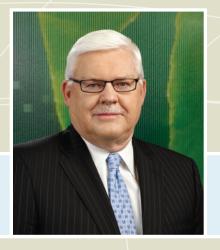


# Customer success is our mission

Waters creates business advantages for laboratorydependent 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.



### 2011 | shareholder letter

In a year that saw the world's population top seven billion people, societies across the world are ever more dependent upon laboratory science to improve our health, our food, and our environment. This dependence on science shows no signs of slowing down.

For Waters, 2011 saw a second consecutive year of double-digit sales growth and even faster earnings growth. Successful new product launches, healthy demand from our customer base, and continuing growth in emerging economies were key factors in driving our success. It is also important to note that 2011 was a year of investment for Waters. During the year, we continued to invest in research and development across all our major product lines, including plans for a new mass spectrometry center of excellence near Manchester, U.K., and expanded field personnel to support rapidly expanding customer

bases. We are confident that we have a strong foundation to grow top and bottom line results in 2012 while maintaining our reputation for industry-leading customer service and support.

Our 2011 full-year financial results were highlighted by 13% sales growth, along with 18% growth in adjusted earnings per share. As mentioned, 2011 was a year of significant investment, and yet we managed to expand our operating margins and generate record free cash flow\*\*about 25 cents of free cash flow for every sales dollar generated. As has been our strategy for several years, the primary use of cash was our ongoing share repurchase efforts. Over the years, this program has reduced our share count by a third, thereby supporting EPS growth without adding risk to future earnings growth.

Clearly, the biggest success for Waters in liquid chromatography technology

in 2011 was the ACQUITY UPLC® H-Class introduced a year earlier. Continuing the momentum of 2010, H-Class shipment and revenue growth rates rank among the highest in company history for a new instrument. Even with this rapid adoption of H-Class. Waters continues to innovate at the highest levels by further strengthening the high-end capability of UPLC.® In 2011, Waters introduced and shipped the ACQUITY UPLC I-Class, the highest performing UPLC system ever engineered, addressing the most difficult separations and optimizing the performance of any mass spectrometer.

Turning to Waters' mass spectrometry, 2011 was marked by new systems introductions addressing all levels of customer sensitivity and performance needs. From the development of the research-grade SYNAPT® G2-S to the ultra-sensitive Xevo® TQ-S system, Waters has a full complement of mass spectrometers for any application.

The year also saw the introduction of Waters first workflow-specific total system solutions tailored for biopharmaceutical and bioanalysis applications. Both new systems bring together UPLC/MS characterization technology driven by UNIFI™ Scientific Information System, an industry-first comprehensive software solution that unites all aspects of respective analyses and workflows for high-resolution analytics. With our industry-leading core competencies in separations, detection, chemistries, and informatics, Waters is uniquely positioned to develop such systems that optimize technology performance for dedicated application areas. We look to continue this strategy in 2012 with new application-tailored systems that offer workflow benefits.

While Waters continues to experience strong support from virtually all our target markets, we have been able to further our industry leadership profile in food safety through innovative public-private partnerships. In September, the U.S. Food and Drug Administration, University of Maryland, their Joint Institute for Food Safety and Applied Nutrition and Waters jointly opened the International Food Safety Training Laboratory (www.ifstl.org), the world's

only permanent food safety lab that provides hands-on lab training on detection methods and classroom lessons on regulatory standards, educating governments and food exporters so they can ensure food is safe before it reaches the table.

Waters also expanded its Centers of Innovation Program in 2011, recognizing analytical scientists facilitating breakthroughs in health and life science research, food safety, environmental protection, sports medicine and many other areas. Scientists from the nearly 20 Centers of Innovation, in partnership with Waters, are using liquid chromatography and mass spectrometry to unlock the mysteries of science and take research down new and exciting paths.

Not surprising, the TA® division finished 2011 strong by completing a year of profitable growth with yet another double-digit sales growth, as customers continue to show strong adoption of new technology instruments and as the division enjoyed balanced sales growth across its major geographical segments. In 2012 and beyond, TA will expand its system offerings and expand its application's footprint into biological and high-temperature material testing opportunities.

So while we are encouraged by the outcomes of 2011, we feel that our strong product positions and our access to growing markets in Asia, Latin America and Eastern Europe position us well to weather economic uncertainties and continue to grow our business. Globally, we remain confident that the pharmaceutical industry will continue to require our products for research and regulatory compliance applications, and we are also confident that our application-tailored system strategy will allow us to both secure a competitive advantage and expand our business into new application areas.

Of course, none of our accomplishments would be possible if not for the hard work and dedication of Waters' employees around the world. Their efforts are truly the driving force behind the company's success.

On behalf of the 5,700 Waters employees worldwide, we appreciate your continued support.

Best Regards,

Douglas Berthiaum

Douglas A. Berthiaume Chairman, President and Chief Executive Officer

<sup>\*</sup> Earnings per share (EPS) grew 16% on a GAAP basis. Please refer to the Company's website www.waters.com/Investors/SEC filings and Form 8-K filed on January 24, 2012, for a 2011 GAAP to adjusted EPS reconciliation.

<sup>\*\*</sup> Free cash flow is defined as Cash from Operations on a GAAP basis after funding Capital Expenditures and adding back stock compensation tax benefits.

Free cash flow also excludes \$11 million of business acquisitions and \$16 million of Capital Expenditures associated with the funding of a land purchase during 2011 for a new facility near Manchester, United Kingdom.

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

### Form 10-K

I.	01 III 10-IX
✓ ANNUAL REPORT PURSUANT TO	O SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGI	• •
For the fiscal year ended December 31, 2011	
For the fiscal year ended December 31, 2011	
_	or
☐ TRANSITION REPORT PURSUAN	T TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE	E ACT OF 1934
	on File Number: 01-14010
Waters	s Corporation
(Fract name of	registrant as specified in its charter)
Delaware	13-3668640
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
Milfor	34 Maple Street d, Massachusetts 01757
(Address, including 2	zip code, of principal executive offices)
	(508) 478-2000
	phone 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 if the registrant is a w Act. Yes $\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \$	vell-known seasoned issuer, as defined in Rule 405 of the Securities
Indicate by check mark if the registrant is not r Act. Yes $\square$ No $\boxed{\checkmark}$	required to file reports pursuant to Section 13 or Section 15(d) of the
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 1: such reports), and (2) has been subject to such filing requ	2 months (or for such shorter period that the registrant was required to file irements for the past 90 days. Yes  No
	submitted electronically and posted on its corporate website, if any, every
Interactive Data File required to be submitted and posted	I pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during
	period that the registrant was required to submit and post such
files). Yes $\checkmark$ No $\square$	
	filers pursuant to Item 405 of Regulation S-K is not contained herein, and
	ge, in definitive proxy or information statements incorporated by reference
in Part III of this Form 10-K or any amendment to this Fo	
	arge accelerated filer, an accelerated filer, a non-accelerated filer, or smaller
	elerated 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 sh	nell company (as defined in Rule 12b-2 of the Act). Yes \[ \sum \text{No } \subseteq \]
State the aggregate market value of the registrant's \$8,920,306,459.	common stock held by non-affiliates of the registrant as of July 2, 2011:
Indicate the number of shares outstanding of the reg	istrant's common stock as of February 17, 2012: 89,060,460  NCORPORATED BY REFERENCE
	ment for the 2012 Annual Meeting of Stockholders are incorporated by
reference in Part III.	2012 11million 11001mg of bloomforders and incorporated by

#### WATERS CORPORATION AND SUBSIDIARIES

#### ANNUAL REPORT ON FORM 10-K

#### **INDEX**

No.		Page
	PART I	
1.	Business	1
1A.	Risk Factors	10
1B.	Unresolved Staff Comments	14
2.	Properties	14
3.	Legal Proceedings	15
4.	Mine Safety Disclosures	15
	Named Executive Officers of the Registrant	15
	PART II	
5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of	
	Equity Securities	16
6.	Selected Financial Data	18
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
7A.	Quantitative and Qualitative Disclosures About Market Risk	33
8.	Financial Statements and Supplementary Data	36
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	75
9A.	Controls and Procedures	75
9B.	Other Information	75
	PART III	
10.	Directors, Executive Officers and Corporate Governance	76
11.	Executive Compensation	76
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder	
	Matters	76
13.	Certain Relationships and Related Transactions, and Director Independence	76
14.	Principal Accountant Fees and Services	77
	PART IV	
15.	Exhibits, Financial Statement Schedules	78
	Signatures	82

#### **PART I**

#### Item 1: Business

#### General

Waters Corporation ("Waters®" or the "Company") is an analytical instrument manufacturer that 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") technology systems and support products, including chromatography columns, other consumable products and comprehensive post-warranty service plans. These systems are complementary products that are frequently employed together ("LC-MS") and sold as integrated instrument systems using a common software platform and are 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, food, environmental, academic and government customers working in research and development, quality assurance and other laboratory applications. The Company's LC and LC-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, organized as a Delaware corporation in 1991, 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. The Company operates in the analytical instruments industry by designing, manufacturing, distributing and servicing instrument systems, columns and other chemistry consumables that can be integrated and used along with other analytical 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 14 in the Notes to the Consolidated Financial Statements, which is incorporated herein by reference.

#### **Waters Division**

#### High Performance and Ultra Performance Liquid Chromatography

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

identify approximately 80% of all known chemicals and materials. As a result, HPLC is used to analyze substances in a wide variety of industries for research and development purposes, quality control and process engineering applications.

The most significant end-use markets for HPLC are those served by the pharmaceutical and life science industries. In these markets, HPLC is used extensively to identify new drugs, develop manufacturing methods and assure the potency and purity of new pharmaceuticals. HPLC is also used in a variety of other applications, such as analyses of foods and beverages for nutritional labeling and compliance with safety regulations, the testing of water and air purity within the environmental testing industry, as well as applications in other industries, such as chemical and consumer products. HPLC is also used by universities, research institutions and government agencies, such as the United States Food and Drug Administration ("FDA") and the United States Environmental Protection Agency ("EPA") and their international counterparts that mandate testing 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. While offering significant performance advantages, ACQUITY UPLC is also 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. In 2010, Waters introduced the ACQUITY UPLC® H-Class instrument system, which incorporates the performance of ACQUITY UPLC with the operational familiarity of traditional HPLC systems. The ACQUITY UPLC H-Class is a streamlined system that brings together the flexibility and simplicity of quaternary solvent blending and a flow-through needle injector to deliver the advanced performance expected of UPLC-type separations. The ACQUITY UPLC H-Class delivers high resolution, sensitivity and improved through-put while maintaining the robustness and reliability for which the ACQUITY systems are known. In 2011, the Company introduced the ACQUITY UPLC® I-Class instrument system. The ACQUITY UPLC I-Class provides a powerful solution to the most critical need by successfully analyzing compounds that are limited in amount or availability amid a complex matrix. The ACQUITY UPLC I-Class system maximizes peak capacity to enhance MS sensitivity; it provides the lowest carryover, complementing MS sensitivity and extending MS linear dynamic range; and it has been purposefully engineered for the lowest dispersion. During 2011 and 2010, the Company experienced sales growth in the LC instrument system product line primarily from the sales of ACQUITY UPLC, ACQUITY UPLC H-Class and ACQUITY UPLC I-Class 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 can 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 systems and, furthermore, that its ACQUITY UPLC instrument primarily uses ACQUITY UPLC columns. In 2011 and 2010, the Company experienced sales growth in its LC chromatography column and sample preparation businesses, especially in ACQUITY UPLC columns.

The Company's chemistry consumable products also include environmental and food safety testing products. Environmental laboratories use these products for quality control and proficiency testing and also purchase product support services required to help with their federal and state mandated accreditation requirements or with quality control over critical pharmaceutical analysis. In addition, the Company provides tests to identify and quantify mycotoxins in various agricultural commodities. These test kits provide reliable, quantitative detection of particular mycotoxins through the choice of flurometer, LC-MS or HPLC.

In February 2009, the Company acquired Thar Instruments, Inc. ("Thar"), a global leader in the design, development and manufacture of analytical and preparative supercritical fluid chromatography and supercritical fluid extraction ("SFC") systems.

#### Mass Spectrometry and Liquid Chromatography-Mass Spectrometry

MS is a powerful analytical technology 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 are typically 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 instrument systems utilizing various combinations of quadrupole, Tof, ion mobility and magnetic sector designs. These instrument systems 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.

MS is an increasingly important detection technology for LC. The Company's smaller-sized mass spectrometers, such as the single quadrupole detector ("SQD") and the tandem quadrupole detector ("TQD"), are often referred to as LC "detectors" and are typically sold as part of an LC system or as an LC system upgrade. Larger quadrupole systems, such as the Xevo® TQ and Xevo® TQ-S instruments, are used primarily for experiments performed for late-stage drug development, including clinical trial testing. Quadrupole time-of-flight ("Q-Tof<sup>TM</sup>") instruments, such as the Company's SYNAPT® G2-S, are often used to analyze the role of proteins

in disease processes, an application sometimes referred to as "proteomics". In late 2008, the Xevo® Q-Tof<sup>TM</sup> MS, an exact mass MS/MS bench-top instrument, was introduced. In late 2009, the Company introduced the SYNAPT® G2 HDMS<sup>TM</sup> 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. In 2010, the Company introduced the Xevo® TQ-S instrument system, which is designed for the most demanding UPLC/MS/MS applications. Also in 2010, the Company introduced the Xevo® G2 Q-Tof<sup>TM</sup> instrument system. The Xevo G2 Q-Tof is one of the most sensitive, exact mass quantitative and qualitative bench-top MS/MS instrument systems developed because it combines the integrated workflow benefits of Engineered Simplicity<sup>TM</sup> found in existing Xevo Q-Tof instrument systems with the ground breaking QuanTof<sup>TM</sup> technology of the SYNAPT G2 instrument system. In 2011, the Company introduced the SYNAPT® G2-S HDMS instrument system. The SYNAPT G2-S incorporates both high-sensitivity Waters StepWave<sup>TM</sup> ion transfer optics and Triwave® ion mobility technologies along with a suite of new informatics tools to take qualitative and quantitative high resolution performance to a new level.

LC and MS are typically 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.

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 and LC-MS instrument systems, chromatography columns and other consumables and related services. The Company also believes that it has the leading LC and LC-MS market share in the United States, Europe and Asia, and believes it may have a market share position in Japan that ranks second to a domestic supplier.

#### Waters Division Service

Services provided by Waters enable customers to maximize technology productivity, support customer compliance activities and provide transparency into enterprise resource management efficiencies. The customer benefits from improved budget control, data-driven technology adoption and accelerated workflow at a site or on a global perspective. The Company considers its service offerings to be highly differentiated from our competition, as evidenced by the consistent increase in service revenues each year. Our principal competitors in the service market include PerkinElmer, Inc., Agilent Technologies, Inc., Thermo Fisher Scientific Inc. and General Electric Company. These competitors can provide services on Waters instruments to varying degrees and always present competitive risk.

The servicing and support of instruments, software and accessories is an important source of revenue and represents over 25% of sales 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 processing, packaging, 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 is 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<sup>TM</sup> 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 ARES G2 rheometer, a high performance system uniquely capable of independently measuring stress and strain for a wide variety of solids and liquids. In 2010, TA introduced the Nano ITC Low Volume system, which is engineered to provide isothermal titration calorimetry capabilities for applications with limited sample sizes. Also in 2010, TA introduced the DMA-RH Accessory, which is designed to be used with the Q800 Dynamic Mechanical Analyzer to allow the mechanical properties of a sample to be analyzed under controlled and/or varying conditions of both relative humidity and temperature. In 2011, TA introduced the Discovery DSC, Discovery TGA and Discovery Hybrid Rheometer, which provide unmatched measurement performance in the fields of differential scanning calorimetry and rheometery.

In July 2011, the Company acquired Anter Corporation ("Anter"), a manufacturer of thermal analyzers used to measure thermal expansion and shrinkage, thermal conductivity and resistivity, thermal diffusivity and specific heat capacity of a wide range of materials, especially materials used in high temperature applications. Anter systems provide critical information to scientists that develop and characterize ceramics, metals and glasses for use in a wide-range of industries, including electronics, energy and aerospace.

#### TA Service

Similar to the Waters Division, the servicing and support of TA's instruments is an important source of revenue and represents approximately 25% of sales for the TA Division. TA sells, supports and services TA'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 Division's facilities. TA has dedicated field sales and service operations. Service sales are primarily derived from the sale of support plans, replacement parts and from billed labor fees associated with the repair, maintenance and upgrade of installed systems.

#### **Customers**

The Company typically 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. During 2011, 52% of the Company's sales were to pharmaceutical accounts, 33% to other industrial accounts and 15% to university and government agencies.

The Company typically 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. The Company does not rely on any single customer or one group of customers for a material portion of its sales. During fiscal years 2011, 2010 and 2009, 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 89 sales offices throughout the world as of December 31, 2011 and approximately 2,900, 2,700 and 2,700 field representatives in 2011, 2010 and 2009, respectively. The Company's investment in sales and service in 2011 is primarily due to the growing installed base of customers. The Company's sales representatives have direct responsibility for account relationships, while service representatives work in the field to install instruments, train customers and minimize instrument downtime. 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 and Distribution**

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 quality management and environmental management systems in accordance with the requirements of ISO 9001:2008, ISO 13485:2003 and ISO 14001:2004, and adheres to applicable regulatory requirements (including the FDA Quality System Regulation and the European In-Vitro Diagnostic Directive). 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 addition, the Company outsources the manufacturing of certain LC instrument systems and components to well-established contract manufacturing firms in Singapore. The Company's Singapore entity manages all Asian outsourced manufacturing as well as the distribution of all products to Asia. The Company continues to pursue outsourcing opportunities as they may arise but believes it maintains adequate supply chain and manufacturing capabilities in the event of disruption or natural disasters.

The Company manufactures and distributes 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 product lines. The Company's Taunton facility is certified to ISO 9001:2008. The Wexford facility is certified to ISO 9001:2008 and ISO 13485:2003. VICAM® manufactures antibody resin and magnetic beads that are packed into columns and kits in Milford, Massachusetts and Nixa, Missouri. Environmental Resource Associates manufactures environmental proficiency kits in Golden, Colorado. Thar manufactures SFC systems in Pittsburgh, Pennsylvania.

The Company manufactures and distributes 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 are certified to ISO 9001:2008 and ISO 13485:2003.

TA's thermal analysis, rheometry and calorimetry products are manufactured and distributed at the Company's New Castle, Delaware, Lindon, Utah and Pittsburgh, Pennsylvania facilities. During 2011, the Company closed TA's Crawley, England facility and transferred the manufacturing of these products to TA's New Castle, Delaware facility. 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 New Castle facility is certified to ISO 9001:2008 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 its existing product offering. The Company's research and development expenditures for 2011, 2010 and 2009 were \$92 million, \$84 million and \$77 million, respectively. Nearly all of the Company's current LC products are 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 Company's MS products are developed at facilities in England and nearly all of the Company's current thermal analysis products are developed at the Company's research and development center in New Castle, Delaware. At December 31, 2011, 2010 and 2009, there were 741, 697 and 677 employees, respectively, 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 5,700, 5,400 and 5,200 employees at December 31, 2011, 2010 and 2009, respectively, with approximately 45% 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 firmly believes that its future success largely depends upon its continued ability to attract and retain highly skilled employees.

#### Competition

The analytical instrument systems market is highly competitive. The Company encounters competition from several worldwide 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 product 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., Shimadzu Corporation, Bruker Corporation, Danaher Corporation and Thermo Fisher Scientific 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 processes 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 it termed a UHPLC, and which it has 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, Company operations 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 in an effort to continuously reduce the Company's carbon footprint. See Item 1A, Risk Factors—Effects of Climate Change, for more information on the potential significance of climate change legislation. See also Note 14 in the Notes to the Consolidated Financial Statements for financial information about geographic areas.

#### **Available Information**

The Company files or furnishes all required reports with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials the Company files or furnishes 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 <a href="http://www.sec.gov">http://www.sec.gov</a>. 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 <a href="http://www.waters.com">http://www.waters.com</a> 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, anticipated trends or growth in the Company's business, including, but not limited to, the growth rate of sales; new product launches; geographic breakdown of business; anticipated expenses, including interest expense, tax and tax benefits, and amortization expense; the impact of the Company's various ongoing tax audits and litigation matters; the impact of the loss of intellectual property protection; the effects of complying with environmental laws; the sufficiency of the Company's existing facilities; the effect of new accounting pronouncements; use of the Company's debt proceeds; the impact of regulatory compliance; the Company's expected cash flow, borrowing capacity, debt repayment and refinancing; the Company's ability to fund working capital, service debt, repay outstanding lines of credit, make authorized share repurchases, potential acquisitions and any adverse litigation determinations; costs with respect to indemnification agreements; recording any impairment charges; the Company's contributions to defined benefit plans; the Company's expectations regarding the payment of dividends; the effects of the Anter acquisition; any potential future acquisitions; the Company's capital spending, sufficiency of capital and ability to fund other facility expansions to accommodate future sales growth and the Company's plans for and costs of any such expansion.

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. Statements that are not statements of historical fact may be deemed forward-looking statements. You can identify these forward-looking statements by the use of the words "believes", "anticipates", "plans", "expects", "may", "will", "would", "intends", "suggests", "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:

- Current economic, sovereign and political conditions and uncertainties; ability to access capital and maintain liquidity in volatile market conditions; changes in demand by the Company's customers and various market sectors, particularly if they should reduce capital expenditures; the effect of mergers and acquisitions on customer demand; and ability to sustain and enhance service.
- Negative industry trends; introduction of competing products by other companies and loss of market share; pressures on prices from customers or resulting from competition; regulatory, economic, and competitive obstacles to new product introductions; lack of acceptance of new products; expansion of our business in Asia; spending by certain end-markets and ability to obtain alternative sources for components and modules.
- Foreign exchange rate fluctuations that could adversely affect translation of the Company's future financial operating results and condition.
- Increased regulatory burdens as the Company's business evolves, especially with respect to the SEC, FDA and EPA, among others and regulatory, environmental and logistical obstacles affecting the distribution of the Company's products and completion of purchase order documentation.
- Risks associated with lawsuits, particularly involving claims for infringement of patents and other intellectual property rights.

• The impact and costs incurred from changes in accounting principles and practices or tax rates; shifts in taxable income in jurisdictions with different effective tax rates; and the outcome of and costs associated with ongoing and future tax examinations or changes in respective country legislation affecting the Company's effective rates.

Certain of these and other factors are further described 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 annual report on Form 10-K and are expressly qualified in their entirety by the cautionary statements included in this report. The Company does not assume any obligation to update any forward-looking statements.

#### Item 1A: Risk Factors

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

Global economic conditions may decrease demand for the Company's products and harm our financial results. The Company is a global business that may be adversely affected by changes in global economic conditions. These changes in global economic conditions may affect the demand for the Company's products and services and may result in a decline in sales in the future. There can be no assurance that the strong demand for the Company's products and services will continue in the future.

Disruption in worldwide financial markets could adversely impact the Company's access to capital.

Financial markets in the U.S., Europe and Asia have experienced times of extreme disruption in recent years, including, among other things, sharp increases in the cost of new capital, credit rating downgrades and bailouts, 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. There can be no assurance that there will not be future deterioration or prolonged disruption in financial markets or financial institutions. Any future 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.

The Company's financial results are subject to changes in customer demand, which may decrease for a number of reasons, many beyond the Company's control.

The demand for the Company's products is dependent upon the size of the markets for its LC, 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 assurance 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 52% of the Company's net sales in both 2011 and 2010, 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.

Competitors may introduce more effective or less expensive products than the Company's, which could result in decreased sales.

The analytical instrument market and, in particular, the portion related to the Company's HPLC, UPLC, 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 assurance 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 assurance that the Company's sales and marketing forces will compete successfully against its competitors in the future.

The Company's financial condition and results of operations could be adversely affected if the Company is unable to maintain a sufficient level of cash flow in the U.S.

The Company had approximately \$991 million in debt and \$1,281 million in cash, cash equivalents and short-term investments as of December 31, 2011. As of December 31, 2011, the Company also had the ability to borrow an additional \$419 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 generated from foreign operations, with \$1.2 billion of the Company's cash held by foreign subsidiaries. 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 (1) cash from U.S. operations, (2) efficient and timely repatriation of cash from overseas, (3) the Company's ability to access its existing cash and revolving credit facility and (4) other sources obtained at an acceptable cost.

Debt covenants and the Company's failure to comply with them could negatively impact the Company's capital and financial results.

The Company's debt is subject to restrictive debt 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.

Disruption of operations at Company manufacturing facilities could harm our financial condition.

The Company manufactures LC instruments at facilities in Milford, Massachusetts and through a subcontractor in 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 facilities in New Castle, Delaware and Pittsburgh, Pennsylvania; rheometry products at its facilities in New Castle, Delaware and other instruments and consumables at various other locations as a result of the Company's 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.

The Company's international operations may be negatively affected by foreign political, regulatory and economic changes, and foreign currency exchange rate fluctuations could have a material adverse effect on the Company's results of operations or financial condition.

Approximately 71% and 70% of the Company's net sales in 2011 and 2010, respectively, were outside of the United States and were primarily denominated in foreign currencies. In addition, the Company has considerable manufacturing operations in Ireland and the United Kingdom, as well as significant subcontractors located in 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, in particular, the financial difficulties and debt burden experienced by a number of European countries; the instability and possible dissolution of the Euro as a single currency; 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 associated adverse operational, contractual and 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.

The loss of key members of management could adversely affect the Company's results of operations or financial condition.

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.

Failure to adequately protect intellectual property could have an adverse and material effect on the Company's results of operations or financial condition.

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 assurance 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.

The Company's business would suffer if the Company were unable to acquire adequate sources of supply. 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, at a minimum, a temporary adverse effect on shipments and the financial results of the Company. 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.

The Company's sales would deteriorate if the Company's outside contractors fail to provide necessary components or modules.

Certain components or modules of the Company's LC and MS instruments are manufactured by long-standing outside contractors, including the manufacturing of LC instrument systems and related components by well-established contract manufacturing firms 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. A prolonged inability to obtain these components or modules could have an adverse effect on the Company's financial condition or results of operations.

The Company's financial results are subject to unexpected shifts in pre-tax income between tax jurisdictions, which are unpredictable.

The Company is subject to rates of income tax that range from 0% to in excess of 35% in various jurisdictions in which it does business. In addition, the Company typically generates a substantial portion of its income in the fourth quarter of each fiscal year. Geographical shifts in income from previous quarters' projections caused by factors including, but not limited to, changes in volume and product mix and fluctuations in foreign currency translation rates, could therefore have potentially significant favorable or unfavorable effects on the Company's income tax expense, effective tax rate and results of operations.

The effects of climate change could harm the Company's business.

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. Any such changes could 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. 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. The effects of such damage and the resultant disruption of manufacturing operations could have a materially adverse impact to the financial results of the Company.

