific Inc., Varian, Inc., Shimadzu Corporation, Dionex Corporation and Bruker BioSciences. In 2009, Danaher Corporation announced an intention to acquire the mass spectrometry assets of Life Technologies Corporation and Agilent Technologies, Inc. announced plans to acquire Varian, Inc. 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 Company.

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, Inc., Supelco, Inc., Agilent Technologies, Inc., General Electric Company, 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. In 2009, Agilent Technologies, Inc. introduced a new LC system, which they termed a UHPLC, which they have claimed has similar performance characteristics to Waters' ACQUITY UPLC.

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 and Climate Change

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.

The Company is sensitive to the growing global debate with respect to climate change. In the first quarter of 2009, the Company published its first sustainability report identifying the various actions and behaviors the

Company has adopted concerning its commitment to both the environment and the broader topic of social responsibility. An internal sustainability working group was formed and is functioning to develop increasingly robust data with respect to the Company's utilization of carbon producing substances. See Item 1A, Risk Factors — Effects of Climate Change, for more information on the potential significance of climate change legislation.

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 a website 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 website 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, the impact of the Company's new products and the Company's ability to invest in new product development and existing product enhancements; the Company's growth strategies, including its intention to make acquisitions, make stock repurchases and introduce new products; anticipated trends in the Company's business; the Company's ability to continue to control costs and maintain quality; current economic conditions; the impact of the Company's various litigation matters, including the Dearborn action and ongoing patent litigation; future issuances of 10-year senior unsecured notes by the Company; the Company's product performance; the Company's ability to ensure product consistency and react to new customer requirements; the Company's market share position and statements related to market position; statements related to the Company's pursuant of outsourcing opportunities; the Company's ability to attract and retain highly skilled employees; statements regarding the Company's facilities; statements regarding the Company's financial flexibility; use of the Company's debt proceeds; the Company's expected cash flow and borrowing capacity; the Company's contributions to defined benefit plans; and the Company's capital spending and ability to fund other facility expansions to accommodate future sales growth. Many of these statements appear, in particular, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K. 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 recession; the impact of changes in accounting principles and practices or tax rates, including the effect of recently restructuring certain legal entities; shifts in taxable income in jurisdictions with different effective tax rates; 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; 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; the Company's ability to obtain alternative sources for components and modules; underperformance relative to expected future operating results; negative industry trends; 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. Except as required by law, the Company does not assume any obligation to update any forward-looking statements.

Item 1A: *Risk Factors*

The Company is subject to risks common to companies in the analytical instrument industry, including, but not limited to the following risks.

Global Economic Conditions

The global economic conditions had an unfavorable impact on demand for the Company's products in 2009 and in late 2008. These conditions resulted in a decline in demand for the Company's products and services and may result in a decline in demand for the Company's products and services in the near future. 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 experienced extreme disruption over the past few years, 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 costs 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 in which the Company participates 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. The Company's cost of any new capital raised and interest expense would increase if this were to occur.

Customer Demand

The demand for the Company's products is dependent upon the size of the markets for its LC, MS, thermal analysis, rheometry and calorimetry products; the timing and level of capital expenditures of the Company's customers; changes in government regulations, particularly effecting drug, food and drinking water testing; 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 51% and 50% of the Company's net sales in 2009 and 2008, 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.

Levels of Debt and Debt Service Requirements
The Company had approximately $632 million in debt and $630 million in cash, cash equivalents and short-term investments as of December 31, 2009. As of December 31, 2009, the Company also had the ability to borrow an additional $479 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, the Company's ability to access its existing cash and revolving credit facility and other sources obtained at an acceptable cost.

Debt Covenants
The Company's debt may become subject to restrictive covenants that limit the Company's ability to engage in certain activities that could otherwise benefit the Company. These debt covenants include restrictions on the Company's ability to enter into certain contracts or agreements that may limit the Company's ability to make dividend or other payments; secure other indebtedness; enter into transactions with affiliates and consolidate, merge or transfer all or substantially all of the Company's assets. The Company is also required to meet specified financial ratios under the terms of the Company's debt agreements. The Company's ability to comply with these financial restrictions and covenants is dependent on the Company's future performance, which is subject to, but not limited to, prevailing economic conditions and other factors, including factors that are beyond the Company's control, such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition.

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 recent 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.

Sovereign Risk, Foreign Operations and Exchange Rates
Approximately 69% and 70% of the Company's net sales in 2009 and 2008, 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; sudden movements in a country's foreign exchange rates due to a change in a country's sovereign risk profile or foreign exchange regulatory practices; 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.

Use of Outside Manufacturers

Certain components or modules of the Company's LC and MS instruments are manufactured by long-standing outside contractors. Since 2006, the Company has transitioned the manufacturing of LC instrument systems and related components to a well-established contract manufacturing firm 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.

Effects of Climate Change

The Company's manufacturing processes for certain of its products involve the use of chemical and other substances that are regulated under various international, federal, state and local laws governing the environment. In the event that any future climate change legislation would require that stricter standards be imposed by domestic or international environmental regulatory authorities with respect to the use and/or levels of possible emissions from such chemicals and/or other substances, the Company may be required to make certain changes and adaptations to its manufacturing processes. There can be no assurance that any such changes would not have a material effect on the financial statements of the Company.

Another potential effect of climate change is an increase in the severity of global weather conditions. The Company manufactures a growing percentage of its HPLC, UPLC and MS products in both Singapore and Wexford, Ireland. Although the Company believes its has an adequate disaster recovery plan in place, severe weather conditions, including earthquakes, hurricanes and/or tsunami, could potentially cause significant damage to the Company's manufacturing facilities in each of these countries. There can be no assurance that the effects of such damage and the resultant disruption of manufacturing operations would not have a materially adverse impact to the financial results of the Company.

Regulatory Compliance

The Company is subject to regulation by various federal, state and foreign governments and agencies in areas including, among others, health and safety, import/export and environmental. A portion of the Company's operations are subject to regulation by the United States Food and Drug Administration and similar foreign agencies. These regulations are complex and govern an array of product activities, including design, development, labeling, manufacturing, promotion, sales and distribution. Any failure by the Company to comply with applicable government regulations could result in product recalls, the imposition of fines, restrictions on the Company's ability to conduct or expand its operations or the cessation of all or a portion of its operations.

Some of the Company's operations are subject to domestic and international laws and regulations with respect to the manufacture, handling, use or sale of toxic or hazardous substances. This requires the Company to devote substantial resources to maintain compliance with those applicable laws and regulations. If the Company fails to comply with such requirements in the manufacture or distribution of its products, it could face civil and/or criminal penalties and potentially be prohibited from distributing or selling such products until they are compliant.

Some of the Company's products are also subject to the rules of certain industrial standards bodies, such as the International Standards Organization. The Company must comply with these rules, as well as those of other agencies such as those of the United States Occupational Health and Safety Administration. Failure to comply with such rules could result in the loss of certification and/or the imposition of fines and penalties which could have a material adverse effect on the Company's operations.

Item 1B: *Unresolved Staff Comments*

None.

Item 2: *Properties*

Waters operates 23 United States facilities and 77 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
Nixa, MO	M, S, D, A	Leased
Arvada, CO	M, R, S, D, A	Leased
Lindon, UT	M, R, S, D, A	Leased
St. Quentin, France	S, A	Leased
Pittsburgh, PA	M, R, S, D, A	Leased
New Castle, DE	M, R, S, D, A	Owned
Etten-Leur, Netherlands	S, D, A	Owned
Singapore	R, S, D, A	Leased
Wexford, Ireland	M, R, D, A	Owned
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 13 field offices in the United States and 67 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	Italy
Irvine, CA	Austria	Japan
Newark, DE	Belgium	Korea
Schaumburg, IL	Brazil	Mexico
Wood Dale, IL	Canada	Netherlands
Beverly, MA	Czech Republic	People's Republic of China
Columbia, MD	Denmark	Poland
Ann Arbor, MI	Finland	Puerto Rico
Morrisville, NC	France	Spain
Parsippany, NJ	Germany	Sweden
Huntingdon, PA	Hungary	Switzerland
Bellaire, TX	India	Taiwan
Spring, TX	Ireland	United Kingdom

(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. 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 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, 2009. In addition, 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 appealed this ruling and, in January 2010, the French appeals court affirmed the finding of non-infringement with respect to the modified features of the Alliance pump.

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.

City of Dearborn Heights
In November 2008, the City of Dearborn Heights Act 345 Police & Fire Retirement System filed a purported federal securities class action against the Company, Douglas Berthiaume and John Ornell in the United States District Court for the District of Massachusetts. In January 2009, Inter-Local Pension Fund GCC/IBT filed a motion to be appointed as lead plaintiff, which was granted. In April 2009, plaintiff filed an amended complaint that alleges that between July 24, 2007 and January 22, 2008, the Company misrepresented or omitted material information about its projected annual revenues and earnings, its projected effective annual tax rate and the level of business activity in Japan. The action is purportedly brought on behalf of persons who purchased common stock of the Company between July 24, 2007 and January 22, 2008. The amended complaint seeks to recover under Section 10(b) of the Exchange Act, Rule 10b-5 thereunder and Section 20(a) of the Exchange Act. The Company, Mr. Berthiaume and Mr. Ornell have filed a motion to dismiss the amended complaint, which lead plaintiff opposed. The court has not yet indicated if it will hold oral argument on the pending motion. The Company intends to defend vigorously.

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, 61, 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, 58, 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, 52, 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, 52, 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, 55, 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***

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 22, 2010, the Company had 206 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, 2009, 2008 or 2007.

Securities Authorized for Issuance under Equity Compensation Plans

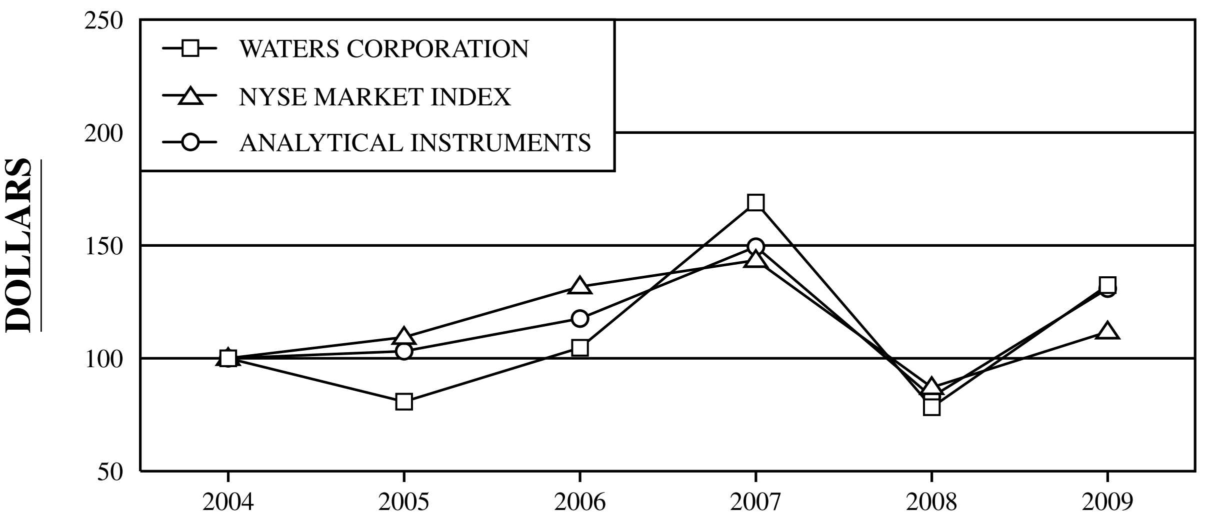
Equity compensation plan information is incorporated by reference from Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this document and should be considered an integral part of this Item 5.

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, as amended, 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, 2004 (the last day of public trading of the Company's common stock in fiscal year 2004) through December 31, 2009 (the last day of public trading of the common stock in fiscal year 2009) 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 IPO. 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, 2004 AMONG WATERS CORPORATION, NYSE MARKET INDEX AND SIC CODE 3826 — LABORATORY ANALYTICAL INSTRUMENTS



	2004	2005	2006	2007	2008	2009
WATERS CORPORATION	100.00	80.79	104.66	168.99	78.33	132.42
SIC CODE INDEX	100.00	103.14	117.60	149.42	82.93	130.87
NYSE MARKET INDEX	100.00	109.36	131.75	143.43	87.12	111.76

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	Low
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
April 4, 2009	$41.76	$30.75
July 4, 2009	$51.52	$35.89
October 3, 2009	$56.30	$48.56
December 31, 2009	$62.58	$55.48

Purchase of Equity Securities by the Issuer

The following table provides information about purchases by the Company during the three months ended December 31, 2009 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
October 4 to October 31, 2009	—	$ —	—	$397,287
November 1 to November 28, 2009	615	59.46	615	360,719
November 29 to December 31, 2009	292	60.13	292	343,161
Total	907	59.68	907	343,161

(1) The Company purchased an aggregate of 3.1 million shares of its outstanding common stock during 2009 in open market transactions pursuant to a repurchase program that was announced in February 2009 (the "2009 Program"). The 2009 Program authorized the repurchase of up to $500 million of common stock in open market transactions over a two-year period.

The Company purchased an aggregate of 1.4 million shares of its outstanding common stock during 2009 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 and expired in February 2009. The Company repurchased an aggregate of 8.2 million shares of its common stock under the 2007 Program for an aggregate of $454 million.

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 78 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 $1,499 million, $1,575 million and $1,473 million in 2009, 2008 and 2007, respectively. Sales declined 5% in 2009 as compared with 2008 and sales grew by 7% in 2008 as compared with 2007. Overall, the 2009 decline in sales is primarily due to lower instrument spending by the Company's customers as a result of global economic recessionary conditions and, to a lesser extent, due to the effect of foreign currency translation, which lowered sales by 2% in 2009. Companies acquired in late 2008 and early 2009 added 2% to sales in 2009 as compared to 2008. 2009 instrument system sales declined 10% while recurring sales of chemistry consumables and service increased 2% as compared with 2008, primarily from the effect of acquisitions. The 2008 sales growth as compared to 2007 was primarily attributed to the Company's introduction of new products, the increase in chemistry consumable and service sales and the effects of foreign currency translation.

A decline in sales, as compared to the corresponding quarter in the prior year, started in the fourth quarter of 2008 due to the global economic recession and continued into the first three quarters of 2009. This decline ended in the fourth quarter of 2009 when sales increased at a rate of 3% over the 2008 fourth quarter. The increase in the 2009 fourth quarter sales is attributed to favorable currency translation, the benefit from acquisitions, a slight improvement in global economic conditions and the introduction of new products.

During 2009, as compared to 2008, sales increased 1% in Asia (including Japan) while sales decreased 4% in the U.S., 9% in Europe and 12% in the rest of the world. The effect of currency translation decreased 2009 sales by 2%. During 2008, as compared to 2007, sales increased 1% in the U.S., 7% in Europe, 16% in Asia and 3% in the rest of the world. The effect of currency translation benefited 2008 sales by approximately 2%.

In 2009, as compared to 2008, sales to pharmaceutical and industrial and food safety customers decreased 4% and 11%, respectively. These decreases are primarily a result of reduced spending on instrument systems caused by the global economic recession and, to a lesser extent, the strengthening of the U.S. dollar in developing economies, including India, South America and Eastern Europe. Global sales to government and academic customers were 5% higher in 2009 and the increase can be primarily attributed to sales of the newly introduced mass spectrometry instrument systems, higher ACQUITY UPLC® instrument system sales and global governmental stimulus spending programs. In 2008, as compared to 2007, global sales to pharmaceutical, industrial and food safety, and government and academic customers grew 3%, 13% and 10%, respectively. The increases were primarily attributable to the demand for the Company's new products in the U.S. and Asia, new governmental regulatory testing requirements, higher awareness of food safety issues and higher chemistry consumable and service sales.

The Waters Division's products and services primarily consist of high performance liquid chromatography ("HPLC"), ultra performance liquid chromatography ("UPLC®" and together with HPLC, referred to as "LC"), mass spectrometry ("MS") and chemistry consumable products and related services. The Waters Division sales decline of 4% in 2009 as compared with 2008 was primarily attributable to weaker demand for instrument systems due to the reduction in capital spending by the Company's customers as a result of the global recession. The Waters Division's recurring revenue growth from chemistry consumables and service was 2% in 2009 as compared to 2008, primarily from the effect of acquisitions. The Waters Division sales grew by 7% in 2008 as compared with 2007. The Waters Division sales growth in 2008 was strongly influenced by ACQUITY UPLC sales, shipments of new Synapt™ HDMS™, Xevo™ TQ and Synapt™ MS systems and recurring revenue growth from the service and chemistry consumables business.

In February 2009, the Company acquired all of the remaining outstanding capital stock of 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 ("SFC") systems, for $36 million in cash, including the assumption of $4 million of debt. The Company had previously made a $4 million equity investment in Thar in June 2007. Thar added approximately $17 million of product sales and was about neutral to earnings in 2009 after debt service costs. Recently acquired companies, both Thar and the 2008 acquisition of Analytical Products Group, Inc. ("APG"), added 2% to Waters Division's sales in 2009.

The TA Division's ("TA®") products and services primarily consist of thermal analysis, rheometry and calorimetry instrument systems and service sales. Sales for TA decreased by 11% in 2009 as compared to 2008. TA's sales decline in 2009 can be primarily attributed to a decrease in spending by the Company's industrial customers as a result of the global economic recession. The July 2008 acquisition of VTI Corporation ("VTI") added 1% to TA's sales in 2009 as compared to 2008. TA's 2008 sales growth of 10% as compared to 2007 can be primarily attributed to new product introductions, the effect of foreign currency translation and the impact of acquisitions. Acquisitions and the effect of foreign currency translation added 3% and 2%, respectively, to TA's 2008 sales as compared to 2007.

Operating income was $395 million, $390 million and $349 million in 2009, 2008 and 2007, respectively. The $5 million net increase in operating income in 2009 over 2008 is primarily a result of the following:

- Higher gross margins primarily from the net favorable effect of foreign currency translation;
- Favorable benefits from product sales mix whereas 2009 contained a higher level of higher margin chemistry consumables and service sales than 2008;
- Lower manufacturing costs; and
- Lower selling, administrative and research and development expenses achieved through tight controls of discretionary spending and lower incentive compensation.

These 2009 increases were partially offset by lower gross margin dollars from lower unit volume; lower prices resulting from competitive situations in certain geographies and the impact of $6 million of expense in connection with the TA building lease termination payment and $3 million of severance costs related to a restructuring in Europe.

The $41 million net increase in operating income in 2008 over 2007 is primarily the 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 a contribution into the Waters Employee Investment Plan. The 2008 increase was partially offset by a patent litigation provision of $7 million and a $9 million impact of an out-of-period capitalized software amortization adjustment recorded during 2008. During 2008, the Company identified errors originating in periods prior to the three months ended June 28, 2008. The errors primarily relate 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 approximately 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. For 2008, the errors reduced the Company's effective tax rate by 4.0 percentage points.

In 2009, the Company recorded approximately $5 million of tax benefit associated with the reversal of a $5 million tax provision which was originally recorded in 2008 relating to the reorganization of certain foreign legal entities. The recognition of this tax benefit was a result of changes in income tax regulations promulgated by the U.S. Treasury in February 2009. The tax benefit recognized in 2009 decreased the Company's effective tax rate by 1.2 percentage points for 2009. The one-time tax provision recorded in 2008 increased the Company's effective tax rate by 1.4 percentage points in 2008.

Net income per diluted share was $3.34, $3.21 and $2.62 in 2009, 2008 and 2007, respectively. Net income per diluted share grew at a rate of 4% in 2009 as compared with 2008 and 23% in 2008 as compared with 2007. Net income per diluted share was primarily impacted by the following factors in 2009, 2008 and 2007:

- The benefits of a weaker British Pound on the Company's manufacturing and operating costs.
- Lower net interest and lower weighted-average shares and equivalents, as a result of the Company's share buyback program, increased net income per diluted share in both 2009 as compared with 2008 and in 2008 as compared with 2007.
- As described in the preceding paragraph, the $5 million tax benefit recorded in 2009 added $0.05 per diluted share to 2009 and the $5 million tax provision recorded in 2008 decreased net income per diluted share in 2008 by $0.05.
- The $6 million TA lease termination payment decreased the 2009 net income per diluted share by $0.04.

- The impact of the 2008 out-of-period adjustments related to capitalized software amortization increased the 2008 net income per diluted share by $0.08.

- The one-time contribution to the Waters Employee Investment Plan decreased the 2007 net income per diluted share by $0.08.

- Higher effective tax rates, excluding the items described above, decreased net income per diluted share in 2009 as compared with 2008. Lower effective tax rates, excluding the items described above, increased net income per diluted share in 2008 as compared with 2007.

Net cash provided by operating activities was $418 million, $418 million and $371 million in 2009, 2008 and 2007, respectively. The 2009 cash provided by operating activities was consistent with the 2008 cash provided by operating activities despite the lower sales volume and the global economic recession. The $47 million increase in the operating cash flow in 2008 as compared to 2007 was 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.

Within cash flows used in investing activities, capital expenditures related to property, plant, equipment and software capitalization were $94 million, $69 million and $60 million in 2009, 2008 and 2007, respectively. The increase in capital expenditures in 2009 is primarily attributed to $28 million spent to acquire land and construct a new TA facility, which was completed in 2009. In February 2009, the Company acquired all of the remaining outstanding capital stock of Thar for $36 million in cash. The Company made an equity investment in Thar in June 2007 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 $19 million, $29 million and $91 million of proceeds from stock plans in 2009, 2008 and 2007, respectively. Fluctuations in these amounts are primarily attributed to changes in the Company's stock price and the expiration of stock option grants. In February 2009, 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 2009, 2008 and 2007, the Company repurchased 4.5 million, 4.1 million and 3.4 million shares at a cost of $210 million, $235 million and $201 million, respectively, under the February 2009 authorization and previously announced stock repurchase programs. The Company believes that it has the financial flexibility to fund these share repurchases given current cash and debt levels, as well as to invest in research, technology and business acquisitions to further grow the Company's sales and profits.

In February 2010, the Company issued and sold five-year senior unsecured notes at an interest rate of 3.75% with a face value of $100 million. This debt matures in February 2015. In addition, in early March 2010, the Company expects to issue and sell ten-year senior unsecured notes at an interest rate of 5.00% with a face value of $100 million. This debt would mature in February 2020. The Company plans to use the proceeds from the issuance of these senior unsecured notes to repay other outstanding debt amounts and for general corporate purposes.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Sales

Net sales for 2009 and 2008 were $1,499 million and $1,575 million, respectively, a decrease of 5%. The effect of foreign currency translation lowered sales in 2009 by 2%. Product sales were $1,052 million and $1,140 million for 2009 and 2008, respectively, a decrease of 8%. The decrease in product sales in 2009 as compared to 2008 was primarily due to the overall decline in Waters and TA instrument system sales due to lower spending by the Company's customers as a result of the global economic recession and adverse effects from foreign currency translation. Service sales were $447 million and $435 million in 2009 and 2008, respectively, an increase of 3%. The increase in service sales in 2009 as compared with 2008 was primarily attributable to increased sales of service plans and billings to a higher installed base of customers.

Waters Division Net Sales
The Waters Division net sales declined 4% in 2009 as compared to 2008. The effect of foreign currency translation negatively impacted the Waters Division across all product lines, resulting in a decline in total sales of 2%. The 2009 acquisition of Thar and 2008 acquisition of APG added 2% to sales in 2009.

Chemistry consumables sales in 2009 were comparable to 2008, with the effect of foreign currency translation negatively impacting chemistry consumable sales by 2%. Waters Division service sales grew 3% in 2009 due to increased sales of service plans and billings to a higher installed base of customers. The service sales growth rate was negatively impacted by 1% from the effect of foreign currency translation. Waters instrument system sales (LC and MS) declined by 9% in 2009. The decrease in instrument system sales is primarily attributable to weak industrial and pharmaceutical customer spending caused by the global recession. The effect of foreign currency translation negatively impacted the 2009 instrument system sales by 2%. Waters Division sales by product line in 2009 were 52% for instrument systems, 18% for chemistry consumables and 30% for service, as compared to 55% for instrument systems, 17% for chemistry consumables and 28% for service in 2008.

Waters Division sales in Europe declined 9%, primarily due to weak demand in Eastern Europe and the effects of foreign currency translation, which decreased 2009 sales in Europe by 6%. Waters Division sales in Asia increased 2% in 2009, with strong sales growth in China partially offset by weakness in other Asian markets. The effects of foreign currency translation increased Asia's 2009 sales by 2%. Waters Division sales in the U.S. and the rest of the world declined 2% and 13%, respectively. The effects of foreign currency translation decreased 2009 sales in the rest of world by 3%.

TA Division Net Sales
TA's sales were 11% lower in 2009 as compared to 2008 primarily as a result of weak instrument system demand from its industrial customers. Foreign currency translation had minimal impact on TA's 2009 sales as compared to 2008. The 2008 acquisition of VTI added 1% to sales in 2009. Instrument system sales declined 15% in 2009 and represented 74% of sales in 2009 as compared to 78% in 2008. TA service sales increased by 4% in 2009 due to the increased sales of service plans and billings to a higher installed base of customers. Geographically, TA sales decreased in each market.

Gross Profit
Gross profit for 2009 was $904 million compared to $914 million for 2008, a decrease of $10 million, or 1%. Gross profit as a percentage of sales increased to 60.3% in 2009 compared to 58.0% for 2008. The decrease in gross profit dollars in 2009 can be primarily attributed to the lower sales volume and lower prices in certain geographies offset by the benefits from net favorable foreign currency translation, a favorable change in sales mix and lower manufacturing costs. Gross profit in 2008 also had a $9 million charge from out-of-period adjustments related to capitalized software amortization. During 2009, the Company's gross profit as a percentage of sales benefited from the favorable movements in certain foreign exchange rates between the currencies where the Company manufactures and services products and the currencies where the sales were transacted, principally the Euro, Japanese Yen and British Pound. Gross profit as a percentage of sales was also primarily impacted by the change in sales mix, with 2009 containing a higher level of higher margin chemistry consumables and service sales than 2008.

Selling and Administrative Expenses
Selling and administrative expenses for 2009 and 2008 were $421 million and $427 million, respectively, a decrease of 1%. The decrease in 2009 selling and administrative expenses is primarily due to tighter control of discretionary spending including no merit increase in 2009, lower incentive compensation and the comparative favorable impact of foreign currency translation. The 2009 decreases were offset by the impact of the $6 million expense incurred in connection with the TA lease termination payment. As a percentage of net sales, selling and administrative expenses were 28.1% for 2009 compared to 27.1% for 2008. This percentage increase can be attributed to the lower 2009 sales volume.

Research and Development Expenses
Research and development expenses were $77 million and $82 million for 2009 and 2008, respectively, a decrease of $5 million, or 5%. The decrease in research and development expenses in 2009 is primarily due to the comparative favorable impact of foreign currency translation.

Interest Expense
Interest expense was $11 million and $39 million for 2009 and 2008, respectively. The decrease in interest expense in 2009 is primarily attributable to a decrease in average borrowings, as well as significantly lower interest rates during 2009 as compared to 2008.

Interest Income
Interest income was $3 million and $21 million for 2009 and 2008, respectively. The decrease in interest income is primarily due to significantly lower yields during 2009 as compared to 2008, as well as lower average cash and short-term investment balances.

Provision for Income Taxes
The Company's effective tax rates for 2009 and 2008 were 16.4% and 13.4%, respectively. Included in the income tax provision for 2009 is approximately $5 million of tax benefit relating to the reversal of a $5 million provision which was originally recorded in 2008 relating to the reorganization of certain foreign legal entities. The recognition of this tax benefit in 2009 was a result of changes in income tax regulations promulgated by the U.S. Treasury in February 2009. The $5 million tax benefit decreased the Company's effective tax rate by 1.2 percentage points in 2009. The one-time provision increased the Company's effective tax rate by 1.4 percentage points in 2008. In addition, the effective tax rate for 2008 included a $16 million benefit resulting from out-of-period adjustments related to software capitalization amortization. The out-of-period adjustments had the effect of reducing the Company's effective tax rate by 4.0 percentage points in 2008. After consideration of these items, the remaining change in the effective tax rates for 2009 as compared to 2008 is primarily attributable to changes in income in jurisdictions with different effective tax rates.

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 as compared to 2007. 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 as compared to 2007. 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 a higher installed base of customers. Waters instrument system sales grew 3% in 2008. The increase in instrument system 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 the 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 in 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 as compared to 2007 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 as compared to 2007. 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 a 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 compared to 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 a $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 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. Included in the income tax provision for 2008 is approximately $5 million of 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 in 2008. In addition, the effective tax rate for 2008 included a $16 million benefit resulting from out-of-period adjustments related to software capitalization amortization. The out-of-period adjustments had the effect of reducing the Company's effective tax rate by 4.0 percentage points in 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.

Liquidity and Capital Resources

Condensed Consolidated Statements of Cash Flows (in thousands):

	Year Ended December 31,		
	2009	2008	2007
Net income	$ 323,313	$ 322,479	$ 268,072
Depreciation and amortization	57,272	65,271	53,317
Stock-based compensation	28,255	30,782	28,855
Deferred income taxes	36,276	(19,626)	5,946
Change in accounts receivable	(16,905)	21,739	(26,266)
Change in inventories	(6,823)	(20,618)	(6,368)
Change in accounts payable and other current liabilities	(10,830)	(19,970)	32,309
Change in deferred revenue and customer advances	2,613	1,976	6,244
Other changes	5,092	36,215	8,398
Net cash provided by operating activities	418,263	418,248	370,507
Net cash (used in) provided by investing activities	(419,028)	18,811	(167,907)
Net cash used in financing activities	(90,280)	(572,938)	(119,686)
Effect of exchange rate changes on cash and cash equivalents	3,634	(32,932)	253
(Decrease) increase in cash and cash equivalents	$ (87,411)	$(168,811)	$ 83,167

Cash Flow from Operating Activities

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net cash provided by operating activities was $418 million in both 2009 and 2008. The changes within net cash provided from operating activities in 2009 as compared to 2008 include the following significant changes in the sources and uses of net cash provided by operating activities, aside from the increase in net income:

- The change in accounts receivable in 2009 compared to 2008 is primarily attributable to the timing of payments made by customers and the lower sales volume in 2009 as compared to 2008. Days-sales-outstanding ("DSO") increased to 67 days at December 31, 2009 from 63 days at December 31, 2008.

- The change in inventories in 2009 compared to 2008 is primarily attributable to the decrease in sales volume.

- The 2009 change in accounts payable and other current liabilities includes a $6 million litigation payment, which was accrued in 2008. In 2009, the Company also made a $6 million payment to terminate the lease on the old TA facility. In addition, accounts payable and other current liabilities changed as a result of the timing of payments to vendors and lower incentive compensation accruals.

- Net cash provided from deferred revenue and customer advances in 2009 and 2008 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, 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 as 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. 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.

Cash Used in Investing Activities

Net cash used in investing activities totaled $419 million in 2009. Net cash provided by investing activities totaled $19 million in 2008. Net cash used in investing activities totaled $168 million in 2007. Additions to fixed assets and capitalized software were $94 million in 2009, $69 million in 2008 and $60 million in 2007. The increase in capital spending in 2009 can be attributed primarily to $28 million spent to acquire land and construct a new TA facility, which was completed in 2009. Capital spending returned to 2008 levels beginning in the fourth quarter of 2009; however, capital spending may increase periodically in the future in order to fund other facility expansions to accommodate future sales growth. During 2009, 2008 and 2007, the Company purchased $518 million, $20 million and $391 million of short-term investments, respectively, while $229 million, $115 million and $295 million of short-term investments matured, respectively. Business acquisitions, net of cash acquired, were $36 million, $8 million and $9 million in 2009, 2008 and 2007, respectively.

Cash Used in Financing Activities

In February 2010, the Company issued and sold five-year senior unsecured notes at an interest rate of 3.75% with a face value of $100 million. This debt matures in February 2015. In addition, in early March 2010, the Company expects to issue and sell ten-year senior unsecured notes at an interest rate of 5.00% with a face value of $100 million. This debt would mature in February 2020. The Company plans to use the proceeds from the issuance of these senior unsecured notes to repay other outstanding debt amounts and for general corporate purposes. Interest on both issuances of the senior unsecured notes are payable semi-annually in February and August of each year. The Company may redeem some or all of the notes at any time in an amount not less than 10% of the aggregate principal amount outstanding, plus accrued and unpaid interest, plus the applicable make-whole amount. These notes 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 3.50:1 for any period of four consecutive fiscal quarters, respectively. In addition, these notes include negative covenants that are similar to the existing credit agreement. These notes also contain certain customary representations and warranties, affirmative covenants and events of default.

During 2009, the Company's net debt borrowings increased by $92 million. During 2008 and 2007, the Company's net debt borrowings decreased $348 million and $19 million, respectively.

In March 2008, the Company entered into a credit agreement (the "2008 Credit Agreement") that provided 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 were to mature on January 11, 2012 and required or require no scheduled prepayments before that date. The Company uses the revolving line of credit to fund its working capital needs.

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 repayment of the term loan effectively terminated all lending arrangements under the 2008 Credit Agreement.

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 for LIBOR rate loans and range between zero basis points and 37.5 basis points for base rate loans. The 2007 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 and a leverage ratio test of not more than 3.25:1 for any period of four consecutive fiscal quarters, respectively. In addition, the 2007 Credit Agreement includes negative covenants that are customary for investment grade credit facilities. The 2007 Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default.

As of December 31, 2009, the Company had a total of $620 million borrowed under the 2007 Credit Agreement. The Company had $500 million classified as long-term debt and $120 million classified as short-term debt from this credit agreement and various other lines of credit. The Company has classified the revolving portion of the credit agreement as short-term debt as 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. As of December 31, 2009, the total amount available to borrow under the 2007 Credit Agreement was $479 million after outstanding letters of credit.

In February 2009, 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 2009, the Company repurchased 3.1 million shares at a cost of $157 million under this program, leaving $343 million authorized for future repurchases. The Company repurchased 4.5 million, 4.1 million and 3.4 million shares at a cost of $210 million, $235 million and $201 million during 2009, 2008 and 2007, respectively, under the February 2009 authorization and previously announced programs.

The Company received $19 million, $29 million and $91 million of proceeds from the exercise of stock options and the purchase of shares pursuant to the Company's employee stock purchase plan in 2009, 2008 and 2007, respectively. Fluctuations in these amounts are primarily attributed to the changes in the Company's stock price and the expiration of stock option grants.

The Company believes that the cash, cash equivalents and short-term investments balance of $630 million as of December 31, 2009 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 bank deposits; U.S., German, French and Dutch Government Treasury Bills; AAA rated U.S. Treasury Bills 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, 2009 (in thousands):

	Payments Due by Year							
Contractual Obligations[(1)]	**Total**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**After 2015**
Notes payable and debt	$131,772	$131,772	$ —	$ —	$ —	$ —	$ —	$ —
Long-term debt	500,000	—	—	500,000	—	—	—	—
Operating leases	83,968	24,039	19,031	14,259	8,934	6,438	4,902	6,365
Total	$715,740	$155,811	$19,031	$514,259	$8,934	$6,438	$4,902	$6,365

	Amount of Commitments Expiration Per Period							
Other Commercial Commitments	**Total**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**After 2014**
Letters of credit	$1,437	$1,437	$—	$—	$—	$—	$—	$—

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

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 for LIBOR rate loans and range between zero basis points and 37.5 basis points for base rate loans. At current and long-term debt levels and interest rates consistent with those at December 31, 2009, the Company's interest expense would be approximately $5 million annually, which is not disclosed in the above table.

The Company licenses certain technology and software from third parties, which expire at various dates through 2010. Fees paid for licenses were less than $1 million each in 2009, 2008 and 2007. Future minimum license fees payable under existing license agreements as of December 31, 2009 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 2010, the Company expects to contribute approximately $3 million to $5 million to the Company's defined benefit plans. Capital expenditures in 2009 were higher than in 2008 primarily due to the $28 million spent to acquire land and construct a new TA facility, which was completed in 2009. Capital spending is expected to return to 2008 levels in 2010 and may increase periodically in the future in order to fund other facility expansions to accommodate future sales growth.

The Company accounts for its uncertain tax return reporting positions in accordance with the income taxes accounting standard, which 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, 2009 were to become recognizable in the future, the Company would record a total reduction of approximately $78 million in the income tax provision. 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 generally remain open to income tax audit examination by the various income tax authorities. As of December 31, 2009, the Company expects that a tax audit of one of the Company's U.K. affiliates' tax returns for 2003, 2004 and 2005 will be settled before December 31, 2010. As of December 31, 2009, the Company does not expect the settlement of that audit to have a material effect on its consolidated financial statements. In addition, 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. Other than the aforementioned tax audit, as of December 31, 2009, 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 settlement of tax audit examinations or to the lapsing of statutes of limitations on potential tax assessments within the next twelve months.

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. 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, 2009, the Company had current and long-term deferred revenue liabilities of $95 million and $16 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 accounting standards for revenue recognition. 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 the accounting standards for software revenue recognition. 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, 2009 was $314 million, net of allowances for doubtful accounts and sales returns of $7 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, 2009 was $179 million, net of write-downs to net realizable value of $13 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 an individual intangible asset, long-lived asset or goodwill may not be recoverable based upon the existence of one or more of the above indicators, an estimate of undiscounted future cash flows produced by that intangible asset, long-lived asset or goodwill, including its eventual residual value, is compared to the carrying value to determine whether impairment exists. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the asset, the asset is written-down to its estimated fair value. Net intangible assets, long-lived assets and goodwill amounted to $182 million, $211 million and $293 million, respectively, as of December 31, 2009. The Company performs annual impairment reviews of its goodwill. The Company performed its annual review during the fourth quarter of 2009 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, 2009, 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.