#### Compliance failures could harm the Company's business.

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, the Foreign Corrupt Practices Act and environmental laws and regulations. A portion of the Company's operations are subject to regulation by the FDA and similar foreign regulatory 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 22 United States facilities and 75 international facilities, including field offices. In 2011, the Company purchased land in the United Kingdom to construct a new facility, which will consolidate certain existing primary MS research, manufacturing and distribution locations. The Company believes that this new building and its other existing 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
Golden, CO	M, R, S, D, A	Leased
New Castle, DE	M, R, S, D, A	Owned
Milford, MA	M, R, S, D, A	Owned
Taunton, MA	M, R	Owned
Nixa, MO	M, S, D, A	Leased
Pittsburgh, PA	M, R, S, D, A	Leased
Lindon, UT	M, R, S, D, A	Leased
Cheshire, England	M, R, D, A	Leased
Manchester, England	M, R, S, A	Leased
St. Quentin, France	S, A	Leased
Wexford, Ireland	M, R, D, A	Owned
Etten-Leur, Netherlands	S, D, A	Owned
Romania	R, A	Leased
Singapore	R, S, D, A	Leased

<sup>(1)</sup> 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 65 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				
Irvine, CA	Australia	Japan			
Pleasanton, CA	Austria	Korea			
Schaumburg, IL	Belgium	Mexico			
Wood Dale, IL	Brazil	Netherlands			
Columbia, MD	Canada	Norway			
Beverly, MA	Czech Republic	People's Republic of China			
Ann Arbor, MI	Denmark	Poland			
Morrisville, NC	Finland	Puerto Rico			
Parsippany, NJ	France	Spain			
Westlake, OH	Germany	Sweden			
Huntingdon, PA	Hungary	Switzerland			
Bellaire, TX	India	Taiwan			
Spring, TX	Ireland	United Kingdom			
	Italy				

<sup>(2)</sup> The Company operates more than one field office within certain states and foreign countries.

#### **Item 3:** Legal Proceedings

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

#### Item 4: Mine Safety Disclosures

Not applicable.

#### NAMED 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, 63, has served as Chairman of the Board of Directors of the Company since February 1996 and has served as Chief Executive Officer and a Director of the Company since August 1994. Mr. Berthiaume also served as President of the Company from August 1994 to January 2002. In March 2003, Mr. Berthiaume once again became President of the Company. From 1990 to 1994, Mr. Berthiaume served as President of the Waters Chromatography Division of Millipore. Mr. Berthiaume is the Chairman of the Children's Hospital Trust Board and a Trustee of the Children's Hospital Medical Center and The University of Massachusetts Amherst Foundation.

Arthur G. Caputo, 60, has been Executive Vice President since March 2003 and 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, 54, has been Vice President of Human Resources since October 2005 and Vice President of Worldwide Compensation and Benefits since January 2002. She joined Waters in January 1996 as Director of Worldwide Compensation. Prior to joining Waters she held senior human resources positions in retail, healthcare and financial services companies.

John Ornell, 54, has been Vice President, Finance and Administration and Chief Financial Officer since 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, 57, has been Vice President, General Counsel and Secretary of the Company since 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 17, 2012, the Company had 184 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, 2011, 2010 or 2009.

#### Securities Authorized for Issuance under Equity Compensation Plans

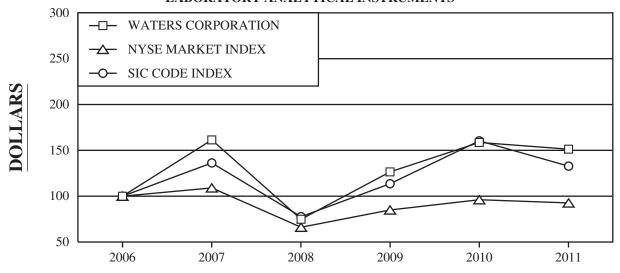
Equity compensation plan information is incorporated by reference from "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in the Company's definitive proxy statement for the 2012 Annual Meeting of Stockholders and should be considered an integral part of 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, 2006 (the last day of public trading of the Company's common stock in fiscal year 2006) through December 31, 2011 (the last day of public trading of the common stock in fiscal year 2011) 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, 2006 AMONG WATERS CORPORATION, NYSE MARKET INDEX AND SIC CODE 3826 INDEX — LABORATORY ANALYTICAL INSTRUMENTS



	2006	2007	2008	2009	2010	2011
WATERS CORPORATION	100.00	161.47	74.84	126.53	158.69	151.22
NYSE MARKET INDEX	100.00	108.87	66.13	84.83	96.19	92.50
SIC CODE INDEX	100.00	136.28	77.47	113.56	160.37	132.66

#### **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:

	Price :	Range
For the Quarter Ended	High	Low
April 3, 2010	\$67.89	\$56.18
July 3, 2010	\$73.13	\$63.11
October 2, 2010	\$71.49	\$60.52
December 31, 2010	\$80.47	\$69.87
April 2, 2011	\$87.93	\$74.68
July 2, 2011	\$99.56	\$85.96
October 1, 2011	\$99.16	\$72.19
December 31, 2011	\$83.14	\$71.61

#### Purchases of Equity Securities by the Issuer

The following table provides information about purchases by the Company during the three months ended December 31, 2011 of equity securities registered by the Company under the Exchange Act (in thousands, except per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs(1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs(2)
October 2 to October 29, 2011	_	\$ —	_	\$258,555
October 30 to November 26, 2011	545	\$78.06	545	\$216,012
November 27 to December 31, 2011	395	\$76.52	395	\$185,795
Total	940	\$77.41	940	\$185,795

<sup>(1)</sup> The Company purchased an aggregate of 0.7 million shares of its outstanding common stock in 2011 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.

<sup>(2)</sup> The Company purchased an aggregate of 3.8 million shares of its outstanding common stock in 2011 in open market transactions pursuant to a repurchase program that was announced in February 2011 (the "2011 Program"). The 2011 Program authorized the repurchase of up to \$500 million of common stock in open market transactions over a two-year period.

#### Item 6: 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 2011, 2010, 2009, 2008 and 2007. The Company's financial statements as of December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011 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	2011	2010	2009	2008	2007
STATEMENT OF OPERATIONS DATA:					
Net sales	\$1,851,184	\$1,643,371	\$1,498,700	\$1,575,124	\$1,473,048
Income from operations before income taxes	\$ 509,252	\$ 437,863	\$ 386,652	\$ 372,192	\$ 323,192
Net income	\$ 432,968	\$ 381,763	\$ 323,313	\$ 322,479	\$ 268,072
Net income per basic common share	\$ 4.77	\$ 4.13	\$ 3.37	\$ 3.25	\$ 2.67
Weighted-average number of basic common					
shares	90,833	92,385	95,797	99,199	100,500
Net income per diluted common share	\$ 4.69	\$ 4.06	\$ 3.34	\$ 3.21	\$ 2.62
Weighted-average number of diluted common shares					
and equivalents	92,325	94,057	96,862	100,555	102,505
BALANCE SHEET AND OTHER DATA:					
Cash, cash equivalents and short-term investments	\$1,281,351	\$ 946,419	\$ 630,257	\$ 428,522	\$ 693,014
Working capital, including current maturities of					
debt	\$1,340,241	\$1,200,791	\$ 777,808	\$ 666,796	\$ 578,628
Total assets	\$2,723,234	\$2,327,670	\$1,907,931	\$1,622,898	\$1,881,055
Long-term debt	\$ 700,000	\$ 700,000	\$ 500,000	\$ 500,000	\$ 500,000
Stockholders' equity	\$1,226,578	\$1,068,797	\$ 848,949	\$ 661,005	\$ 586,076
Employees	5,672	5,381	5,216	5,033	4,956

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

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

The Company has two operating segments: the Waters Division and the TA Division ("TA®"). 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. TA products and services primarily consist of thermal analysis, rheometry and calorimetry instrument systems and service sales. The Company's products are used by pharmaceutical, life science, biochemical, industrial, food, environmental, academic and governmental customers. These customers use the Company's products to detect, identify, monitor and measure the chemical, physical and biological composition of materials and to predict the suitability of fine chemicals, polymers and viscous liquids in consumer goods and healthcare products.

The Company's sales were \$1,851 million, \$1,643 million and \$1,499 million in 2011, 2010 and 2009, respectively. Sales increased 13% in 2011 as compared to 2010 and 10% in 2010 as compared to 2009. In 2011, as compared with 2010, instrument system sales increased 14% while combined sales of chemistry consumables and services increased 11%. These overall increases in 2011 sales were attributable to increased spending by the Company's pharmaceutical, industrial and chemical analysis customers on new and existing LC, MS and TA products. The sales growth in 2011 is also attributable to an increase in demand for the recently launched ACQUITY UPLC® H-Class, Xevo® Q-Tof<sup>TM</sup>, Xevo® TQ-S and SYNAPT® G2-S instrument systems. Sales growth of these new instrument systems was achieved in all major regions of the world. The effect of foreign currency translation increased sales by 3% in 2011. The Company expects the impact of foreign currency translation to be slightly negative to 2012 sales when compared to 2011 based on current exchange rates. The 2010 increase in sales when compared with 2009 was primarily due to higher demand for the Company's products and services resulting from an improvement in global economic conditions, introduction of new

products, and an increase in pharmaceutical and industrial spending on the Company's products. Foreign currency translation had minimal impact on sales growth in 2010.

Waters Division sales increased 12% in 2011 as compared to 2010 and 9% in 2010 as compared to 2009. The effect of foreign currency translation increased Waters Division sales by 3% in 2011 and had minimal impact on Waters Division sales in 2010. TA's sales increased 16% in 2011 as compared to 2010 and 17% in 2010 as compared to 2009. The effect of foreign currency translation increased TA sales by 3% in 2011 and had minimal impact on TA sales in 2010. The July 2011 acquisition of Anter Corporation ("Anter") added 1% to TA's sales in 2011 when compared to 2010.

Geographically, sales increased 16% in Europe, 13% in Asia (including Japan), 6% in the U.S. and 26% in the rest of the world during 2011 as compared with 2010. The effect of foreign currency translation increased sales in 2011 by 5% in Europe, 4% in Asia and 1% in the rest of the world. During 2010, as compared with 2009, sales increased 21% in Asia and 9% in the U.S., while sales were flat in Europe and increased 13% in the rest of the world. The effect of foreign currency translation decreased sales in 2010 by 4% in Europe and increased sales by 4% in Asia and 3% in the rest of the world. Europe's 2011 sales benefited from strong demand from pharmaceutical and chemical analysis customers. Asia's 2011 sales growth rate was not as high as the 2010 sales growth rate due to the impact of large regulatory pharmaceutical and food analysis shipments in China in late 2010 and a slowdown in customer orders in India in late 2011, principally due to the devaluation of the Indian rupee versus the U.S. dollar. The Company does not expect the impact of the India rupee devaluation to have a long-term effect on sales.

In 2011, sales to pharmaceutical customers increased 13% and combined sales to industrial and environmental customers increased 15% as compared to 2010. These increases were primarily a result of increased spending on instrument systems, chemistry consumables and services by the Company's customers and sales from the ACQUITY UPLC H-Class, Xevo Q-Tof, Xevo TQ-S and SYNAPT G2-S instrument systems. In 2010, as compared to 2009, sales to pharmaceutical customers increased 12% and sales to industrial, food safety and environmental customers increased 14%. These increases were primarily a result of increased spending on instrument systems, chemistry consumables and services by the Company's customers as global economic conditions improved as compared to the prior year. Combined global sales to government and academic customers were 5% higher in both 2011 as compared to 2010 and 2010 as compared to 2009. These increases were primarily attributable to sales of newly introduced LC and LC-MS systems and strong global academic spending that occurred in Asia in 2010. In 2012, as a result of the continuing austerity programs being put in place worldwide, the Company's sales to governmental and academic customers may continue to lag behind the Company's overall anticipated sales growth rate.

Operating income was \$529 million, \$450 million and \$395 million in 2011, 2010 and 2009, respectively. The overall increase in operating income in 2011 when compared to 2010 was primarily due to increases in sales volumes and the favorable effect of foreign currency translation. The overall increase in operating income in 2010 when compared to 2009 was primarily from increases in sales volumes with relatively similar product mix and gross margin percentages. Foreign currency translation accounted for approximately \$26 million and \$6 million of the increases in operating income in 2011 as compared to 2010 and 2010 compared to 2009, respectively. The Company expects the impact of foreign currency translation to be neutral or possibly decrease 2012 operating income when compared to 2011 based on current exchange rates.

Net income per diluted share was \$4.69, \$4.06 and \$3.34 in 2011, 2010 and 2009, respectively. Net income per diluted share was primarily impacted by the following factors in 2011, 2010 and 2009:

- The benefits from higher sales volumes, product mix and the leveraging of lower growth in operating expenses.
- The impact from the shift in pretax income between tax rate jurisdictions were negligible to the net income per diluted share in 2011 and increased net income per diluted share by \$0.14 in 2010 after excluding the one-time transactions noted below.

- Foreign currency translation added \$0.24 and \$0.06 to net income per diluted share in 2011 and 2010, respectively. This benefit to net income per diluted share is not expected to continue in 2012 as compared to 2011 at current exchange rates.
- In 2010, an \$8 million tax benefit was recorded related to the reversal for uncertain tax positions due to an audit settlement in the United Kingdom and a \$2 million tax benefit related to the resolution of a pre-acquisition tax exposure. These tax benefits added \$0.10 per diluted share in 2010.
- A \$6 million TA building lease termination expense recorded in 2009 increased selling and administrative
  expenses and lowered net income per diluted share by \$0.04 in 2009.
- A \$5 million tax benefit was recorded in 2009 related to the reorganization of certain foreign legal entities and added \$0.05 per diluted share in 2009.
- The impact of lower weighted-average shares outstanding resulting from the Company's share repurchase program, offset by the incremental interest expense on borrowings to repurchase those shares, increased net income per diluted share slightly in 2011 and increased net income per diluted share by \$0.06 in 2010.

Net cash provided by operating activities was \$497 million, \$458 million and \$418 million in 2011, 2010 and 2009, respectively. The \$39 million increase in operating cash flow in 2011 when compared to 2010 was primarily the result of higher net income and was also impacted in 2011 by the payment of amounts earned under the Company's 2010 management incentive plans. The increase in operating cash flow in 2010 when compared to 2009 was primarily a result of higher net income, lower incentive compensation payments made in 2010 as compared to 2009, and payments made in 2009 for a \$6 million litigation payment and \$6 million TA building lease termination.

Within cash flows used in investing activities, capital expenditures related to property, plant, equipment and software capitalization were \$85 million, \$63 million and \$94 million in 2011, 2010 and 2009, respectively. Capital expenditures were higher in 2011 due to a \$14 million land acquisition in the United Kingdom, where the Company plans to construct a new facility that will consolidate certain existing primary MS research, manufacturing and distribution locations. The Company expects to incur capital expenditures in the next few years in the range of \$50 million to \$70 million to construct this facility. Capital expenditures were higher in 2009 due to the acquisition of land and construction of a new TA facility.

In January 2012, the Company acquired all of the outstanding capital stock of Bahr Thermoanalyse GmbH ("Bahr"), a German manufacturer of a wide-range of thermal analyzers, for \$12 million in cash. The Company acquired the net assets of Anter for \$11 million in cash in 2011. The Company acquired all of the remaining outstanding capital stock of Thar Instruments, Inc. ("Thar") for \$36 million in cash in 2009. 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 \$60 million, \$101 million and \$19 million of proceeds from stock plans in 2011, 2010 and 2009, respectively. Fluctuations in these amounts were primarily attributable to changes in the Company's stock price and the expiration of stock option grants. In February 2011, 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 2011, 2010 and 2009, the Company repurchased \$364 million, \$292 million and \$210 million of the Company's outstanding common stock, respectively, under the February 2011 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 July 2011, Waters entered into a new credit agreement (the "2011 Credit Agreement"). The 2011 Credit Agreement provides for a \$700 million revolving facility and a \$300 million term loan facility. The term loan

facility and the revolving facility both mature on July 28, 2016 and require no scheduled prepayments before that date. In March 2011, the Company issued and sold senior unsecured notes with a total face value of \$200 million. The Company used the proceeds from the 2011 Credit Agreement and the issuances of senior unsecured notes to repay other outstanding debt and for general corporate purposes. As a result of the issuances of senior unsecured notes, the Company's weighted-average interest rates have increased in 2011 due to higher rates paid on this fixed-rate debt.

#### **Results of Operations**

#### Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

#### Net Sales

Product sales were \$1,322 million and \$1,167 million for 2011 and 2010, respectively, an increase of 13%. The increase in product sales in 2011 was primarily due to higher demand from the Company's pharmaceutical, industrial and chemical analysis customers and strong uptake in sales from the ACQUITY UPLC H-Class, Xevo Q-Tof, Xevo TQ-S, SYNAPT G2-S, thermal analysis and rheology instrument systems. The Company also benefited during 2011 from higher sales of ACQUITY UPLC columns, which are primarily used by an expanding installed base of ACQUITY UPLC instruments. In addition, foreign currency translation added 3% to product sales for 2011.

Service sales were \$529 million and \$477 million in 2011 and 2010, respectively, an increase of 11%. The increase in service sales in 2011 was primarily attributable to increased sales of service plans and billings to a higher installed base of customers. In addition, foreign currency translation added 3% to service sales for 2011.

#### Waters Division Net Sales

Waters Division sales increased 12% in 2011 as compared to 2010. The effect of foreign currency translation benefited the Waters Division across all product lines, resulting in an increase in total sales of 3% in 2011.

Waters instrument system sales (LC and MS) increased 14% in 2011. The increase in instrument systems sales was primarily attributable to higher demand from the Company's pharmaceutical and industrial customers and the adoption and uptake in sales from the ACQUITY UPLC H-Class, Xevo Q-Tof and Xevo TQ-S instrument systems. Chemistry consumables sales increased 11% in 2011. These increases were driven primarily by higher demand for chemistry consumable products, including increased sales of ACQUITY UPLC lines of columns. Waters Division service sales grew 11% in 2011 due to increased sales of service plans and billings to a higher installed base of customers. Waters Division sales by product line in 2011 were 53% for instrument systems, 18% for chemistry consumables and 29% for service, as compared to 52% for instrument systems, 18% for chemistry consumables and 30% for service in 2010.

Waters Division sales in Europe increased 16%, with the effect of foreign currency translation increasing Europe's sales by 5%. Waters Division sales in Europe benefited from strong demand from pharmaceutical and chemical analysis customers. Waters Division sales in Asia increased 13%; however, the sales growth rate was not as high as in 2010 due to the impact of large regulatory pharmaceutical and food analysis shipments in China in late 2010 and a slowdown in customer orders in India in late 2011 due to the devaluation of the Indian rupee versus the U.S. dollar. The effects of foreign currency translation increased Asia's sales by 4%. Waters Division sales in the U.S. increased 5% and sales to the rest of the world increased 25%. Foreign currency translation had minimal impact on sales in the rest of world.

#### TA Division Net Sales

TA's sales were 16% higher in 2011 as compared to 2010. Instrument system sales increased 17% in 2011 and represented 76% of sales in 2011 as compared to 75% in 2010. The increase in instrument system sales was primarily a result of higher demand for instrument systems from TA's industrial customers due to improved economic conditions, as well as revenue associated with the shipment of the new Discovery instrument systems.

TA service sales increased 14% in 2011 due to sales of service plans and billings to a higher installed base of customers. The effect of foreign currency translation added 3% to TA's 2011 sales as compared to 2010 and the 2011 acquisition of Anter added 1% to sales in 2011. Geographically, TA's sales increased in each territory.

#### Gross Profit

Gross profit for 2011 was \$1,121 million compared to \$990 million for 2010, an increase of 13%. The increase in gross profit dollars in 2011 was primarily attributable to higher sales volumes. Gross profit as a percentage of sales increased to 60.5% in 2011 as compared to 60.2% in 2010 due to sales volume leveraging manufacturing fixed costs and the favorable impact of foreign currency translation.

Gross profit as a percentage of sales is affected by many factors, including, but not limited to, product mix and product costs of instrument systems and associated software platforms. Beginning in 2012, the Company expects to introduce several new products and software platforms whose cost and amortization of capitalized software development costs may affect the Company's product mix and may lower associated gross profit margins slightly as a percentage of sales. See Note 6 in the Notes to the Consolidated Financial Statements for estimated future amortization expense.

#### Selling and Administrative Expenses

Selling and administrative expenses for 2011 and 2010 were \$490 million and \$445 million, respectively, an increase of 10%. The increase in selling and administrative expenses in 2011 was a result of the Company's investment in headcount additions, principally in sales and service; higher merit and fringe benefit costs; higher sales and incentive compensation costs; and foreign currency translation. As a percentage of net sales, selling and administrative expenses were 26.5% for 2011 compared to 27.1% for 2010.

#### Research and Development Expenses

Research and development expenses were \$92 million and \$84 million for 2011 and 2010, respectively, an increase of 10%. The increase in research and development expenses in 2011 was primarily due to development costs incurred on new products and increased headcount.

#### Interest Expense

Interest expense was \$22 million and \$14 million for 2011 and 2010, respectively. The increase in interest expense in 2011 was primarily attributable to an increase in average borrowings, as well as higher interest rates paid on fixed-rate debt.

#### Provision for Income Taxes

The four principal jurisdictions the Company manufactures in are the U.S., Ireland, the United Kingdom and Singapore, where the effective tax rates are approximately 35%, 12.5%, 26.5% and 0%. The Company has a contractual tax rate in Singapore of 0% through the end of 2016, while the statutory tax rate in Singapore is 17%. The Company's effective tax rate is influenced by many significant factors, including, but not limited to, the wide range of income tax rates in jurisdictions in which the Company operates; sales volumes and profit levels in each tax jurisdiction; changes in tax laws, tax rates and policies; and the impact of foreign currency transactions and translation. As a result of variability in these factors, the Company's effective tax rates in the future may not be similar to the effective tax rates reported for 2011, 2010 or 2009.

The Company's effective tax rates for 2011 and 2010 were 15.0% and 12.8%, respectively. Included in the income tax provision for 2011 is a \$2 million tax benefit related to the reversal of a reserve for interest related to an audit settlement in the United Kingdom. This tax benefit decreased the Company's effective tax rate by 0.3 percentage points in 2011. Included in the 2010 income tax provision was an \$8 million tax benefit related to the reversal of reserves for uncertain tax positions due to an audit settlement in the United Kingdom and \$2 million of tax benefit related to the resolution of a pre-acquisition tax exposure. These tax benefits decreased the

Company's effective tax rate by 2.1 percentage points in 2010. The remaining difference between the effective tax rate for 2011 as compared to 2010 was primarily attributable to a slight shift in pre-tax income recognized in jurisdictions with higher effective tax rates.

#### Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

#### Net Sales

Product sales were \$1,167 million and \$1,052 million for 2010 and 2009, respectively, an increase of 11%. The increase in product sales in 2010 was primarily due to higher demand by the Company's customers as a result of improved economic conditions and an increase in sales from the recently introduced ACQUITY UPLC H-Class, SYNAPT G-2 and Xevo Q-Tof instrument systems. Service sales were \$477 million and \$447 million in 2010 and 2009, respectively, an increase of 7%. The increase in service sales in 2010 was primarily attributable to increased sales of service plans and billings to a higher installed base of customers.

#### Waters Division Net Sales

Waters Division sales increased 9% in 2010 as compared to 2009. Foreign currency translation had minimal impact on Waters Division sales in 2010.

Waters instrument system sales (LC and MS technology-based) increased 11% in 2010 and were primarily attributable to higher demand from the Company's pharmaceutical, industrial, academic and government customers due to improvement in global economic conditions and the introduction of the new ACQUITY UPLC H-Class, SYNAPT G-2 and Xevo Q-Tof instrument systems. Chemistry consumables sales increased 9% in 2010 and were driven primarily by higher demand for chemistry consumable products, specifically, the ACQUITY UPLC columns. Waters Division service sales increased 6% in 2010 due to increased sales of service plans and billings to a higher installed base of customers. Waters Division sales by product line in both 2010 and 2009 were 52% for instrument systems, 18% for chemistry consumables and 30% for service.

Waters Division sales in Europe decreased 1% in 2010 and the effects of foreign currency translation decreased European sales by 3% in 2010. Waters Division sales in Asia increased 19% in 2010, primarily due to strong sales growth in China and India. The effects of foreign currency translation increased sales in Asia by 4% in 2010. Waters Division sales in the U.S. and the rest of the world increased 8% and 13%, respectively. The effects of foreign currency translation increased 2010 sales in the rest of world by 3%.

#### TA Division Net Sales

TA's sales were 17% higher in 2010 as compared to 2009. The increase was primarily a result of higher demand for instrument systems from TA's industrial customers due to improved economic conditions. Foreign currency translation had minimal impact on TA's 2010 sales as compared to 2009. Instrument system sales increased 19% in 2010 and represented 75% of sales in 2010 as compared to 74% in 2009. TA service sales increased 11% in 2010 primarily due to increased sales of service plans and billings to a higher installed base of customers. Geographically, sales increased in each territory.

#### Gross Profit

Gross profit for 2010 was \$990 million compared to \$904 million for 2009, an increase of 10%. Gross profit as a percentage of sales decreased slightly to 60.2% in 2010 as compared to 60.3% in 2009. The increase in gross profit dollars in 2010 was primarily attributable to higher sales volumes. During 2010, the Company's gross profit as a percentage of sales was slightly impacted by an unfavorable change in the sales mix and the unfavorable impact of movements in certain foreign exchange rates between the currencies where the Company manufactures products and the currencies where the sales were transacted, principally the Euro, Japanese Yen and British Pound. These declines in gross profit as a percentage of sales were mostly offset by the benefit of manufacturing product cost reductions and the benefit from manufacturing overhead absorption as a result of the increase in sales volume.

#### Selling and Administrative Expenses

Selling and administrative expenses for 2010 and 2009 were \$445 million and \$421 million, respectively, an increase of 6%. The increase in 2010 selling and administrative expenses includes merit, merit-related fringe benefit and incentive compensation increases. These increases were offset by the impact of the \$6 million TA building lease termination expense recorded in 2009 and an immaterial correction for certain incentive plan and other accrual balances recorded in 2010. As a percentage of net sales, selling and administrative expenses were 27.1% for 2010 compared to 28.1% for 2009.

#### Research and Development Expenses

Research and development expenses were \$84 million and \$77 million for 2010 and 2009, respectively, an increase of 9%. The increase in research and development expenses in 2010 was primarily due to costs incurred on new products launched in 2010.

#### Provision for Income Taxes

The Company's effective tax rates for 2010 and 2009 were 12.8% and 16.4%, respectively. Included in the 2010 income tax provision was an \$8 million tax benefit related to the reversal of reserves for uncertain tax positions due to an audit settlement in the United Kingdom and \$2 million of tax benefit related to the resolution of a pre-acquisition tax exposure. These tax benefits decreased the Company's effective tax rate by 2.1 percentage points in 2010. Included in the income tax provision for 2009 was a \$5 million tax benefit related to the reversal of a \$5 million provision that 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. This tax benefit decreased the Company's effective tax rate by 1.2 percentage points in 2009. The remaining difference between the effective tax rate for 2010 as compared to 2009 was primarily attributable to higher pre-tax income in lower tax rate jurisdictions.