The accounting standard 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 accounts for its uncertain tax return reporting positions in accordance with the income taxes accounting standard, which 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. At December 31, 2009, the Company had unrecognized tax benefits of $78 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 weighted-average expected long-term rate of return on plan assets will be 7.95% for its U.S. benefit plans and 3.34% for its Non-U.S. benefit plans.

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, 2009 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, 2009, the Company determined the weighted-average discount rate to be 5.95% for the U.S. benefit plans and 4.05% for the Non-U.S. benefits plans.

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 accounting standard for stock-based compensation 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. This accounting standard 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 this accounting standard, 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 the stock-based compensation accounting standard 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, 2009, 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	$ 36	3.4
Restricted stock units	$ 27	3.2
Restricted stock	$< 1	1.5
Total	$ 63	3.3

Recent Accounting Standards Changes

Recently Adopted Accounting Standards

In June 2009, a new accounting standard was issued that establishes the hierarchy of Generally Accepted Accounting Principles ("GAAP") that are to be used as the source of authoritative accounting principles recognized by the Financial Accounting Standards Board ("FASB") for non-governmental entities in preparation of financial statements in conformity with GAAP in the United States. This standard was effective for interim and annual periods ending after September 15, 2009. The adoption of this standard by the Company did not have a material effect on its financial position, results of operations or cash flows.

In August 2009, a new accounting standard was issued for measuring liabilities at fair value. This standard provides clarification that, in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: (1) a valuation technique that uses (a) the quoted price of the identical liability when traded as an asset or (b) quoted prices for similar liabilities or similar liabilities when traded as assets; and/or (2) a valuation technique that is consistent with GAAP. This standard also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In April 2009, a new accounting standard was issued to provide greater clarity about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. This standard applies to debt securities. This standard was effective for periods ending after June 15, 2009. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In April 2009, a new accounting standard was issued to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This standard was effective for periods ending after June 15, 2009. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In the second quarter of 2009, the Company implemented the newly issued subsequent events accounting standard. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued. The adoption of this standard did not impact the Company's financial position or results of operations. The Company evaluated all events or transactions that occurred after December 31, 2009 up through February 26, 2010, the date the Company issued these financial statements. During this period, the Company did not have any material recognizable subsequent events which have not been disclosed.

In December 2008, a new accounting standard was issued relating to the employers' disclosures about postretirement benefit plan assets. This requirement amends the previous accounting standard to provide guidance on employers' disclosures about plan assets of a defined benefit pension or other postretirement plan. This new standard is effective for financial statements issued for fiscal years ending after December 15, 2009. The provisions of this new standard are not required for earlier periods presented and early adoption is permitted. The adoption of this standard did not have an effect on the Company's financial position, results of operations or cash flows.

Recently Issued Accounting Standards

In June 2009, a new accounting standard was issued relating to the consolidation of variable interest entities. This statement addresses (1) the effects on certain provisions on existing accounting standards as a result of the elimination of the qualifying special-purpose entity concept and (2) constituent concerns about the application of certain key provisions of existing accounting standards, including those in which the accounting and disclosures under existing accounting standards do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This standard is effective for periods beginning after November 15, 2009. The adoption of this standard will not have a material effect on its financial position, results of operations or cash flows.

In October 2009, a new accounting consensus was issued for multiple-deliverable revenue arrangements. This consensus amends existing revenue recognition accounting standards. This consensus provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Previously the existing accounting consensus required that the fair value of the undelivered item be the price of the item either sold in a separate transaction between unrelated third parties or the price charged for each item when the item is sold separately by the vendor. Under the existing accounting consensus, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. 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 October 2009, a new accounting consensus was issued for certain revenue arrangements that include software elements. This consensus amends the existing accounting guidance for revenue arrangements that contain tangible products and software. This consensus requires that tangible products which contain software components and non-software components that function together to deliver the tangible products essential functionality are no longer within the scope of the software revenue guidance. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. 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, British Pound and Singapore Dollar. 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 the accounting standard for derivative instruments and hedging activities, 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. In addition, disclosures required for derivative instruments and hedging activities include the Company's objectives for using derivative instruments, the level of derivative activity the Company engages in, as well as how derivative instruments and related hedged items affect the Company's financial position and performance.

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. In addition, the Company considers the impact of its counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute under the contracts. 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. At December 31, 2009, the Company had no outstanding interest rate swap agreements. At both December 31, 2008 and 2007, the Company had a $2 million liability in other current liabilities in the consolidated balances sheets related to the interest rate swap agreements. For the year ended December 31, 2009, the Company recorded a change of $2 million in accumulated other comprehensive income on these interest rate swap agreements. For the years ended December 31, 2008 and 2007, the Company recorded a cumulative net pre-tax unrealized loss of $1 million and $2 million in accumulated other comprehensive income, respectively, on these interest rate swap agreements. For the years ended December 31, 2009, 2008 and 2007, the Company recorded additional interest expense of $2 million, $1 million and less than $1 million, respectively.

Hedges of Net Investments in Foreign Operations

The Company has operations in various countries and currencies throughout the world, with approximately 33% of its sales denominated in Euros, 11% in Japanese Yen and smaller sales exposures in other currencies in 2009. 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, the Company hedged its net investment in Euro foreign affiliates with cross-currency interest rate swaps, with notional values ranging from $20 million to $50 million. At December 31, 2009, 2008 and 2007, the Company had no outstanding cross-currency interest rate swap 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.

Other

The Company enters into forward foreign exchange contracts, principally to hedge the impact of currency fluctuations on certain inter-company balances and short-term assets and liabilities. Principal hedged currencies 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 the underlying exposures. Gains and losses on these forward contracts are recorded in selling and administrative expenses in the consolidated statements of operations. At December 31, 2009, 2008 and 2007, the Company held forward foreign exchange contracts with notional amounts totaling approximately $138 million, $120 million and $101 million, respectively. At December 31, 2009 and 2008, the Company had liabilities of less than $1 million and $2 million, respectively, in other current liabilities in the consolidated balance sheets related to the foreign currency exchange contracts. At December 31, 2007, the Company had assets of less than $1 million in other current assets in the consolidated balance sheets related to the foreign currency exchange contracts. For the year ended December 31, 2009, the Company recorded cumulative net pre-tax gains of $7 million, which consists of realized gains of $5 million relating to the closed forward contracts and $2 million of unrealized gains relating to the open forward contracts. 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.

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, 2009 would decrease pre-tax earnings by approximately $14 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 bank deposits; U.S., German, French and Dutch Government Treasury Bills; AAA rated U.S. Treasury Bills 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, 2009, 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, 2009, 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, 2009.

The effectiveness of our internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Form 10-K

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, 2009 and December 31, 2008 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 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, 2009, 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 6 and 9 to the consolidated financial statements, respectively, the Company changed the manner in which it accounts for business combinations effective January 1, 2009 and uncertain tax positions effective January 1, 2007.

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 26, 2010

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31 2009	December 31 2008
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 341,111	$ 428,522
Short-term investments	289,146	—
Accounts receivable, less allowances for doubtful accounts and sales returns of $6,723 and $7,608 at December 31, 2009 and December 31, 2008, respectively	314,247	291,763
Inventories	178,666	173,051
Other current assets	49,206	62,966
Total current assets	1,172,376	956,302
Property, plant and equipment, net	210,926	171,588
Intangible assets, net	182,165	149,652
Goodwill	293,077	268,364
Other assets	49,387	76,992
Total assets	$ 1,907,931	$ 1,622,898
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and debt	$ 131,772	$ 36,120
Accounts payable	49,573	47,240
Accrued employee compensation	37,050	43,535
Deferred revenue and customer advances	94,680	87,492
Accrued income taxes	13,267	—
Accrued warranty	10,109	10,276
Other current liabilities	58,117	64,843
Total current liabilities	394,568	289,506
Long-term liabilities:		
Long-term debt	500,000	500,000
Long-term portion of retirement benefits	69,044	77,017
Long-term income tax liability	72,604	80,310
Other long-term liabilities	22,766	15,060
Total long-term liabilities	664,414	672,387
Total liabilities	1,058,982	961,893
Commitments and contingencies (Notes 8, 9, 10, 11 and 15)		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, 5,000 shares authorized, none issued at December 31, 2009 and December 31, 2008	—	—
Common stock, par value $0.01 per share, 400,000 shares authorized, 148,831 and 148,069 shares issued, 94,118 and 97,891 shares outstanding at December 31, 2009 and December 31, 2008, respectively	1,488	1,481
Additional paid-in capital	808,345	756,499
Retained earnings	2,236,716	1,913,403
Treasury stock, at cost, 54,713 and 50,178 shares at December 31, 2009 and December 31, 2008, respectively	(2,213,174)	(2,001,797)
Accumulated other comprehensive income (loss)	15,574	(8,581)
Total stockholders' equity	848,949	661,005
Total liabilities and stockholders' equity	$ 1,907,931	$ 1,622,898

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2009	2008	2007
	(In thousands, except per share data)		
Product sales	$1,051,978	$1,139,886	$1,087,592
Service sales	446,722	435,238	385,456
Total net sales	1,498,700	1,575,124	1,473,048
Cost of product sales	406,681	457,886	441,877
Cost of service sales	188,201	203,380	189,245
Total cost of sales	594,882	661,266	631,122
Gross profit	903,818	913,858	841,926
Selling and administrative expenses	421,403	426,699	403,703
Research and development expenses	77,154	81,588	80,649
Purchased intangibles amortization	10,659	9,290	8,695
Litigation provisions (Note 10)	—	6,527	—
Operating income	394,602	389,754	348,879
Interest expense	(10,986)	(38,521)	(56,515)
Interest income	3,036	20,959	30,828
Income from operations before income taxes	386,652	372,192	323,192
Provision for income taxes	63,339	49,713	55,120
Net income	$ 323,313	$ 322,479	$ 268,072
Net income per basic common share	$ 3.37	$ 3.25	$ 2.67
Weighted-average number of basic common shares	95,797	99,199	100,500
Net income per diluted common share	$ 3.34	$ 3.21	$ 2.62
Weighted-average number of diluted common shares and equivalents	96,862	100,555	102,505

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2009	2008	2007
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 323,313	$ 322,479	$ 268,072
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for doubtful accounts on accounts receivable	3,124	3,924	1,382
Provisions on inventory	9,952	10,632	6,024
Stock-based compensation	28,255	30,782	28,855
Deferred income taxes	36,276	(19,626)	5,946
Depreciation	31,805	29,071	27,467
Amortization of intangibles	25,467	36,200	25,850
Change in operating assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable	(16,905)	21,739	(26,266)
Increase in inventories	(6,823)	(20,618)	(6,368)
Decrease (increase) in other current assets	5,925	(4,633)	(3,032)
(Increase) decrease in other assets	(689)	5,180	(6,600)
(Decrease) increase in accounts payable and other current liabilities	(10,830)	(19,970)	32,309
Increase in deferred revenue and customer advances	2,613	1,976	6,244
(Decrease) increase in other liabilities	(13,220)	21,112	10,624
Net cash provided by operating activities	418,263	418,248	370,507
Cash flows from investing activities:			
Additions to property, plant, equipment and software capitalization	(93,796)	(69,065)	(60,342)
Business acquisitions, net of cash acquired	(36,086)	(7,805)	(9,076)
Investment in unaffiliated company	—	—	(3,532)
Purchase of short-term investments	(518,390)	(19,738)	(390,542)
Maturity of short-term investments	229,244	115,419	294,861
Cash received from escrow related to business acquisition	—	—	724
Net cash (used in) provided by investing activities	(419,028)	18,811	(167,907)
Cash flows from financing activities:			
Proceeds from debt issuances	184,309	469,407	1,131,834
Payments on debt	(92,556)	(817,463)	(1,151,119)
Payments of debt issuance costs	—	(501)	(1,081)
Proceeds from stock plans	19,099	28,646	91,427
Purchase of treasury shares	(211,377)	(237,500)	(200,648)
Excess tax benefit related to stock option plans	5,083	6,669	16,999
Proceeds (payments) of debt swaps and other derivative contracts	5,162	(22,196)	(7,098)
Net cash used in financing activities	(90,280)	(572,938)	(119,686)
Effect of exchange rate changes on cash and cash equivalents	3,634	(32,932)	253
(Decrease) increase in cash and cash equivalents	(87,411)	(168,811)	83,167
Cash and cash equivalents at beginning of period	428,522	597,333	514,166
Cash and cash equivalents at end of period	$ 341,111	$ 428,522	$ 597,333
Supplemental cash flow information:			
Income taxes paid	23,818	40,571	29,294
Interest paid	13,020	44,081	49,224

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	Number of Common Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Statements of Comprehensive Income
					(In thousands)			
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 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 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	
Comprehensive income, net of tax:								
Net income	—	—	—	323,313	—	—	323,313	$323,313
Other comprehensive income (loss):								
Foreign currency translation	—	—	—	—	—	19,405	19,405	19,405
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	—	—	—	—	—	1,798	1,798	1,798
Changes in pension and postretirement benefits, net of tax	—	—	—	—	—	2,977	2,977	2,977
Unrealized losses on investments, net	—	—	—	—	—	(25)	(25)	(25)
Other comprehensive income	—	—	—	—	—	24,155	24,155	24,155
Comprehensive income								$347,468
Issuance of common stock for employees:								
Stock Purchase Plan	88	1	3,243	—	—	—	3,244	
Stock options exercised	514	5	15,850	—	—	—	15,855	
Tax benefit related to stock option plans	—	—	5,083	—	—	—	5,083	
Increase in valuation allowance	—	—	(705)	—	—	—	(705)	
Treasury stock	—	—	—	—	(211,377)	—	(211,377)	
Stock-based compensation	160	1	28,375	—	—	—	28,376	
Balance December 31, 2009	148,831	$1,488	$808,345	$2,236,716	$(2,213,174)	$ 15,574	$ 848,949	

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Description of Business and Organization

Waters Corporation ("Waters" or the "Company"), an analytical instrument manufacturer, primarily designs, manufactures, sells and services, through its Waters Division, high performance liquid chromatography ("HPLC"), ultra performance liquid chromatography ("UPLC®" and together with HPLC, 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"), food safety analysis 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 primarily designs, manufactures, sells and services thermal analysis, rheometry and calorimetry instruments, which are used in predicting the suitability of fine chemicals, polymers and viscous 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 Basis of Presentation and 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 financial market 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 69% in 2009, 70% in 2008 and 68% in 2007. 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 bank deposits; U.S., German, French and Dutch Government Treasury Bills; AAA rated U.S. Treasury Bills 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 are classified as available-for-sale in accordance with the accounting standard for 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, 2009, the Company had short-term investments with a cost of $289 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 51% in 2009, 50% in 2008 and 52% in 2007. None of the Company's individual customers accounted for more than 3% of annual Company sales in 2009, 2008 or 2007. 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, 2009, 2008 and 2007 (in thousands):

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Allowance for Doubtful Accounts and Sales Returns:				
2009	$7,608	$6,956	$(7,841)	$6,723
2008	$9,634	$5,470	$(7,496)	$7,608
2007	$8,439	$6,617	$(5,422)	$9,634

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 2009, 2008 and 2007.

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. The goodwill and other intangible assets accounting standard 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; debt issuance costs and acquired in-process research and development ("IPR&D"). 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. Acquired IPR&D is amortized from the date of completion over its estimated useful life. In addition, acquired IPR&D will be tested for impairment until completion of the acquired programs.

Software Development Costs

The Company capitalizes software development costs for products offered for sale in accordance with the accounting standard for the costs of 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 the accounting standard for goodwill and other intangible assets. Capitalized internal software development costs are amortized over the period of economic benefit which approximates a straight-line basis over ten years. Net capitalized internal software included in property, plant and equipment totaled $2 million at December 31, 2009 and 2008.

Investments

The Company accounts for its investments that represent less than twenty percent ownership, and for which the Company does not have significant influence, using the accounting standard for investments in debt and equity securities. 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, 2009 and 2008 are included in other assets and amounted to $4 million and $7 million, respectively.

Asset Impairments

The Company reviews its long-lived assets for impairment in accordance with the accounting standard for property, plant and equipment. 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

In accordance with the accounting standards for fair value measurements and disclosures, the Company's assets and liabilities are measured at fair value on a recurring basis as of December 31, 2009 and 2008. Fair values determined by Level 1 inputs utilize observable data such as quoted prices in active markets. Fair values determined by Level 2 inputs utilize data points other than quoted prices in active markets that are observable either directly or indirectly. Fair values determined by Level 3 inputs utilize unobservable data points in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 (in thousands):

	Total at December 31, 2009	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$181,925	$—	$181,925	$—
Short-term investments	289,146	—	289,146	—
Waters Retirement Restoration Plan assets	17,955	—	17,955	—
Foreign currency exchange contract agreements	237	—	237	—
Total	$489,263	—	$489,263	—
Liabilities:				
Foreign currency exchange contract agreements	$ 400	$—	$ 400	$—
Total	$ 400	$—	$ 400	$—

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 (in thousands):

	Total at 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 Company's financial assets and liabilities have been classified as Level 2. These assets and liabilities have been initially valued at the transaction price and subsequently valued typically utilizing third-party pricing services. The pricing services use many inputs to determine value, including reportable trades, benchmark yields, credit spreads, broker/dealer quotes, current spot rates and other industry and economic events. The Company validates the prices provided by third-party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources. The fair values of the Company's cash equivalents, short-term investments, retirement restoration plan assets, foreign currency exchange contracts and interest rate swap agreements are determined through market and observable sources and have been classified as Level 2. After completing these validation procedures, the Company did not adjust or override any fair value measurements provided by third-party pricing services as of December 31, 2009 and 2008.

In January 2009, the Company implemented the accounting and disclosure requirements related to non-financial assets and liabilities that are remeasured at fair value on a non-recurring basis. The adoption of this accounting and disclosure requirement did not have a significant impact on the Company's financial statements.

Stockholders' Equity

In February 2009, 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 2009, the Company repurchased 3.1 million shares at a cost of $157 million under this program, leaving $343 million authorized for future purchases.

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 2009, 2008 and 2007, the Company repurchased a total of 8.2 million shares at a cost of $454 million under this program, which expired in February 2009.

The Company repurchased 4.5 million, 4.1 million and 3.4 million shares at a cost of $210 million, $235 million and $201 million during 2009, 2008 and 2007, respectively, under the February 2009 authorization and previously announced programs. The Company believes it has the resources to fund the common stock repurchases as well as to pursue acquisition opportunities in the future.

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

Hedge Transactions

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 records its hedge transactions in accordance with the accounting standard for derivative instruments and hedging activities, 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. In addition, disclosures required for derivative instruments and hedging activities include the Company's objectives for using derivative instruments, the level of derivative activity the Company engages in, as well as how derivative instruments and related hedged items affect the Company's financial position and performance.

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. In addition, the Company considers the impact of its counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute under the contracts. 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. At December 31, 2009, the Company had no outstanding interest rate swap agreements. At both December 31, 2008 and 2007, the Company had a $2 million liability in other current liabilities in the consolidated balances sheets related to the interest rate swap agreements. For the year ended December 31, 2009, the Company recorded a change of $2 million in accumulated other comprehensive income on these interest rate swap agreements. For the years ended December 31, 2008 and 2007, the Company recorded a cumulative net pre-tax unrealized loss of $1 million and $2 million in accumulated other comprehensive income, respectively, on these interest rate swap agreements. For the years ended December 31, 2009, 2008 and 2007, the Company recorded additional interest expense of $2 million, $1 million and less than $1 million, respectively.

Hedges of Net Investments in Foreign Operations

The Company has operations in various countries and currencies throughout the world, with approximately 33% of its sales denominated in Euros, 11% in Japanese Yen and smaller sales exposures in other currencies in 2009. 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, the Company hedged its net investment in Euro foreign affiliates with cross-currency interest rate swaps, with notional values ranging from $20 million to $50 million. At December 31, 2009, 2008 and 2007, the Company had no outstanding cross-currency interest rate swap 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.

Other

The Company enters into forward foreign exchange contracts, principally to hedge the impact of currency fluctuations on certain inter-company balances and short-term assets and liabilities. Principal hedged currencies 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 the underlying exposures. Gains and losses on these forward contracts are recorded in selling and administrative expenses in the consolidated statements of operations. At December 31, 2009, 2008 and 2007, the Company held forward foreign exchange contracts with notional amounts totaling approximately $138 million, $120 million and $101 million, respectively. At December 31, 2009 and 2008, the Company had liabilities of less than $1 million and $2 million, respectively, in other current liabilities in the consolidated balance sheets related to the foreign currency exchange contracts. At December 31, 2007, the Company had assets of less than $1 million in other current assets in the consolidated balance sheets related to the foreign currency exchange contracts. For the year ended December 31, 2009, the Company recorded cumulative net pre-tax gains of $7 million, which consists of realized gains of $5 million relating to the closed forward contracts and $2 million of unrealized gains relating to the open forward contracts. 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.

Revenue Recognition

Sales of products and services are generally recorded based on product shipment and performance of service, respectively. Proceeds received in advance of product shipment or performance of service are recorded as deferred revenue in the consolidated balance sheets. Shipping and handling costs are included in cost of sales net of amounts invoiced to the customer per the order.

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. The Company's method of revenue recognition for certain products requiring installation is in accordance with accounting standards for revenue recognition. 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 the accounting standards for software revenue recognition. 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, 2009, 2008 and 2007 (in thousands):

	Balance at Beginning of Period	Accruals for Warranties	Settlements Made	Balance at End of Period
Accrued warranty liability:				
2009	$10,276	$ 5,725	$ (5,892)	$10,109
2008	$13,119	$ 9,644	$(12,487)	$10,276
2007	$12,619	$19,719	$(19,219)	$13,119

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 2009, 2008 and 2007 were $10 million, $9 million and $6 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 12, "Stock-Based Compensation".

Earnings Per Share

In accordance with the earnings per share accounting standard, 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 the accounting standards for comprehensive income, which establishes the accounting rules for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. The standard requires that all components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements.

Recently Adopted Accounting Standards

In June 2009, a new accounting standard was issued that establishes the hierarchy of Generally Accepted Accounting Principles ("GAAP") that are to be used as the source of authoritative accounting principles recognized by the Financial Accounting Standards Board ("FASB") for non-governmental entities in preparation of financial statements in conformity with GAAP in the United States. This standard was effective for interim and annual periods ending after September 15, 2009. The adoption of this standard by the Company did not have a material effect on its financial position, results of operations or cash flows.

In August 2009, a new accounting standard was issued for measuring liabilities at fair value. This standard provides clarification that, in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: (1) a valuation technique that uses (a) the quoted price of the identical liability when traded as an asset or (b) quoted prices for similar liabilities or similar liabilities when traded as assets; and/or (2) a valuation technique that is consistent with GAAP. This standard also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In April 2009, a new accounting standard was issued to provide greater clarity about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. This standard applies to debt securities. This standard was effective for periods ending after June 15, 2009. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In April 2009, a new accounting standard was issued to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This standard was effective for periods ending after June 15, 2009. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

In the second quarter of 2009, the Company implemented the newly issued subsequent events accounting standard. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued. The adoption of this standard did not impact the Company's financial position or results of operations. The Company evaluated all events or transactions that occurred after December 31, 2009 up through February 26, 2010, the date the Company issued these financial statements. During this period, the Company did not have any material recognizable subsequent events which have not been disclosed.

In December 2008, a new accounting standard was issued relating to the employers' disclosures about postretirement benefit plan assets. This requirement amends the previous accounting standard to provide guidance on employers' disclosures about plan assets of a defined benefit pension or other postretirement plan. This new standard is effective for financial statements issued for fiscal years ending after December 15, 2009. The provisions of this new standard are not required for earlier periods presented and early adoption is permitted. The adoption of this standard did not have an effect on the Company's financial position, results of operations or cash flows.

Recently Issued Accounting Standards

In June 2009, a new accounting standard was issued relating to the consolidation of variable interest entities. This statement addresses (1) the effects on certain provisions on existing accounting standards as a result of the elimination of the qualifying special-purpose entity concept and (2) constituent concerns about the application of certain key provisions of existing accounting standards, including those in which the accounting and disclosures under existing accounting standards do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This standard is effective for periods beginning after November 15, 2009.

The adoption of this standard will not have a material effect on its financial position, results of operations or cash flows.

In October 2009, a new accounting consensus was issued for multiple-deliverable revenue arrangements. This consensus amends existing revenue recognition accounting standards. This consensus provides accounting principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated and the consideration allocated. This guidance eliminates the requirement to establish the fair value of undelivered products and services and instead provides for separate revenue recognition based upon management's estimate of the selling price for an undelivered item when there is no other means to determine the fair value of that undelivered item. Previously the existing accounting consensus required that the fair value of the undelivered item be the price of the item either sold in a separate transaction between unrelated third parties or the price charged for each item when the item is sold separately by the vendor. Under the existing accounting consensus, if the fair value of all of the elements in the arrangement was not determinable, then revenue was deferred until all of the items were delivered or fair value was determined. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. 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 October 2009, a new accounting consensus was issued for certain revenue arrangements that include software elements. This consensus amends the existing accounting guidance for revenue arrangements that contain tangible products and software. This consensus requires that tangible products which contain software components and non-software components that function together to deliver the tangible products essential functionality are no longer within the scope of the software revenue guidance. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. 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 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 approximately 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, the out-of-period adjustments had the following effect on the consolidated balance sheet as of June 28, 2008: 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 did not believe that the prior period errors, individually or in the aggregate, were material to any previously issued annual or quarterly financial statements. In addition, the Company did not believe that the adjustments described above to correct the cumulative effect of the errors in the three months ended June 28, 2008 were material to the three months ended June 28, 2008 or to the full year results for 2008. As a result, the Company did not restate its previously issued annual financial statements or interim financial data.

4 Inventories

Inventories are classified as follows (in thousands):

	December 31, 2009	December 31, 2008
Raw materials	$ 57,223	$ 59,957
Work in progress	15,419	12,899
Finished goods	106,024	100,195
Total inventories	$178,666	$173,051

5 Property, Plant and Equipment

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

	December 31	
	2009	2008
Land and land improvements	$ 20,688	$ 9,735
Buildings and leasehold improvements	159,071	123,278
Production and other equipment	245,785	222,361
Construction in progress	12,347	16,693
Total property, plant and equipment	437,891	372,067
Less: accumulated depreciation and amortization	(226,965)	(200,479)
Property, plant and equipment, net	$ 210,926	$ 171,588

During 2009, 2008 and 2007, the Company retired and disposed of approximately $7 million, $9 million and $4 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 Acquisitions

Effective January 1, 2009, the Company implemented the newly issued accounting standard for business combinations. This standard requires an acquiring company to measure all assets acquired and liabilities assumed, including contingent considerations and all contractual contingencies, at fair value as of the acquisition date. In addition, an acquiring company is required to capitalize IPR&D and either amortize it over the life of the product or write it off if the project is abandoned or impaired. This accounting standard is applicable to acquisitions completed after January 1, 2009. Previous standards generally required post-acquisition adjustments related to business combination deferred tax asset valuation allowances and liabilities for uncertain tax positions to be recorded as an increase or decrease to goodwill. This new accounting standard does not permit this accounting and generally requires any such changes to be recorded in current period income tax expense. Thus, all changes to valuation allowances and liabilities for uncertain tax positions established in acquisition accounting, whether the business combination was accounted for under previous standards or under the newly issued accounting standard, will be recognized in current period income tax expense.

In February 2009, the Company acquired all of the remaining outstanding capital stock of 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 (“SFC”) systems, for $36 million in cash, including the assumption of $4 million of debt. Thar was acquired to add its environmentally-friendly SFC technology to the Company’s product line and to leverage the Company’s distribution channels. The Company had previously made a $4 million equity investment in Thar in June 2007. Immediately prior to the acquisition date, the Company remeasured the fair value of its original equity investment in Thar, resulting in an acquisition date fair value of $4 million. Thus, there was no gain or loss recognized in the statement of operations as a result of remeasuring the Company's equity interest in Thar to fair value prior to the business combination.

The acquisition of Thar was accounted for under the newly issued accounting standard for business combinations and the results of Thar 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 $24 million of the purchase price to intangible assets comprised of customer relationships, non-compete agreements, acquired technology, IPR&D and other purchased intangibles. The Company is amortizing the customer relationships and acquired technology over 15 years. The non-compete agreements and other purchased intangibles are being amortized over five years. These intangible assets are being amortized over a weighted-average period of 13 years. Included in intangible assets is a trademark in the amount of $4 million, which has been assigned an indefinite life. Also included in intangible assets are IPR&D intangibles in the amount of $1 million, which will be amortized over an estimated useful life of 15 years once the projects have been completed and commercialized. The excess purchase price of $22 million has been accounted for as goodwill. The sellers also have provided the Company with customary representations, warranties and indemnification, which would be settled in the future if and when the contractual representation or warranty condition occurs. The goodwill is not deductible for tax purposes. Since the acquisition date, Thar added $17 million of sales to the consolidated statements of operations for the year ended December 31, 2009. Thar's impact on the Company's net income since the acquisition date for the year ended December 31, 2009 was not significant.

In accordance with the accounting standards for fair value measurements and disclosures, the Company measured the non-financial assets and non-financial liabilities that were acquired through the acquisition of Thar at fair value. The fair value of these non-financial assets and non-financial liabilities were determined using Level 3 inputs. The following table presents the fair values, as determined by the Company, of 100% of the assets and liabilities owned and recorded in connection with the Thar acquisition (in thousands):

Cash	$ 364
Accounts receivable	3,863
Inventory	3,508
Other assets	4,421
Goodwill	22,382
Intangible assets	23,500
Total assets acquired	58,038
Accrued expenses and other current liabilities	5,499
Debt	3,899
Deferred tax liability	8,658
Cash consideration paid	$39,982

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. This acquisition was accounted for under the purchase method of accounting and the results of operations have been included in the consolidated results of the Company from the acquisition date.

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 pro forma effect of the ongoing operations for Waters, Thar, APG, VTI, CSC and other acquisitions as though these acquisitions had occurred at the beginning of the periods covered by this report is immaterial.

7 Goodwill and Other Intangibles

The carrying amount of goodwill was $293 million, $268 million and $273 million at December 31, 2009, 2008 and 2007, respectively. The increase in goodwill in 2009 is primarily due to the Company's acquisition of Thar, which increased goodwill by $22 million (Note 6). In addition, currency translation adjustments increased goodwill by $3 million in 2009. The decrease in goodwill in 2008 is 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.

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

	December 31, 2009			December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period
Purchased intangibles	$136,604	$ 61,751	10 years	$113,526	$ 51,662	10 years
Capitalized software	217,102	122,920	5 years	184,434	109,876	4 years
Licenses	9,637	8,328	8 years	9,345	7,235	9 years
Patents and other intangibles	24,185	12,364	8 years	20,918	9,798	8 years
Total	$387,528	$205,363	7 years	$328,223	$178,571	7 years

During the year ended December 31, 2009, the Company acquired $24 million of purchased intangibles as a result of the acquisition of Thar. During 2008, the gross carrying value of capitalized software and related accumulated amortization increased by $46 million and $36 million, respectively, 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. In addition, the gross carrying value of intangible assets increased by $4 million in 2009 and decreased by $25 million in 2008 due to the effect of foreign currency translation. The gross carrying value of accumulated amortization for intangible assets increased by $3 million in 2009 and decreased by $17 million in 2008 due to the effect of foreign currency translation.

For the years ended December 31, 2009, 2008 and 2007, amortization expense for intangible assets was $25 million, $36 million and $26 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 $30 million for each of the next five years.

8 Debt

In February 2010, the Company issued and sold five-year senior unsecured notes at an interest rate of 3.75% with a face value of $100 million. This debt matures in February 2015. The Company plans to use the proceeds from the issuance of these senior unsecured notes to repay other outstanding debt amounts and for general corporate purposes. Interest on both issuances of the senior unsecured notes are payable semi-annually in February and August of each year. The Company may redeem some or all of the notes at any time in an amount not less than 10% of the aggregate principal amount outstanding, plus accrued and unpaid interest, plus the applicable make-whole amount. These notes 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 3.50:1 for any period of four consecutive fiscal quarters, respectively. In addition, these notes include negative covenants that are similar to the existing credit agreement. These notes also contain certain customary representations and warranties, affirmative covenants and events of default.

In March 2008, the Company entered into a new credit agreement (the "2008 Credit Agreement") that provided 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 were to mature on January 11, 2012 and required or 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.

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.

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 for LIBOR rate loans and range between zero basis points and 37.5 basis points for base rate loans. The 2007 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 and a leverage ratio test of not more than 3.25:1 for any period of four consecutive fiscal quarters, respectively. In addition, the 2007 Credit Agreement includes negative covenants that are customary for investment grade credit facilities. The 2007 Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default. As of December 31, 2009, the Company was in compliance with all such covenants.

As of December 31, 2009, the Company had a total of $620 million borrowed under the 2007 Credit Agreement and an amount available to borrow of $479 million after outstanding letters of credit. At December 31, 2009, $500 million of the total debt was classified as long-term debt and $120 million classified as short-term debt in the consolidated balance sheet. 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 sheet. The weighted-average interest rates applicable to these borrowings were 0.78% and 2.43% at December 31, 2009 and 2008, respectively.

The Company and its foreign subsidiaries also had available short-term lines of credit totaling $88 million at both December 31, 2009 and 2008. At December 31, 2009 and 2008, related short-term borrowings were $12 million at a weighted-average interest rate of 1.97% and $36 million at a weighted-average interest rate of 2.18%, respectively.

9 Income Taxes

Income tax data for the years ended December 31, 2009, 2008 and 2007 is as follows (in thousands):

	Year Ended December 31		
	2009	2008	2007
The components of income from operations before income taxes are as follows:			
Domestic	$ 64,942	$ (6,728)	$ 1,638
Foreign	321,710	378,920	321,554
Total	$386,652	$372,192	$323,192

	Year Ended December 31		
	2009	2008	2007
The current and deferred components of the provision for income taxes on operations are as follows:			
Current	$ 59,472	$ 64,837	$ 62,126
Deferred	3,867	(15,124)	(7,006)
Total	$ 63,339	$ 49,713	$ 55,120
The jurisdictional components of the provision for income taxes on operations are as follows:			
Federal	$ 24,080	$ 1,687	$ 10,239
State	3,757	2,422	1,700
Foreign	35,502	45,604	43,181
Total	$ 63,339	$ 49,713	$ 55,120
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	$135,328	$130,267	$113,117
State income tax, net of federal income tax benefit	2,442	1,575	1,105
Net effect of foreign operations	(73,351)	(82,200)	(59,395)
Other, net	(1,080)	71	293
Provision for income taxes	$ 63,339	$ 49,713	$ 55,120

	December 31	
	2009	2008
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	$ 83,515	$100,795
Depreciation and capitalized software	7,462	5,846
Amortization	—	776
Stock-based compensation	24,858	19,580
Deferred compensation	17,598	23,262
Revaluation of equity investments	6,159	11,336
Inventory	2,960	2,185
Accrued liabilities and reserves	11,746	13,463
Other	9,316	10,938
	163,614	188,181
Valuation allowance	(83,683)	(82,978)
Deferred tax asset, net of valuation allowance	79,931	105,203
Deferred tax liabilities:		
Depreciation and capitalized software	(9,060)	(5,526)
Amortization	(12,014)	(5,686)
Indefinite lived intangibles	(18,764)	(17,660)
Other	(197)	(159)
	(40,035)	(29,031)
Net deferred tax assets	$ 39,896	$ 76,172

Net deferred tax assets of $21 million and $30 million are included in other current assets and $19 million and $46 million are included in other assets at December 31, 2009 and 2008, 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, 2009: less than $1 million benefit of U.S. federal and state net operating loss carryforwards that begin to expire in 2020 and 2010, respectively; $71 million in foreign tax credits, which begin to expire in 2010; $11 million in research and development credits that begin to expire in 2010; and $1 million ($3 million pre-tax) in foreign net operating losses, $1 million ($2 million pre-tax) of which do not expire under current law, the remainder of which begin to expire in 2010. The Company has excluded the benefit of $14 million ($38 million pre-tax) of U.S. federal and state net operating loss carryforwards from the deferred tax asset balance at December 31, 2009. This amount represents an "excess tax benefit", as the term is defined in the accounting standard for stock-based compensation, 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, 2009, the Company has provided a deferred tax valuation allowance of $84 million, principally against foreign tax credits ($71 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 $5 million, $7 million and $17 million for the years ended December 31, 2009, 2008 and 2007, respectively.

At December 31, 2009, there were unremitted earnings of foreign subsidiaries of approximately $1.4 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.

Effective on January 1, 2007, the Company adopted a new accounting interpretation standard relating to income taxes which prescribed 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. This accounting standard 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. This standard also mandates expanded financial statement disclosure about uncertainty in income tax reporting positions. The Company recorded the effect of adopting this standard with a $4 million charge to beginning retained earnings in the consolidated balance sheet as of January 1, 2007.