#### **Liquidity and Capital Resources**

#### Condensed Consolidated Statements of Cash Flows (in thousands):

	Year Ended December 31,			
	2011	2010	2009	
Net income	\$ 432,968	\$ 381,763	\$ 323,313	
Depreciation and amortization	66,387	62,558	57,272	
Stock-based compensation	27,579	24,852	28,255	
Deferred income taxes	(5,824)	(15,037)	36,276	
Change in accounts receivable	(12,528)	(43,286)	(16,905)	
Change in inventories	(18,838)	(37,036)	(6,823)	
Change in accounts payable and other current liabilities	(11,845)	52,017	(10,830)	
Change in deferred revenue and customer advances	2,630	9,433	2,613	
Other changes	16,845	22,592	5,092	
Net cash provided by operating activities	497,374	457,856	418,263	
Net cash used in investing activities	(355,976)	(411,515)	(419,028)	
Net cash used in financing activities	(60,422)	(60,252)	(90,280)	
Effect of exchange rate changes on cash and cash equivalents	(5,484)	(18,702)	3,634	
Increase (decrease) in cash and cash equivalents	<u>\$ 75,492</u>	\$ (32,613)	\$ (87,411)	

#### **Cash Flow from Operating Activities**

#### Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net cash provided by operating activities was \$497 million and \$458 million in 2011 and 2010, respectively. The changes within net cash provided by operating activities in 2011 when compared to 2010 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 2011 compared to 2010 was primarily attributable to timing of payments made by customers and higher sales volumes in 2011 as compared to 2010. Days-sales-outstanding ("DSO") was 64 days at December 31, 2011 and 67 days at December 31, 2010.
- The 2011 change in inventories was attributable to the increase in inventory related to the introduction of new products and associated spare parts launched in 2011.
- The 2011 change in accounts payable and other current liabilities was a result of timing of payments to vendors and a decrease in income taxes payable in the current year as a result of the utilization of net operating loss carryforwards in the U.S. The 2010 change in accounts payable and other current liabilities was a result of increases in accounts payable and accrued income taxes.
- Net cash provided from deferred revenue and customer advances in both 2011 and 2010 was a result of the higher installed base of customers renewing annual service contracts.
- Other changes were attributable to variation in the timing of various provisions, expenditures and accruals in other current assets, other assets and other liabilities.

#### Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net cash provided by operating activities was \$458 million and \$418 million in 2010 and 2009, respectively. The changes within net cash provided by operating activities in 2010 as compared to 2009 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 2010 compared to 2009 was primarily attributable to timing of payments made by customers and higher sales volumes in 2010 as compared to 2009. DSO was 67 days at both December 31, 2010 and December 31, 2009.
- The 2010 change in inventories was attributed to the increase in inventory related to the ramp up in sales of new products launched in the second half of 2010 and in early 2011.
- The 2010 change in accounts payable and other current liabilities was impacted by a higher accounts payable balance, higher incentive compensation accruals and higher accrued interest balances, while the 2009 change was impacted by a \$6 million litigation payment and a \$6 million TA building lease termination payment. In addition, accounts payable and other current liabilities changed as a result of timing of payments to vendors.
- Net cash provided from deferred revenue and customer advances in both 2010 and 2009 was a result of the higher installed base of customers renewing annual service contracts.
- Other changes were attributable to variation in 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 \$356 million, \$412 million and \$419 million in 2011, 2010 and 2009, respectively. Additions to fixed assets and capitalized software were \$85 million, \$63 million and \$94 million in 2011, 2010 and 2009, respectively. Capital expenditures were higher in 2011 due to a \$14 million land

acquisition in the United Kingdom, where the Company plans to construct a new facility that will consolidate certain existing primary MS research, manufacturing and distribution locations. The Company expects to incur capital expenditures in the next few years in the range of \$50 million to \$70 million to construct this facility. Capital expenditures were higher in 2009 due to the acquisition of land and construction of a new TA facility.

During 2011, 2010 and 2009, the Company purchased \$1,749 million, \$1,235 million and \$518 million of short-term investments, respectively, while \$1,490 million, \$886 million and \$229 million of short-term investments matured, respectively. Business acquisitions, net of cash acquired, were \$11 million and \$36 million during 2011 and 2009, respectively. There were no business acquisitions in 2010.

#### **Cash Used in Financing Activities**

In July 2011, Waters entered into the 2011 Credit Agreement, which provides for a \$700 million revolving facility and a \$300 million term loan facility. The term loan facility and the revolving facility both mature on July 28, 2016 and require no scheduled prepayments before that date. The Company uses the revolving line of credit to fund its working capital needs. In July 2011, the Company borrowed \$300 million under the new term loan facility. The Company used the proceeds of the term loan and the revolving borrowings to repay the outstanding amounts under the credit agreement entered into in January 2007 (the "2007 Credit Agreement"). Waters terminated the 2007 Credit Agreement early without penalty.

The interest rates applicable to the 2011 Credit Agreement are, at the Company's option, equal to either the base rate (which is the highest of (i) the prime rate, (ii) the federal funds rate plus 1/2%, or (iii) the one month LIBOR rate plus 1%) 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 0 to 20 basis points and between 85 basis points and 120 basis points, respectively. The facility fee on the 2011 Credit Agreement ranges between 15 basis points and 30 basis points. The 2011 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 2011 Credit Agreement includes negative covenants, affirmative covenants, representations and warranties and events of default that are customary for investment grade credit facilities. As of December 31, 2011, the Company was in compliance with all such covenants. 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, however, there can be no assurance that it will be able to do so.

The Company issued and sold senior unsecured notes with a face value of \$200 million in both 2011 and 2010. The Company used the proceeds from the issuance of these senior unsecured notes to repay other outstanding debt and for general corporate purposes. Interest on both issuances of senior unsecured notes is payable semi-annually. The Company may redeem some 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 senior unsecured 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 senior unsecured notes include customary negative covenants, affirmative covenants, representations and warranties and events of default.

During 2011, 2010 and 2009, the Company's net debt borrowings increased by \$225 million, \$134 million and \$92 million, respectively. As of December 31, 2011, the Company had a total of \$991 million in outstanding debt, which consisted of \$400 million in outstanding notes, \$300 million borrowed under a term loan facility under the 2011 Credit Agreement, \$280 million borrowed under revolving credit facility under the 2011 Credit Agreement and \$11 million borrowed under various other short-term lines of credit. 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; however, there can be no assurance that it will be able to do so. As of December 31, 2011, the Company had a total amount available to borrow under existing credit agreements of \$419 million after outstanding letters of credit.

In February 2011, 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 2011, 2010 and 2009, the Company repurchased 4.5 million, 4.4 million and 4.5 million shares at a cost of \$364 million, \$292 million and \$210 million, respectively, under the February 2011 authorization and previously announced programs. As of December 31, 2011, the Company had purchased an aggregate of 3.8 million shares at a cost of \$314 million under the February 2011 program, leaving \$186 million authorized for future repurchases.

The Company received \$60 million, \$101 million and \$19 million of proceeds from the exercise of stock options and the purchase of shares pursuant to the Company's employee stock purchase plan in 2011, 2010 and 2009, respectively.

The Company had cash, cash equivalents and short-term investments of \$1.3 billion as of December 31, 2011. The majority of the Company's cash, cash equivalents and short-term investments are generated from foreign operations, with \$1.2 billion held by foreign subsidiaries at December 31, 2011. Due to the fact that most of the Company's cash, cash equivalents and short-term investments are held outside of the U.S., the Company must manage and maintain sufficient levels of cash flow in the U.S. to fund operations and capital expenditures, service debt and interest, finance potential U.S. acquisitions and continue to repurchase shares under the authorized stock repurchase program in the U.S. These U.S. cash requirements are managed by the Company's cash flow from U.S. operations and the use of the Company's revolving credit facilities.

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, the ability to raise funds from external sources and the borrowing capacity from committed credit facilities will be sufficient to service debt and fund working capital and capital spending requirements, authorized share repurchase amounts, potential acquisitions and any adverse final determination of ongoing litigation for at least the next twelve months.

#### **Contractual Obligations and Commercial Commitments**

The following is a summary of the Company's known contractual obligations as of December 31, 2011 (in thousands):

	Payments Due by Year(1)							
	Total	2012	2013	2014	2015	2016	2017	After 2017
Notes payable and debt	\$ 290,832	\$290,832	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	700,000		_	_	100,000	350,000	_	250,000
Operating leases	74,996	23,829	18,407	13,332	7,036	5,410	3,725	3,257
Total	\$1,065,828	\$314,661	\$18,407	\$13,332	\$107,036	\$355,410	\$3,725	\$253,257

<sup>(1)</sup> Does not include normal purchases made in the ordinary course of business and uncertain tax positions discussed below.

The interest rates applicable to term loan and revolving loans under the 2011 Credit Agreement are, at the Company's option, equal to either the base rate (which is the highest of (i) the prime rate, (ii) the federal funds rate plus 1/2%, or (iii) the one month LIBOR rate plus 1%) 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 0 to 20 basis points and between 85 basis points and 120 basis points, respectively. The

facility fee on the 2011 Credit Agreement ranges between 15 basis points and 30 basis points. The 2011 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 2011 Credit Agreement includes negative covenants, affirmative covenants, representations and warranties and events of default that are customary for investment grade credit facilities. As of December 31, 2011, the Company was in compliance with all such covenants.

The following is a summary of the Company's known commercial commitments as of December 31, 2011 (in thousands):

	Amount of Commitments Expiration Per Period							
	Total	2011	2012	2013	2014	2015	2016	After 2016
Letters of credit	\$17,649	\$1,087	\$341	\$16,221	\$	\$	\$	\$

The Company licenses certain technology and software from third parties and the licenses expire at various dates through 2012. Fees paid for licenses were less than \$1 million in each of the years 2011, 2010 and 2009. Future minimum license fees payable under existing license agreements as of December 31, 2011 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 believes any outcome, either individually or in the aggregate, will not be material to the Company's financial position or results of operations. See 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 2012, the Company expects to contribute approximately \$7 million to \$9 million to the Company's defined benefit plans.

In order to accommodate future sales growth, the Company purchased land in the United Kingdom for \$14 million in 2011 to consolidate certain existing primary MS research, manufacturing and distribution locations in the United Kingdom into one facility. The Company expects to incur capital expenditures in the next few years in the range of \$50 million to \$70 million to construct this facility. The Company believes it can fund the construction of this facility with cash flows from operating activities and its borrowing capacity from committed credit facilities.

The Company accounts for its uncertain tax return reporting positions in accordance with the accounting standard for income taxes, 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 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, 2011 were to become recognizable in the future, the Company would record a total reduction of approximately \$73 million in its 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 concerned income tax authorities. The Company continuously monitors the lapsing of statutes of limitations on potential tax assessments for related changes in the measurement of unrecognized tax benefits, related net interest and penalties, and deferred tax assets and liabilities. As of December 31, 2011, 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 within the next twelve months. As of December 31, 2011, the Company does expect, however, to record a reduction in the measurement of unrecognized tax benefits and related net interest and penalties of approximately \$4 million due 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.

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.

#### **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. The Company's deferred revenue on the consolidated balance sheets consists of the obligation on instrument service contracts and customer payments received in advance and prior to shipment of the instrument. At December 31, 2011, the Company had current and long-term deferred revenue liabilities of \$110 million and \$25 million, respectively. Revenue is recognized when all of the following revenue recognition 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. 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 generally recognizes product revenue when legal title has transferred and risk of loss passes to the customer. The Company structures its sales arrangements as shipping point or international equivalent and, accordingly, recognizes revenue upon shipment. In some cases, destination based shipping terms are included in sales arrangements, in which cases revenue is generally recognized when the products arrive at the customer site.

The Company's method of revenue recognition for certain products requiring installation is in accordance with multiple-element revenue recognition accounting standards. With respect to the 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.

Instrument service contracts are typically billed at the beginning of the maintenance period. The amount of the service contract is amortized ratably to revenue over the instrument maintenance period. There are no deferred costs associated with the service contract as the cost of the service is recorded when the service is performed. No revenue is recognized until all revenue recognition criteria have been met.

Sales of software are accounted for in accordance with the accounting standards for software revenue recognition. The Company's software arrangements typically include software licenses and maintenance contracts. Software license revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collection is probable, and there are no significant post-delivery obligations remaining. The revenue associated with the software maintenance contract is recognized ratably over the maintenance term. Unspecified rights to software upgrades are typically sold as part of the maintenance contract on a when-and-if-available basis. The Company uses the residual method to allocate software revenue when a transaction includes multiple elements and vendor specific objective evidence of the fair value of undelivered elements exists. Under the residual method, the fair value of the undelivered element (maintenance) is deferred and the remaining portion of the arrangement fee is allocated to the delivered element (software license) and is recognized as revenue.

#### 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, 2011 was \$367 million, net of allowances for doubtful accounts and sales returns of \$9 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, 2011 was recorded at its net realizable value of \$213 million, which is net of write-downs of \$14 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 historical or projected future operating results, particularly as it pertains to capitalized software;
- · significant negative industry or economic trends, competitive products and technologies; 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 \$192 million, \$237 million and \$297 million, respectively, as of December 31, 2011.

The Company performs annual impairment reviews of its goodwill on January 1 of each year. For goodwill impairment review purposes, the Company has two reporting units, the Waters Division and TA Division. The Company 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. The factors that could cause a material goodwill impairment charge in the future include, but are not limited to, the following:

- significant decline in the Company's projected revenue, earnings or cash flows;
- significant adverse change in legal factors or business climate;
- significant decline in the Company's stock price or the stock price of comparable companies;
- adverse action or assessment by a regulator; and
- unanticipated competition.

#### 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, 2011, the Company's warranty liability was \$13 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 the 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, 2011, the Company had unrecognized tax benefits of \$73 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, Legal Proceedings, of Part I of this Form 10-K, management of the Company to date has been able to make this determination and thus has recorded charges with respect to certain claims. 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 operations 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 7.20% for its U.S. benefit plans and 2.50% 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 Pension Discount Curve for high quality investments as of December 31, 2011 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, 2011, the Company determined the weighted-average discount rate to be 4.33% for the U.S. benefit plans and 3.29% 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 the 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 are 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 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, 2011, 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	\$46	3.8
Restricted stock units	27	3.1
Restricted stock	1	1.7
Total	<u>\$74</u>	3.5

## **Recent Accounting Standard Changes and Developments**

Information regarding recent accounting standard changes and developments is incorporated by reference from Part II, Item 8, Financial Statements and Supplementary Data, of this document and should be considered an integral part of this Item 7. See Note 2 in the Notes to the Consolidated Financial Statements for recently adopted and issued accounting standards.

## Item 7A: Quantitative and Qualitative Disclosures About Market Risk

The Company operates on a global basis and is exposed to the risk that its earnings, cash flows and stockholders' equity could be adversely impacted by fluctuations in currency exchange rates and interest rates. The Company attempts to minimize its exposures by using certain financial instruments, for purposes other than trading, in accordance with the Company's overall risk management guidelines.

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

The Company is also exposed to the risk that its earnings and cash flows could be adversely impacted by fluctuations in interest rates. The Company's policy is to manage interest costs by using a mix of fixed and

floating rate debt that management believes is appropriate. At times, to manage this mix in a cost efficient manner, the Company has periodically entered into interest rate swaps in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed upon notional amount.

## Hedge Transactions

The Company records its hedge transactions in accordance with the accounting standards for derivative instruments and hedging activities, which establishes the 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 used 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. The Company had no outstanding interest rate swap agreements at December 31, 2011, 2010 and 2009. For the year ended December 31, 2009, the Company recorded a change of \$2 million in accumulated other comprehensive income on the interest rate agreements and recorded additional interest expense of \$2 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 and British Pound. The periods of these forward contracts typically range from one to three months and have varying notional amounts, which are intended to be consistent with changes in 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, 2011, 2010 and 2009, the Company held forward foreign exchange contracts with notional amounts totaling \$161 million, \$136 million and \$138 million, respectively.

The Company's foreign currency exchange contracts included in the consolidated balance sheets are classified as follows (in thousands):

	December 31, 2011	December 31, 2010
Other current assets	\$ 81	\$424
Other current liabilities	\$1,317	\$626

The following is a summary of the activity in the statements of operations related to the forward foreign exchange contracts (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Realized (losses) gains on closed contracts	\$(2,233)	\$(8,138)	\$5,162
Unrealized (losses) gains on open contracts	(1,035)	(39)	1,448
Cumulative net pre-tax (losses) gains	\$(3,268)	<u>\$(8,177)</u>	\$6,610

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, 2011 would decrease pre-tax earnings by approximately \$16 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 90 days or less, primarily in bank deposits, U.S. treasury bills, U.S. treasury bill money market funds, Canadian U.S. dollar-denominated treasury bills, commercial paper and European government bond money market funds. Investments with longer maturities are classified as short-term investments, and are held primarily in bank deposits, investment grade commercial paper and U.S., Canadian, German and Dutch government treasury bills. 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, 2011 and December 31, 2010, \$1,200 million out of \$1,281 million and \$901 million out of \$946 million, respectively, of the Company's total cash, cash equivalents and short-term investments were held by foreign subsidiaries and may be subject to material tax repatriation effects. As of December 31, 2011, 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, 2011, 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 (COSO). 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, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Waters Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and comprehensive income, and of cash flows present fairly, in all material respects, the financial position of Waters Corporation and its subsidiaries as of December 31, 2011 and December 31, 2010 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 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, 2011, 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.

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 24, 2012

# WATERS CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	Decem	ber 31,
	2011	2010
	(In thousands, e	
ASSETS	ua	ia)
Current assets:		
Cash and cash equivalents	\$ 383,990	\$ 308,498
Short-term investments	897,361	637,921
Accounts receivable, less allowances for doubtful accounts and sales returns of		
\$8,584 and \$6,196 at December 31, 2011 and December 31, 2010,		
respectively	367,085	358,237
Inventories	212,864	204,300
Other current assets	80,804	77,685
Total current assets	1,942,104	1,586,641
Property, plant and equipment, net	237,095	215,060
Intangible assets, net	191,992	181,316
Goodwill	297,071	291,657
Other assets	54,972	52,996
Total assets	\$ 2,723,234	\$ 2,327,670
10441 400400	=======================================	=======================================
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and debt	\$ 290,832	\$ 66,055
Accounts payable	55,317	64,406
Accrued employee compensation	49,949	52,831
Deferred revenue and customer advances	109,922	106,445
Accrued income taxes	9,449	11,909
Accrued warranty	13,258 73,136	11,272 72,932
Total current liabilities	601,863	385,850
Long-term liabilities:	<b>=</b> 00.000	<b>=</b> 00.000
Long-term debt	700,000	700,000
Long-term portion of retirement benefits	92,970	72,624
Long-term income tax liability	72,613	77,764
Other long-term liabilities	29,210	22,635
Total long-term liabilities	894,793	873,023
Total liabilities	1,496,656	1,258,873
Commitments and contingencies (Notes 7, 8, 9, 10 and 13)		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 5,000 shares authorized, none issued at		
December 31, 2011 and December 31, 2010	_	_
Common stock, par value \$0.01 per share, 400,000 shares authorized, 152,757 and		
151,054 shares issued, 88,996 and 91,848 shares outstanding at December 31,		
2011 and December 31, 2010, respectively	1,528	1,511
Additional paid-in capital	1,089,959	970,068
Retained earnings	3,051,447	2,618,479
Treasury stock, at cost, 63,761 and 59,206 shares at December 31, 2011 and	(2 000 201)	(2.500.466)
December 31, 2010, respectively	(2,880,301)	(2,509,466)
•	(36,055)	(11,795)
Total stockholders' equity	1,226,578	1,068,797
Total liabilities and stockholders' equity	\$ 2,723,234	\$ 2,327,670

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

# WATERS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,			
	2011	2010	2009	
	(In thousa	nare data)		
Product sales	\$1,322,136	\$1,166,627	\$1,051,978	
Service sales	529,048	476,744	446,722	
Total net sales	1,851,184	1,643,371	1,498,700	
Cost of product sales	506,073	453,779	406,681	
Cost of service sales	224,420	199,524	188,201	
Total cost of sales	730,493	653,303	594,882	
Gross profit	1,120,691	990,068	903,818	
Selling and administrative expenses	490,011	445,456	421,403	
Research and development expenses	92,347	84,274	77,154	
Purchased intangibles amortization	9,733	10,406	10,659	
Operating income	528,600	449,932	394,602	
Interest expense	(21,971)	(13,924)	(10,986)	
Interest income	2,623	1,855	3,036	
Income from operations before income taxes	509,252	437,863	386,652	
Provision for income taxes	76,284	56,100	63,339	
Net income	\$ 432,968	\$ 381,763	\$ 323,313	
Net income per basic common share	\$ 4.77	\$ 4.13	\$ 3.37	
Weighted-average number of basic common shares	90,833	92,385	95,797	
Net income per diluted common share	\$ 4.69	\$ 4.06	\$ 3.34	
Weighted-average number of diluted common shares and				
equivalents	92,325	94,057	96,862	

# WATERS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash flows from operating activities:  Net income
Cash flows from operating activities:  Net income
Net income
Adjustments to reconcile net income to net cash provided by operating
activities.
Provisions for doubtful accounts on accounts receivable 3,265 2,926 3,124
Provisions on inventory
Stock-based compensation
Deferred income taxes
Depreciation
Amortization of intangibles
Change in operating assets and liabilities, net of acquisitions:
Increase in accounts receivable
Increase in inventories
Decrease in other current assets
(Increase) decrease in other assets
(Decrease) increase in accounts payable and other current
liabilities
Increase in deferred revenue and customer advances
Increase (decrease) in other liabilities
Net cash provided by operating activities
Additions to property, plant, equipment and software capitalization (85,436) (62,740) (93,796)
Business acquisitions, net of cash acquired
Purchase of short-term investments
Maturity of short-term investments
Net cash used in investing activities
Proceeds from debt issuances
Payments on debt
Payments of debt issuance costs       (4,523)       (1,498)       —         Proceeds from stock plans       60,153       100,584       19,099
1
Excess tax benefit related to stock option plans
(Payments for) proceeds from debt swaps and other derivative contracts
Effect of exchange rate changes on cash and cash equivalents
Increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period
Cash and cash equivalents at end of period
Supplemental cash flow information:
Income taxes paid
Interest paid

The accompanying notes are an integral part of the interim 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
Balance December 31, 2008	148,069	\$1,481	\$ 756,499	\$1,913,403	(In thousands) \$(2,001,797)	\$ (8,581)	\$ 661,005	
Net income Other comprehensive income:	_	_	_	323,313	_	_	323,313	\$323,313
Foreign currency translation  Net appreciation and realized gains on	_	_	_	_	_	19,405	19,405	19,405
derivative instruments, net of tax Unrealized losses on investments, net of	_	_	_	_	_	1,798	1,798	1,798
tax	_	_	_	_	_	(25)	(25)	(25)
tax	_	_	_	_	_	2,977	2,977	2,977
Other comprehensive income	_	_	_	_	_	24,155	24,155	24,155
Comprehensive income								\$347,468
Issuance of common stock for employees: Employee Stock Purchase Plan Stock options exercised Tax benefit related to stock option plans	88 514	1 5	3,243 15,850 5,083	_	_		3,244 15,855 5,083	
Increase in valuation allowance	_	_	(705)	_	_	_	(705)	
Treasury stock	160	1	28,375	_	(211,377)	_	(211,377) 28,376	
Balance December 31, 2009	148,831	\$1,488	\$ 808,345	\$2,236,716	\$(2,213,174)	\$ 15,574	\$ 848,949	
Comprehensive income, net of tax:  Net income	_	_	_	381,763	_	_	381,763	\$381,763
Other comprehensive loss:  Foreign currency translation  Unrealized gains on investments, net of	_	_	_	_	_	(24,568)	(24,568)	(24,568)
tax	_	_	_	_	_	12	12	12
Retirement liability adjustment, net of tax	_	_	_	_	_	(2,813)	(2,813)	(2,813)
Other comprehensive loss	_	_	_	_	_	(27,369)	(27,369)	(27,369)
Comprehensive income								\$354,394
Issuance of common stock for employees:								
Employee Stock Purchase Plan	62 1,933	1 19	3,457 97,107	_	_		3,458 97,126	
Tax benefit related to stock option plans		_	10,809	_	_	_	10,809	
Release of valuation allowance	_	_	25,873	_	(296,292)	_	25,873 (296,292)	
Stock-based compensation	228	3	24,477				24,480	
Balance December 31, 2010	151,054	\$1,511	\$ 970,068	\$2,618,479	\$(2,509,466) ===================================	\$(11,795) ====================================	\$1,068,797	
Comprehensive income, net of tax:  Net income Other comprehensive loss:	_	_	_	432,968	_	_	432,968	\$432,968
Foreign currency translation Unrealized gains on investments, net of	_	_	_	_	_	(12,644)	(12,644)	(12,644)
tax	_	_	_	_	_	627	627	627
tax	_	_	_	_	_	(12,243)	(12,243)	(12,243)
Other comprehensive loss	_	_	_	_	_	(24,260)	(24,260)	(24,260)
Comprehensive income								\$408,708
Issuance of common stock for employees: Employee Stock Purchase Plan Stock options exercised	58 1,381	1 14	4,149 55,989	_ _	_	=	4,150 56,003	
Tax benefit related to stock option plans Release of valuation allowance	_	_	32,239 176	_	_	_	32,239 176	
Treasury stock	264		27,338	_	(370,835)	_ _	(370,835) 27,340	
Balance December 31, 2011	152,757	\$1,528	\$1,089,959	\$3,051,447	\$(2,880,301)	\$(36,055)	\$1,226,578	

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") is an analytical instrument manufacturer that 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") technology systems and support products, including chromatography columns, other consumable products and comprehensive post-warranty service plans. These systems are complementary products that are frequently employed together ("LC-MS") and sold as integrated instrument systems using a common software platform and are 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-MS instruments combine 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.

## 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 71% in 2011, 70% in 2010 and 69% in 2009. 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.

## Seasonality of Business

The Company typically 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.

## Cash, Cash Equivalents and Short-Term Investments

Cash equivalents primarily represent highly liquid investments, with original maturities of 90 days or less, primarily in bank deposits, U.S. treasury bills, U.S. treasury bill money market funds, Canadian U.S. dollar-denominated treasury bills, commercial paper and European government bond money market funds. Investments with longer maturities are classified as short-term investments, and are held primarily in bank deposits, investment grade commercial paper and U.S., Canadian, German and Dutch government treasury bills. 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, 2011 and 2010, \$1,200 million out of \$1,281 million and \$901 million out of \$946 million, respectively, of the Company's total cash, cash equivalents and short-term investments were held by foreign subsidiaries and may be subject to material tax repatriation effects.