The following is a summary of the activity in the Company's unrecognized tax benefits for the years ended December 31, 2009, 2008 and 2007 (in thousands):

	December 31		
	2009	**2008**	**2007**
Balance at the beginning of the period	$77,295	$68,463	$62,418
Change in tax positions of the current year	629	8,832	6,045
Balance at the end of the period	$77,924	$77,295	$68,463

For the years ended December 31, 2009 and 2008, the Company recorded increases of $1 million and $9 million, respectively, in unrecognized tax benefits via the income tax provision. In 2009, the Company recorded approximately $5 million of tax benefit relating to the reversal of a $5 million tax provision which was originally recorded in 2008 relating to the reorganization of certain foreign legal entities. The recognition of this tax benefit in 2009 was a result of changes in income tax regulations promulgated by the U.S. Treasury in February 2009. If all of the Company's unrecognized tax benefits accrued as of December 31, 2009 were to become recognizable in the future, the Company would record a total reduction of approximately $78 million in the income tax provision.

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 each of the years ended December 31, 2009, 2008 and 2007, the Company included $1 million ($2 million pre-tax) of such interest expense, net of related tax benefits, and no income tax penalty expense in the income tax provision. As of December 31, 2009 and 2008, the Company had accrued $7 million ($10 million pre-tax) and $5 million ($8 million pre-tax), respectively, of such estimated interest expense, net of related tax benefits. As of both December 31, 2009 and 2008, the Company had no income tax penalty expense accrued.

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 generally remain open to income tax audit examination by the various income tax authorities. As of December 31, 2009, the Company expects that a tax audit of one of the Company's U.K. affiliates' tax returns for 2003, 2004 and 2005 will be settled before December 31, 2010. As of December 31, 2009, the Company does not expect the settlement of that audit to have a material effect on its consolidated financial statements. In addition, 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. Other than the aforementioned tax audit, as of December 31, 2009, 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 settlement of tax audit examinations or 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, 2009, 2008 and 2007 were 16.4%, 13.4% and 17.1%, respectively. Included in the income tax provision for 2009 is approximately $5 million of tax benefit relating to the reversal of a $5 million provision which was originally recorded in 2008 relating to the reorganization of certain foreign legal entities. The recognition of this tax benefit in 2009 was a result of changes in income tax regulations promulgated by the U.S. Treasury in February 2009. The $5 million tax benefit decreased the Company's effective tax rate by 1.2 percentage points in 2009. The one-time provision increased the Company's effective tax rate by 1.4 percentage points in 2008. In addition, the effective tax rate for 2008 included a $16 million benefit resulting from out-of-period adjustments related to software capitalization amortization. The out-of-period adjustments had the effect of reducing the Company's effective tax rate by 4.0 percentage points in 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 changes in the effective tax rates for 2009, 2008 and 2007 are primarily attributable to changes in income in jurisdictions with different effective tax rates.

10 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 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 2008, the Company recorded a $7 million provision and, in the first quarter of 2009, the Company made a payment of $6 million for damages and fees estimated to be incurred in connection with the French litigation case. The accrued patent litigation expense is in other current liabilities in the consolidated balance sheets at December 31, 2009 and 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.

11 Other Commitments and Contingencies

Lease agreements, expiring at various dates through 2026, cover buildings, office equipment and automobiles. Rental expense was $34 million, $30 million and $23 million during the years ended December 31, 2009, 2008 and 2007, respectively. Future minimum rents payable as of December 31, 2009 under non-cancelable leases with initial terms exceeding one year are as follows (in thousands):

2010	$24,039
2011	19,031
2012	14,259
2013	8,934
2014 and thereafter	17,705

The Company licenses certain technology and software from third parties, which expire at various dates through 2010. Fees paid for licenses were less than $1 million for each of the years ended December 31, 2009, 2008 and 2007. Future minimum license fees payable under existing license agreements as of December 31, 2009 are immaterial for the years ended December 31, 2010 and thereafter.

From time to time, the Company and its subsidiaries are involved in various litigation matters arising in the ordinary course of business. The Company believes it has meritorious arguments in its current litigation matters and any outcome, either individually or in the aggregate, 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.

12 Stock-Based Compensation

In May 2003, the Company's shareholders approved the Company's 2003 Equity Incentive Plan ("2003 Plan"). As of December 31, 2009, the 2003 Plan has 3.0 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, 2009, the Company had stock options, restricted stock and restricted stock unit awards outstanding.

In February 2009, the Company adopted its 2009 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 0.9 million shares of the Company's common stock, which includes the remaining shares available under the 1996 Employee Stock Purchase Plan. As of December 31, 2009, 0.9 million shares have been issued under both the 2009 and 1996 Employee Stock Purchase Plans. 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 $1 million, $1 million and less than $1 million for each of the years ended December 31, 2009, 2008 and 2007.

The Company accounts for stock-based compensation costs in accordance with the accounting standards for stock-based compensation, which requires 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. This accounting standard 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 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 this accounting standard, 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, 2009, 2008 and 2007 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):

	2009	2008	2007
Cost of sales	$ 2,767	$ 2,980	$ 3,352
Selling and administrative expenses	21,941	23,164	21,225
Research and development expenses	3,547	4,638	4,278
Total stock-based compensation	$28,255	$30,782	$28,855

As of both December 31, 2009 and 2008, the Company has capitalized stock-based compensation costs of less than $1 million in inventory in the consolidated balance sheets. As of December 31, 2009 and 2008, the Company has capitalized stock-based compensation costs of $3 million and $2 million, respectively, in 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 2009, 2008 and 2007 are as follows:

Options Issued and Significant Assumptions Used to Estimate Option Fair Values	2009	2008	2007
Options issued in thousands	608	583	516
Risk-free interest rate	2.9%	2.1%	3.8%
Expected life in years	6.0	6.0	6.0
Expected volatility	.305	.557	.291
Expected dividends	—	—	—

Weighted-average Exercise Price and Fair Values of Options on the Date of Grant	2009	2008	2007
Exercise price	$58.46	$42.91	$75.29
Fair value	$20.65	$22.69	$27.33

During 2009, 2008 and 2007, 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 $13 million, $26 million and $98 million, respectively. The total cash received from the exercise of these stock options was $16 million, $25 million and $89 million for the years ended December 31, 2009, 2008 and 2007, respectively.

As of December 31, 2009, 2008 and 2007, there were $36 million, $41 million and $51 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 3.4 years.

The following table details the weighted-average remaining contractual life of options outstanding at December 31, 2009 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	2,513	$32.65	3.7	2,373	$32.29
$39.00 to $59.99	3,086	$48.76	7.0	1,811	$47.14
$60.00 to $80.97	1,258	$74.52	3.7	954	$73.46
Total	6,857	$47.58	5.2	5,138	$45.17

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, 2008	6,835	$21.05 to $80.97	$45.44
Granted	608	$38.09 to $59.44	$58.46
Exercised	(514)	$21.39 to $49.31	$30.84
Cancelled	(72)	$47.12 to $72.06	$55.81
Outstanding at December 31, 2009	6,857	$21.05 to $80.97	$47.58

The aggregate intrinsic value of the outstanding stock options at December 31, 2009 was $114 million. Options exercisable at December 31, 2009, 2008 and 2007 were 5.1 million, 4.9 million and 4.7 million, respectively. The weighted-average exercise prices of options exercisable at December 31, 2009, 2008 and 2007 were $45.17, $43.18 and $40.77, respectively. The weighted-average remaining contractual life of the exercisable outstanding stock options at December 31, 2009 was 4.0 years.

At December 31, 2009, the Company had 6.8 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 $114 million, $47.51 and 5.2 years, respectively, at December 31, 2009.

Restricted Stock

During each of the years ended December 31, 2009, 2008 and 2007, 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, 2009, 2008 and 2007 related to the restricted stock grants. The weighted-average fair value on the grant date of the restricted stock for 2009, 2008 and 2007 was $38.09, $76.75 and $48.88, respectively. As of December 31, 2009, the Company has 24 thousand unvested shares of restricted stock outstanding with a total of less than $1 million of unrecognized compensation costs. These costs are expected to be recognized over a weighted-average period of 1.5 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, 2008	597	$53.43
Granted	371	$35.29
Vested	(154)	$52.00
Forfeited	(31)	$48.79
Unvested at December 31, 2009	783	$45.30

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, 2009, 2008 and 2007 on the restricted stock units expected to vest were $10 million, $8 million and $5 million, respectively. As of December 31, 2009, there were $25 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 3.2 years.

13 Earnings Per Share

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

	Year Ended December 31, 2009		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
Net income per basic common share	$323,313	95,797	$3.37
Effect of dilutive stock option, restricted stock and restricted stock unit securities:			
Outstanding		939	
Exercised and cancellations		126	
Net income per diluted common share	$323,313	96,862	$3.34

	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

For the years ended December 31, 2009, 2008 and 2007, the Company had 3.3 million, 1.3 million and 0.9 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.

14 Comprehensive Income

Comprehensive income details follow (in thousands):

	Year Ended December 31		
	2009	2008	2007
Net income	$323,313	$322,479	$268,072
Foreign currency translation	19,405	(53,704)	26,276
Net appreciation (depreciation) and realized gains (losses) on derivative instruments	2,766	(798)	(18,031)
Income tax (expense) benefit	(968)	279	6,311
Net appreciation (depreciation) and realized gains (losses) on derivative instruments, net of tax	1,798	(519)	(11,720)
Net foreign currency adjustments	21,203	(54,223)	14,556
Unrealized losses on investments before income taxes	(38)	(191)	(1,294)
Income tax benefit	13	67	453
Unrealized losses on investments, net of tax	(25)	(124)	(841)
Retirement liability adjustment, net of tax	2,977	(20,466)	8,852
Other comprehensive income (loss)	24,155	(74,813)	22,567
Comprehensive income	$347,468	$247,666	$290,639

15 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, 2009, 2008 and 2007, the Company's matching contributions amounted to $10 million, $10 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 with interest at the end of each year based on the employee's account balance at the beginning of such year. The interest rate is the one-year constant maturity Treasury bond yield in effect as of the first business day in November preceding such year plus 0.5%, limited to a minimum interest crediting rate of 5% and a maximum interest crediting rate of 10%. An employee does not vest until the completion of three 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 accruals under the Waters Retirement Plan and the Waters Retirement Restoration Plan (collectively, the "U.S. Pension Plans") effective December 31, 2007. In accordance with accounting standards for retirement 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 employee benefit plans in the U.S., including a retiree 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 local laws and regulations.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summary data for the U.S. Pension Plans, the U.S. retiree healthcare plan and the Company's non-U.S. retirement plans are presented in the following tables, using the measurement dates of December 31, 2009 and 2008, respectively.

The summary of the projected benefit obligations at December 31, 2009 and 2008 is as follows (in thousands):

	2009			2008		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Projected benefit obligation, January 1	$ 98,336	$6,348	$23,806	$92,311	$5,416	$21,716
Service cost	55	868	1,726	91	691	1,502
Interest cost	6,215	363	886	5,944	329	885
Employee rollovers	—	—	—	1,402	—	—
Actuarial losses (gains)	5,946	70	428	2,227	230	(626)
Disbursements	(2,434)	(381)	(499)	(3,639)	(318)	(673)
Currency impact	—	—	170	—	—	1,002
Projected benefit obligation, December 31	$108,118	$7,268	$26,517	$98,336	$6,348	$23,806

The summary of the accumulated benefit obligations at December 31, 2009 and 2008 is as follows (in thousands):

	2009			2008		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Accumulated benefit obligation	$107,912	*	$21,322	$98,022	*	$18,140

* Not applicable.

The summary of the fair value of the plan assets at December 31, 2009 and 2008 is as follows (in thousands):

	2009			2008		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Fair value of assets, January 1	$58,456	$2,083	$10,069	$ 79,544	$2,134	$11,283
Actual return on plan assets	17,100	602	241	(23,310)	(368)	(95)
Company contributions	9,401	212	747	4,459	175	1,011
Employee contributions	—	568	—	—	460	—
Disbursements	(2,434)	(381)	(499)	(3,639)	(318)	(673)
Employee rollovers	—	—	—	1,402	—	—
Currency impact	—	—	509	—	—	(1,457)
Fair value of assets, December 31	$82,523	$3,084	$11,067	$ 58,456	$2,083	$10,069

The summary of the funded status of the plans at December 31, 2009 and 2008 is as follows (in thousands):

	2009			2008		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Projected benefit obligation	$(108,118)	$(7,268)	$(26,517)	$(98,336)	$(6,348)	$(23,806)
Fair value of plan assets	82,523	3,084	11,067	58,456	2,083	10,069
Projected benefit obligation in excess of fair value of plan assets	$ (25,595)	$(4,184)	$(15,450)	$(39,880)	$(4,265)	$(13,737)

The summary of the amounts recognized in the consolidated balance sheets for the plans at December 31, 2009 and 2008 is as follows (in thousands):

	2009			2008		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Long-term assets	$ —	$ —	$ 1,782	$ —	$ —	$ 2,589
Current liabilities	(57)	—	(90)	(54)	—	(56)
Long-term liabilities	(25,538)	(4,184)	(17,142)	(39,826)	(4,265)	(16,270)
Net amount recognized at December 31	$(25,595)	$(4,184)	$(15,450)	$(39,880)	$(4,265)	$(13,737)

The summary of the components of net periodic pension costs for the plans for the years ended December 31, 2009, 2008 and 2007 is as follows (in thousands):

	2009			2008			2007		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Service cost	$ 55	$ 300	$1,726	$ 91	$ 231	$1,502	$ 7,122	$ 260	$1,224
Interest cost	6,215	363	886	5,944	329	885	5,271	277	815
Return on plan assets	(6,704)	(149)	(354)	(6,128)	(156)	(432)	(5,427)	(127)	(400)
Net amortization:									
Prior service (cost) or credit	148	(54)	—	148	(54)	—	(55)	(53)	—
Net actuarial loss (gain)	459	—	44	86	—	(27)	613	—	20
Curtailment gain	—	—	—	—	—	—	(466)	—	—
Net periodic pension cost	$ 173	$ 460	$2,302	$ 141	$ 350	$1,928	$ 7,058	$ 357	$1,659

The summary of the amounts included in accumulated other comprehensive income (loss) in stockholders' equity for the plans at December 31, 2009 and 2008 is as follows (in thousands):

	2009			2008		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Net loss	$(31,955)	$(358)	$(1,050)	$(36,863)	$(740)	$(699)
Prior service (cost) or credit	—	267	—	(148)	321	—
Total	$(31,955)	$ (91)	$(1,050)	$(37,011)	$(419)	$(699)

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, 2009 is as follows (in thousands):

	2009		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Net loss	$(1,050)	$—	$(11)
Prior service cost	—	54	—
Total	$(1,050)	$54	$(11)

The plans' investment asset mix is as follow at December 31, 2009 and 2008:

	2009			2008		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Equity securities	67%	62%	0%	61%	41%	0%
Debt securities	31%	23%	2%	35%	21%	0%
Cash and cash equivalents	2%	15%	53%	4%	38%	54%
Other	0%	0%	45%	0%	0%	46%
Total	100%	100%	100%	100%	100%	100%

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

	U.S. Pension and U.S. Retiree Healthcare Plans		Non-U.S. Pension Plans
	Policy Target	Range	Policy Target
Equity securities	65%	40% - 80%	0%
Debt securities	25%	20% - 60%	0%
Cash and cash equivalents	0%	0% - 20%	50%
Other	10%	0% - 10%	50%

The asset allocation policy for the U.S. Pension Plans and U.S. retiree healthcare plan was developed in consideration of the following long-term investment objectives: achieving a return on assets consistent with the investment policy, achieving portfolio returns which exceed the average return for similarly invested funds and maximizing portfolio returns with at least a return of 2.5% above the one-year constant maturity Treasury bond yield over reasonable measurement periods and based on reasonable market cycles.

The fair value of the Company's retirement plan assets are as follows at December 31, 2009 (in thousands):

	Total at December 31, 2009	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Pension Plans:				
Mutual funds(a)	$71,636	$71,636	$ —	$ —
Common stocks(b)	3,660	3,660	—	—
Cash equivalents(c)	1,810	—	1,810	—
Hedge funds(d)	5,417	—	—	5,417
Total U.S. Pension Plans	82,523	75,296	1,810	5,417
U.S. Retiree Healthcare Plan:				
Mutual funds(e)	2,629	2,629	—	—
Cash equivalents(c)	455	—	455	—
Total U.S. Retiree Healthcare Plan	3,084	2,629	455	—
Non-U.S. Pension Plans:				
Cash equivalents(c)	5,890	5,890	—	—
Mutual funds(f)	175	175	—	—
Bank and insurance investment contracts(g)	5,002	—	—	5,002
Total Non-U.S. Pension Plans	11,067	6,065	—	5,002
Total fair value of retirement plan assets	$96,674	$83,990	$2,265	$10,419

The fair value of the Company's retirement plan assets are as follows at December 31, 2008 (in thousands):

	Total at December 31, 2008	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Pension Plans:				
Mutual funds(h)	$43,693	$43,693	$ —	$ —
Common stocks(b)	8,722	8,722	—	—
Cash equivalents(c)	2,182	—	2,182	—
Hedge funds(d)	3,859	—	—	3,859
Total U.S. Pension Plans	58,456	52,415	2,182	3,859
U.S. Retiree Healthcare Plan:				
Mutual funds(i)	1,290	1,290	—	—
Cash equivalents(c)	793	—	793	—
Total U.S. Retiree Healthcare Plan	2,083	1,290	793	—
Non-U.S. Pension Plans:				
Cash equivalents(c)	5,462	5,462	—	—
Bank and insurance investment contracts(g)	4,607	—	—	4,607
Total Non-U.S. Pension Plans	10,069	5,462	—	4,607
Total fair value of retirement plan assets	$70,608	$59,167	$2,975	$8,466

(a) The mutual fund balance in the U.S. Pension Plans are invested in the following categories: 38% in the common stock of large-cap U.S. Companies, 27% in the common stock of international growth companies, and 35% in fixed income bonds issued by U.S. companies and by the U.S. Government and its Agencies.

(b) Represents primarily amounts invested in common stock of technology, healthcare, financial, energy and consumer staples and discretionary U.S. companies.

(c) Primarily represents money market funds held with various financial institutions.

(d) Hedge fund invests in both short and long term U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from large to small capitalization stocks and from a net long position to a net short position.

(e) The mutual fund balance in the U.S. Retiree Healthcare Plan is invested in the following categories: 61% in the common stock of large-cap U.S. Companies, 12% in the common stock of international growth companies and 27% in fixed income bonds of U.S. companies and U.S. Government.

(f) The mutual funds balance in the Non-U.S. Pension Plans is invested in international bonds.

(g) Amount represents bank and insurance guaranteed investment contracts.

(h) The mutual fund balance in the U.S. Pension Plans are invested in the following categories: 29% in the common stock of large-cap U.S. Companies, 24% in the common stock of international growth companies and 47% in fixed income bonds issued by U.S. companies and by the U.S. Government and its Agencies.

(i) The mutual fund balance in the U.S. Retiree Healthcare Plan is invested in the following categories: 57% in the common stock of large-cap U.S. Companies, 9% in the common stock of international growth companies and 34% in fixed income bonds of U.S. companies and U.S. Government.