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. 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, 2011 and 2010, the Company had short-term investments with a cost of \$897 million and \$638 million, respectively, which approximated market value.

## 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, 2011, 2010 and 2009 (in thousands):

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Allowance for Doubtful Accounts and Sales				
Returns:				
2011	\$6,196	\$9,932	\$(7,544)	\$8,584
2010	\$6,723	\$5,508	\$(6,035)	\$6,196
2009	\$7,608	\$6,956	\$(7,841)	\$6,723

## Concentration of Credit Risk

The Company sells its products and services to a significant number of large and small customers throughout the world, with net sales to the pharmaceutical industry of approximately 52% in 2011, 52% in 2010 and 51% in 2009. None of the Company's individual customers accounted for more than 3% of annual Company sales in 2011, 2010 or 2009. 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.

#### 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 2011, 2010 and 2009.

## **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.

#### 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 performs an annual goodwill impairment assessment for its reporting units as of January 1 each year. 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. For goodwill impairment review purposes, the Company has two reporting units, the Waters Division and TA Division. 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 internal and external 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 capitalized \$29 million of direct expenses that were related to the development of software in both 2011 and 2010. Net capitalized software included in intangible assets totaled \$115 million and \$103 million at December 31, 2011 and 2010, respectively, see Note 6, "Goodwill and Other Intangibles".

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 \$3 million and \$4 million at December 31, 2011 and 2010, respectively.

## 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, 2011 and 2010 are included in other assets and amounted to \$4 million for both years.

#### Fair Value Measurements

In accordance with the accounting standards for fair value measurements and disclosures, certain of the Company's assets and liabilities are measured at fair value on a recurring basis as of December 31, 2011 and 2010. 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 for 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 at December 31, 2011 (in thousands):

	Total at December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 142,966	\$	\$ 142,966	\$
Short-term investments	897,361	_	897,361	_
Waters 401(k) Restoration Plan assets	20,667	_	20,667	_
Foreign currency exchange contract agreements	81	_	81	_
Total	\$1,061,075	<u>\$—</u>	\$1,061,075	<u>\$—</u>
Liabilities:				
Foreign currency exchange contract				
agreements	\$ 1,317	<u>\$—</u>	\$ 1,317	<u>\$—</u>
Total	\$ 1,317	<u>\$—</u>	\$ 1,317	<u>\$—</u>

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2010 (in thousands):

	Total at December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 87,975	\$	\$ 87,975	\$
Short-term investments	637,921		637,921	_
Waters 401(k) Restoration Plan assets	19,988	_	19,988	_
Foreign currency exchange contract agreements	424	_	424	_
Total	\$746,308	<u>\$—</u>	\$746,308	<u>\$—</u>
Liabilities:				
Foreign currency exchange contract				
agreements	\$ 626	<u>\$—</u>	\$ 626	<u>\$—</u>
Total	\$ 626	<u>\$—</u>	\$ 626	<u>\$—</u>

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, 401(k) restoration plan assets and foreign currency exchange contracts 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, 2011 and 2010.

#### Fair Value of Other Financial Instruments

The Company's cash, accounts receivable, accounts payable and variable interest rate debt are recorded at cost, which approximates fair value. The carrying value and fair value of the Company's fixed interest rate debt was \$400 million and \$410 million, respectively, at December 31, 2011. The carrying value and fair value of the Company's fixed interest rate debt was \$200 million and \$203 million, respectively, at December 31, 2010.

## 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 standards for derivative instruments and hedging activities, which establishes the 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 has used 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. The Company had no outstanding interest rate swap agreements at December 31, 2011, 2010 and 2009. For the year ended December 31, 2009, the Company recorded a change of \$2 million in accumulated other comprehensive income on the interest rate agreements and recorded additional interest expense of \$2 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 and British Pound. The periods of these forward contracts typically range from one to three months and have varying notional amounts, which are intended to be consistent with changes in 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, 2011, 2010 and 2009, the Company held forward foreign exchange contracts with notional amounts totaling \$161 million, \$136 million and \$138 million, respectively.

The Company's foreign currency exchange contracts included in the consolidated balance sheets are classified as follows (in thousands):

	December 31, 2011		December 31, 2010
Other current assets	\$	81	\$424
Other current liabilities	\$1,	,317	\$626

The following is a summary of the activity in the statements of operations related to the forward foreign exchange contracts (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Realized (losses) gains on closed contracts	\$(2,233)	\$(8,138)	\$5,162
Unrealized (losses) gains on open contracts	(1,035)	(39)	1,448
Cumulative net pre-tax (losses) gains	\$(3,268)	\$(8,177)	\$6,610

#### Stockholders' Equity

In February 2011, 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 2011, the Company repurchased 3.8 million shares at a cost of \$314 million under this program, leaving \$186 million authorized for future purchases.

During 2011, 2010 and 2009, the Company repurchased 4.5 million, 4.4 million and 4.5 million shares at a cost of \$364 million, \$292 million and \$210 million, respectively, under the February 2011 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.

## Revenue Recognition

Sales of products and services are generally recorded based on product shipment and performance of service, respectively. The Company's deferred revenue on the consolidated balance sheets consists of the obligation on instrument service contracts and customer payments received in advance prior to shipment of the instrument. Revenue is recognized when all of the following revenue recognition 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. 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 generally recognizes product revenue when legal title has transferred and risk of loss passes to the customer. The Company structures its sales arrangements as shipping point or international equivalent and, accordingly, recognizes revenue upon shipment. In some cases, destination based shipping terms are included in sales arrangements, in which cases revenue is generally recognized when the products arrive at the customer site.

The Company's method of revenue recognition for certain products requiring installation is in accordance with the multiple-element revenue recognition accounting standards. With respect to the 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.

Instrument service contracts are typically billed at the beginning of the maintenance period. The amount of the service contract is amortized ratably to revenue over the instrument maintenance period. There are no deferred costs associated with the service contract as the cost of the service is recorded when the service is performed. No revenue is recognized until all revenue recognition criteria have been met.

Sales of software are accounted for in accordance with the accounting standards for software revenue recognition. The Company's software arrangements typically include software licenses and maintenance contracts. Software license revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collection is probable, and there are no significant post-delivery obligations remaining. The revenue associated with the software maintenance contract is recognized ratably over the maintenance term. Unspecified rights to software upgrades are typically sold as part of the maintenance contract on a when-and-if-available basis. The Company uses the residual method to allocate software revenue when a transaction includes multiple elements and vendor specific objective evidence of the fair value of undelivered elements exists. Under the residual method, the fair value of the undelivered element (maintenance) is deferred and the remaining portion of the arrangement fee is allocated to the delivered element (software license) and recognized as revenue.

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.

## **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, 2011, 2010 and 2009 (in thousands):

	Balance at Beginning of Period	Accruals for Warranties		Balance at End of Period
Accrued warranty liability:				
2011	\$11,272	\$10,175	\$(8,189)	\$13,258
2010	\$10,109	\$ 7,618	\$(6,455)	\$11,272
2009	\$10,276	\$ 5,725	\$(5,892)	\$10,109

#### 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 2011, 2010 and 2009 were \$11 million, \$10 million and \$10 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 10, "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 establish the accounting rules for reporting and displaying comprehensive income. 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.

#### Subsequent Events

The Company did not have any material subsequent events, except for the recent acquisition discussed in Note 5, "Acquisitions".

## Recently Adopted Accounting Standards

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. The previously 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 previous 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. The new approach is effective

prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

Also in October 2009, a new accounting consensus was issued for certain revenue arrangements that include software elements. This new consensus amends the previous accounting guidance for revenue arrangements that contain tangible products and software. This new 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 adoption of this standard did not have a material effect on the Company's financial position, results of operations or cash flows.

## Recently Issued Accounting Standards

In June 2011, a new accounting standard was issued relating to the presentation of comprehensive income. This standard eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. An entity has the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This standard is to be applied retrospectively for fiscal years and interim periods beginning after December 15, 2011. The adoption of this standard will not have a material effect on the Company's financial position, results of operations or cash flows.

In September 2011, amended accounting guidance was issued for goodwill in order to simplify how companies test goodwill for impairment. The amendments permit a company to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, a company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We do not expect the adoption of this accounting pronouncement to have a material effect on our financial statements when implemented.

#### 3 Inventories

Inventories are classified as follows (in thousands):

	Decem	per 31,
	2011	2010
Raw materials	\$ 71,993	\$ 63,475
Work in progress	12,293	17,301
Finished goods	128,578	123,524
Total inventories	\$212,864	\$204,300

Dogombon 21

## 4 Property, Plant and Equipment

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

	Decem	ber 31,
	2011	2010
Land and land improvements	\$ 34,665	\$ 20,679
Buildings and leasehold improvements	174,582	163,747
Production and other equipment	288,274	268,421
Construction in progress	20,560	13,578
Total property, plant and equipment	518,081	466,425
Less: accumulated depreciation and amortization	(280,986)	(251,365)
Property, plant and equipment, net	\$ 237,095	\$ 215,060

During 2011, 2010 and 2009, the Company retired and disposed of approximately \$6 million, \$9 million and \$7 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.

## 5 Acquisitions

In January 2012, the Company acquired all of the outstanding capital stock of Bahr Thermoanalyse GmbH ("Bahr"), a German manufacturer of a wide-range of thermal analyzers, for \$12 million in cash. This acquisition will be accounted for under the accounting standard for business combinations and the results of this acquisition will be included in the Company's consolidated results from the acquisition date.

In July 2011, the Company acquired the net assets of Anter Corporation ("Anter"), a manufacturer of thermal analyzers used to measure thermal expansion and shrinkage, thermal conductivity and resistivity, thermal diffusivity and specific heat capacity of a wide range of materials, for \$11 million in cash. Anter was acquired to expand TA's thermal analysis instrument product offering and to leverage the Company's distribution channels. This acquisition was accounted for under the accounting standard for business combinations and Anter's results 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 \$4 million of the purchase price to intangible assets comprised of customer relationships and acquired technology. The Company is amortizing the customer relationships over six years and the acquired technology over ten years. These intangible assets are being amortized over a weighted-average period of nine years. The remaining purchase price of \$6 million has been accounted for as goodwill. The principal factor that resulted in recognition of goodwill was that the purchase price for the acquisition was based in part on cash flow projections assuming the integration of any acquired technology and products with our products, which is of considerably greater value than utilizing each of the acquired company's technology or products on a stand-alone basis. The goodwill also includes value assigned to assembled workforce, which cannot be recognized as an intangible asset. 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 deductible for tax purposes. Anter is expected to add approximately \$6 million on a full-year basis to the Company's annual sales. Anter's impact on the Company's net income since the acquisition date for the year ended December 31, 2011 was not significant.

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 Anter acquisition (in thousands):

Accounts receivable	330
Inventory	903
Other assets	65
Goodwill	6,180
Intangible assets	3,910
Total assets acquired	11,388
Accrued expenses and other current liabilities	288
Cash consideration paid	11,100

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 acquisition of Thar was accounted for under the 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. 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. The excess purchase price of \$22 million has been accounted for as goodwill. The goodwill is not deductible for tax purposes.

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

## 6 Goodwill and Other Intangibles

The carrying amount of goodwill was \$297 million and \$292 million at December 31, 2011 and 2010, respectively. The Company's acquisition of Anter increased goodwill by \$6 million (See Note 5) and currency translation adjustments decreased goodwill by \$1 million in 2011.

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

		December 31, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Weighted- Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted- Average Amortization Period	
Purchased intangibles	\$138,001	\$ 80,023	10 years	\$134,723	\$ 70,832	10 years	
Capitalized software	253,379	138,573	5 years	229,850	127,056	5 years	
Licenses	6,597	6,039	6 years	9,877	8,971	7 years	
Patents and other intangibles	33,698	15,048	8 years	28,931	15,206	8 years	
Total	\$431,675	\$239,683	7 years	\$403,381	\$222,065	7 years	

During the year ended December 31, 2011, the Company acquired \$4 million of purchased intangibles as a result of the acquisition of Anter. In addition, the gross carrying value of intangible assets and accumulated amortization for intangible assets decreased by \$6 million and \$5 million, respectively, in the year ended December 31, 2011 due to the effect of foreign currency translation.

For the years ended December 31, 2011, 2010 and 2009, amortization expense for intangible assets was \$30 million, \$28 million and \$25 million, respectively. Amortization expense for intangible assets is estimated to be approximately \$32 million for 2012 and is estimated to increase to approximately \$45 million per year for the years 2013 through 2016. The estimated significant increases in amortization expense are due to amortization associated with capitalized software costs related to the launch of new software product platforms planned in the fourth quarter of 2012. The carrying value of the new software platform is approximately \$83 million as of December 31, 2011 and will be amortized over ten years.

#### 7 Debt

In July 2011, the Company entered into a new credit agreement (the "2011 Credit Agreement") that provides for a \$700 million revolving facility and a \$300 million in term loan facility. The revolving facility and term loan facility both mature on July 28, 2016 and require no scheduled prepayments before that date. The Company used \$425 million of the proceeds from the 2011 Credit Agreement to repay the outstanding amounts under the Company's existing multi-borrower credit agreement dated as of January 11, 2007 (the "2007 Credit Agreement"). Waters terminated the 2007 Credit Agreement early without penalty.

The interest rates applicable to the 2011 Credit Agreement are, at the Company's option, equal to either the base rate (which is the highest of (i) the prime rate, (ii) the federal funds rate plus 1/2%, or (iii) the one month LIBOR rate plus 1%) 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 0 to 20 basis points and between 85 basis points and 120 basis points, respectively. The facility fee on the 2011 Credit Agreement ranges between 15 basis points and 30 basis points. The 2011 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 and a leverage ratio test of not more than 3.25:1 for any period of four consecutive fiscal quarters, respectively, the same as the 2007 Credit Agreement. In addition, the 2011 Credit Agreement includes negative covenants, affirmative covenants, representations and warranties and events of default that are customary for investment grade credit facilities. The outstanding portions of the revolving facilities have been classified as short-term liabilities in the consolidated balance sheets due to the fact that the Company utilizes the revolving line of credit to fund its working capital needs. It is the Company's intention to pay the outstanding revolving line of credit balance during the subsequent twelve months following the respective period end date.

The Company issued and sold the following senior unsecured notes in the years ended December 31, 2011 and 2010:

Senior Notes	Issue Date	Term	Interest Rate	Face Value (in millions)	Maturity Date
Series A	February 2010	5 years	3.75%	\$100	February 2015
Series B	March 2010	10 years	5.00%	\$100	February 2020
Series C	March 2011	5 years	2.50%	\$ 50	March 2016
Series D	March 2011	7 years	3.22%	\$100	March 2018
Series E	March 2011	10 years	3.97%	\$ 50	March 2021

The Company used the proceeds from the issuance of these senior unsecured notes to repay other outstanding debt and for general corporate purposes. Interest on the senior unsecured notes is payable semi-annually. The Company may prepay all or some of the senior unsecured notes at any time in an amount not less

than 10% of the aggregate principal amount outstanding, plus the applicable make-whole amount. In the event of a change in control (as defined in the note purchase agreement) of the Company, the Company may be required to prepay the senior unsecured notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest. 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 customary negative covenants, affirmative covenants, representations and warranties and events of default.

As of December 31, 2011, the Company was in compliance with all debt covenants.

The Company had the following outstanding debt at December 31, 2011 and 2010 (in thousands):

	Decem	ber 31,
	2011	2010
Foreign subsidiary lines of credit	\$ 10,832	\$ 11,055
Credit agreements	280,000	55,000
Total notes payable and debt	290,832	66,055
Senior unsecured notes — Series A — 3.75%, due February 2015	100,000	100,000
Senior unsecured notes — Series B — 5.00%, due February 2020	100,000	100,000
Senior unsecured notes — Series C — 2.50%, due March 2016	50,000	_
Senior unsecured notes — Series D — 3.22%, due March 2018	100,000	_
Senior unsecured notes — Series E — 3.97%, due March 2021	50,000	_
Credit agreements	300,000	500,000
Total long-term debt	700,000	700,000
Total debt	\$990,832	\$766,055

As of December 31, 2011 and 2010, the Company had a total amount available to borrow of \$419 million and \$543 million, respectively, after outstanding letters of credit, under the 2011 Credit Agreement and 2007 Credit Agreement. The weighted-average interest rates applicable to the senior unsecured notes and credit agreement borrowings were 2.33% and 1.69% at December 31, 2011 and 2010, respectively. The increase in the weighted-average interest rate for the Company's long-term debt is primarily due to a higher mix of fixed-rate debt and an increase in the interest rate credit margin on the 2011 Credit Agreement.

The Company and its foreign subsidiaries also had available short-term lines of credit totaling \$109 million and \$111 million at December 31, 2011 and 2010, respectively, for the purpose of short-term borrowing and issuance of commercial guarantees. At December 31, 2011 and 2010, the weighted-average interest rates applicable to the short-term borrowings were 2.02% and 2.10%, respectively.

#### 8 Income Taxes

Income tax data for the years ended December 31, 2011, 2010 and 2009 is as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
The components of income from operations before income taxes are as			
follows:			
Domestic	\$102,998	\$ 60,470	\$ 64,942
Foreign	406,254	377,393	321,710
Total	\$509,252	\$437,863	\$386,652

	Year Ended December 31,			l <b>,</b>	
	Ξ	2011	2010	:	2009
The current and deferred components of the provision for income taxes on operations are as follows:					
Current	\$	82,108 (5,824)	\$ 71,137 (15,037)	\$ :	59,472 3,867
Total	\$	76,284	\$ 56,100	\$ (	63,339
The jurisdictional components of the provision for income taxes on operations are as follows:					
Federal	\$	33,242 5,661	\$ 21,599 3,491	\$ 2	24,080 3,757
Foreign		37,381	31,010		35,502
Total	\$ =	76,284	\$ 56,100	\$ (	63,339
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	\$	178,238	\$153,252	\$13	35,328
State income tax, net of federal income tax benefit		3,679	2,269		2,442
Net effect of foreign operations	(	102,528)	(97,312)	(	73,351)
Other, net		(3,105)	(2,109)		(1,080)
Provision for income taxes	\$	76,284	\$ 56,100	\$ (	63,339

The tax effects of temporary differences and carryforwards which give rise to deferred tax assets and deferred tax (liabilities) are summarized as follows (in thousands):

	Decem	ber 31,
	2011	2010
Deferred tax assets:		
Net operating losses and credits	\$ 18,242	\$ 21,359
Depreciation	12,990	10,339
Stock-based compensation	22,616	24,477
Deferred compensation	27,442	21,437
Revaluation of equity investments	4,941	5,896
Inventory	3,226	3,093
Accrued liabilities and reserves	30,371	23,976
Other	11,349	8,711
Total deferred tax assets	131,177	119,288
Valuation allowance	(10,248)	(10,361)
Deferred tax assets, net of valuation allowance	120,929	108,927
Capitalized software	(13,263)	(10,877)
Amortization	(9,818)	(10,308)
Indefinite-lived intangibles	(17,665)	(19,901)
Other	(171)	(119)
Total deferred tax liabilities	(40,917)	(41,205)
Net deferred tax assets	\$ 80,012	\$ 67,722

Net deferred tax assets of \$56 million and \$48 million are included in other current assets and \$24 million and \$20 million are included in other assets at December 31, 2011 and 2010, 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, 2011: less than \$1 million benefit of U.S. federal and state net operating loss carryforwards that begin to expire in 2020 and 2012, respectively; \$14 million in research and development credits that begin to expire in 2012; and less than \$1 million (\$2 million pre-tax) in foreign net operating losses, which do not expire under current law.

As of December 31, 2009, the Company had 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. During the year ended December 31, 2010, the Company realized a benefit of \$12 million from electing tax deduction rather than tax credit treatment with respect to portions of its foreign tax credit carryforward and determined that it would similarly realize an additional benefit of \$14 million in the future for the remainder of this deferred tax asset. As a result, during the year ended December 31, 2010, the Company released the \$71 million valuation allowance related to the deferred tax asset associated with the foreign tax credit carryforward, reduced the deferred tax asset associated with the foreign tax credit carryforward by \$57 million (reduced to \$14 million), reduced accrued taxes by \$12 million and increased additional paid-in capital by \$26 million. The Company increased additional paid-in capital because the valuation allowance that was originally established against this deferred tax asset was recorded as a reduction in additional paid-in capital. With the filing of the Company's U.S. tax return for the year ended December 31, 2011, the Company will have fully realized the remaining \$14 million value of this deferred tax asset.

The income tax benefits associated with non-qualified stock option compensation expense recognized for tax purposes and credited to additional paid-in capital were \$32 million, \$11 million and \$5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

At December 31, 2011, there were unremitted earnings of foreign subsidiaries of approximately \$2 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.

The Company accounts for its uncertain tax return reporting positions in accordance with the accounting standard for income taxes, which requires financial statement reporting of the expected future tax consequences of those tax reporting positions on the presumption that all concerned tax authorities possess full knowledge of those tax reporting positions, as well as all of the pertinent facts and circumstances, but prohibits any discounting of those unrecognized tax benefits for the time value of money.

The following is a summary of the activity of the Company's unrecognized tax benefits for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Balance at the beginning of the period	\$71,523	\$77,924	\$77,295
Realization of uncertain U.K. tax benefits	_	(9,996)	_
Realization of uncertain pre-acquisition tax benefits	_	(1,500)	_
Realization of uncertain legal entity reorganization tax benefits	_	_	(4,555)
Net increase in other uncertain tax benefits	1,676	5,095	5,184
Balance at the end of the period	\$73,199	\$71,523	\$77,924

During the year ended December 31, 2010, the Company recorded a net \$8 million tax benefit in the income tax provision which represents the realization of a reserve for uncertain United Kingdom tax benefits net of the net audit settlement. Also, during the year ended December 31, 2010, the Company recorded \$2 million of tax benefit in the income tax provision related to the resolution of a pre-acquisition tax exposure. Included in the income tax provision for the year ended 2009 is approximately \$5 million of tax benefit related to the reversal of a \$5 million tax provision that 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 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 concerned income tax authorities. The Company continuously monitors the lapsing of statutes of limitations on potential tax assessments for related changes in the measurement of unrecognized tax benefits, related net interest and penalties, and deferred tax assets and liabilities. As of December 31, 2011, the Company does not expect to record any material changes in the measurement of any other unrecognized tax benefits, related net interest and penalties or deferred tax assets and liabilities due to the settlement of tax audit examinations and the Company has not received any indication that a settlement is expected within the next twelve months. As of December 31, 2011, the Company does expect, however, to record a reduction in the measurement of unrecognized tax benefits and related net interest and penalties of approximately \$4 million due to the lapsing of statutes of limitations on potential tax assessments within the next twelve months.

The Company's effective tax rates for the years ended December 31, 2011, 2010 and 2009 were 15.0%, 12.8% and 16.4%, respectively. Included in the income tax provision for the year ended December 31, 2011 is \$2 million of tax benefit related to the reversal of reserves for interest related to an audit settlement in the United Kingdom. This tax benefit decreased the Company's effective tax rate by 0.3 percentage points in the year ended December 31, 2011. Included in the income tax provision for the year ended December 31, 2010 is the aforementioned \$8 million tax benefit related to the reversal of reserves for uncertain tax positions due to an audit settlement in the United Kingdom and the aforementioned \$2 million of tax benefit related to the resolution of a pre-acquisition tax exposure. These tax benefits decreased the Company's effective tax rate by 2.1 percentage points in the year ended December 31, 2010. Included in the income tax provision for the year ended December 31, 2009 is the aforementioned \$5 million of tax benefit related to the reversal of a \$5 million provision that was originally recorded in 2008, related to the reorganization of certain foreign legal entities. The tax benefit in 2009 decreased the Company's effective tax rate by 1.2 percentage points in the year ended December 31, 2009. The remaining differences between the effective tax rates for 2011, 2010 and 2009 were primarily attributable to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

## 9 Other Commitments and Contingencies

Lease agreements, expiring at various dates through 2026, cover buildings, office equipment and automobiles. Rental expense was \$28 million, \$27 million and \$34 million during the years ended December 31, 2011, 2010 and 2009, respectively. Future minimum rents payable as of December 31, 2011 under non-cancelable leases with initial terms exceeding one year are as follows (in thousands):

2012	\$23,829
2013	18,407
2014	13,332
2015	7,036
2016 and thereafter	12.392

The Company licenses certain technology and software from third parties and the licenses expire at various dates through 2016. Fees paid for licenses were less than \$1 million for each of the years ended December 31, 2011, 2010 and 2009. Future minimum license fees payable under existing license agreements as of December 31, 2011 are immaterial for the years ended December 31, 2012 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 believes 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.

## 10 Stock-Based Compensation

In May 2003, the Company's shareholders approved the Company's 2003 Equity Incentive Plan ("2003 Plan"). As of December 31, 2011, the 2003 Plan has 1.4 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 ten years after the date on which they are granted and will become exercisable as directed by the Compensation Committee of the Board of Directors 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, 2011, 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, 2011, 1.1 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, less than \$1 million and \$1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The Company accounts for stock-based compensation costs in accordance with the accounting standards for stock-based compensation, which require that all share-based payments to employees be recognized in the

statements of operations based on their fair values. The Company recognizes the expense using the straight-line attribution method. The stock-based compensation expense recognized in the consolidated statements of operations is based on awards that ultimately are expected to vest; therefore, the amount of expense has been reduced for estimated forfeitures. The stock-based compensation accounting standards require forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are 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 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, 2011, 2010 and 2009 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):

	2011	2010	2009
Cost of sales	\$ 2,566	\$ 2,483	\$ 2,767
Selling and administrative expenses	21,891	19,197	21,941
Research and development expenses	3,122	3,172	3,547
Total stock-based compensation	\$27,579	\$24,852	\$28,255

As of both December 31, 2011 and 2010, the Company has capitalized stock-based compensation costs of less than \$1 million in inventory in the consolidated balance sheets. As of both December 31, 2011 and 2010, the Company has capitalized stock-based compensation costs of \$3 million in capitalized software in the consolidated balance sheets.

## Stock Options

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 during 2011, 2010 and 2009 are as follows:

Options Issued and Significant Assumptions Used to Estimate Option Fair Values	2011	2010	2009
Options issued in thousands	. 658	667	608
Risk-free interest rate	. 1.1	% 2.0%	2.9%
Expected life in years	. 6	6	6
Expected volatility	. 0.376	0.271	0.305
Expected dividends	. —	_	_
Weighted-Average Exercise Price and Fair Value of Options on the Date of Grant	2011	2010	2009
Exercise price	\$79.10	\$78.21	\$58.46
Fair value	\$29.67	\$23.97	\$20.65

The following table summarizes stock option activity for the plans for the year ended December 31, 2011 (in thousands, except per share data):

	Number of Shares	Price per Share	Weighted-Average Exercise Price
Outstanding at December 31, 2010	5,560	\$21.39 to \$80.97	\$50.19
Granted	658	\$78.10 to \$79.15	\$79.10
Exercised	(1,381)	\$21.39 to \$77.94	\$40.64
Canceled	(28)	\$36.25 to \$80.97	\$80.87
Outstanding at December 31, 2011	4,809	\$21.39 to \$79.15	\$56.71

The following table details the weighted-average remaining contractual life of options outstanding at December 31, 2011 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
\$21.39 to \$38.99	917	\$32.06	2.4	900	\$31.95
\$39.00 to \$59.99	2,138	\$49.43	5.5	1,559	\$48.37
\$60.00 to \$79.15	1,754	\$78.47	8.5	458	\$77.96
Total	4,809	\$56.71	6.0	2,917	\$47.95

During 2011, 2010 and 2009, 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 \$67 million, \$45 million and \$13 million, respectively. The total cash received from the exercise of these stock options was \$56 million, \$97 million and \$16 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The aggregate intrinsic value of the outstanding stock options at December 31, 2011 was \$92 million. Options exercisable at December 31, 2011, 2010 and 2009 were 2.9 million, 3.7 million and 5.1 million, respectively. The weighted-average exercise prices of options exercisable at December 31, 2011, 2010 and 2009 were \$47.95, \$43.45 and \$45.17, respectively. The weighted-average remaining contractual life of the exercisable outstanding stock options at December 31, 2011 was 4.3 years.

At December 31, 2011, the Company had 4.8 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 \$91 million, \$56.56 and 5.9 years, respectively, at December 31, 2011.

As of December 31, 2011, 2010 and 2009, there were \$45 million, \$38 million and \$36 million of total unrecognized compensation costs related to unvested stock option awards that are expected to vest. These costs are expected to be recognized over a weighted-average period of 3.8 years.

## Restricted Stock

During the years ended December 31, 2011, 2010 and 2009, the Company granted 12 thousand, 12 thousand and 8 thousand shares of restricted stock. The restrictions on these shares lapse at the end of a three-year period. The weighted-average fair value on the grant date of the restricted stock granted in 2011, 2010 and 2009 was \$78.10, \$61.63 and \$38.09, respectively. The Company has recorded \$1 million, \$1 million and less than \$1 million of compensation expense in the years ended December 31, 2011, 2010 and 2009, respectively, related to the restricted stock grants. As of December 31, 2011, the Company has 32 thousand unvested shares of restricted stock outstanding with a total of \$1 million of unrecognized compensation costs. These costs are expected to be recognized over a weighted-average period of 1.7 years.

#### Restricted Stock Units

The following table summarizes the unvested restricted stock unit award activity for the year ended December 31, 2011 (in thousands, except for per share amounts):

	Shares	Weighted-Average Price
Unvested at December 31, 2010	752	\$49.64
Granted	175	\$78.99
Vested	(254)	\$48.16
Forfeited	(19)	\$54.06
Unvested at December 31, 2011	654	\$57.94

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, 2011, 2010 and 2009 on the restricted stock units expected to vest were \$13 million, \$12 million and \$10 million, respectively. As of December 31, 2011, there were \$24 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 3.1 years.

## 11 Earnings Per Share

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

	Year Ended December 31, 2011			
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount	
Net income per basic common share	\$432,968	90,833	\$4.77	
unit securities		1,492		
Net income per diluted common share	\$432,968 ====================================	92,325	<u>\$4.69</u>	
	Year Ended Dec			
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount	
Net income per basic common share	\$381,763	92,385	\$4.13	
Effect of dilutive stock option, restricted stock and restricted stock unit securities		1,672		
Net income per diluted common share	\$381,763	94,057	\$4.06	
	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		1.065		
unit securities	<del> </del>	1,065		
Net income per diluted common share	\$323,313	96,862	\$3.34	

For the years ended December 31, 2011, 2010 and 2009, the Company had 1.3 million, 2.5 million and 3.3 million stock options that were antidilutive, respectively, due to having higher exercise prices than the Company's average stock 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.

## 12 Comprehensive Income

Comprehensive income is detailed as follows (in thousands):

	Year Ended December 31,			
	2011	2010	2009	
Net income	\$432,968	\$381,763	\$323,313	
Foreign currency translation	(12,644)	(24,568)	19,405	
Net appreciation and realized gains on derivative instruments			2,766	
Income tax expense			(968)	
Net appreciation and realized gains on derivative instruments, net of				
tax			1,798	
Net foreign currency adjustments	(12,644)	(24,568)	21,203	
Unrealized gains (losses) on investments before income taxes	966	19	(38)	
Income tax (expense) benefit	(339)	(7)	13	
Unrealized gains (losses) on investments, net of tax	627	12	(25)	
Retirement liability adjustment, net of tax	(12,243)	(2,813)	2,977	
Other comprehensive (loss) income	(24,260)	(27,369)	24,155	
Comprehensive income	\$408,708	\$354,394	\$347,468	

## 13 Retirement Plans

U.S. employees are eligible to participate in the Waters Employee Investment Plan, a 401(k) defined contribution plan, immediately upon hire. Employees may contribute from 1% to 30% of eligible pay on a pre-tax basis and the Company makes matching contributions of 100% for contributions up to 6% of eligible pay. Employees are 100% vested in employee and Company matching contributions. For the years ended December 31, 2011, 2010 and 2009, the Company's matching contributions amounted to \$12 million, \$11 million and \$10 million, respectively. In addition, the Company also sponsors various other employee benefit plans (primarily defined contribution plans) outside the United States. The Company contributed \$12 million, \$11 million and \$10 million in 2011, 2010 and 2009, respectively, to these non-U.S. plans.

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.

Summary data for the Waters Retirement Plan, Waters Retirement Restoration Plan (collectively, 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, 2011 and 2010, respectively.

The summary of the projected benefit obligations at December 31, 2011 and 2010 is as follows (in thousands):

	2011			2010			
	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	\$118,459	\$7,724	\$29,504	\$108,118	\$7,268	\$26,517	
Service cost	7	1,214	1,872	55	1,052	1,710	
Interest cost	6,166	364	1,079	6,315	356	1,027	
Actuarial losses (gains)	13,884	331	439	8,256	(527)	669	
Disbursements	(2,260)	(487)	(1,462)	(4,285)	(425)	(1,256)	
Plan amendments	_	_	(2,640)	_	_	_	
Currency impact			403			837	
Projected benefit obligation, December 31	\$136,256	\$9,146	\$29,195	\$118,459	\$7,724 =====	<u>\$29,504</u>	

The accumulated benefit obligations at December 31, 2011 and 2010 are as follows (in thousands):

	2011			2010		
	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	\$136,240	*	\$26,210	\$118,437	*	\$23,559

<sup>\*</sup> Not applicable.

The summary of the fair value of the plan assets at December 31, 2011 and 2010 is as follows (in thousands):

		2011		2010		
	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	\$93,187	\$3,808	\$11,934	\$82,523	\$3,084	\$11,067
Actual return on plan assets	(1,844)	61	271	10,182	304	371
Company contributions	2,527	268	1,874	4,767	220	1,593
Employee contributions	_	669	_	_	625	_
Disbursements	(2,260)	(487)	(1,462)	(4,285)	(425)	(1,256)
Currency impact			181			159
Fair value of assets, December 31	\$91,610	\$4,319	\$12,798	\$93,187	\$3,808	\$11,934

The summary of the funded status of the plans at December 31, 2011 and 2010 is as follows (in thousands):

		2011		2010			
	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	\$(136,256)	\$(9,146)	\$(29,195)	\$(118,459)	\$(7,724)	\$(29,504)	
Fair value of plan assets	91,610	4,319	12,798	93,187	3,808	11,934	
Projected benefit obligation in excess of							
fair value of plan assets	\$ (44,646)	<u>\$(4,827)</u>	\$(16,397)	<u>\$ (25,272)</u>	\$(3,916)	<u>\$(17,570)</u>	

The summary of the amounts recognized in the consolidated balance sheets for the plans at December 31, 2011 and 2010 is as follows (in thousands):

		2011		2010		
	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	\$ —	\$ —	\$ 1,817	\$ —	\$ —	\$ 1,583
Current liabilities	(149)	_	(108)	(292)	_	(91)
Long-term liabilities	(44,497)	(4,827)	(18,106)	(24,980)	(3,916)	(19,062)
Net amount recognized at December 31	<u>\$(44,646)</u>	\$(4,827)	<u>\$(16,397)</u>	<u>\$(25,272)</u>	\$(3,916)	<u>\$(17,570)</u>

The summary of the components of net periodic pension costs for the plans for the years ended December 31, 2011, 2010 and 2009 is as follows (in thousands):

	2011			2010			2009		
	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	\$ 7	\$ 545	\$1,872	\$ 55	\$ 427	\$1,710	\$ 55	\$ 300	\$1,726
Interest cost	6,166	364	1,079	6,315	356	1,027	6,215	363	886
Expected return on plan assets  Net amortization:	(7,443)	(277)	(313)	(7,123)	(226)	(329)	(6,704)	(149)	(354)
Prior service (credit)		(52)	(00)		(52)		1.40	(5.4)	
cost		(53)	(89)		(53)		148	(54)	
Net actuarial loss	1,782		37	1,095		11	459		44
Net periodic pension									
cost	\$ 512	\$ 579	\$2,586	\$ 342	\$ 504	\$2,419	\$ 173	\$ 460	\$2,302

The summary of the changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended December 31, 2011, 2010 and 2009 is as follows (in thousands):

		2011		2010			2009		
	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
Prior service cost	\$ —	\$ —	\$(3,619)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net loss arising during the year	23,170	546	481	5,198	(605)	627	(4,450)	(382)	542
(cost)	_	53	89	_	53	_	(148)	54	_
Net loss	(1,782)	_	(37)	(1,095)	_	(11)	(459)	_	(44)
Currency impact			55			253			(147)
Total recognized in other comprehensive (loss) income	\$21,388	\$599	\$(3,031)	\$ 4,103	\$(552) ====	\$869 	\$(5,057)	\$(328) ====	\$ 351 

The summary of the amounts included in accumulated other comprehensive (loss) income in stockholders' equity for the plans at December 31, 2011 and 2010 is as follows (in thousands):

		2011		2010			
	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) gain	\$(57,446)	\$(299)	\$(2,416)	\$(36,058)	\$247	\$(1,920)	
Prior service credit		159	3,527		213		
Total	\$(57,446)	\$(140)	\$ 1,111	\$(36,058)	\$460	\$(1,920)	

The summary of the amounts included in accumulated other comprehensive (loss) income expected to be included in next year's net periodic benefit cost for the plans at December 31, 2011 is as follows (in thousands):

	2011			
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans	
Net loss	\$(2,916)	\$ —	\$ (44)	
Prior service credit		54	_274	
Total	\$(2,916)	\$ 54 ——	\$230	

The plans' investment asset mix is as follow at December 31, 2011 and 2010:

		2011		2010			
	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	62%	61%	0%	67%	56%	0%	
Debt securities	35%	27%	0%	32%	19%	0%	
Cash and cash equivalents	3%	12%	45%	1%	25%	50%	
Other	0%	0%	_55%	0%	0%	_50%	
Total	100%	100%	100%	100%	100%	100%	

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

	U.S. Pension ar Healthca	Non-U.S. Pension Plans	
	Policy Target	Range	Policy Target
Equity securities	60%	40% -80%	0%
Debt securities	25%	20% -60%	0%
Cash and cash equivalents	5%	0% - 20%	50%
Other	10%	0% - 20%	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.

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 fair value of the Company's retirement plan assets are as follows at December 31, 2011 (in thousands):

	Total at December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Pension Plans:				
Mutual funds(a)	\$ 78,631	\$78,327	\$ 304	\$ —
Common stocks(b)	3,911	3,911	_	_
Cash equivalents(c)	3,050	_	3,050	_
Hedge funds(d)	6,018			6,018
Total U.S. Pension Plans	91,610	82,238	3,354	6,018
U.S. Retiree Healthcare Plan:				
Mutual funds(e)	3,798	3,798	_	_
Cash equivalents(c)	521		521	
Total U.S. Retiree Healthcare Plan	4,319	3,798	521	
Non-U.S. Pension Plans:				
Cash equivalents(c)	5,759	5,759		_
Bank and insurance investment $contracts(f)$	7,039			7,039
Total Non-U.S. Pension Plans	12,798	5,759		7,039
Total fair value of retirement plan assets	\$108,727	\$91,795	\$3,875	\$13,057

The fair value of the Company's retirement plan assets are as follows at December 31, 2010 (in thousands):

	Total at December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Pension Plans:				
Mutual funds(g)	\$ 83,257	\$83,257	\$ —	\$ —
Common stocks(b)	4,560	4,560	_	
Cash equivalents(c)	488	_	488	_
Hedge funds(d)	4,882			4,882
Total U.S. Pension Plans	93,187	87,817	488	4,882
Mutual funds(h)	2,874	2,874	_	
Cash equivalents(c)	934		934	
Total U.S. Retiree Healthcare Plan	3,808	2,874	934	_
Non-U.S. Pension Plans:	6.021	6.021		
Cash equivalents(c)	6,021	6,021	_	
Bank and insurance investment contracts(f)	5,913			5,913
Total Non-U.S. Pension Plans	11,934	6,021		5,913
Total fair value of retirement plan assets	<u>\$108,929</u>	<u>\$96,712</u>	<u>\$1,422</u>	<u>\$10,795</u>

<sup>(</sup>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, 23% in the common stock of international growth companies, and 39% 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, 9% in the common stock of international growth companies and 30% in fixed income bonds of U.S. companies and U.S. government.
- (f) Amount represents bank and insurance guaranteed investment contracts.
- (g) 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.
- (h) The mutual fund balance in the U.S. Retiree Healthcare Plan is invested in the following categories: 72% in the common stock of large-cap U.S. companies, 9% in the common stock of international growth companies and 19% 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, 2011 and 2010 (in thousands):

	Total	Hedge Funds	Guaranteed Investment Contracts
Fair value of assets, December 31, 2009		\$5,417 (535)	\$5,002 <u>911</u>
Fair value of assets, December 31, 2010	10,795 2,262	4,882 1,136	5,913 1,126
Fair value of assets, December 31, 2011	\$13,057	\$6,018	\$7,039

The weighted-average assumptions used to determine the benefit obligation in the consolidated balance sheets at December 31, 2011, 2010 and 2009 are as follows:

	2011		2010		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	4.33%	3.29%	5.31%	3.63%	5.95%	4.05%
Increases in compensation levels	4.75%	2.91%	4.75%	2.90%	4.75%	2.94%

The weighted-average assumptions used to determine the pension cost at December 31, 2011, 2010 and 2009 are as follows:

	2011		2010		2009	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	5.10%	3.63%	5.95%	4.05%	6.38%	3.65%
Return on assets	7.20%	2.50%	6.86%	3.07%	7.95%	3.34%
Increases in compensation levels	4.75%	2.90%	4.75%	2.94%	4.75%	3.21%

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 assumed long-term rate of return on assets 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 discount rate would decrease the Company's net periodic benefit cost for the Waters Retirement Plan by less than \$1 million.

During fiscal year 2012, the Company expects to contribute a total of approximately \$7 million to \$9 million to the Company's defined benefit plans.

Estimated future benefit payments as of December 31, 2011 are as follows (in thousands):

	U.S. Pension and Retiree Healthcare Plans	Non-U.S. Pension Plans	Total
2012	\$ 4,750	\$ 533	\$ 5,283
2013	5,442	658	6,100
2014	6,755	925	7,680
2015	7,417	970	8,387
2016	8,275	1,179	9,454
2017 - 2021	53,464	9,076	62,540

## 14 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 discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision makers. As a result of this evaluation, the Company determined that it has two operating segments: Waters Division and TA Division.

Waters Division is 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, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Product net sales:			
Waters instrument systems	\$ 878,367	\$ 772,631	\$ 699,014
Chemistry	292,506	264,368	243,629
TA instrument systems	151,263	129,628	109,335
Total product sales	1,322,136	1,166,627	1,051,978
Service net sales:			
Waters service	480,553	434,352	408,482
TA service	48,495	42,392	38,240
Total service sales	529,048	476,744	446,722
Total net sales	\$1,851,184	\$1,643,371	\$1,498,700

Geographic sales information is presented below for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Net Sales:			
United States	\$ 530,606	\$ 499,535	\$ 459,541
Europe	574,770	494,638	495,646
Japan	211,893	187,581	164,120
Asia	397,491	353,068	283,224
Other	136,424	108,549	96,169
Total net sales	\$1,851,184	\$1,643,371	\$1,498,700

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 at December 31, 2011 and 2010 is presented below (in thousands):

	2011	2010
Long-lived assets:		
United States	\$180,750	\$171,751
Europe	46,082	32,548
Japan	1,228	1,611
Asia	7,702	7,865
Other	1,333	1,285
Total long-lived assets	\$237,095	\$215,060

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

# 15 Unaudited Quarterly Results

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

2011	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	\$427,603	\$447,627	\$454,534	\$521,420	\$1,851,184
Cost of sales	169,829	176,103	180,318	204,243	730,493
Gross profit	257,774	271,524	274,216	317,177	1,120,691
Selling and administrative expenses	117,124	125,439	121,211	126,237	490,011
Research and development expenses	22,254	23,014	23,372	23,707	92,347
Purchased intangibles amortization	2,501	2,504	2,369	2,359	9,733
Operating income	115,895	120,567	127,264	164,874	528,600
Interest expense	(4,083)	(5,052)	(6,159)	(6,677)	(21,971)
Interest income	713	813	613	484	2,623
Income from operations before income taxes	112,525	116,328	121,718	158,681	509,252
Provision for income tax expense	18,036	16,253	20,461	21,534	76,284
Net income	\$ 94,489	\$100,075	\$101,257	\$137,147	\$ 432,968
Net income per basic common share	1.03	1.09	1.12	1.54	4.77
shares	91,649	91,662	90,688	89,324	90,833
Net income per diluted common share	1.01	1.07	1.10	1.51	4.69
Weighted-average number of diluted common					
shares and equivalents	93,313	93,271	92,060	90,566	92,325
2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2010 Net sales	Quarter	Quarter	Quarter	Quarter	
<del></del> ,					Total \$1,643,371 653,303
Net sales	Quarter \$367,700 145,932	Quarter \$391,055 155,133	Quarter \$401,038 162,985	Quarter \$483,578 189,253	\$1,643,371 653,303
Net sales Cost of sales Gross profit	Quarter \$367,700 145,932 221,768	Quarter \$391,055 155,133 235,922	Quarter \$401,038 162,985 238,053	Quarter \$483,578 189,253 294,325	\$1,643,371 653,303 990,068
Net sales	Quarter \$367,700 145,932	Quarter \$391,055 155,133	Quarter \$401,038 162,985	Quarter \$483,578 189,253	\$1,643,371 653,303
Net sales Cost of sales Gross profit Selling and administrative expenses	Quarter \$367,700 145,932 221,768 106,693	Quarter \$391,055 155,133 235,922 106,939	Quarter \$401,038 162,985 238,053 111,306	Quarter \$483,578 189,253 294,325 120,518	\$1,643,371 653,303 990,068 445,456
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization	Quarter \$367,700 145,932 221,768 106,693 20,076	\$391,055 155,133 235,922 106,939 20,807 2,592	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764	\$1,643,371 653,303 990,068 445,456 84,274
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642	Quarter \$391,055 155,133 235,922 106,939 20,807	Quarter \$401,038 162,985 238,053 111,306 20,524	Quarter \$483,578 189,253 294,325 120,518 22,867	\$1,643,371 653,303 990,068 445,456 84,274 10,406
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357	\$391,055 155,133 235,922 106,939 20,807 2,592 105,584	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income Interest expense Interest income	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357 (2,614)	Quarter \$391,055 155,133 235,922 106,939 20,807 2,592 105,584 (3,621)	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815 (3,810)	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176 (3,879)	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932 (13,924)
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income Interest expense	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357 (2,614) 329	Quarter \$391,055 155,133 235,922 106,939 20,807 2,592 105,584 (3,621) 448	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815 (3,810) 516	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176 (3,879) 562	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932 (13,924) 1,855
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income Interest expense Interest income Income from operations before income taxes	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357 (2,614) 329 90,072	Quarter \$391,055 155,133 235,922 106,939 20,807 2,592 105,584 (3,621) 448 102,411	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815 (3,810) 516 100,521	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176 (3,879) 562 144,859	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932 (13,924) 1,855 437,863
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income Interest expense Interest income Income from operations before income taxes Provision for income tax expense Net income Net income per basic common share	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357 (2,614) 329 90,072 14,554	Quarter \$391,055 155,133 235,922 106,939 20,807 2,592 105,584 (3,621) 448 102,411 17,489	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815 (3,810) 516 100,521 5,802	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176 (3,879) 562 144,859 18,255	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932 (13,924) 1,855 437,863 56,100
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income Interest expense Interest income Income from operations before income taxes Provision for income tax expense Net income Net income per basic common share Weighted-average number of basic common	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357 (2,614) 329 90,072 14,554 \$75,518 0.81	Quarter \$391,055 155,133 235,922 106,939 20,807 2,592 105,584 (3,621) 448 102,411 17,489 \$84,922 0.92	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815 (3,810) 516 100,521 5,802 \$ 94,719 1.03	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176 (3,879) 562 144,859 18,255 \$126,604 1.38	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932 (13,924) 1,855 437,863 56,100 \$381,763 4.13
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income Interest expense Interest income Income from operations before income taxes Provision for income tax expense Net income Net income per basic common share Weighted-average number of basic common shares	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357 (2,614) 329 90,072 14,554 \$ 75,518 0.81	Quarter \$391,055 155,133 235,922 106,939 20,807 2,592 105,584 (3,621) 448 102,411 17,489 \$84,922 0.92	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815 (3,810) 516 100,521 5,802 \$94,719 1.03	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176 (3,879) 562 144,859 18,255 \$126,604 1.38	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932 (13,924) 1,855 437,863 56,100 \$381,763 4.13
Net sales Cost of sales Gross profit Selling and administrative expenses Research and development expenses Purchased intangibles amortization Operating income Interest expense Interest income Income from operations before income taxes Provision for income tax expense Net income Net income per basic common share Weighted-average number of basic common	Quarter \$367,700 145,932 221,768 106,693 20,076 2,642 92,357 (2,614) 329 90,072 14,554 \$75,518 0.81	Quarter \$391,055 155,133 235,922 106,939 20,807 2,592 105,584 (3,621) 448 102,411 17,489 \$84,922 0.92	Quarter \$401,038 162,985 238,053 111,306 20,524 2,408 103,815 (3,810) 516 100,521 5,802 \$ 94,719 1.03	Quarter \$483,578 189,253 294,325 120,518 22,867 2,764 148,176 (3,879) 562 144,859 18,255 \$126,604 1.38	\$1,643,371 653,303 990,068 445,456 84,274 10,406 449,932 (13,924) 1,855 437,863 56,100 \$381,763 4.13

The Company typically experiences an increase in sales in the fourth quarter, as a result of purchasing habits on capital goods of customers that tend to exhaust their spending budgets by calendar year end. Selling and administrative expenses are typically higher in the second and third quarters over the first quarter in each year as the Company's annual payroll merit increases take effect. Selling and administrative expenses will vary in the fourth quarter in relation to performance in the quarter and for the year. In the second quarter of 2011, the Company recorded \$2 million of tax benefit related to the reversal of reserves for interest related to an audit settlement in the United Kingdom. In the first quarter of 2010, the Company recorded \$2 million of tax benefit related to the resolution of a pre-acquisition tax exposure. In the third quarter of 2010, the Company recorded a net \$8 million tax benefit in the income tax provision related to the reversal of reserves for uncertain tax positions due to an audit settlement in the United Kingdom (See Note 8).

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, 2011 (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 36 of this Form 10-K.

Report of the Independent Registered Public Accounting Firm

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

Changes in Internal Controls 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, 2011 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 2012 Annual Meeting of Stockholders under the headings "Election of Directors", "Directors Meetings and Board Committees", "Corporate Governance", "Report of the Audit Committee of the Board of Directors" and "Compensation of Directors and Executive Officers". Information regarding compliance with Section 16(a) of the Exchange Act is contained in the Company's definitive proxy statement for the 2012 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 2012 Annual Meeting of Stockholders under the headings "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, <a href="www.waters.com">www.waters.com</a>, 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 its 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, <a href="www.waters.com">www.waters.com</a>, 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 2012 Annual Meeting of Stockholders under the headings "Compensation of Directors and Executive Officers", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report". Such information is incorporated herein by reference.

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

This information is contained in the Company's definitive proxy statement for the 2012 Annual Meeting of Stockholders under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information". Such information is incorporated herein by reference.

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

This information is contained in the Company's definitive proxy statement for the 2012 Annual Meeting of Stockholders under the headings "Directors Meetings and Board Committees", "Corporate Governance" and "Compensation of Directors and Executive Officers". 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 2012 Annual Meeting of Stockholders under the headings "Ratification of Selection 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 38 to 74. The report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, dated February 24, 2012, is set forth on page 37 of this Form 10-K.

(2) Financial Statement Schedule:

None.