The following table summarizes the changes in fair value of the Level 3 retirement plan assets for the years ended December 31, 2009 and 2008 (in thousands):

	Total	Hedge Funds	Insurance Guaranteed Investment Contracts
Fair value of assets, December 31, 2007	$ 7,462	$3,429	$4,033
Net purchases (sales) and appreciation (depreciation)	1,004	430	574
Fair value of assets, December 31, 2008	$ 8,466	$3,859	$4,607
Net purchases (sales) and appreciation (depreciation)	1,953	1,558	395
Fair value of assets, December 31, 2009	$10,419	$5,417	$5,002

Within the equity portfolio of the U.S. retirement plans, investments are diversified among market capitalization and investment strategy. The Company targets a 20% allocation of its U.S. retirement plans' equity portfolio to 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 weighted-average assumptions used to determine the benefit obligation in the consolidated balance sheets at December 31, 2009, 2008 and 2007 are as follows:

	2009		2008		2007	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	5.95%	4.05%	6.38%	3.65%	6.40%	4.12%
Increases in compensation levels	4.75%	2.94%	4.75%	3.21%	4.75%	3.24%

The weighted-average assumptions used to determine the pension cost at December 31, 2009, 2008 and 2007 are as follows:

	2009		2008		2007	
	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%	5.94%	3.84%
Return on assets	7.95%	3.34%	8.00%	4.03%	7.97%	3.80%
Increases in compensation levels	4.75%	3.21%	4.75%	3.24%	4.75%	2.99%

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 2010, the Company expects to contribute approximately $3 million to $5 million to the Company's defined benefit plans.

Estimated future benefit payments as of December 31, 2009 are as follows (in thousands):

	U.S. Pension and Retiree Healthcare Plans	Non-U.S. Pension Plans	Total
2010	$ 3,894	$ 755	$ 4,649
2011	4,804	853	5,657
2012	5,028	601	5,629
2013	5,319	898	6,217
2014	6,786	1,275	8,061
2015 - 2019	46,617	7,823	54,440

16 Business Segment Information

The accounting standard for segment reporting 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 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 primarily 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 primarily 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, 2009, 2008 and 2007 (in thousands):

	2009	2008	2007
Product net sales:			
Waters instrument systems	$ 699,014	$ 767,122	$ 742,045
Chemistry	243,629	243,855	223,593
TA instrument systems	109,335	128,909	121,954
Total product net sales	1,051,978	1,139,886	1,087,592
Service net sales:			
Waters service	408,482	398,409	356,544
TA service	38,240	36,829	28,912
Total service net sales	446,722	435,238	385,456
Total net sales	$1,498,700	$1,575,124	$1,473,048

Geographic sales information is presented below (in thousands):

Year Ended December 31	2009	2008	2007
Net Sales:			
United States	$ 459,541	$ 476,301	$ 473,322
Europe	495,646	545,620	511,973
Japan	164,120	151,685	134,757
Asia	283,224	291,639	246,587
Other	96,169	109,879	106,409
Total consolidated sales	$1,498,700	$1,575,124	$1,473,048

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	2009	2008
Long-lived assets:		
United States	$167,449	$129,324
Europe	34,285	33,243
Japan	1,590	1,943
Asia	6,587	5,679
Other	1,015	1,399
Total long-lived assets	$210,926	$171,588

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

17 Unaudited Quarterly Results

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

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$333,052	$362,837	$373,963	$428,848	$1,498,700
Cost of sales	127,454	144,154	153,143	170,131	594,882
Gross profit	205,598	218,683	220,820	258,717	903,818
Selling and administrative expenses	99,159	109,583	102,675	109,986	421,403
Research and development expenses	18,332	19,722	19,310	19,790	77,154
Purchased intangibles amortization	2,616	2,683	2,723	2,637	10,659
Operating income	85,491	86,695	96,112	126,304	394,602
Interest expense	(3,130)	(2,649)	(2,864)	(2,343)	(10,986)
Interest income	908	595	785	748	3,036
Income from operations before income taxes	83,269	84,641	94,033	124,709	386,652
Provision for income tax expense	9,922	14,734	18,097	20,586	63,339
Net income	$ 73,347	$ 69,907	$ 75,936	$104,123	$ 323,313
Net income per basic common share	$ 0.75	$ 0.73	$ 0.80	$ 1.10	$ 3.37
Weighted-average number of basic common shares	97,304	96,147	95,235	94,516	95,797
Net income per diluted common share	$ 0.75	$ 0.72	$ 0.79	$ 1.08	$ 3.34
Weighted-average number of diluted common shares and equivalents	97,927	96,996	96,513	96,111	96,862

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

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 first quarter of 2009, the Company recorded approximately $5 million of tax benefit relating to the reversal of a $5 million tax provision which was originally recorded in the third quarter of 2008 relating to the reorganization of certain foreign legal entities (Note 9). 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 fourth quarter of 2008, the Company recorded a $7 million provision related to ongoing litigation (Note 10).

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 2009, 2008, 2007, 2006 and 2005. The Company's financial statements as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009 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	2009*	2008*	2007*	2006*	2005
STATEMENT OF OPERATIONS DATA:					
Net sales	$1,498,700	$1,575,124	$1,473,048	$1,280,229	$1,158,236
Income from operations before income taxes	$ 386,652	$ 372,192	$ 323,192	$ 262,959	$ 274,563
Net income	$ 323,313	$ 322,479	$ 268,072	$ 222,200	$ 201,975
Net income per basic common share:					
Net income per basic common share	$ 3.37	$ 3.25	$ 2.67	$ 2.16	$ 1.77
Weighted-average number of basic common shares	95,797	99,199	100,500	102,691	114,023
Net income per diluted common share:					
Net income per diluted common share	$ 3.34	$ 3.21	$ 2.62	$ 2.13	$ 1.74
Weighted- average number of diluted common shares and equivalents	96,862	100,555	102,505	104,240	115,945
BALANCE SHEET AND OTHER DATA:					
Cash, cash equivalents and short-term investments	$ 630,257	$ 428,522	$ 693,014	$ 514,166	$ 493,588
Working capital, including current maturities of debt**	$ 777,808	$ 666,796	$ 578,628	$ 313,846	$ 309,101
Total assets	$1,907,931	$1,622,898	$1,881,055	$1,617,313	$1,428,931
Long-term debt	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000
Stockholders' equity**	$ 848,949	$ 661,005	$ 586,076	$ 362,383	$ 283,632
Employees	5,216	5,033	4,956	4,687	4,503

* As a result of the adoption of the stock-based compensation accounting standard 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 the standard and, consequently, has not adjusted results from prior years. Stock-based compensation expense was $28 million, $31 million, $29 million and $29 million for the years ended December 31, 2009, 2008, 2007 and 2006, respectively.

** As result of the adoption of the newly issued accounting standard for employers accounting for defined benefit pension and other postretirement plans as of December 31, 2006, the Company is required to recognize the underfunded status of the Company's retirement plans as a liability in the consolidated balance sheets. Prior to 2006, a significant portion of the Company's retirement contribution accrual was classified in other current liabilities and included in working capital. Beginning in 2006, in accordance with this standard, the majority of the retirement contribution accrual is included in the long-term retirement liability. Also, the adoption of this standard had the following after-tax effect on stockholders' equity: increased $3 million in 2009, decreased $20 million in 2008, increased $9 million in 2007 and decreased $2 million in 2006.

** As a result of the adoption of newly issued accounting standard for income tax uncertainty 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 this new standard with 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, 2009 (1) 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) 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 38 of this Form 10-K.

Report of the Independent Registered Public Accounting Firm

See the report of PricewaterhouseCoopers LLP in Item 8 on page 39 of this Form 10-K.

Changes in Internal Control Over Financial Reporting

No change was identified in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B: *Other Information*

None.

PART III

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

Information regarding the Company's directors is contained in the definitive proxy statement for the 2010 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 with Section 16(a) of the Exchange Act is contained in the Company's definitive proxy statement for the 2010 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 2010 Annual Meeting of Stockholders under the heading "Report of the Audit Committee of the Board of Directors" and "Directors Meetings and Board Committees". 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.

The Company has not made any material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors.

Item 11: *Executive Compensation*

This information is contained in the Company's definitive proxy statement for the 2010 Annual Meeting of Stockholders under the heading "Compensation of Directors and Executive Officers" and "Compensation and Management Development Committee Interlocks and Insider Participation" and "Compensation and Management Development Committee Report". 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 2010 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, 2009 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	6,857	$47.58	3,029
Equity compensation plans not approved by security holders	—	—	—
Total	6,857	$47.58	3,029

See Note 12, Stock-Based Compensation, in the Notes to Consolidated Financial Statements for a description of the material features of the Company's equity compensation plans.

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

This information is contained in the Company's definitive proxy statement for the 2010 Annual Meeting of Stockholders under the heading "Directors and Executive Officers", "Directors Meetings and Board Committees" 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 2010 Annual Meeting of Stockholders under the heading "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, 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 40 to 77. The report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, dated February 26, 2010, is set forth on page 39 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.(22)(*)
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)(*)

Exhibit Number	Description of Document
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.(22)(*)
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)(*)
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.(22)(*)
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)
10.60	Waters Corporation 2009 Employee Stock Purchase Plan (23)(*)
10.61	Note Purchase Agreement, dated February 1, 2010 between Waters Corporation and the purchases named therein.
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.
101	The following materials from Waters Corporation's Quarterly Report on Form 10-K for the year ended December 31, 2009, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) Condensed Notes to Consolidated Financial Statements, tagged as blocks of text.(**)

(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).

(22) Incorporated by reference to the Registrant's Report on Form 10-K dated February 27, 2009 (File No. 001-14010).

(23) Incorporated by reference to the Registrant's Report on Form S-8 dated July 10, 2009 (File No. 333-160507).

(*) Management contract or compensatory plan required to be filed as an Exhibit to this Form 10-K.

(**) This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any filing, except to the extent the Company specifically incorporates it by reference.

(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 26, 2010

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 26, 2010.

Signature	Title
/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
2010

Waters

April 1, 2010

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 11, 2010 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 1, 2010, 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 ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010 and (iii) 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 if you receive a paper copy of the Proxy Statement and Annual Report, 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 11, 2010 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 ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010; and
3. 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 17, 2010 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 1, 2010

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ELECTRONIC DELIVERY OF WATERS STOCKHOLDER COMMUNICATIONS

Notice of Electronic Availability of Proxy Statement and Annual Report

As permitted by 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 1, 2010, 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 in person at the Meeting.

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, if you receive a paper copy of the Proxy Statement and Annual Report, by signing, dating, and returning the proxy card by mail 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 11, 2010, 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 2010 Annual Meeting of Stockholders (the "Meeting") to be held on May 11, 2010 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 or regular employees for such Proxy solicitation. The Company has retained 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, 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 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. The Proxy will be voted at the Meeting if the signer of the Proxy was a stockholder of record on March 17, 2010 (the "Record Date").

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.

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 92,856,780 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 1, 2010. 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 ages, principal occupations and other public directorships for at least the last five years, and information regarding their specific experience, qualifications, attributes or skills that led to the conclusion that each such person should serve as a Director of the Company in light of the Company's business and structure.

Douglas A. Berthiaume, 61, 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. Through more than 25 years direct work experience at Waters and its predecessor company, Millipore, and as a director of Genzyme Corporation, Mr. Berthiaume brings to the Waters Board of Directors significant experience in both the business and technical issues facing life science/biotechnology companies.

Joshua Bekenstein, 51, 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. Mr. Bekenstein's many years of experience both as a senior executive of a large investment firm and as a director of companies in various business sectors makes him highly qualified to serve on the Waters Board of Directors.

Michael J. Berendt, Ph.D., 61, 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. Dr. Berendt's experience in the pharmaceutical industry both from a management and scientific perspective provides unique technical insight to the Waters Board of Directors.

Edward Conard, 53, 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. His years of experience as a director and a managing director of two large investment firms affords the Waters Board of Directors the benefit of Mr. Conard's considerable financial, accounting and business strategy skills.

Laurie H. Glimcher, M.D., 58, 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. As a physician, scientist and professor, Dr. Glimcher brings a diversity of technical skills and experience to the Waters Board of Directors.

Christopher A. Kuebler, 56, has served as a Director of the Company since May 2006. Mr. Kuebler is an independent director and investor. He served as Chairman and CEO of Covance Inc., and its predecessor companies from November 1994 to December 2004. Mr. Kuebler served as Chairman of Covance Inc. during 2005. Prior to joining Covance Inc., 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. With 30 years of experience in the pharmaceutical and pharmaceutical service industries, including 10 years as Chairman and Chief Executive Officer of Covance Inc., Mr. Kuebler brings an experienced management perspective to the Waters Board of Directors.

William J. Miller, 64, 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 served as a director of Viewsonic Corporation from January 2004 to April 2008 and Overland Storage, Inc. from June 2006 to September 2009. Mr. Miller is a director of Nvidia Corporation, a Digimarc Corporation, and Glu Mobile Inc. Mr. Miller's extensive experience as a former chief executive officer, director, and investor brings both management and stockholder perspectives to the Waters Board of Directors.

JoAnn A. Reed, 54, has served as a Director of the Company since May 2006. Ms. Reed is a health care services consultant and was an advisor to the Chief Executive Officer of Medco Health Solutions, Inc. until April 2009. 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 of Medco Health Solutions. She joined Medco Containment Services, Inc. in 1988. Her prior experience includes employment with 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. Ms. Reed's extensive experience as a senior financial executive provides the Waters Board of Directors with significant accounting, finance and health care industry expertise.

Thomas P. Salice, 50, has served as a Director of the Company since July 1994. Mr. Salice has been a Managing Member of SFW Capital Partners, LLC, since 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. With more than 20 years of experience in the private equity business, Mr. Salice brings to the Waters Board of Directors in-depth experience in strategic planning, finance, capital structure and mergers and acquisitions.

Required Vote and 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 exceed the votes cast against such nominee), 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. "Abstentions" and shares with respect to which a broker or representative does not vote on a particular matter because it does not have 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 will not be treated as shares cast with respect to 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. 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, 2010. 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.

Required Vote and Recommendation of the Board of Directors

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 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 2 is not approved by the stockholders, the Audit Committee does not intend to change the appointment for fiscal year 2010, but will consider the stockholder vote in selecting an independent registered public accounting firm for fiscal year 2011.

Fees

The aggregate fees for the fiscal years ended December 31, 2009 and December 31, 2008 by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, were as follows:

	2009	2008
Audit Fees	$3,401,336	$3,594,505
Audit-Related Fees	38,371	61,901
Tax Related Fees		
Tax Compliance	627,751	471,103
Tax Planning	335,869	229,560
Total Tax Related Fees	963,620	700,663
All Other Fees	1,500	1,500
Total	$4,404,827	$4,358,569

Audit Fees — consists of fees for the audit of the Company's annual 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 pre-approved 100% of the services listed under the preceding captions "Audit Fees", "Audit-Related Fees," "Tax Related Fees" and "All Other Fees." The Audit Committee's pre-approval policies and procedures are more fully 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 3. 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, 2009. 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 2, 2009 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)(A) 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 SEC rules and 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 board has determined that each of the four members of the Audit Committee — Messrs. Salice, Conard and Miller and Ms. Reed — is an "audit committee financial expert" within the meaning of the SEC rules and that each are independent under the SEC rules and the applicable listing standards of the NYSE.

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. The Compensation Committee's charter 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 2009, 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 2009, 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 2009 annual meeting of stockholders.

CORPORATE GOVERNANCE

Annual Evaluation

During 2009, the Nominating and Corporate Governance Committee of the Board conducted its annual comprehensive evaluation of the Board and each of its committees. The evaluation, in the form of a questionnaire, was circulated to all members of the Board and the committees in November 2009. 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-March 2010. 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 and accordingly, 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 Interested Transactions and report its recommendations to the Board which will 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 Board; 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 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 equal to two times their base salary over a five year period.

If, after the initial three or five year period of accumulation, as the case may be, any such executive officer shall become non-compliant with the guidelines, he or she shall have a period of twelve (12) months to again come into compliance with the guidelines. If, after such twelve month period, any such executive officer remains non-compliant, then, with respect to any subsequent exercise of a stock option by such executive officer, fifty percent (50%) of such executive's net after tax profit from such exercise shall be retained in shares of Common stock until compliance with the guidelines is achieved. Exceptions to these equity ownership guidelines may be considered by the Nominating and Corporate Governance Committee with respect to individual financial situations of current or future executives covered by the guidelines. For purposes of the accumulation of shares of Common stock to comply with these guidelines, in addition to any direct ownership of shares of Common stock by an executive officer or director, any shares of restricted stock and vested "in the money" stock options, which either were or will be granted by the Company to such executives or to members of the Board, shall apply toward the satisfaction of the guidelines. 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. The ownership guidelines have been met by all board members and the named executive officers (as defined below).

Board Leadership Structure

As stated in the Company's Corporate Governance guidelines, the Board has no set policy with respect to the separation of the offices of Chairman and Chief Executive Officer, but instead makes a particular determination in the context of selecting a chief executive officer. Douglas A. Berthiaume has served as both Chairman of the Board and Chief Executive Officer since 1996.

Since 2004, Thomas P. Salice, an independent director, has served as the Board's "lead director". In that capacity, he presides over executive sessions of the non-management Directors of the Board and provides a focal point for and facilitates communication among non-management Directors, Company management and Company stockholders.

The Board believes that, during the tenure of Mr. Berthiaume, combining the offices of Chairman of the Board and Chief Executive Officer has served the Company well, fostering strong and consistent leadership. The lead independent director's responsibilities increased in 2004 facilitating an appropriate balance between such leadership and independent and effective oversight of the Company's affairs.

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 copies 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 in accordance with the company's by-laws 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 and the applicable listing standards of the New York Stock Exchange. In assessing candidates for director, the Nominating and Corporate Governance Committee will consider their skills, experience and diversity in the context of the overall composition of the Board.

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 identify 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.

As noted above, the Nominating and Corporate Governance Committee, in assessing candidates for director, considers their skills, experience and diversity in the context of the Board's overall composition. The Company does not, however, have a specific policy with respect to the consideration of diversity in identifying director nominees.

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 been 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 not be 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.

Stockholder and 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

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 SEC, 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.

During 2009, 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.

The Company retains Ernst &Young LLP to assist in elements of continuing compliance with Section 404 of the Act. The Company's compliance with Section 404 of the Act is managed primarily by the Company's Vice President, Audit & Risk Management in conjunction with the Company's Chief Financial Officer and its Vice President, Corporate Controller. During 2009, the Audit Committee received regular and detailed briefings from the Company's Vice President, Audit & Risk Management and PricewaterhouseCoopers LLP regarding the Company's compliance with Section 404 of the Act. On February 22, 2010, the Company's Vice President, Audit & Risk Management and PricewaterhouseCoopers LLP reported to the Audit Committee that no material weaknesses had been identified in the Company's internal controls over financial reporting as of December 31, 2009.