(3) Exhibits:

Exhibit Number	<b>Description of Document</b>
3.1	Second Amended and Restated Certificate of Incorporation of Waters Corporation.(1)
3.2	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, dated as of May 12, 1999.(4)
3.3	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, dated as of July 27, 2000.(7)
3.4	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, dated as of May 25, 2001.(9)
3.5	Amended and Restated Bylaws of Waters Corporation, dated as of May 11, 2010.(24)
4.1	Rights Agreement, dated as of August 9, 2002, between 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)
10.1	Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(6)(*)
10.2	Waters Corporation 1996 Employee Stock Purchase Plan.(2)(*)
10.3	Amended and Restated Waters Corporation 1996 Non-Employee Director Deferred Compensation Plan, Effective January 1, 2008.(21)(*)
10.4	Waters Corporation Amended and Restated 1996 Non-Employee Director Stock Option Plan.(6)(*)
10.5	Waters Corporation Retirement Plan.(3)(*)
10.6	First Amendment to the Waters Corporation 2003 Equity Incentive Plan.(13)(*)
10.7	Form of Director Stock Option Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(14)(*)
10.8	Form of Director Restricted Stock Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(14)(*)
10.9	Form of Executive Officer Stock Option Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(14)(*)
10.10	Five Year Credit Agreement, dated as of July 28, 2011, among Waters Corporation, JPMorgan Chase Bank, N.A., JP Morgan Europe Limited and other Lenders party thereto.(26)

Exhibit Number	<b>Description of Document</b>
10.11	First Amendment to the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(10)(*)
10.12	Form of Amendment to Stock Option Agreement under the Waters Corporation Second Amended and Restated 1996 Long Term Performance Incentive Plan.(15)(*)
10.13	Waters Corporation 2003 Equity Incentive Plan.(12)(*)
10.14	Form of Executive Officer Stock Option Agreement under the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(15)(*)
10.15	2008 Waters Corporation Management Incentive Plan.(21)(*)
10.16	Second Amendment to the Waters Corporation 2003 Equity Incentive Plan.(17)(*)
10.17	December 1999 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(5)(*)
10.18	March 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(5)(*)
10.19	June 1999 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(8)(*)
10.20	July 2000 Amendment to the Waters Corporation 1996 Employee Stock Purchase Plan.(8)(*)
10.21	Second Amendment to the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(18)(*)
10.22	Third Amendment to the Waters Corporation 2003 Equity Incentive Plan.(18)(*)
10.23	Amended and Restated Waters Retirement Restoration Plan, effective January 1, 2008.(21)(*)
10.24	Amended and Restated Waters 401(k) Restoration Plan, effective January 1, 2008.(19)(*)
10.25	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Mark T. Beaudouin.(20)(*)
10.26	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Douglas A. Berthiaume.(20)(*)
10.27	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Arthur G. Caputo.(20)(*)
10.28	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and William J. Curry.(20)(*)
10.29	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and John Ornell.(20)(*)
10.30	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Elizabeth B. Rae.(20)(*)
10.31	Waters Corporation 2009 Employee Stock Purchase Plan (22)(*)
10.32	Note Purchase Agreement, dated as of February 1, 2010, between Waters Corporation and the purchases named therein.(23)
10.33	First Amendment to the Note Purchase Agreement, dated as of February 1, 2010.(25)
10.34	Note Purchase Agreement, dated March 15, 2011, between Waters Corporation and the purchases named therein.(25)
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 Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	<b>Description of Document</b>
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 Annual Report on Form 10-K for the year ended December 31, 2011, 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.(**)

- (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-K dated February 27, 2009 (File No. 001-14010).
- (22) Incorporated by reference to the Registrant's Report on Form S-8 dated July 10, 2009 (File No. 333-160507).
- (23) Incorporated by reference to the Registrant's Report on Form 10-K dated February 26, 2010 (File No. 001-14010).
- (24) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 6, 2010 (File No. 001-14010).
- (25) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 6, 2011 (File No. 001-14010).
- (26) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 5, 2011 (File No. 001-14010).
  - (\*) 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/ William J. Curry

William J. Curry
Vice President, Corporate Controller and
Principal Accounting Officer
(duly authorized and chief accounting officer)

Date: February 24, 2012

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 24, 2012.

/s/ Douglas A. Berthiaume	Chairman of the Board of Directors, President and Chief	
Douglas A. Berthiaume	Executive Officer (principal executive officer)	
/s/ John Ornell	Vice President, Finance and Administration and Chief Financial Officer (principal financial officer)	
/s/ Joshua Bekenstein	Director	
Joshua Bekenstein		
/s/ Dr. Michael J. Berendt Dr. Michael J. Berendt	Director	
/s/ Edward Conard	Director	
Edward Conard		
/s/ Dr. Laurie H. Glimcher	Director	
Dr. Laurie H. Glimcher		
/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 2012

# Waters

March 30, 2012

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 9, 2012 at 11:00 a.m., local time.

The notice of Meeting, the Proxy Statement and proxy card from Waters are enclosed. You may also read the notice of Meeting, the Proxy Statement and the Waters Annual Report ("Annual Report") on the Internet at <a href="http://www.proxydocs.com/wat">http://www.proxydocs.com/wat</a>.

Waters has 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 March 30, 2012, 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, 2012, (iii) to approve, by non-binding vote, executive compensation, (iv) to approve the 2012 Equity Incentive Plan, and (v) to consider and act upon any other matters which may properly come before the Meeting or any adjournment thereof. These matters are more fully explained in the Proxy Statement that you are encouraged to read in its entirety.

The Company's Board of Directors values and encourages stockholder participation at the Meeting. It is important that your shares be represented, whether or not you plan to attend the Meeting. Please take a moment to vote on the Internet, by telephone, or 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 A. Berthiaume Chairman, President and Chief Executive Officer

Douglas Berthiaune

# **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 9, 2012 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, 2012;
- 3. To approve, by non-binding vote, executive compensation;
- 4. To approve the 2012 Equity Incentive Plan; and
- 5. To consider and act upon any other matters which may properly come before the Meeting or any adjournment thereof.

In accordance with the provisions of the Company's bylaws, the Company's Board of Directors has fixed the close of business on March 15, 2012 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 March 30, 2012

#### TABLE OF CONTENTS

	Page
Electronic Delivery of Waters Stockholder Communications	2
Voting	3
Proxy Statement	4
Voting Matters	4
Matters to be Acted Upon	5
Proposal 1 — Election of Directors	5
Proposal 2 — Ratification of Selection of Independent Registered Public Accounting Firm	7
Proposal 3 — Non-Binding Vote on Executive Compensation	8
Proposal 4 — Approval of 2012 Equity Incentive Plan	9
Proposal 5 — Other Business	15
Directors Meetings and Board Committees	15
Corporate Governance	16
Report of the Audit Committee of the Board of Directors	20
Compensation Committee Interlocks and Insider Participation	22
Risk Oversight	22
Compensation of Directors and Executive Officers	24
Compensation Committee Report	41
Security Ownership of Certain Beneficial Owners and Management	42
Section 16(a) Beneficial Ownership Reporting Compliance	43
Stockholder Proposals	44
Stockholders Sharing an Address	44
Appendix A — Waters Corporation 2012 Equity Incentive Plan	A-1

#### 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 is making this Proxy Statement and its Annual Report available to its stockholders electronically via the Internet. On March 30, 2012, 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	Use any touch-tone telephone	
Proxy. Have your proxy card	to vote your Proxy. Have your	
in hand when you access the website.	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 9, 2012, 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 2012 Annual Meeting of Stockholders (the "Meeting") to be held on May 9, 2012 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 Alliance Advisors, LLC to do a broker solicitation for a fee of \$5,000, 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, by telephone 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 as recommended by the Board, or 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 15, 2012 (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 88,809,863 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 of record on or about March 30, 2012. 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, 63, 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 and The University of Massachusetts Amherst Foundation. 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 significant experience in both the business and technical issues facing life science/biotechnology companies.

Joshua Bekenstein, 53, has served as a Director of the Company since August 1994. Mr. Bekenstein 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., Burlington Coat Factory Warehouse Corporation and Gymboree. 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.

Michael J. Berendt, Ph.D., 63, has served as a Director of the Company since March 1998. Dr. Berendt is an independent director and investor. From March 2006 to July 2011, Dr. Berendt served as the President and Chief Executive Officer of Aegera Therapeutics Inc. 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 a scientific perspective provides unique technical insight to the Waters Board.

Edward Conard, 55, 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, Sensata Technologies, Inc. and Boys & Girls Harbor. His years of experience as a director and a managing director of two large investment firms affords the Waters Board the benefit of Mr. Conard's considerable financial, accounting and business strategy skills.

Laurie H. Glimcher, M.D., 60, has served as a Director of the Company since January 1998. Dr. Glimcher is the Stephen and Suzanne Weiss Dean of the Weill Cornell Medical College, Provost of Medical Affairs Cornell University. From 1991 through 2011, Dr. Glimcher served as the Irene Heinz Given Professor of Immunology at the Harvard School of Public Health and Professor of Medicine at Harvard Medical School. 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.

Christopher A. Kuebler, 58, 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 and as Chairman 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.

William J. Miller, 66, 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, 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.

JoAnn A. Reed, 56, has served as a Director of the Company since May 2006. Ms. Reed is a health care services consultant. From April 2008 to April 2009, she was an advisor to the Chief Executive Officer of Medco Health Solutions. From 2002 to March 2008, Ms. Reed served as Senior Vice President, Finance and Chief Financial Officer of Medco Health Solutions. 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 both American Tower and Dynavox 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 with significant accounting, finance and health care industry expertise.

Thomas P. Salice, 52, has served as a Director of the Company since July 1994. Mr. Salice is a co-founder and principal of SFW Capital Partners, LLC, a private equity firm. He has served as a Managing Member of SFW Capital Partners 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 Vice-Chairman. Mr. Salice has a Masters in Business Administration from Harvard University. Mr. Salice is a Director of Mettler-Toledo International, Inc., Agdata, L.P., MD Buyline, Inc. and Spectro Inc. With more than 20 years of experience in the private equity business, Mr. Salice brings to the Waters Board 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, 2012. 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 a 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 2012, but will consider the stockholder vote in selecting an independent registered public accounting firm for fiscal year 2013.

#### Fees

The aggregate fees for the fiscal years ended December 31, 2011 and December 31, 2010 by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, were as follows:

	2011	2010
Audit Fees	\$3,470,295	\$3,257,004
Audit-Related Fees	32,999	35,076
Tax Related Fees		
Tax Compliance	453,402	433,439
Tax Planning	321,690	295,412
Total Tax Related Fees	775,092	728,851
All Other Fees	1,500	1,500
Total	\$4,279,886	\$4,022,431

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. NON-BINDING VOTE ON EXECUTIVE COMPENSATION

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the stock-holders of Waters are entitled to cast an advisory vote at the annual meeting to approve the compensation of the Company's named executive officers, as disclosed in this proxy statement. Pursuant to the Dodd-Frank Act, the stockholder vote is an advisory vote only and is not binding on Waters or its Board.

Although the vote is non-binding, the Compensation Committee and the Board value your opinions and will consider the outcome of the vote in establishing compensation philosophy and making future compensation decisions.

As described more fully in the Compensation Discussion and Analysis, in the Summary Compensation Table and subsequent tables, the Company's named executive officers are compensated in a manner consistent with our business strategy, competitive practice, sound compensation governance principles, and stockholder interests and concerns. Our compensation policies and decisions are focused on pay-for-performance.

The compensation of our named executive officers during fiscal 2011 is consistent with prior years and the following financial achievements and performance:

- The 2011 target performance goal of non-GAAP earning per diluted share ("E.P.S.") was 15% growth, or \$4.70, over 2010's non-GAAP E.P.S. of \$4.09. Non-GAAP E.P.S. is defined as E.P.S. in accordance with generally accepted accounting principles ("GAAP"), adjusted for items that management believes are not directly related to ongoing operations. In 2011 the Company achieved non-GAAP E.P.S. of \$4.81 which represents an 18% increase over 2010's non-GAAP E.P.S.
- Non-GAAP operating income of \$547,339,000 which exceeded the minimum non-GAAP operating income threshold of \$500,662,630 required for an annual incentive payout and which represents an increase of 17% over 2010 non-GAAP operating income of \$467,909,000;

A description and reconciliation of GAAP to non-GAAP E.P.S. and GAAP to non-GAAP operating income can be found on the Company's web-site at <a href="http://www.waters.com">http://www.waters.com</a> under the caption Investors and copies may be obtained, without charge, upon written request to the Company, c/o Vice President, Investor Relations, 34 Maple Street, Milford, MA 01757

Waters also has several compensation governance programs in place as described in the Compensation Discussion and Analysis to manage compensation risk and align Waters' executive compensation with long-term stockholder interests. These programs include:

- stock ownership guidelines;
- an independent compensation committee and compensation committee consultant; and
- a compensation recoupment policy.

We are requesting your non-binding vote on the following resolution: "Resolved, that the compensation of the Company's named executive officers as described in the Compensation Discussion and Analysis, in the Summary Compensation Table and subsequent tables, is approved."

Required Vote and Recommendation of the Board of Directors

The affirmative vote of a majority of the shares of Waters common stock present or represented by proxy and voting at the annual meeting, is required for approval on an advisory basis, of this proposal. If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this proposal.

Abstentions will have the effect of a vote "against" this proposal. Broker non-votes will have no effect on this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RESOLUTION.

## PROPOSAL 4. APROVAL OF 2012 EQUITY INCENTIVE PLAN

We currently have in place the 2003 Equity Incentive Plan, previously approved by our stockholders, which will expire on March 3, 2013 (the "2003 Plan"). In light of the upcoming expiration of the 2003 Plan, the board of Directors, on February 15, 2012, approved and recommends that the stockholders approve the Company's 2012 Equity Incentive Plan (the "2012 Plan"). If the 2012 Plan is approved by the stockholders, no further grants of awards will be made under the 2003 Plan.

The board of Directors believes that the 2012 Plan:

- Aligns the long-term interests of key employees and stockholders by creating a direct link between key employee compensation and stockholder return;
- Enables key employees to develop and maintain a substantial stock ownership in the Company; and
- Provides incentives for key employees to contribute to the success of the Company.

The 2012 Plan provides that, without stockholder approval, awards may not be "repriced", that is, the terms of options and stock appreciation rights, or SARs, may not be amended to reduce their exercise or base price, and options and SARs may not be cancelled in exchange for cash, options or SARs with an exercise price that is less than the exercise price of the original options, SARs or other awards.

The 2012 Plan is being submitted to stockholders for approval. The Directors believe it is in the best of interest of the Company and its stockholders to approve the 2012 Plan.

## Summary of the 2012 Plan

The key features of the 2012 Plan are summarized below. A copy of the 2012 Plan is attached as Appendix A to this Proxy Statement and is incorporated herein by reference. We encourage you to read the 2012 Plan in its entirety. By voting in favor of this proposal, you will be voting to approve the adoption of the 2012 Plan and the material terms of the 2012 Plan for purposes of qualifying awards thereunder as performance-based compensation under Section 162(m) of the Code.

*Purpose*. The 2012 Plan is intended to encourage ownership of stock by employees, consultants and directors of the Company and its affiliates and to provide additional incentive for them to promote the success of the Company's business through the grant of awards of or pertaining to shares of the Company's common stock.

Stock Subject to the 2012 Plan. The shares issued or to be issued under the 2012 Plan may be either authorized but unissued shares of the Company's common stock or shares held by the Company in its treasury. The maximum number of shares of stock which may be issued pursuant to or subject to awards under the 2012 Plan is 5,000,000 plus the number of shares which were available for grant under the Company's 2003 Equity Incentive Plan, as of the date of stockholder approval of the 2012 Plan. As of March 15, 2012, there were 1,285,713 shares available for issuance under the 2003 Plan. The maximum number of shares of stock which may be issued pursuant to or subject to awards of incentive stock options is 5,000,000.

In applying the foregoing share limitation, the following shall not reduce the number of shares available for issuance under the 2012 Plan:

- shares reserved for issuance upon exercise or settlement of awards to the extent they expire, are cancelled or surrendered;
- restricted stock to the extent it is forfeited or surrendered before the restriction period expires; and
- awards that are ultimately paid in cash;

In addition, the following shares will not become available for issuance under the 2012 Plan:

shares tendered by participants as full or partial payment of an option exercise price;

- shares reserved upon grant of SARs to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise; and
- shares withheld by or remitted to the Company to satisfy tax withholding obligations.

The number of shares reserved under the 2012 Plan will be reduced by two shares of common stock for each share of stock delivered upon the settlement of a full-value award, and by one share of stock for each share of stock delivered upon settlement of an award that is not a full-value award. A full-value award includes any award *other than* an option or stock appreciation right (e.g., stock grants, restricted stock, restricted stock units, performance units and any other similar awards payable in shares of stock) in which the value of the award is measured as the full value of a share of common stock, rather than the increase in value of a share of common stock.

Administration. The 2012 Plan may be administered by the Compensation Committee of the board, by the board directly, or, in certain cases, by an executive officer or officers of the Company designated by the Compensation Committee. The Compensation Committee has the discretion, subject to the provisions of the 2012 Plan, to determine the employee, consultant or director to receive an award and the form of award. Further, the Compensation Committee has complete authority to interpret the 2012 Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective award agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the 2012 Plan.

*Eligibility*. Awards may be granted to any employee of or consultant to one or more of the Company and its affiliates or to non-employee Directors or non-employee members of any board of directors (or similar governing authority) of any affiliate, but in no event shall the number of shares of common stock granted to any one recipient in any one calendar year exceed 2,000,000 shares.

Effect of Termination of Employment, Etc. Unless the Compensation Committee shall provide otherwise with respect to any award under the 2012 Plan, stock options and SARs will terminate not later than 30 days following the recipient's termination of employment or other association, for any reason, with the Company or its affiliates. The effect of termination on other awards will depend on the terms specified in the applicable award agreement.

Non-Transferability of Awards. In general, no award under the 2012 Plan may be transferred by the recipient, and during the life of the recipient all rights under an award may be exercised during the life of the recipient only by the recipient or his or her legal representative. However, the Compensation Committee may provide that an award of a nonstatutory option or shares of restricted stock may be transferred by the recipient, without consideration, to a family member.

Types of Awards. Awards under the 2012 Plan may include incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, stock grants and qualified performance-based awards. Each award will be subject to all applicable terms and conditions of the 2012 Plan, and such other terms and conditions as the Compensation Committee may prescribe.

- Nonstatutory stock options and incentive stock options, or stock options, are rights to purchase common stock of the Company. A stock option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Compensation Committee may determine. A stock option may be exercised by the recipient giving written notice to the Company, specifying the number of shares with respect to which the stock option is then being exercised, and accompanied by payment of an amount equal to the exercise price of the shares to be purchased. The purchase price may be paid by cash, check, by delivery to the Company of shares of common stock (with some restrictions), by surrender of the stock option as to all or part of the shares of common stock for which the stock option is then exercisable, or through and under the terms and conditions of any formal cashless exercise program authorized by the Company.
- Incentive stock options may be granted only to employees of the Company, or any parent or subsidiary corporation, and must have an exercise price of not less than 100% of the fair market value of the Company's common stock on the date of grant (110% for incentive stock options granted to any recipient holding

more than 10% of the stock of the Company immediately prior to the date of grant). In addition, the term of an incentive stock option may not exceed ten years (five years, if granted to any 10% stockholder). Nonstatutory stock options must have an exercise price of not less than 100% of the fair market value of the Company's common stock on the date of grant and the term of any nonstatutory stock option may not exceed ten years. In the case of an incentive stock option, the amount of the aggregate fair market value of common stock (as of the date of grant of the stock option) exercisable for the first time by the recipient during any calendar year may not exceed \$100,000, minus the aggregate fair market value of common stock then exercisable by the recipient for the first time under all incentive stock options previously granted to the recipient under all plans of the Company and its affiliates.

- Stock appreciation rights, or SARs, are rights to receive any appreciation in the fair market value of shares of common stock over an exercise price specified in the SAR. SARs may be granted in tandem with a stock option, such that the recipient has the opportunity to exercise either the stock option or the SAR, but not both. The base exercise price (above which any appreciation is measured) will not be less than 100% of the fair market value of the common stock on the date of grant of the SAR or, in the case of an SAR granted in tandem with a stock option, the exercise price of the related stock option. SARs are subject to terms and conditions substantially similar to those applicable to nonstatutory stock options, except as the Compensation Committee may deem inappropriate or inapplicable. No SAR may be exercised on or after the tenth anniversary of the grant date.
- Awards of restricted stock are grants of rights to receive shares of common stock which are subject to limitations on transferability and a risk of forfeiture arising on the basis of conditions related to the performance of services, Company or affiliate performance or otherwise as the Compensation Committee may determine. Awards of restricted stock will be subject to a risk of forfeiture during a restriction period, established by the Compensation Committee, which shall not be less than three years, except as may be recommended by the Compensation Committee and approved by the board, or under certain other limited circumstances. Prior to the lapse of the risk of forfeiture of an award of restricted stock, the recipient will have all of the rights of a stockholder of the Company, including the right to vote and receive any dividends with respect to the shares of restricted stock. Any dividends payable in shares of stock of the Company shall constitute additional restricted stock. The Compensation Committee may determine, at the time of the award, that payment of cash dividends be deferred and reinvested in additional restricted stock.
- Awards of restricted stock units are grants of rights to receive shares of common stock arising on the basis of conditions relating to the performance of services, Company or affiliate performance or otherwise as the Compensation Committee may determine, which are issued at the close of the applicable restriction period. The applicable restriction period, established by the Compensation Committee, will be not less than three years, except as may be recommended by the Compensation Committee and approved by the board, or under certain other limited circumstances. The recipient may be entitled to receive payments equivalent to any dividends declared with respect to the common stock referenced in the grant of the restricted stock units, to be paid without interest or other earnings.
- Awards of performance units are grants of rights to receive the appreciation over the initial value (established by the Compensation Committee at the time of grant) of a specified number of shares of common stock, at the close of a specified performance period and subject to the achievement of specified business objectives, including performance goals, as set by the Compensation Committee. The Compensation Committee may permit or require the recipient to defer receipt of payment that would otherwise be due by virtue of the satisfaction of any requirements or goals with respect to the performance units. The recipient may be entitled to receive any dividends declared with respect to the common stock which have been earned in connection with the grant of the performance units.
- A stock grant is a grant of shares of common stock not subject to restrictions or other forfeiture conditions. Stock grants may be awarded only in recognition of significant prior or expected contributions to the success of the Company or its affiliates, as an inducement to employment, in lieu of compensation otherwise already due and in such other limited circumstances as the Compensation Committee deems appropriate.

• Qualified performance-based awards are awards which include performance criteria intended to satisfy Section 162(m) of the Code. Section 162(m) of the Code limits the Company's federal income tax deduction for compensation to certain specified senior executives to \$1 million dollars, but excludes from that limit "performance-based compensation." Any form of award permitted under the 2012 Plan, other than a stock grant, may be granted as a qualified performance-based award, but in each case will be subject to satisfaction of performance goals or (in the case of stock options) based on continued service. The performance criteria used to establish performance goals are limited to the following:

cash flow (before or after dividends) stock price stockholder return or total stockholder return return on investment market capitalization debt leverage (debt-to-capital) sales or net sales income, pre-tax income or net income operating profit, net operating profit or economic profit return on operating revenue or return on operating assets operating ratio market share improvement customer service earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization)

return on equity
return on capital (including without limitation
return on total capital or return on invested
capital)
return on assets or net assets
economic value added
revenue
backlog
operating income or pre-tax profit
gross margin, operating margin or profit
margin
cash from operations
operating revenue
general and administrative expenses

The Compensation Committee has discretion to select the length of any applicable restriction or performance period, the kind and/or level of the applicable performance goal, and whether the performance goal is to apply to the Company, a subsidiary of the Company or any division or business unit, or to the recipient, provided that any performance goals be objective and otherwise meet the requirements of Section 162(m) of the Code. Generally, a recipient will be eligible to receive payment under a qualified performance-based award only if the applicable performance goal or goals are achieved within the applicable performance period, as determined by the Committee.

Adjustment for Corporate Actions. In the event of any change in the outstanding shares of common stock as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar distribution with respect to the shares of common stock, an appropriate and proportionate adjustment will be made in (1) the maximum numbers and kinds of shares subject to the 2012 Plan, (2) the numbers and kinds of shares or other securities subject to then outstanding awards, (3) the exercise price for each share or other unit of any other securities subject to then outstanding stock options or SARs (without change in the aggregate purchase price as to which such stock options or SARs remain exercisable), and (4) the repurchase price of each share of restricted stock then subject to a risk of forfeiture in the form of a Company repurchase right. Any such adjustment in awards will be determined and made by the Compensation Committee in its sole discretion.

Transactions. In the event of a transaction, including (i) any merger or consolidation of the Company, (ii) any sale or exchange of all of the common stock of the Company, (iii) any sale, transfer or other disposition of all or substantially all of the Company's assets, or (iv) any liquidation or dissolution of the Company, the Compensation Committee may, with respect to all or any outstanding stock options and SARS, (1) provide that such awards will be assumed, or substantially equivalent rights shall be provided in substitution therefore, (2) provide that the recipient's unexercised awards will terminate immediately prior to the consummation of such transaction unless exercised within a specified period following written notice to the recipient, (3) provide that outstanding awards shall become exercisable in whole or in part prior to or upon the transaction, (4) provide for cash payments, net of applicable tax withholdings, to be made to the recipients, (5) provide that, in connection

with a liquidation or dissolution of the Company, awards shall convert into the right to receive liquidation proceeds net of the exercise price of the awards and any applicable tax withholdings, or (6) any combination of the foregoing. With respect to outstanding awards other than stock options or SARs, upon the occurrence of a transaction other than a liquidation or dissolution of the Company which is not part of another form of transaction, the repurchase and other rights of the Company under each such award will transfer to the Company's successor. Upon the occurrence of such a liquidation or dissolution of the Company, all risks of forfeiture and performance goals applicable to such other awards will automatically be deemed terminated or satisfied, unless specifically provided to the contrary in the award. Any determinations required to carryout any of the foregoing will be made by the Compensation Committee in its sole discretion.

Change of Control. Upon the occurrence of a change of control, stock options and SARs will accelerate with respect to 100% of the shares not then exercisable; the risk of forfeiture applicable to restricted stock and restricted stock units not based on achievement of performance goals will lapse with respect to 100% of the restricted stock and restricted stock units still subject to such risk of forfeiture; and all outstanding awards of restricted stock, restricted stock units and performance units conditioned on the achievement of performance goals will be deemed to have been satisfied. A change of control is defined as the occurrence of any of the following: (1) a transaction, as described above, unless securities possessing more than 50% of the total combined voting power of the resulting entity or ultimate parent entity are held by a person who held securities possessing more than 50% of the total combined voting power of the Company immediately prior to the transaction; (2) any person or group of persons, excluding the Company and certain other related entities, directly or indirectly acquires beneficial ownership of securities possessing more than 20% of the total combined voting power of the Company, unless pursuant to a tender or exchange offer that the Company's board of directors recommends stockholders accept; (3) over a period of no more than 36 consecutive months there is a change in the composition of the Company's board such that a majority of the board members ceases to be composed of individuals who either (i) have been board members continuously since the beginning of that period, or (ii) have been elected or nominated for election as board members during such period by at least a majority of the remaining board members who have been board members continuously since the beginning of that period.

Settlement of Awards. Stock options and restricted stock will be settled in accordance with their terms. All other awards under the 2012 Plan may be settled in cash, common stock or other awards, or a combination thereof, as determined by the Compensation Committee at or after the date of grant and subject to any contrary award agreement.

Termination and Amendment of the Plan. Generally, the board may at any time terminate the 2012 Plan or make such modifications of the 2012 Plan as it shall deem advisable, subject to the rights of recipients of outstanding awards on the date of amendment or modification. Unless the Board otherwise expressly determined by the board, no amendment of the 2012 Plan shall affect the terms of any award outstanding on the date of the amendment. In addition, no amendment may (i) increase the number of shares of common stock which may be issued under the 2012 Plan, (ii) change the description of the persons eligible for awards, or (iii) effect any other change for which stockholder approval is required by law or the rules of any relevant stock exchange. As noted above, without stockholder approval, awards may not be "repriced" to reduce their exercise or base price.

Summary of Tax Consequences. The following is a brief and general discussion of the United States federal income tax consequences to recipients of awards granted under the 2012 Plan. This summary is not comprehensive and is based upon laws and regulations in effect on March 30, 2012. Such laws and regulations are subject to change. This summary is intended for the information of shareholders considering how to vote and not as tax guidance to participants in the 2012 Plan. Participants in the 2012 Plan should consult their own tax advisors as to the tax consequences of participation.

• Nonstatutory stock options. Generally, there are no federal income tax consequences to a participant upon grant of a nonstatutory stock option. Upon the exercise of such an option, the participant will recognize ordinary income in an amount equal to the amount by which the fair market value of the common stock acquired upon the exercise of such option exceeds the exercise price, if any. A sale of common stock so acquired will give rise to a capital gain or loss equal to the difference between the fair market value of the common stock on the exercise and sale dates.

- Incentive stock options. Except as noted at the end of this paragraph, there are no federal income tax consequences to a participant upon grant or exercise of an incentive stock option. If the participant holds shares of common stock purchased pursuant to the exercise of an incentive stock option for at least two years after the date the option was granted and at least one year after the exercise of the option, the subsequent sale of common stock will give rise to a long-term capital gain or loss to the participant and no deduction will be available to the Company. If the participant sells the shares of common stock within two years after the date an incentive stock option is granted or within one year after the exercise of an option, the participant will recognize ordinary income in an amount equal to the difference between the fair market value at the exercise date and the option exercise price, and any additional gain or loss will be a capital gain or loss. Some participants may have to pay alternative minimum tax in connection with the exercise of an incentive stock option, however.
- Restricted stock. A participant will generally recognize ordinary income on receipt of an award of restricted stock when his or her rights in that award become substantially vested, in an amount equal to the amount by which the then fair market value of the common stock acquired exceeds the price he or she has paid for it, if any. Recipients of restricted stock may, however, within 30 days of receiving an award of restricted stock, choose to have any applicable risk of forfeiture disregarded for tax purposes by making an "83(b) election." If the participant makes an 83(b) election, he or she will have to report compensation income equal to the difference between the value of the shares and the price paid for the shares, if any, at the time of the transfer of the restricted stock.
- <u>Stock appreciation rights</u>. A participant will generally recognize ordinary income on receipt of cash or other property pursuant to the exercise of an award of stock appreciation rights.
- Restricted stock units, performance units and stock grants. A participant will generally recognize ordinary income on receipt of any shares of common stock, cash or other property in satisfaction of any of these awards under the 2012 Plan.
- Potential Deferred Compensation. For purposes of the foregoing summary of federal income tax consequences, we assumed that no award under the 2012 Plan will be considered "deferred compensation" as that term is defined for purposes of recent federal tax legislation governing nonqualified deferred compensation arrangements, Section 409A of the Code, or, if any award were considered to any extent to constitute deferred compensation, its terms would comply with the requirements of that legislation (in general, by limiting any flexibility in the time of payment). For example, the award of an SAR at less than 100% of the fair market value of the Company's common stock, would constitute deferred compensation. If an award includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an award under the 2012 Plan will be taxable when it is earned and vested (even if not then payable) and the recipient will be subject to a 20% additional tax.
- Section 162(m) Limitations on the Company's Tax Deduction. In general, whenever a recipient is required to recognize ordinary income in connection with an award, the Company will be entitled to a corresponding tax deduction. However, the Company will not be entitled to deductions in connection with awards under the 2012 Plan to certain senior executive officers to the extent that the amount of deductible income in a year to any such officer, together with his or her other compensation from the Company exceeds the \$1 million dollar limitation of Section 162(m) of the Code. Compensation which qualifies as "performance-based" is not subject to this limitation, however.

Allocation of Awards; Plan Benefits. It is not presently possible to determine the dollar value of award payments that may be made or the number of options, shares of restricted stock, restricted stock units, or other awards that may be granted under the 2012 Plan in the future, or the individuals who may be selected for such awards because awards under the 2012 Plan are granted at the discretion of the Compensation Committee.

# Required Vote and Recommendation of the Board of Directors

The affirmative vote of a majority of the shares of Waters common stock present or represented by proxy and voting at the annual meeting, is required for approval of this proposal. If you own shares through a bank, broker or other holder of record, you must instruct your bank, broker or other holder of record how to vote in order for them to vote your shares so that your vote can be counted on this proposal.

Abstentions will have the effect of a vote "against" this proposal. Broker non-votes will have no effect on this proposal.

#### **Equity Compensation Plan Information**

The following table provides information as of December 31, 2011 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):

	$\mathbf{A}$	В	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	4,809	\$56.71	1,428
Equity compensation plans not approved by security holders	<u> </u>		
Total	4,809	\$56.71	1,428

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL.

#### PROPOSAL 5. OTHER BUSINESS

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

## DIRECTORS MEETINGS AND BOARD COMMITTEES

#### Meetings

The Board held five meetings during the year ended December 31, 2011. 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 "Corporate Governance -Board/Director Independence" below.

#### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee currently consists of Dr. Michael J. Berendt (Chair), 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 Nominating and Corporate Governance Committee's functions, is available at the Company's website at <a href="http://www.waters.com">http://www.waters.com</a> under the caption Governance. Each member of the Nominating and Corporate Governance Committee is independent under applicable listing standards of the New York Stock Exchange and the Company's independence criteria, which are summarized under "Corporate Governance – Board/Director Independence" below.

#### **Audit Committee**

The Audit Committee, which currently consists of Mr. Thomas P. Salice (Chair), 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 <a href="http://www.waters.com">http://www.waters.com</a> 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 "Corporate Governance – Board/Director Independence" 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 has "accounting or related financial management expertise" within the meaning of New York Stock Exchange rules.

#### **Compensation Committee**

The Compensation Committee, which currently consists of Mr. William J. Miller (Chair), 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 <a href="http://www.waters.com">http://www.waters.com</a> under the caption Governance. Each member of the Compensation Committee is independent under applicable listing standards of the New York Stock Exchange and the Company's independence criteria, which are summarized under "Corporate Governance – Board/Director Independence" below.

During fiscal year 2011, 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 2011, the Compensation Committee met two 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 2011 annual meeting of stockholders except for Mr. Conard and Dr. Glimcher, who could not attend.

#### CORPORATE GOVERNANCE

#### **Annual Evaluation**

During 2011, 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 each committee in November 2011. 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 during January and February 2012. It is the intention of the Nominating and Corporate Governance Committee to continue to engage in this process annually.

## **Related Party Transactions Policy**

The Board has 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 ownership 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 is responsible for identifying potential Interested Transactions and determining whether a proposed transaction 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 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 was a director until its merger with Sanofi-Aventis on April 4, 2011) 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 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 and Beaudouin and Ms. Rae, are each required to accumulate common stock equal to two times their base salary over a five year period. 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.

If, after the initial three or five year period of accumulation, as the case may be, any 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, the 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 Directors, shall apply toward the satisfaction of the guidelines. 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 <a href="http://www.waters.com">http://www.waters.com</a> 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 was on the compensation committee of its board;
- 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 specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Exchange Act.

During 2011, 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 and Principal Accounting Officer. During 2011, 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 15, 2012, 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, 2011.

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 Audit Committee and the Audit Committee is advised as to any corporate governance developments which may warrant charter amendments. No such charter amendments were made in 2011. The charter is available at the Company's website at <a href="http://www.waters.com">http://www.waters.com</a> under the caption Governance. A discussion of the Audit Committee's role in risk oversight can be found under the heading Risk Oversight — Board's Role in Risk Oversight Generally 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, 2011. The Audit 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 (Chair), 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 Audit 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, 2011 that:

- 1. It has reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2011 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;
- 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 15, 2012, 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, 2011 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 (Chair), and Mr. Thomas P. Salice. During fiscal year 2011, no member of the Compensation Committee was an officer or employee of the Company or served as a member of the Board or Compensation Committee of any entity that has one or more executive officers serving as members of the Waters Board 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 or Compensation Committee.

#### RISK OVERSIGHT

# Board's Role in Risk Oversight Generally

Included in the Company's Annual Report for the year ended December 31, 2011 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 Director of Treasury and Risk Management 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**

The Company conducted a review to determine if any compensation plans and practices would be reasonably likely to have a material adverse effect on the Company. The Company reviewed various components of compensation plans including the size, scope and design. The Company also reviewed whether the compensation plans promote unnecessary risk taking and the policies in place to mitigate compensation risk. The review included an assessment of design features that could encourage excessive risk-taking and the potential magnitude of such risks, including design features such as a short-term oriented pay mix, overly aggressive goal setting and over-weighting of annual incentives. Several features of the Company's annual incentive plan, the Management Incentive Plan, mitigate compensation related risk including the use of payout caps, a clear link between payouts under the plan and the Company's financial performance, and Compensation Committee oversight in determining payouts under the Plan. The policies that exist to mitigate compensation-related risk include (1) the Recoupment Policy for Management Incentive Plan awards adopted in March 2010; (2) stock ownership guidelines for named executive officers; and (3) independent oversight of the compensation programs by the Compensation Committee. Based on this review, the Company does not believe that there are any compensation related risks arising from the Company's compensation plans that would have a material adverse effect on the Company.

# Role of Compensation Consultant, Committee and Management in Decision-Making

The Compensation Committee has engaged the services of Pearl Meyer & Partners as its outside independent compensation consultant during fiscal year 2011. 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.

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 Compensation Discussion and Analysis in the section titled "Data Used to Make Compensation

Determinations". The Compensation Committee also reviews each named executive officer'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 Compensation Committee approves all compensation decisions for the named executive officers, with input from Pearl Meyer & Partners. 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 final 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 for the fiscal year 2011 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.

# **Executive Summary**

The following is a summary of Company performance, the impact of Company performance on compensation for our named executive officers, governance practices related to our compensation programs and the impact of results of the 2011 Say on Pay vote. Details of our compensation programs are discussed in further detail in the appropriate sections of this Compensation Discussion and Analysis:

#### Company Performance

 In 2011, the Company achieved 18% non-GAAP E.P.S. growth and 17% operating income growth over 2010.

# Impact of Company Performance on Compensation

- The three elements of executive compensation are base salary, annual incentive under the Company's
  Management Incentive Plan and long-term equity awards in the form of non-qualified stock options.
  Waters executive compensation program is both performance and market-based and our executive
  compensation program is structured so that a substantial portion of compensation is derived from
  performance-based compensation instruments.
- The performance target under the Company's Management Incentive Plan was set at 15% non-GAAP E.P.S. growth for 2011. The Company believes that a non-GAAP E.P.S. performance target of 15% growth represents strong financial and operational performance, and that the consistent utilization of this performance target by Waters for the previous sixteen years demonstrates that our executives are measured to aggressive performance standards.
- The Management Incentive Plan also requires that a minimum operating income be met before any payments are made under the Management Incentive Plan relative to non-GAAP E.P.S. goals. The minimum non-GAAP operating income threshold in 2011 was 7% growth over the actual non-GAAP operating income growth in 2010.
- The Company's 2011 non-GAAP E.P.S. performance of 18% growth exceeded the 2011 target of 15% non-GAAP E.P.S. growth. Additionally, the non-GAAP operating income threshold of 7% growth was exceeded with actual 2011 non-GAAP operating income growth of 17%. This performance resulted in above target Management Incentive Plan payouts to named executive officers for 2011 ranging between 76% and 197% of each named executive officer's base salary. A detailed discussion of the Management Incentive Plan can be found under the heading *Annual Incentive*.
- Base salary increases for 2012, approved in December 2011, ranged between 2.5% and 3.5% for named executive officers. The salary increases were based on the range of factors outlined under the heading of *Base Salary* and reflect the Company's philosophy of maintaining base salary levels at or below the competitive market median.
- Stock options were granted to the named executive officers on December 7, 2011. Several factors are considered by the Compensation Committee in determining the size of the stock option grant for named executive officers. A full description of the factors considered in determining the 2011 stock option grants

for named executive officers is discussed under the heading *Long-Term Performance Based Awards*. The number of stock options granted to each named executive officer on December 7, 2011 and the grant price of these awards was approximately equal to the prior year grant made on December 9, 2010. Although the Compensation Committee intended to grant stock options to Mr. Berthiaume, he declined as in prior years to be considered for an option grant.

#### Compensation Governance and Pay Practices

- 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 below under the heading Recoupment Policy.
- The Company has implemented stock ownership guidelines for the named executive officers. The details of the guidelines are below under the heading Stock Ownership Guidelines.
- The Company does not offer any perquisites for the exclusive benefit of named executive officers.
- Annual bonus payouts under the Management Incentive Plan are performance based and the Company has not made any discretionary or guaranteed bonus payments.
- The Company maintains an independent Compensation Committee and Compensation Committee consultant.

#### 2011 Say on Pay Vote

• The Compensation Committee values the opinions of our stockholders and considers the outcome of Say on Pay stockholder votes in determining the structure of executive compensation, as well as in making future compensation decisions. In 2011, Waters received strong shareholder support of our executive compensation programs with 95% of voted shares voting in favor of Waters executive compensation programs. In part, given this support, we have not made any responsive changes to our compensation philosophy or practices and continue to manage our programs in a manner consistent with prior years.

#### 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 targeted below 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 annual components provide a target total cash compensation opportunity that approximates the median of the market for achieving target performance goals. Over achievement of performance goals will provide opportunity of significantly greater reward on an annual basis. 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 compensation can be less than or greater than the median of the market, based on these factors. We believe that the structure of our total annual cash compensation effectively aligns executives' interests with stockholders' interests by placing emphasis on the achievement of annual financial and operating objectives.

For longer-term alignment, the Company uses stock options to align executive compensation opportunity 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 is targeted to be at or above the competitive market and is intended to represent a significant portion of each executive's total direct compensation (base salary, annual incentive plan and stock options). Additionally, stock options increase the orientation of total direct compensation toward performance-based instruments. Waters' stock options, which vest over a five-year period and have a ten-year term, are also designed to meet the 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.

#### **Data Used to Make Compensation Determinations**

Competitive Market Assessment

Competitive market data is an important component in determining the amount of each element of compensation for each named executive officer. The Compensation Committee utilizes 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, annual incentive plan and the value of the long-term incentive grant.

Pearl Meyer & Partners and the Compensation Committee utilize a core Industry Peer Group of 16 publicly traded companies in the life sciences and analytical instrument industry with generally similar revenues and market capitalization as Waters.

The 2011 Industry Peer Group companies are as follows:

Agilent Mettler-Toledo

C.R. Bard Pall

Bio-Rad Laboratories Perkin Elmer
Bruker ResMed

FLIR Systems Roper Industries Hologic Sigma-Aldrich

Illumina Thermo Fisher Scientific

Life Technologies 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, 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. The median revenue and market capitalization for the peer group for the four quarters ending June 30, 2011 was \$2,278,000,000 and \$6,903,000,000, respectively. Waters' revenue and market capitalization for the same period were \$1,760,000,000 and \$8,748,000,000 respectively.

Pearl Meyer & Partners also evaluates any changes to the ownership or business model of existing peer group companies. In 2011, Beckman Coulter was eliminated due to acquisition. FLIR Systems was added to the peer group due to its similarity in size and business. Two companies in the peer group, Agilent and Thermo Fisher Scientific, have revenues above the target range; but we include them in the peer group because (1) they have similar products and services offerings as Waters, (2) they are direct competitors of Waters, (3) we compete with them for talent and (4) Thermo Fisher includes Waters in its own peer group.

Pearl Meyer & Partners and the Compensation Committee also utilize multiple survey sources to review the competitive marketplace for each named executive officer. Survey sources include the Hewitt Executive Compensation Survey and the CHiPS Executive and Senior Management Total Compensation Survey. 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. We use the broad survey data in combination with the peer group data in evaluating our named executive officer compensation. The Compensation Committee does not rely upon data from any individual company participating in any of these surveys in making compensation decisions. Data from the survey sources and the peer companies are combined to develop a primary market composite which is based on an average of survey data and peer company data.

# **Elements of Executive Compensation**

There are three key elements of Waters' executive compensation program: base salary, annual incentive plan, and long-term performance-based awards. Each element of executive compensation addresses specific objectives of the program and together they meet the overall philosophy and objectives of the Waters executive compensation program as described above. 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 critical nature of the executive's position to the business, the executive's level of contribution, competitive compensation for each position, and other individual factors, the overall structure and compensation elements utilized are consistent for the CEO and all other named executive officers. The 2011 Compensation Element Results in the following table reflect the analysis completed by Pearl Meyer & Partners at the end of 2011.

Compensation Element	Objective	Executive Compensation Philosophy	2011 Result
Base Salary	To attract and retain senior executives and other key employees.	Generally targeted at or below the market median. Actual salaries may vary based on an executive's performance, tenure, experience and contributions.	The competitive overall market position for 2011 base salaries for named executive officers was at the 40th percentile of the market.
Annual Incentive	To motivate executive officers, senior executives and other key employees to achieve annual non-GAAP E.P.S. growth and non-GAAP operating income targets established at the beginning of the fiscal year.	Targets under the Management Incentive Plan are generally positioned at or slightly above market median to achieve a target total cash position that approximates the median of the competitive market for target performance. Actual payouts will vary based on Company performance.	The 2011 targets under the Management Incentive Plan for named executive officers ranged from 50% to 125% of base salary. The overall Total Target Cash market position for named executive officers was at the 55th percentile of the market. Total Target Cash is defined as the total of annual base salary and the target payout at 100% achievement.

Compensation Element	Objective	Executive Compensation Philosophy	2011 Result
Long-Term Performance	To motivate senior	Equity compensation in	Non-qualified stock
Based Awards	executives and other key	the form of non-qualified	option grants and Target
	employees to contribute	stock options is targeted	Total Direct
	to the Company's long-	to be at or above the	Compensation both
	term growth of	competitive market and	approximated the 60th
	stockholder value and to	to represent a significant	percentile of the market.
	align compensation with	portion of the executive's	Target Total Direct
	the growth in Waters	total direct compensation.	Compensation is defined
	stock price. Long-Term	Individual grants are	as the sum of Total
	Performance Based	determined based on the	Target Cash plus the
	Awards are also	executive's position,	value of the most recent
	designed to retain senior	performance, tenure,	Long Term Incentive
	executives and key	experience and	Grant.
	employees.	contributions.	

#### 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.

In addition to considering the factors listed above, the Compensation Committee also considers the competitive market position of executive officer base salary. Base salary increases are approved by the Compensation Committee at the end of the fiscal year with an effective date at the beginning of the next fiscal year, or January 1st of each year. The Pearl Meyer & Partner Competitive Assessment completed at the end of 2010 provided the competitive market position used in determining the base salary in effect in 2011. The competitive market position at the end of 2010 ranged from the 25th percentile to the 50th percentile. Following salary increases that ranged from 5% to 6%, the competitive market position for named executive officers ranged from approximately the 30th percentile to the 55th percentile of the competitive market data for each position.

Similarly, the Pearl Meyer & Partners Competitive Assessment at the end of 2011 provided the competitive market information used in approving base salary increases in December 2011 to be effective in January 2012. The overall competitive position of base salaries for named executive officers in this analysis was at the 40<sup>th</sup> percentile. Base pay increases for 2012 ranged from 2.5% of salary to 3.5% of salary.

# 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 2011 target payouts for Messrs. Berthiaume, Caputo, Ornell and Beaudouin and Ms. Rae were, as a percentage of base salary, 125%, 110%, 100%, 75% and 50%, respectively. The 2011 target payouts were increased by 15% for Messrs. Berthiaume and Ornell, by 10% for Mr. Caputo and by 5% for Mr. Beaudouin over the 2010 targets. The increase in target payouts was done in order to align the target payouts with the Executive Compensation philosophy to position the competitive target incentive plan payout at or slightly above the competitive market range for target incentive plan payouts for their respective positions. These target increases also served to align the target total cash compensation with the Executive Compensation philosophy to approximate the median of the market. The 2011 Pearl Meyer & Partners Competitive Assessment showed that the overall Total Target Cash competitive position for named executive officers was at the 55th percentile.

The threshold payouts are 25% of the target payout for each executive officer, and are payable upon achievement of a minimum non-GAAP operating income threshold performance and a minimum non-GAAP E.P.S. goal. Performance below the minimum non-GAAP operating income threshold level results in no payout. For 2011, the maximum payout under the plan is 3.3 times the target for Mr. Berthiaume and 3.18 times the target payouts for Messrs. Caputo, Ornell and Beaudouin and Ms. Rae. The maximum payout under the plan was reduced from 3.75 times the target for Mr. Berthiaume and 3.5 times the target for Messrs. Caputo, Ornell and Beaudouin and Ms. Rae in order to better align the plan design with competitive practice while still maintaining an emphasis on variable performance-based pay. While the maximum payout opportunity of 3.30 and 3.18 times the target payout remains generally higher than peer practices, the Compensation Committee believes that it is consistent with the philosophy to position total target cash at the median of the competitive market and to provide opportunity for significantly greater reward for over achievement of strong performance goals. As discussed in detail below, the Compensation Committee establishes annual performance goals which represent strong Company performance. The maximum payout amount of \$5,000,000 was established to comply with the maximum payout requirements of Section 162(m) of the Internal Revenue Code.

The Compensation Committee has consistently utilized non-GAAP E.P.S. as the primary performance measure under the Management Incentive Plan for named executive officers. For the past sixteen years, the Compensation Committee has established a goal of 15% non-GAAP E.P.S. growth over the prior year. Consistent use of this measure promotes executive team alignment, focuses the executive team on operational efficiencies and profitability, provides a long-term perspective among executives and drives long-term shareholder value. The Compensation Committee also requires that a minimum non-GAAP operating income measure be achieved in addition to the non-GAAP E.P.S. growth target in order to maintain a balanced focus on operational improvements excluding the effects of benefits of finance costs, taxes and stock repurchases to non-GAAP E.P.S. These E.P.S. growth targets are based on E.P.S. reported in accordance with GAAP and may be adjusted to exclude certain charges and credits, net of tax, including but not limited to purchased intangibles amortization, acquisition, restructuring, litigation, lease termination, asset and equity investment impairments, tax audit settlements and adjustments and other items considered unusual or one-time costs. The Compensation Committee reviews and approves the annual adjusted non-GAAP E.P.S. for purposes of measuring E.P.S. growth goal achievement. The Company considers these items non-operational 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. The Compensation Committee evaluates the results of the Company's performance against previously established targets in order to determine the individual incentive plan payouts for the named executive officers under the Management Incentive Plan.

For the 2011 fiscal year, the Compensation Committee again established a 15% non-GAAP E.P.S. growth target over 2010. The Compensation Committee also established a minimum non-GAAP operating income threshold and a minimum non-GAAP E.P.S. threshold, both of which must be met for a non-GAAP E.P.S. payout under the Management Incentive Plan. The non-GAAP operating income threshold performance requirement for 2011 was 7% growth over 2010 and the 2011 minimum non-GAAP E.P.S threshold performance requirement was 7% growth over 2010. Once the thresholds of non-GAAP operating income and non-GAAP E.P.S. performance targets were met, the Management Incentive Plan provided increasing levels of incentive plan payouts consistent with increasing levels of non-GAAP E.P.S. growth. In fiscal year 2011, the Company exceeded both the minimum non-GAAP operating income and non-GAAP E.P.S. thresholds, as well as the target non-GAAP E.P.S. target of 15%. Non-GAAP E.P.S. for 2011 was \$4.81 which represents 18% growth over 2010 non-GAAP E.P.S. of \$4.09. 2011 non-GAAP operating income of \$547,339,000 exceeded the minimum non-GAAP operating income threshold of \$500,662.630 and represents an increase of 17% over 2010 non-GAAP operating income of \$467,909,000. Payouts are interpolated between the target and maximum payout opportunity based on this non-GAAP E.P.S. performance. Non-GAAP E.P.S. and non-GAAP operating income for 2011 and 2010 excluded, net of tax, as applicable, purchased intangibles amortization, tax audit settlements and adjustments, asset impairments, restructuring costs, and acquisition-related costs from its non-GAAP adjusted amounts since the Company believes that these items are not directly related to ongoing operations. The Company has exceeded the target of 15% non-GAAP E.P.S. growth in 12 of the past 16 years and has exceeded threshold performance of 7% non-GAAP E.P.S. growth in 14 of the past 16 years.

The Company has 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 provide 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 2012, the Compensation Committee has again established a 15% non-GAAP E.P.S. growth target and a minimum non-GAAP operating income threshold growth target of 7%.

# 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.

The Compensation Committee reviews various long-term incentive instruments with Pearl Meyer & Partners. Based on these reviews, the Compensation Committee determined that non-qualified stock options most effectively meet Waters' objectives for using performance oriented equity instruments for the named executive officers and other senior executives. 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 restricted stock units for its named executive officers and other senior executives to date.

The Compensation Committee considers non-qualified stock option grants annually at the Compensation Committee's December meeting. Multiple factors, considered collectively, are reviewed by the Compensation Committee in determining the number of shares to award each named executive officer. These factors include dilution, share usage, stock compensation expense, the financial and operational performance of the Company and each named executive officer, the prior number of shares granted both, individually to each named executive officer and in aggregate to all named executive officers and competitive market data.

A review of share usage, dilution and stock based compensation expense is prepared annually by Pearl Meyer & Partners. In this analysis the Company's annual share usage was at the 50th percentile when compared to the Industry Peer Group. The Company's dilution was 6.9% and total overhang was 9.2% which represent approximately the 50th and 25th percentile of the Industry Peer Group, respectively. At the end of 2011, Pearl Meyer & Partners compared the Company's stock-based expense as reported in the Company's financial statements for the most recently completed fiscal year to that of the Industry Peer Group. The Company's stock-based expense fell between the 25th and 50th percentiles of the Industry Peer Group. The aggregate annual equity compensation expense including all stock options and restricted stock granted in the most recently completed fiscal year was just below the 50th percentile of the peer group. The Compensation Committee reviews these metrics annually and in 2011 determined that the overall grant practices with respect to share usage and stock compensation expense were appropriate relative to the Industry Peer Group.

As noted above, the Committee considers the overall performance of the Company as one of the factors in determining the overall size of the equity grant to named executive officers as a group. In 2011, the Company exceeded its goal of 15% non-GAAP E.P.S. growth, achieving 18% non-GAAP E.P.S. growth over 2010. In 2010, the Company also exceeded its 15% non-GAAP E.P.S. goal, achieving 19% non-GAAP E.P.S. growth over 2009. Based on Company performance, comparable grant price levels and other factors, the Compensation Committee determined to maintain the same number of shares in the annual stock option grant to named executive officers in December, 2011 as in December, 2010.

Competitive market data for long-term performance-based awards is prepared for the Compensation Committee by Pearl Meyer & Partners. As noted above, the Committee also uses this data as one of the factors in determining the stock option grant for each named executive officer. Consistent with the Compensation Committee's philosophy of emphasizing performance-based pay, the Compensation Committee targets stock option grants above the median of the competitive market data for each named executive officer. The Pearl Meyer & Partners 2011 Competitive Assessment indicated that the stock option awards granted in December 2010 for the named executive officers ranged between the 55th and 70th percentiles and averaged approximately the 60th percentile of the Black Scholes value competitive market data prepared by Pearl Meyer & Partners. The option grants approved in December 2011 for Messrs. Caputo, Ornell and Beaudouin and Ms. Rae were within the competitive range derived by applying 15% above and below the 75th percentile of the competitive market data for Long-Term Incentives as prepared by Pearl Meyer & Partners. The Compensation Committee believes that the stock option grants to the named executive officers were aligned with its philosophy to position long-term performance-based awards above the competitive market median and were consistent with the scope and level of contribution for each of the named executive officers. It was the intention of the Compensation Committee to grant 135,000 non-qualified stock options to Mr. Berthiaume in 2011. As in the prior seven years, Mr. Berthiaume declined to be considered for an option grant in 2011. The Compensation Committee expects to consider Mr. Berthiaume for future stock option grants

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. Non-qualified stock options for Messrs. Caputo, Ornell and 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 7, 2011. All option grants will vest 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 and 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. 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 of Control/Severance Agreements

Messrs. Berthiaume, Caputo, Ornell and 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 of Control/Severance Agreements for named executive officers if they are terminated or leave for good reason prior to or following a change of 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 of control, all of the named executive officers' 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. In fiscal 2010, the Compensation Committee asked Pearl Meyer & Partners, its compensation consultant, to review our severance and change of control arrangements and Pearl Meyer & Partners determined that those arrangements were consistent with prevalent market practice.