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 2009. The charter is available at the Company's website at **http://www.waters.com** under the caption "Governance". A discussion of the Audit Committee's role in risk oversight can be found under the heading "Risk Oversight and Compensation Matters — Board's Role in Risk oversight" below.

As stated in its charter, the Audit Committee is tasked with, among other things, reviewing with Management the Company's guidelines and policies with respect to its approach to risk assessment and risk management. In addition, major financial risk exposures and means of monitoring and controlling these exposures, is to be discussed with management.

The Audit Committee held seven meetings during the fiscal year ended December 31, 2009. 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 a list 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 and an estimated amount of fees associated with such services. 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 estimated 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 and the actual expenditure of fees associated therewith as well as new non-audit services being requested for 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 and the Company ensure that all audit and non-audit services provided to the Company have been pre-approved by the Audit Committee.

The Audit Committee hereby reports for the fiscal year ended December 31, 2009 that:

1. It has reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2009 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 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 22, 2010, 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, 2009 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

COMPENSATION 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. During fiscal year 2009, no member of the Compensation Committee was an officer or employee of the Company or served 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 of Directors or its Compensation Committee and no executive of the Company served on the Compensation Committee or Board of Directors of any entity that has one or more executive officers serving on the Waters Board of Directors or Compensation Committee.

RISK OVERSIGHT AND COMPENSATION MATTERS

Board's Role in Risk Oversight

Included in the Company's Annual Report for the year ended December 31, 2009 are the risk factors affecting the Company which are periodically reviewed by the Board and the Audit Committee and updated or expanded as warranted. Additionally, the Company has an Enterprise Risk Management program under the direction of the Assistant Treasurer and the Vice President, Audit & Risk Management. This program seeks to identify, assess, monitor and report on risks affecting the Company's business and operations on an ongoing basis. Management of the Company actively participates in this program and briefs the Audit Committee on the risks affecting the Company and efforts undertaken to mitigate them.

Compensation Related Risk

During 2009, the Compensation Committee undertook an assessment of the Management Incentive Plan. The Compensation Committee focused on several key areas including plan measures and their alignment with Waters' compensation philosophy and business strategy, the target setting process and pay opportunity. This provided a process to consider whether the current program, practices and procedures provide an appropriate balance between prudent business risk and resulting compensation. The Company does not believe that there are any compensation related risks that would have a material adverse effect on the company.

In March 2010, the Board adopted a Recoupment Policy for Management Incentive Plan awards in the event an executive officer engages in willful misconduct that results in a misstatement of financial results. In addition, the Compensation Committee has approved stock ownership guidelines for the named executive officers to further align the executive's interest with that of the stockholders over the long term.

Role of the Compensation Consultant

The Compensation Committee has engaged the services of Pearl Meyer & Partners as its outside independent compensation consultant during fiscal year 2009. Pearl Meyer & Partners participates in Compensation Committee meetings and executive sessions and advises the Compensation Committee on a range of executive and director compensation matters including plan design, competitive market assessments, trends, best practices and technical and regulatory developments. Pearl Meyer & Partners provides services to the Compensation Committee related only to executive and director compensation, including defining peer groups, comparing executive and director compensation arrangements to the peer groups, and providing market data and advice regarding executive and director compensation plans. The Compensation Committee has the authority to engage and terminate such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities.

Role of Management in Executive Compensation

The Compensation Committee approves all compensation decisions for the named executive officers. In discharging its responsibility with regard to the compensation of the Company's CEO and other named executive officers, the Compensation Committee utilizes Pearl Meyer & Partners as its 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 the other named executive officers, and makes recommendations for the compensation of the other named executive officers. The Compensation Committee makes all decisions with respect to the compensation of the CEO and the other named executive officers. No named executive officer makes any decision on any element of his/her own compensation.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis discusses the compensation programs for our named executive officers which are comprised of those persons who served as (i) our principal executive officer during the year ended December 31, 2009, (ii) our principal financial officer during the year ended December 31, 2009 and (iii) our other three most highly compensated executive officers for the year ended December 31, 2009. For the fiscal year 2009, the named executive officers are Douglas A. Berthiaume, Chairman, President and Chief Executive Officer ("CEO"), 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 and Elizabeth B. Rae, Vice President Human Resources. The compensation programs described below apply in many cases to larger groups of the Company's employees other than the five executive officers.

Philosophy and 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 Compensation 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; and
- To attract and retain senior executive talent.

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 non-qualified stock options ("NSOs"). E.P.S. growth goals have been the primary metric for executives in the Management Incentive Plan for fifteen years. Consistent use of this measure promotes executive team alignment, focuses the executive team on operational efficiencies and profitability and provides a long-term perspective among executives. These E.P.S. growth targets are based on E.P.S. reported in accordance with generally accepted accounting principles ("GAAP") and may be adjusted to exclude certain charges and credits, net of tax, including but not limited to purchased intangibles amortization and acquisition related costs, restructuring, litigation, lease termination costs, asset and equity investment impairments, out-of-period errors 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 Company considers these items non-operational transactions and not directly related to ongoing operations and therefore utilizes non-GAAP E.P.S. goals as the metric for the named executive officers in the annual Management Incentive Plan.

Stock options align executive compensation with stockholder interests because options provide value to the executive only if the Company's stock price increases over time. The value of Waters' stock option grants enhance 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. Additionally, Waters' stock options which vest over a five year period and have a ten year term are designed to meet our objective to retain executives. 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 a substantial portion of the total compensation (including benefits) for each of the named executive officers as outlined in the Summary Compensation Table below.

Role of the Compensation Committee

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 the section titled "Data used to make Compensation Determinations". The Compensation Committee also reviews the executive's 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.

The Committee also considers risk in its review of executive compensation and believes that the Company has implemented several policies and practices to mitigate the risk that might arise from an orientation to performance-based incentive compensation such as Stock Ownership Guidelines, a Recoupment Policy, the use of an independent compensation consultant and periodic reviews of the performance-based compensation elements utilized in our executive compensation program.

Summary of Key Executive Compensation Actions in 2009

The following is a summary of the key developments relating to compensation in 2009 for our named executive officers. These key developments are discussed in further detail in the appropriate sections of this Compensation Discussion and Analysis:

- Base salaries were not increased for 2009. Salary increases were approved for 2010 consistent with the factors described under the heading "Base Salary" and the philosophy of maintaining base salaries at or below the market median.
- There were no payouts for 2009 under the Company's Management Incentive Plan for named executive officers. Consistent with prior years, the Company maintained the plan performance target of 15% non-GAAP E.P.S. growth for 2009. During 2009, Pearl Meyer & Partners conducted a study of the Management Incentive Plan and found that consistent achievement of 15% non-GAAP E.P.S. growth was a challenging metric when compared to a group of peer companies. For 2010, the performance measure under the Management Incentive Plan will continue to be non-GAAP E.P.S. growth and the performance target for 2010 will remain at 15%. Additional narrative on the Management Incentive Plan, as well as the study by Pearl Meyer & Partners is under the heading "Annual Incentive".
- Stock options were granted on December 9, 2009 to Messrs. Caputo, Ornell, Beaudouin and Ms. Rae. Although the Compensation Committee intended to grant stock options to Mr. Berthiaume, he declined as he has in the prior five years to be considered for an option grant. Additional details regarding the grants to named executive officers is under the heading "Long-Term Performance-Based Awards".
- In March, 2010, the Compensation Committee recommended and the Board of Directors adopted a Recoupment Policy for incentive awards paid to executive officers under the Management Incentive Plan. A full description of the policy is under the heading "Recoupment Policy".

Elements of Executive Compensation

There are three key elements of Waters' executive compensation program: base salary, annual incentive bonus, and long-term performance-based awards. 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 stockholder value. 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. Although the amount of each element of compensation for each named 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 CEO and all other named executive officers.

Compensation Element	Objective
Base Salary	To attract and retain senior executives and other key employees.
Annual Incentive	To motivate executive officers, senior executives and other key employees to achieve annual non-GAAP E.P.S. growth and operating targets established at the beginning of the fiscal year.
Long-Term Performance Based Awards	To motivate senior executives and other key employees to contribute to the Company's long-term growth of stockholder value and to align compensation with the growth in Waters stock price. Long-Term Performance Based Awards are also designed to retain senior executives and key employees.

Base Salary

The base salaries for the named 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 year 2008, the Compensation Committee considered the factors listed above, the economic conditions at the end of fiscal 2008 and the projections for Company performance in 2009 and decided not to increase the named executive officers' base salaries for fiscal year 2009.

At the end of fiscal year 2009, the Compensation Committee reviewed the Company's performance during the challenging economic year of 2009 and the combination of factors including past individual performance and experience, scope of responsibility, competitive salary levels and an individual's potential for making contributions to future Company performance in determining salaries for 2010. The Pearl Meyer & Partners Competitive Market Assessment indicated that on average the base salaries for the named executive officers were at the 35th percentile of the competitive market for their respective positions. In December 2009, the Compensation Committee approved base salary increases for executive officers for fiscal year 2010 that ranged between 3% and 5%. Pearl Meyer & Partners provided the Compensation Committee with a recommendation indicating that a 3% salary increase was consistent with the current average market increase for executives. A 5% salary increase was approved for two named executive officers whose base salaries were below the 35th percentile of the competitive market for their respective positions. The 2010 base salaries of the named executive officers remain at or below the market median for their respective positions which is consistent with Waters' philosophy to emphasize performance-based pay.

Annual Incentive

The Management Incentive Plan is the annual incentive plan for executive officers, senior executives, and other key employees of the Company. The Compensation 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 2009 target payouts for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were, as a percentage of base salary, 100%, 90%, 75%, 60% and 40%, respectively. Mr. Ornell's target bonus as a percent of salary was increased from 60% in 2008 to 75% in 2009 in order to appropriately position Mr. Ornell's target total cash compensation relative to the market and the Company's executive compensation philosophy. The 2010 target payouts for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae are, as a percentage of base salary, 110%, 100%, 85%, 70% and 50%, respectively. The threshold payouts are 25% of the target payout for each executive officer, and are payable upon achievement of threshold performance. Performance below the threshold level results in no payout. The maximum payout under the plan is 3.75 times the target for Mr. Berthiaume and 3.5 times the target for Messrs. Caputo, Ornell, Beaudouin and Ms. Rae to a maximum payout amount of $5,000,000 which was established to comply with the maximum payout requirements of Section 162(m) of the Internal Revenue Code.

The Compensation Committee has consistently established Management Incentive Plan targets for the named executive officers and other key employees based on 15% non-GAAP E.P.S. growth over the prior year. The Management Incentive Plan is designed to provide increasing levels of bonus payout to the named executive officers consistent with increasing levels of non-GAAP E.P.S. growth. The Compensation Committee evaluates the results of the Company's performance against previously established targets in order to determine the individual bonuses for the named executive officers under the Management Incentive Plan.

For the 2009 fiscal year, the Compensation Committee again established a 15% non-GAAP E.P.S. growth target over 2008. In addition, the Compensation Committee established a minimum threshold operating income performance requirement. In fiscal year 2009, the Company did not achieve the threshold operating income requirement or the threshold non-GAAP E.P.S. growth of 7%. Non-GAAP E.P.S. for 2009 was $3.45 which represents 5% growth over 2008 non-GAAP E.P.S. of $3.30. Non-GAAP E.P.S. for 2009 excluded purchased intangible amortization and acquisition related costs, restructuring charges and lease termination related costs. Non-GAAP E.P.S. for 2008 excluded purchased intangible amortization, restructuring charges, a litigation provision, and an out-of-period correction associated with software capitalization and amortization. The Company's performance in 2009 did not result in payouts for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae, respectively, under the Management Incentive Plan for fiscal year 2009. In the five years prior to 2009, the Company has achieved non-GAAP E.P.S. growth that has ranged from 10% to 26%.

During 2009, the Company reviewed the Management Incentive Plan with Pearl Meyer & Partners. The objectives of this review were to consider the Management Incentive Plan for alignment with Waters' compensation philosophy and emphasis on pay for performance and to review the performance measures utilized under the Management Incentive Plan to ensure these measures provided the best ongoing assessment of strategy execution and the creation of stockholder value. Results of the review indicated that the Management Incentive Plan and the use of non-GAAP earnings growth as a metric continue to meet the goals of aligning pay with performance and holding executives accountable for strong financial and operating performance targets. The review also found that consistent achievement of 15% annual non-GAAP earnings growth was a challenging metric. A review of ten years of non-GAAP earnings growth for a group of peer companies indicated that 15% non-GAAP E.P.S. growth was achieved approximately 50% of the time. This study also found that actual executive payouts under the Company's Management Incentive Plan were aligned with both Company performance versus the peer group and total stockholder return. For fiscal year 2010, the Compensation Committee has again established a 15% non-GAAP E.P.S. growth target and a minimum operating income threshold measure.

Long-Term Performance-Based Awards

The Compensation Committee considers and grants stock options to the named 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 Pearl Meyer & Partners. Based on this analysis, the Compensation Committee determined that NSO's most effectively meet Waters' objectives for using performance oriented equity instruments for the named executive officers and other 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 Compensation Committee also determined that restricted stock units ("RSU's") were the most effective long-term incentive instrument to meet its objective of retention for employees below the senior executive level. Waters continues to emphasize performance-based long-term incentive instruments for the named executive officers and other senior executives and has chosen not to employ RSU's for its named executive officers and other senior executives to date.

The Compensation Committee considered the operational and financial performance of the Company during fiscal year 2009, individual performance and competitive market data in determining NSO grants for the named executive officers. In addition to these factors, the Compensation Committee also considers dilution, share usage and Financial Accounting Standard Board Accounting Standard Codification Topic 718 Compensation — Stock Compensation ("FASB ASC Topic 718") expense in determining the number of options to grant to the named executive officers. These factors were considered collectively without a specific weighting assigned to any one factor. The Compensation Committee also believes that it is important to provide meaningful reward and recognition opportunities to the named executive officers irrespective of the potential gains they may realize from prior long-term performance based awards.

It was the intention of the Compensation Committee to grant 125,000 NSO's to Mr. Berthiaume in 2009. As in the prior five years, Mr. Berthiaume declined to be considered for an option grant in 2009. The Compensation Committee expects to consider Mr. Berthiaume for future stock option grants.

The NSO's for Messrs Caputo, Ornell, Beaudouin and Ms. Rae were granted under the Waters Corporation 2003 Equity Incentive Plan based on the closing price of the Waters' common stock on the grant date, December 9, 2009. The FASB ASC Topic 718 value of the 2009 option grants for Messrs. Caputo and Beaudouin and Ms. Rae were approximately 8% lower than in 2008. Mr. Ornell's option grant was increased from 40,000 shares to 50,000 shares which represents a 15% increase in the FASB ASC Topic 718 value over his grant in 2008 and was increased to appropriately position his long term incentive award relative to the market competitive range for his position. All option grants 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.

The named executive officers 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"), the 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 and the Waters Retirement Restoration Plan are designed to restore the benefits, matching contributions and compensation deferral that are limited by Internal Revenue Service 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 Benefits table and the Non-Qualified Deferred Compensation table in this Proxy Statement.

Change in Control/Severance Agreements

Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae 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 named executive officers if they are terminated or leave for good reason prior to or following a change in control 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.

Stock Ownership Guidelines

The importance of ownership in Waters' stock by its named 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. The named executive officers are required to acquire and retain common stock equal to two times their base salary over a five-year period. If a named 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 named executive officer's net after tax profit from such exercise be retained in shares of Waters common stock until the stock ownership guideline is achieved. A named 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. The guidelines were amended in 2009 to include the stock option exercise disposition guideline and the inclusion of vested "in-the-money" stock options for the purpose of accumulating shares to comply with the stock ownership guidelines. The ownership guidelines have been met by all named executive officers, Mr. Berthiaume, Mr. Caputo, Mr. Ornell, Mr. Beaudouin and Ms. Rae.

Recoupment Policy

In March 2010, the Compensation Committee recommended and the Board of Directors adopted a Recoupment Policy for incentive awards paid to executive officers under the Company's Management Incentive Plan. Under this policy, if an executive officer engaged in misconduct that resulted in a restatement of financial results, the Compensation Committee, if it determined appropriate and subject to applicable laws, could seek reimbursement of the portion of Management Incentive Plan awards impacted by the event.

Stock Option Grant Practices

It has been the consistent practice of the Compensation 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 of 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 Internal Revenue 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 under Section 162(m) of the Internal Revenue Code. 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.

Data used to make Compensation Determinations

Competitive Market Assessment

Competitive market data is an important component in determining the amount of compensation for each element for each named executive officer. The Compensation Committee utilizes its 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 each named executive officer from the perspective of total direct compensation, which includes base salary, 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 named executive officer. 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 Industry Peer Group of 14 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, 2009 was $2,078,000,000 and the median market capitalization as of October, 2009 was $4,101,000,000.

2009 Industry Peer Group Companies:

Agilent	Millipore
Beckman Coulter	Pall
Bio-Rad Laboratories	Perkin Elmer
Bruker	Roper Industries
Hologic	Sigma-Aldrich
Life Technologies	Thermo Fisher Scientific
Mettler-Toledo	Varian Medical

Each year, Pearl Meyer & Partners evaluates the peer group for continued appropriateness for external executive compensation comparisons based on the primary selection criteria of similarity in industry and or products and services, revenue and market capitalization. The target range for both revenue and market capitalization is 50% to 200% of Waters revenue and market capitalization. Pearl Meyer & Partners also evaluates any changes to the ownership or business model of existing peer group companies. Varian Inc. was included in the 2008 peer group and excluded from the 2009 peer group due to the acquisition by Agilent. Invitrogen, a 2008 peer group company is represented in the 2009 peer group under its new name, Life Technologies. Based on this evaluation, both Hologic and Roper Industries were added to the 2009 core peer group. Two companies in the peer group, Agilent and Thermo Fisher, have revenues above the target range; however they have been consistently included in the core peer group because they are top competitors for Waters products.

The Hewitt Executive Compensation Survey provides a general industry perspective based on revenue scope for each named executive officer position. The CHiPS Executive and Senior Management Total Compensation Survey provides a high technology perspective based on revenue for each named executive officer position. Data from the survey sources and the peer companies are combined to develop a primary market composite.

In addition, a supplementary peer group is utilized by the Compensation Committee to provide a broader industry perspective. This peer group, referred to as the High Technology Peer Group, is composed of companies within high technology industries such as Medical Equipment and Devices, Pharmaceuticals, Biotechnology and Biopharmaceuticals and Software. Companies in this High Technology Peer Group also fall within the revenue and market capitalization target ranges described above. For the four quarters ending September 30, 2009 the median revenue for this peer group was $1,677,000,000 and the median market capitalization as of November 5, 2009 was of $4,410,000,000.

High Technology Peer Group Companies:

Autodesk	King Pharmaceuticals
C.R. Bard	Life Technologies
Beckman Coulter	McAfee
BMC Software	Millipore
Cadence Design Systems	ResMed
Citrix Systems	Sepracor
FLIR Systems	Varian Medical
Hologic	

Using the same evaluation process described above, three companies that were in the High Technology Peer Group in 2008 were excluded from the peer group in 2009 due to significant changes as a result of acquisitions and mergers. These companies include Activision Blizzard, Barr Pharmaceuticals and Mylan. No new companies were added to this peer group for 2009 as the size of the group was determined sufficient for external executive compensation comparisons.

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, 2009, 2008 and 2007, 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	2009	$735,000	—	—	$0	$0	$141,761	$133,632	$1,010,393
	2008	$735,000	—	—	$0	$1,470,000	$105,232	$129,432	$2,439,664
	2007	$700,000	—	—	$0	$1,400,000	$264,092	$71,082	$2,435,174
Arthur G. Caputo Executive Vice President and President, Waters Division	2009	$450,000	—	—	$2,065,000	$0	$78,501	$16,032	$2,609,533
	2008	$450,000	—	—	$2,241,000	$810,000	$52,391	$161,187	$3,714,578
	2007	$410,000	—	—	$2,401,358	$738,000	$126,055	$8,082	$3,683,495
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	2009	$360,000	—	—	$1,032,500	$0	$39,001	$54,379	$1,485,880
	2008	$360,000	—	—	$896,400	$450,000	$20,549	$100,435	$1,827,384
	2007	$338,000	—	—	$960,543	$422,500	$53,822	$16,431	$1,791,296
Mark T. Beaudouin Vice President, General Counsel and Secretary	2009	$360,000	—	—	$826,000	$0	$13,786	$54,379	$1,254,165
	2008	$360,000	—	—	$896,400	$450,000	$7,873	$95,472	$1,809,745
	2007	$338,000	—	—	$960,543	$422,500	$42,304	$25,191	$1,788,538
Elizabeth B. Rae Vice President, Human Resources	2009	$215,000	—	—	$619,500	$0	$12,227	$26,063	$872,790
	2008	$215,000	—	—	$672,300	$172,000	$7,230	$55,072	$1,121,602
	2007	$200,000	—	—	$706,282	$160,000	$26,708	$12,402	$1,105,392

(c) Reflects the base salary earned by the executive officer during 2009, 2008 and 2007, respectively.

(f) FASB ASC Topic 718 (formerly known as SFAS 123(R)), is the accounting standard used in determining the aggregate grant date fair value of the option awarded. The FASB ASC Topic 718 aggregate grant date fair value of the option awarded was determined using the Black Scholes option pricing model without regard to estimated forfeitures. The assumptions used to calculate this amount are disclosed in the Company's Annual Reports for the fiscal years ended December 31, 2009, 2008 and 2007, respectively. The closing price of the Common stock on the grant dates December 9, 2009, December 10, 2008 and December 11, 2007 were $59.44, $41.20 and $77.94, respectively. Mr. Berthiaume declined to be considered for a grant in 2009, 2008 and 2007.

(g) Reflects the incentive earned for 2009 and 2008 respectively, under the Company's Management Incentive Plan. No incentive was earned for 2007.

(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 2009, 2008 and 2007, 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 named executive officer during 2009, 2008 and 2007. The matching contributions in 2009 for

Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $132,300, $14,700, $53,100, $53,100 and $25,395, respectively. The 2009 life insurance premiums paid by the Company on behalf of each named executive officer for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $1,332, $1,332, $1,279, $1,279 and $668, respectively. 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 each named executive officer for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $1,332, $1,332, $1,200, $1,200 and $622, 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 one-time transition benefits made in March, 2008 for Messrs. Caputo, Ornell, Beaudouin and Ms. Rae were $146,055, $67,158, $42,822 and $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 each named executive officer for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae were $1,332, $1,332, $1,101, $1,101 and $575, respectively. The Company does not offer any perquisites for the exclusive benefit of the named executive officers.

(j) Reflects the total of columns (c) through (i) for each executive officer for 2009, 2008 and 2007.

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 named executive officers in the last fiscal year.

Grants of Plan-Based Awards

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		$183,750	$735,000	$2,756,250			
Arthur G. Caputo	12/9/2009				100,000	$59.44	$2,065,000
		$101,250	$405,000	$1,417,500			
John A. Ornell	12/9/2009				50,000	$59.44	$1,032,500
		$67,500	$270,000	$945,000			
Mark T. Beaudouin	12/9/2009				40,000	$59.44	$826,000
		$54,000	$216,000	$756,000			
Elizabeth B. Rae	12/9/2009				30,000	$59.44	$619,500
		$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 2009. 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 NSOs granted by the Compensation Committee on December 9, 2009. These options will vest 20% per year for five years. It was the intention of the Compensation Committee to grant a stock option award equal to 125,000 shares to Mr. Berthiaume in 2009; however, Mr. Berthiaume declined to be considered for an option grant in 2009.

(k) Reflects the closing price of the common stock on the grant date of December 9, 2009.

(l) FASB ASC Topic 718 is the accounting standard used in determining the aggregate grant fair value of the option awarded. The FASB ASC Topic 718 is aggregate grant date fair value of the option awarded was determined using the Black Scholes option pricing model without regard to estimated forfeitures. The assumptions used to calculate this amount are disclosed in the Company's Annual Reports for the fiscal years ended December 31, 2009.

Narrative Disclosure to the Summary Compensation Table and the Grants of Plan Based 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 2009, 2008 and 2007. Incentive payments, if any, were based on exceeding the threshold requirements for operating income and the above target achievement of the fiscal year non-GAAP 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 2009 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 stock option awards were granted at a meeting of the Compensation Committee held on December 9, 2009. The exercise price of $59.44 is equal to the closing market price of the common stock on December 9, 2009. 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 the named executive officers.

There were no discretionary or guaranteed bonus payments to the named executive officers in fiscal 2009, 2008 or 2007.

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 unexercisable for each of the named executive officers as of December 31, 2009.

Outstanding Equity Awards at Fiscal Year-End

	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)**
	150,000	0	—	$47.12	12/8/2014	—	—	—	—
Douglas A. Berthiaume	150,000	0	—	$32.12	12/11/2013	—	—	—	—
	150,000	0	—	$36.25	12/12/2011	—	—	—	—
	100,000	0	—	$72.06	12/7/2010	—	—	—	—
	0	100,000	—	$59.44	12/9/2019	—	—	—	—
	20,000	80,000	—	$41.20	12/10/2018	—	—	—	—
	34,000	51,000	—	$77.94	12/11/2017	—	—	—	—
	60,000	40,000	—	$49.31	12/13/2016	—	—	—	—
Arthur G. Caputo	80,000	20,000	—	$38.99	12/2/2015	—	—	—	—
	125,000	0	—	$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	—	—	—	—
	0	50,000		$59.44	12/9/2019				
	8,000	32,000	—	$41.20	12/10/2018	—	—	—	—
	13,600	20,400	—	$77.94	12/11/2017	—	—	—	—
	24,000	16,000	—	$49.31	12/13/2016	—	—	—	—
John A. Ornell	32,000	8,000	—	$38.99	12/2/2015	—	—	—	—
	50,000	0	—	$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	—	—	—	—
	0	40,000		$59.44	12/9/2019				
	8,000	32,000	—	$41.20	12/10/2018	—	—	—	—
	13,600	20,400	—	$77.94	12/11/2017	—	—	—	—
Mark T. Beaudouin	24,000	16,000	—	$49.31	12/13/2016	—	—	—	—
	32,000	8,000	—	$38.99	12/2/2015	—	—	—	—
	50,000	0	—	$47.12	12/8/2014	—	—	—	—
	30,000	0	—	$32.12	12/11/2013	—	—	—	—
	10,000	0	—	$21.05	4/1/2013	—	—	—	—
	0	30,000		$59.44	12/9/2019				
	6,000	24,000	—	$41.20	12/10/2018	—	—	—	—
	10,000	15,000	—	$77.94	12/11/2017	—	—	—	—
Elizabeth B. Rae	18,000	12,000	—	$49.31	12/13/2016	—	—	—	—
	24,000	6,000	—	$38.99	12/2/2015	—	—	—	—
	15,000	0	—	$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, 2008 and 2009, 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 the first five years after grant. Grants with expiration dates of December 8, 2014 or earlier are 100% vested as of December 8, 2009. Vesting dates for annual grants with expiration dates after December 8, 2014 are December 2, December 13, December 11, December 10 and December 9, 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 by the named executive officers during the last fiscal year.

Option Exercises and Stock Vested

	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	140,000	$5,220,072	—	—
Arthur G. Caputo	—	—	—	—
John A. Ornell	—	—	—	—
Mark T. Beaudouin	—	—	—	—
Elizabeth B. Rae	—	—	—	—

(a) All of options exercised by Mr. Berthiaume had expiration dates of December 9, 2009.

The table below sets forth certain information regarding payments or other benefits at, following or in connection with retirement of the named executive officers.

Pension Benefits Fiscal Year 2009

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	Waters Corporation Retirement Plan	29.12	$296,055	—
	Waters Corporation Retirement Restoration Plan	29.12	$1,607,067	—
Arthur G. Caputo	Waters Corporation Retirement Plan	32.19	$308,145	—
	Waters Corporation Retirement Restoration Plan	32.19	$626,818	—
John A. Ornell	Waters Corporation Retirement Plan	19.54	$193,189	—
	Waters Corporation Retirement Restoration Plan	19.54	$169,711	—
Mark T. Beaudouin	Waters Corporation Retirement Plan	6.75	$49,768	—
	Waters Corporation Retirement Restoration Plan	6.75	$91,039	—
Elizabeth B. Rae	Waters Corporation Retirement Plan	13.96	$93,354	—
	Waters Corporation Retirement Restoration Plan	13.96	$15,641	—

The present value of the accumulated benefit is calculated in accordance with Financial Accounting Standard Board Accounting Standard Codification Topic 715 Compensation — Retirement Benefits. Please refer to the footnotes in the Company's Annual Report for the fiscal year ended December 31, 2009 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. unfunded, 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, 2009.

The table below summarizes the deferred compensation in the last fiscal year for the named executive officers.

Non-Qualified Deferred Compensation

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	**$132,300**	**$117,600**	**$1,067,898**	**—**	**$4,270,794**
Arthur G. Caputo	**—**	**—**	**$114,840**	**—**	**$760,607**
John A. Ornell	**$36,000**	**$33,900**	**$178,023**	**—**	**$721,821**
Mark T. Beaudouin	**$81,000**	**$33,900**	**$109,472**	**—**	**$534,314**
Elizabeth B. Rae	**$23,220**	**$8,520**	**$19,562**	**—**	**$89,535**

(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. These amounts are also reported under "All Other Compensation" in the Summary Compensation Table.

(d) Amounts reported in this column reflect participant directed earnings in investment vehicles consistent with the qualified 401(k) Plan with the exception of Waters Corporation common stock, the Self-directed Brokeragelink Option and the Fidelity Managed Income Portfolio. These amounts are not included in the Summary Compensation Table because the earnings are not "above-market" or preferential.

(f) The aggregate 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 2009, 2008, 2007 and 2006 for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae: $761,993, $108,030, $243,290, $391,981 and $87,442, respectively.

All non-qualified deferred compensation contributions made by the named executive officer, or by the Company on behalf of the named 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 ($16,500 in 2009 or $22,000 if age 50 or older). 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 Internal Revenue Service limit on compensation for such plans, $245,000 in 2009, 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, as amended, 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.

The agreements further provide that the benefits will be supplemented by an additional payment to "gross up" the 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.

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.

If the employment of the named executive officer had been terminated without cause or any officer resigned for good reason on December 31, 2009 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) based on the price per share as of December 31, 2009.

Potential Payments 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	$1,470,000	$1,470,000	$33,122	$0	$0	$2,973,122
Arthur G. Caputo	$900,000	$810,000	$23,610	$2,878,200	$0	$4,611,810
John A. Ornell	$720,000	$540,000	$32,994	$1,176,480	$0	$2,469,474
Mark T. Beaudouin	$720,000	$432,000	$32,994	$1,151,280	$0	$2,336,274
Elizabeth B. Rae	$430,000	$172,000	$31,525	$863,460	$0	$1,496,985

The cash severance was calculated assuming the base salary and annual bonus target under the Management Incentive Plan for 2009, in effect on December 31, 2009. The benefit continuation payment is based on premium costs as of December 31, 2009.

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

Director Compensation Fiscal Year 2009

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)	(g)	(h)
Joshua Bekenstein	$62,000	$38,090	$72,485	—	—	—	$172,575
Michael J. Berendt, Ph.D.	$65,500	$38,090	$72,485	—	—	—	$176,075
Edward Conard	$68,000	$38,090	$72,485	—	—	—	$178,575
Laurie H. Glimcher	$60,500	$38,090	$72,485	—	—	—	$171,075
Christopher A. Kuebler	$62,000	$38,090	$72,485	—	—	—	$172,575
William J. Miller	$77,500	$38,090	$72,485	—	—	—	$188,075
JoAnn A. Reed	$68,000	$38,090	$72,485	—	—	—	$178,575
Thomas P. Salice	$90,500	$38,090	$72,485	—	—	—	$201,075

FASB ASC Topic 718 is the accounting standard used in determining the aggregate grant fair value of the option awarded. The FASB ASC Topic 718 aggregate grant date fair value of the option awarded was determined using the Black Scholes option pricing model without regard to estimated forfeitures. The assumptions used to calculate this amount are disclosed in the Company's Annual Reports for the fiscal years ended December 31, 2009.

(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, 2009, with a FASB ASC Topic 718 fair value of $38.09 and a vesting date of January 30, 2012. The closing price of the common stock was $38.09 on January 2, 2009. On December 31, 2009, all Directors 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, 2009, with a FASB ASC Topic 718 fair value of $72,485 and a vesting schedule of 20% per year for five years. The closing price of the common stock on January 2, 2009 was $38.09 per share. The outstanding non-qualified stock options for Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller, Salice, Ms. Glimcher, and Ms. Reed on December 31, 2009, were 35,000, 35,000, 35,000, 15,000, 35,000, 31,000, 23,800 and 15,000 options, respectively.

There were no increases to Board compensation in 2009. Board compensation included a retainer of $50,000 for the year, paid quarterly and $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. As is our consistent practice, 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. The exercise price of the stock option grant was equal to the closing price on the grant date.

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 Compensation Committee utilize sources of data consistent with the executive compensation assessment which include the peer group of 14 publicly traded firms, as well as data from a broader group of 15 high technology companies with products and services, revenues and market capitalization similar to Waters. Based on the Pearl Meyer & Partners competitive assessment, the Board approved an increase in the lead director annual retainer from a total annual retainer of $55,000 to a total annual retainer of $65,000 for 2010. The Board also approved an increase to the Committee chairmen annual retainers. The Audit Committee Chairman annual retainer will increase from $10,000 to $15,000 and the Compensation and Nominating and Corporate Governance Committee chairmen annual retainer will increase from $5,000 to $7,500 for 2010. Based on the recommendation of Pearl Meyer & Partners to incorporate a value approach to equity grants to Directors, the restricted stock grant of 1,500 shares and a stock option grant of 4,000 shares were approved for each Board member. Consistent with prior practice, these equity grants were made on the first business day of the year, January 4, 2010. The exercise price of the stock option grant was equal to the closing price on January 4, 2010.

The Company also sponsors the 1996 Non-Employee Director 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. Fees deferred in cash are credited with an interest rate equal to the lesser of the Prime Rate plus 50 basis points or the maximum rate of interest that may be used without being treated as an "above market" interest rate under the SEC guidelines. Messrs. Bekenstein and Conard elected to defer fees into Waters common stock units in 2009. Ms. Reed elected to defer 2009 fees in cash.

COMPENSATION 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 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 17, 2010 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(2)	10,770,810	11.60%
BlackRock, Inc.(3)	9,826,921	10.58%
Executive Officers and Directors		
Mark T. Beaudouin(4)(5)	172,310	*
Douglas A. Berthiaume(4)(6)	3,323,585	3.56%
Arthur G. Caputo(4)	704,734	*
John Ornell(4)(7)	334,742	*
Elizabeth Rae(4)(8)	91,104	*
Joshua Bekenstein(4)(9)	55,200	*
Dr. Michael J. Berendt(4)	43,200	*
Edward Conard(4)(9)	51,200	*
Dr. Laurie H. Glimcher(4)	22,500	*
Christopher A. Kuebler(4)	13,200	*
William J. Miller(4)(9)	38,700	*
JoAnn A. Reed(4)	13,200	*
Thomas P. Salice(4)(9)(10)	78,100	*
All Directors and Executive Officers as a group (13 persons)	4,941,775	5.22%

* Represents less than 1% of the total number of the issued and outstanding shares of common stock.

(1) Figures are based upon 92,856,780 shares of common stock outstanding as of March 17, 2010. 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 17, 2010.

(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 13G/A filed with the SEC on February 5, 2010. Figures include 507,153 shares with sole power to vote or direct the vote, and 770,810 shares held by Massachusetts Financial Services Company and/or certain other non-reporting entities with sole power to dispose or to direct the disposition of shares. The address of Massachusetts Financial Services Company is 500 Boylston Street, Boston, MA 02116

(3) Amounts shown reflect the aggregate number of shares of common stock held by BlackRock, Inc. and its subsidiaries, based on information set forth in Schedule 13G filed with the SEC on January 8, 2010. The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022.

(4) 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 17, 2010 as follows: Mr. Beaudouin 167,600, Mr. Berthiaume 550,000, Mr. Caputo 529,000, Mr. Ornell 317,600, Ms. Rae 86,500, Mr. Bekenstein 27,700, Dr. Berendt 27,700, Mr. Conard 27,700, Dr. Glimcher 16,500, Mr. Kuebler 7,700, Mr. Miller 27,700, Ms. Reed 7,700 and Mr. Salice 23,700.

(5) Includes 3,735 shares held in Mr. Beaudouin's ESPP and 401K accounts.

(6) Includes 69,000 shares held by Mr. Berthiaume's wife, 306,359 shares held by a family limited partnership, 34,874 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.

(7) Includes 11,138 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.

(8) Includes 3,704 shares held in Ms. Rae's ESPP and 401K accounts.

(9) 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.

(10) 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.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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 any such report on a timely basis during the fiscal year ended December 31, 2009.

STOCKHOLDER PROPOSALS

Proposals of stockholders to be presented at the 2011 Annual Meeting of Stockholders anticipated to be scheduled on or about May 12, 2011, 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, 2010. 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 undertake to deliver promptly upon written or oral request a separate copy our Annual Report, 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, 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 in the future, you may write to the Director of Investor Relations at our principal executive offices at 34 Maple Street, Milford, Massachusetts 01757 or call the Vice President of Investor Relations of Waters at (508) 482-2349.

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

BNY Mellon Shareowners Services
480 Washington Boulevard
Jersey City, New Jersey 07310-1900

Certificates for Transfer and Address Changes

BNY Mellon Shareowners Services
P.O. Box 358015
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 11, 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:

Waters Corporation
34 Maple Street
Milford, Massachusetts 01757

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Waters

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