# 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 other 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 applicable three or five-year period, 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. Vested "in-the-money" stock options count toward determining compliance for the purpose of accumulating shares to comply with the stock ownership guidelines. The ownership guidelines have been met by all named executive officers.

# Recoupment Policy

In March 2010, the Compensation Committee recommended and the Board 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 is determined appropriate and subject to applicable laws, could seek reimbursement of the portion of Management Incentive Plan awards impacted by the event. The Company will review and as necessary amend the Recoupment Policy to be in full compliance with the Dodd-Frank Act when rules are adopted with respect to the Dodd-Frank Act's recoupment parameters.

# 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 the chief executive officer and next three highest paid officers (exclusive of the chief financial officer) in excess of \$1 million unless the compensation qualifies as performance-based. The Compensation Committee intends for payments under the Management Incentive Plan and equity grants under the 2003 Equity Incentive Plan to qualify 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.

#### **EXECUTIVE COMPENSATION TABLES**

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, 2011, 2010 and 2009.

Summary Compensation Table									
Name and Principal Position	Year	Salary (\$)	Bonus (\$)		Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		(\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	<b>(f)</b>	(g)	(h)	(i)	( <b>j</b> )
Douglas A. Berthiaume	2011	\$794,903	_	_	\$0	\$1,562,840	\$150,965	\$138,022	\$2,646,730
Chairman, President and Chief Executive Officer	2010	\$757,050	_	ı	\$0	\$1,483,269	\$155,091	\$46,755	\$2,442,165
Chief Executive Officer	2009	\$735,000		_	\$0	\$0	\$141,761	\$133,632	\$1,010,393
Arthur G. Caputo	2011	\$491,310	_	_	\$3,289,000	\$821,893	\$102,106	\$16,032	\$4,720,341
Executive Vice President and President, Waters	2010	\$463,500	_	_	\$2,651,000	\$792,652	\$92,655	\$16,032	\$4,015,839
Division	2009	\$450,000	_	_	\$2,065,000	\$0	\$78,501	\$16,032	\$2,609,533
John A. Ornell Vice President Finance	2011	\$400,680	_	-	\$1,794,000	\$609,347	\$69,562	\$35,359	\$2,908,948
and Administration and	2010	\$378,000	_	_	\$1,446,000	\$549,470	\$51,812	\$15,723	\$2,441,005
Chief Financial Officer	2009	\$360,000	_	_	\$1,032,500	\$0	\$39,001	\$54,379	\$1,485,880
Mark T. Beaudouin	2011	\$389,340	_		\$1,495,000	\$444,076	\$21,784	\$32,245	\$2,382,445
Vice President, General Counsel and Secretary	2010	\$370,800	_		\$1,205,000	\$443,885	\$17,683	\$23,272	\$2,060,640
Counsel and Secretary	2009	\$360,000	_	_	\$826,000	\$0	\$13,786	\$54,379	\$1,254,165
Elizabeth B. Rae	2011	\$237,038		_	\$1,196,000	\$180,242	\$23,493	\$26,406	\$1,663,179
Vice President, Human Resources	2010	\$225,750	_		\$964,000	\$193,033	\$16,026	\$14,080	\$1,412,889
Human Resources	2009	\$215,000	_	_	\$619,500	\$0	\$12,227	\$26,063	\$872,790

<sup>(</sup>a) Mr. Berthiaume is also a director of the Company, however he receives no additional compensation for his services as a director.

<sup>(</sup>c) Reflects the base salary earned by the executive officer during 2011, 2010 and 2009 respectively.

<sup>(</sup>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 Waters Annual Reports for the fiscal years ended December 31, 2011, 2010 and 2009. The closing price of the common stock on the grant dates December 7, 2011, December 9, 2010 and December 9, 2009 were \$79.15, \$79.05 and \$59.44, respectively. The Compensation Committee considered Mr. Berthiaume for an option grant, however he declined to be considered for a grant in 2011, 2010 and 2009.

<sup>(</sup>g) Reflects the incentive earned for 2011, 2010 and 2009 respectively, under the Company's Management Incentive Plan. No incentive was earned for 2009.

<sup>(</sup>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 2011, 2010 and 2009. 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 2011, 2010 and 2009.

Named Executive Officer		Matching Contributions 401(k) Restoration Plan and 401(k) Plan			Company Paid Group Term Life Insurance Premiums			
	2011	2010	2009	2011	2010	2009		
Douglas A. Berthiaume	\$136,690	\$45,423	\$132,300	\$1,332	\$1,332	\$1,332		
Arthur G. Caputo	\$14,700	\$14,700	\$14,700	\$1,332	\$1,332	\$1,332		
John A. Ornell	\$34,117	\$14,700	\$53,100	\$1,242	\$1,023	\$1,279		
Mark T. Beaudouin	\$31,125	\$22,249	\$53,100	\$1,120	\$1,023	\$1,279		
Elizabeth B. Rae	\$25,804	\$13,545	\$25,395	\$602	\$535	\$668		

(j) Reflects the total of compensation elements reported in columns (a) through (i) for 2011, 2010 and 2009.

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 Award	ds						
Name	Grant Date		d Future Pay ty Incentive I	outs Under Plan Awards	All Other Option	Exercise or Base	Grant Date Fair Value
		Threshold (\$)	Target (\$)	Maximum (\$)	Awards: Number of Securities Underlying Options (#)	Price of Option Awards (\$/Sh)	of Stock and Option Awards
(a)	(b)	(c)	(d)	(e)	<b>(j</b> )	(k)	(1)
Douglas A. Berthiaume		\$248,407	\$993,629	\$3,278,975			
Arthur G. Caputo	12/7/2011				110,000	\$79.15	\$3,289,000
Arthur G. Caputo		\$135,110	\$540,441	\$1,719,683			
John A. Ornell	12/7/2011				60,000	\$79.15	\$1,794,000
John A. Ornen		\$100,170	\$400,680	\$1,274,964			
Mark T. Beaudouin	12/7/2011				50,000	\$79.15	\$1,495,000
Mark 1. Deaudouiii		\$ 73,001	\$292,005	\$ 929,160			
Elizabeth B. Rae	12/7/2011				40,000	\$79.15	\$1,196,000
Enzabeth B. Rac		\$ 29,630	\$118,519	\$ 377,127			

- (c), (d), (e) Reflects the range of payout under the Company's Management Incentive Plan from threshold performance to maximum performance for 2011. Performance below the threshold 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.
- (j) Reflects the number of non-qualified stock options granted by the Compensation Committee on December 7, 2011. 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 135,000 shares to Mr. Berthiaume in 2011; however, Mr. Berthiaume declined to be considered for an option grant in 2011
- (k) Reflects the closing price of the common stock on the grant date of December 7, 2011.
- (l) FASB ASC Topic 718 is the accounting standard used in determining the aggregate grant fair value of the option awarded. The aggregate grant date fair value of the option was determined using the Black Scholes option pricing model without regard to estimated forfeitures.

# 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 2011, 2010 and 2009. Incentive payments, if any, were based on exceeding the threshold requirements for operating income and the above target achieve-

ment 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 2011 under the Company's Management Incentive Plan.

The non-qualified stock option 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 7, 2011. The exercise price of \$79.15 is equal to the closing market price of the common stock on December 7, 2011. All stock option grants to the named executive officers vest 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 2011, 2010 or 2009.

Messrs. Berthiaume, Caputo, Ornell and 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 below in the "Payments Upon Termination or Change of Control" section of this Proxy Statement.

The table below sets forth the outstanding option awards classified as exercisable and unexercisable for each of the named executive officers as of December 31, 2011. There are no stock awards outstanding for named executive officers as of December 31, 2011.

ustanding Equity Awards at Fiscal	Year-End 2011						
		Option Awards					
Name	Number of Sercurities 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		
(a)	(b)	(c)	(d)	(e)	(f)		
Douglas A. Berthiaume	150,000	0	_	\$47.12	12/8/2014		
Douglas A. Berthlaume	150,000	0	_	\$32.12	12/11/2013		
	0	110,000	_	\$79.15	12/7/2021		
	22,000	88,000	_	\$79.05	12/9/2020		
	40,000	60,000	_	\$59.44	12/9/2019		
	60,000	40,000	_	\$41.20	12/10/201		
	68,000	17,000	_	\$77.94	12/11/201		
Arthur G. Caputo	100,000	0	_	\$49.31	12/13/201		
	100,000	0	_	\$38.99	12/2/2015		
	125,000	0	_	\$47.12	12/8/2014		
	100,000	0	_	\$32.12	12/11/201		
	60,000	0	_	\$21.39	12/30/201		
	0	60,000	_	\$79.15	12/7/2021		
	12,000	48,000	_	\$79.05	12/9/2020		
* 1	20,000	30,000	_	\$59.44	12/9/2019		
John A. Ornell	24,000	16,000	_	\$41.20	12/10/201		
	27,200	6,800	_	\$77.94	12/11/201		
	40,000	0	_	\$49.31	12/13/201		
	0	50,000	_	\$79.15	12/7/2021		
	10,000	40,000	_	\$79.05	12/9/2020		
M I T D I I	16,000	24,000	_	\$59.44	12/9/2019		
Mark T. Beaudouin	24,000	16,000	_	\$41.20	12/10/201		
	27,200	6,800	_	\$77.94	12/11/201		
	40,000	0	_	\$49.31	12/13/201		
	0	40,000	_	\$79.15	12/7/2021		
	8,000	32,000	_	\$79.05	12/9/2020		
	12,000	18,000	_	\$59.44	12/9/2019		
Elizabeth B. Rae	6,000	12,000	_	\$41.20	12/10/201		
	20,000	5,000	_	\$77.94	12/11/201		
	6,000	0	_	\$49.31	12/13/201		

(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, 2009, 2010 and 2011, 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 13, 2016 or earlier are 100% vested as of December 13, 2011. Vesting dates for annual grants with expiration dates after December 13, 2016 are December 11, December 10, December 9, December 9 and December 7, 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 Fiscal Year 2011		
	Option A	wards
Name	Number of Securities Acquired on Exercise (#)	Value Realized Upon Exercise (\$)
(a)	(b)	(c)
Douglas A. Berthiaume Chairman	150,000	\$6,491,827
Arthur G. Caputo	0	0
John A. Ornell	180,000	11,235,586
Mark T. Beaudouin	70,000	3,744,791
Elizabeth B. Rae	57,000	2,955,300

<sup>(</sup>a) All options exercised by Mr. Berthiaume had expiration dates of December 12, 2011.

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 Fis	scal Year 2011			
Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefits (\$)	Payments During Last Fiscal Year (\$)
(a)	(b)	(c)	(d)	(e)
	Waters Corporation Retirement Plan	31.12	\$353,465	_
Douglas A. Berthiaume	Waters Corporation Retirement Restoration Plan	31.12	\$1,855,713	_
	Waters Corporation Retirement Plan	34.19	\$380,714	_
Arthur G. Caputo	Waters Corporation Retirement Restoration Plan	34.19	\$749,010	_
	Waters Corporation Retirement Plan	21.54	\$261,822	_
John A. Ornell	Waters Corporation Retirement Restoration Plan	21.54	\$222,452	_
	Waters Corporation Retirement Plan	8.75	\$65,100	_
Mark T. Beaudouin	Waters Corporation Retirement Restoration Plan	8.75	\$115,174	_
	Waters Corporation Retirement Plan	15.96	\$127,831	
Elizabeth B. Rae	Waters Corporation Retirement Restoration Plan	15.96	\$20,682	_

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 Waters 2011 Annual Report for the fiscal year ended December 31, 2011 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 Plan and Retirement Restoration Plan 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 Plan and Retirement Restoration Plan 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 and are eligible for retirement.

The valuation method and material assumptions used in calculating the benefit reported in column (d) are disclosed in the Waters 2011 Annual Report for the fiscal year ended December 31, 2011.

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	\$136,690	\$121,990	-\$239,218	_	\$5,106,427		
Arthur G. Caputo	\$0	\$0	\$22,206	_	\$862,468		
John A. Ornell	\$24,041	\$19,418	-\$22,841	_	\$856,187		
Mark T. Beaudouin	\$44,389	\$16,425	-\$9,948	_	\$703,410		
Elizabeth B. Rae	\$25,804	\$11,104	-\$4,686	_	\$152,636		

- (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 (column (i)) 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 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 2011, 2010, 2009, 2008, 2007 and 2006 for Messrs. Berthiaume, Caputo, Ornell and Beaudouin and Ms. Rae: \$1,096,819, \$108,030, \$286,749, \$497,424 and \$137,895, 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 2011 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 2011, did not apply.

#### **Payments Upon Termination or Change of Control**

Messrs. Berthiaume, Caputo, Ornell and 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 annual base salary;
- Two times the greater of the annual accrued incentive plan payment in the year of termination or the target incentive plan payout; 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.

For purposes of these agreements, "change of control" generally refers to the closing, merger, consolidation, liquidation or reorganization of the Company after which the Company does not represent more than 50% of the resulting entity; the acquisition of more than 50% of the voting stock of the Company; or the sale of substantially all of the Company's assets. Within the meaning of these agreements, "good reason termination" generally refers to a material reduction or change by the Company to a named executive officer's responsibilities, base compensation or place of business following a "change of control". A material breach by the Company of an agreement between the named executive officer and the Company will also trigger a "good reason termination". The named executive officer is responsible for providing notice to the Company of a "good reason termination" and the Company will have 30 days after the notice to remedy the cause of the "good reason termination".

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 §§280G and 4999 of the Internal Revenue Code 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 officers had been terminated without cause or any officer resigned for good reason on December 31, 2011 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, 2011

Potential Payments Upon Termination Following a Change of Control							
	Cash Se	verance	Ot	her Benefit	s	7D 4 1 X7 1	
Name	Base Salary (2X Current Base Salary)	Incentive Plan (2X Target)	Benefits Continuation	In-the- Money Value of Accelerated Stock Options	Excise Tax Gross-Up	Total Value of Change- in-Control Related Benefits	
Douglas A. Berthiaume	\$1,589,806	\$1,987,258	\$34,929		_	\$3,611,993	
Arthur G. Caputo	\$982,620	\$1,080,882	\$24,901	2,190,600		\$4,279,003	
John A. Ornell	\$801,360	\$801,360	\$35,442	963,900		\$2,602,062	
Mark T. Beaudouin	\$778,680	\$584,010	\$34,419	876,240	_	\$2,273,349	
Elizabeth B. Rae	\$474,076	\$237,038	\$33,923	657,180		\$1,402,196	

The cash severance was calculated assuming the base salary and annual incentive plan target under the Management Incentive Plan for 2011, in effect on December 31, 2011 The benefit continuation payment is based on premium costs as of December 31, 2011.

#### DIRECTOR COMPENSATION

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

Director Compensation Fiscal Year 2011	1			
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Total (\$)
(a)	(b)	(c)	(d)	(h)
Joshua Bekenstein	\$62,000	\$117,150	\$101,000	\$280,150
Michael J. Berendt, Ph.D.	\$68,000	\$117,150	\$101,000	\$286,150
Edward Conard	\$68,000	\$117,150	\$101,000	\$286,150
Laurie H. Glimcher	\$59,000	\$117,150	\$101,000	\$277,150
Christopher A. Kuebler	\$62,000	\$117,150	\$101,000	\$280,150
William J. Miller	\$78,500	\$117,150	\$101,000	\$296,650
JoAnn A. Reed	\$68,000	\$117,150	\$101,000	\$286,150
Thomas P. Salice	\$105,500	\$117,150	\$101,000	\$323,650

- (c) Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller and Salice, and Mss. Glimcher and Reed were each granted 1,500 restricted stock awards on January 3, 2011, with a grant date fair value of \$78.10 and a vesting date of January 30, 2014. The closing price of the common stock was \$78.10 on January 3, 2011. On December 31, 2011, all Directors held 4,000 shares of unvested restricted stock.
- (d) Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller and Salice, and Mss. Glimcher and Reed were each granted 4,000 non-qualified stock options on January 3, 2011, with a grant date fair value of \$25.25 and a vesting schedule of 20% per year for five years. The closing price of the common stock on January 3, 2011 was \$78.10 per share. The outstanding non-qualified stock options for Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller and Salice, and Mss. Glimcher and Reed on December 31, 2011, were 35,000, 35,000, 35,000, 35,000, 31,000, 19,900 and 23,000 options, respectively. FASB ASC Topic 718 is the accounting standard used in determining the aggregate grant fair value of the option awarded. The aggregate grant date for 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 Waters 2011 Annual Report for the fiscal year ended December 31, 2011 Footnote 10 Stock Based Compensation in the Company's 2011 Form 10K.

Board compensation in 2011 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 \$15,000 resulting in a total annual retainer of \$65,000. The annual retainer for the Audit Committee chairman was \$15,000. The chairmen of both the Nominating and Corporate Governance and Compensation Committees each received a \$7,500 annual retainer. As is our consistent practice, equity compensation 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 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 Industry Peer Group of 16 publicly traded companies described above in the Compensation Discussion and Analysis. Based on the Pearl Meyer & Partners competitive assessment, the annual Board member retainer was increased from \$50,000 to \$55,000. The lead director will continue to receive an additional annual retainer of \$15,000 resulting in a total

annual retainer of \$70,000. Retainers for Committee chairmen and all meeting fees remain unchanged. Consistent with prior practice, equity grants of 1,500 shares of restricted stock and 4,000 non-qualified stock options were made on the first business day of the year, January 3, 2012. The exercise price of the stock option grant was equal to \$75.94 per share, the closing price on January 3, 2012.

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 2011.

#### 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 SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that Waters 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, Chair 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 15, 2012 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)	7,395,174	8.33%
Wellington Management Company, LLP(3)	5,762,348	6.49%
BlackRock, Inc.(4)	5,470,834	6.16%
The Vanguard Group, Inc.(5)	5,023,429	5.66%
FMR LLC(6)	4,701,811	5.29%
<b>Executive Officers and Directors</b>		
Mark T. Beaudouin(7)(8)	122,971	*
Douglas A. Berthiaume(7)(9)	3,028,890	3.40%
Arthur G. Caputo(7)	790,734	*
John Ornell(7)(10)	140,857	*
Elizabeth Rae(7)(11)	57,660	*
Joshua Bekenstein(7)(12)	61,800	*
Dr. Michael J. Berendt(7)	45,300	*
Edward Conard(7)(12)	57,800	*
Dr. Laurie H. Glimcher(7)	18,700	*
Christopher A. Kuebler(7)	23,800	*
William J. Miller(7)(12)	42,300	*
JoAnn A. Reed(7)	23,800	*
Thomas P. Salice(7)(12)(13)	84,700	*
All Directors and Executive Officers as a group (13 persons)	4,499,3128	4.99%

<sup>\*</sup> Represents less than 1% of the total number of the issued and outstanding shares of common stock.

- (1) Figures are based upon 88,809,863 of common stock outstanding as of March 15, 2012. 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 15, 2012.
- (2) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by Massachusetts Financial Services Company ("MFSC") based on information set forth in Schedule 13G/A filed with the SEC on January 27, 2012. The Schedule 13G/A indicates that MFSC was the beneficial owner with sole dispositive power as to 7,395,174 shares, with sole voting power as to 5,762,793 shares and shared voting power as to none of the shares. The address of MFSC is 500 Boylston Street, Boston, MA 02116.
- (3) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by Wellington Management Company, LLP based on information set forth in Schedule 13G/A filed with the SEC on February 14, 2012. The Schedule 13G/A indicates that Wellington Management Company, LLP was the beneficial owner with shared dispositive power as to 5,737,903 shares, shared voting power as to 4,072,152 shares and sole voting and sole dispositive power as to none of the shares. The address of Wellington Management Company, LLP is 280 Congress Street, Boston, MA 02210.
- (4) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by BlackRock, Inc. based on information set forth in Schedule 13G/A filed with the SEC on February 13, 2012. The

- Schedule 13G/A indicates that BlackRock, Inc. was the beneficial owner with sole dispositive power and sole voting power as to all of the shares. The address of BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022.
- (5) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by The Vanguard Group, Inc. based on information set forth in Schedule 13G/A filed with the SEC on February 10, 2012. The Schedule 13G/A indicates that the Vanguard Group, Inc. was the beneficial owner with sole dispositive power as to 4,895,573 shares, shared dispositive power as to the 127,856 shares, sole voting power as to 127,856 shares and shared voting power as to none of the shares. The address of The Vanguard Group, Inc. is 100 Vanguard Boulevard, Malvern, PA 19355.
- (6) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by FMR LLC based on information set forth in Schedule 13G filed with the SEC on February 14, 2012. The Schedule 13G indicates that the FMR LLC was the beneficial owner with sole dispositive power as to 4,701,811 shares and sole voting power as to 65,025 shares and shared voting power as to none of the shares. The address of FMR LLC is 82 Devonshire Street, Boston, MA 02109.
- (7) 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 15, 2012 as follows: Mr. Beaudouin 117,200, Mr. Berthiaume 300,000, Mr. Caputo 615,000, Mr. Ornell 123,200, Ms. Rae 52,000, Mr. Bekenstein 27,300, Dr. Berendt 27,300, Mr. Conard 27,300, Dr. Glimcher 12,200, Mr. Kuebler 15,300, Mr. Miller 27,300, Ms. Reed 15,300 and Mr. Salice 23,300.
- (8) Includes 4,814 shares held in Mr. Beaudouin's ESPP and 401(k) accounts.
- (9) Includes 69,000 shares held by Mr. Berthiaume's wife, 352,207 shares held by a family limited partnership, 34,651 shares held in Mr. Berthiaume's 401(k) 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.
- (10) Includes 11,647 shares held in Mr. Ornell's ESPP and 401(k) accounts and 3,000 shares held by his daughters for which Mr. Ornell disclaims beneficial ownership.
- (11) Includes 4,771 shares held in Ms. Rae's ESPP and 401(k) accounts.
- (12) 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.
- (13) Includes 3,000 shares held in Mr. Salice's Individual Retirement Account, 8,728 shares held in an annuity trust and, 5,950 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, 2011.

#### STOCKHOLDER PROPOSALS

Proposals of stockholders to be presented at the 2013 Annual Meeting of Stockholders anticipated to be scheduled on or about May 8, 2013, 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 November 30, 2012. 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 of 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.

# WATERS CORPORATION 2012 EQUITY INCENTIVE PLAN

# TABLE OF CONTENTS

1. Purpose	A-1
2. Definitions	A-1
3. Term of the Plan	A-3
4. Stock Subject to the Plan	A-3
5. Administration	A-4
6. Authorization of Grants	A-5
7. Specific Terms of Awards	A-6
8. Adjustment Provisions	A-11
9. Change of Control	A-13
10. Settlement of Awards	A-14
11. Reservation of Stock	A-16
12. Limitation of Rights in Stock; No Special Service Rights	A-16
13. Unfunded Status of Plan	A-17
14. Nonexclusivity of the Plan	A-17
15. No Guarantee of Tax Consequences	A-17
16. Termination and Amendment of the Plan	A-17
17. Notices and Other Communications	A-18
18. Governing Law	A-18

#### WATERS CORPORATION

# 2012 EQUITY INCENTIVE PLAN

# 1. Purpose

This Plan is intended to encourage ownership of Stock by employees, consultants and directors of the Company and its Affiliates and to provide additional incentive for them to promote the success of the Company's business through the grant of Awards of or pertaining to shares of the Company's Stock. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code, but not all Awards are required to be Incentive Options.

#### 2. Definitions

As used in the Plan, the following terms shall have the respective meanings set out below, unless the context clearly requires otherwise:

- 2.1. Accelerate, Accelerated, and Acceleration, means: (a) when used with respect to an Option or Stock Appreciation Right, that as of the time of reference the Option or Stock Appreciation Right will become exercisable with respect to some or all of the shares of Stock for which it was not then otherwise exercisable by its terms; (b) when used with respect to Restricted Stock or Restricted Stock Units, that the Risk of Forfeiture otherwise applicable to the Stock or Units shall expire with respect to some or all of the shares of Restricted Stock or Units then still otherwise subject to the Risk of Forfeiture; and (c) when used with respect to Performance Units, that the applicable Performance Goals or other business objectives shall be deemed to have been met as to some or all of the Units.
- 2.2. <u>Affiliate</u> means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.
- 2.3. <u>Award</u> means any grant or sale pursuant to the Plan of Options, Stock Appreciation Rights, Performance Units, Restricted Stock, Restricted Stock Units, or Stock Grants.
- 2.4. <u>Award Agreement</u> means an agreement between the Company and the recipient of an Award, or other notice of grant of an Award, setting forth the terms and conditions of the Award.
  - 2.5. Board means the Company's Board of Directors.
- 2.6. <u>Change of Control</u> means the occurrence of any of the following after the date of the approval of the Plan by the Board:
- (a) a Transaction (as defined in Section 8.4), unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company's outstanding securities immediately prior to that transaction, or
- (b) any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires, including but not limited to by means of a merger or consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 20% of the total combined voting power of the Company's outstanding securities unless pursuant to a tender or exchange offer made directly to the Company's stockholders that the Board recommends such stockholders accept, other than (i) the Company or any of its Affiliates, (ii) an employee benefit plan of the Company or any of its Affiliates, (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

- (c) over a period of thirty-six (36) consecutive months or less there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals who either (i) have been Board members continuously since the beginning of that period, or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in the preceding clause (i) who were still in office at the time that election or nomination was approved by the Board.
- 2.7. <u>Code</u> means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.
- 2.8. Committee means the Compensation Committee of the Board, which in general is responsible for the administration of the Plan, as provided in Section 5 of this Plan. For any period during which no such committee is in existence "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.
  - 2.9. Company means Waters Corporation, a corporation organized under the laws of the State of Delaware.
  - 2.10. Grant Date means the date as of which an Option is granted, as determined under Section 7.1(a).
- 2.11. <u>Incentive Option</u> means an Option which by its terms is to be treated as an "incentive stock option" within the meaning of Section 422 of the Code.
- 2.12. <u>Market Value</u> means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Market Value of Stock as of any date is the closing price for the Stock as reported on the New York Stock Exchange (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported.
  - 2.13. Nonstatutory Option means any Option that is not an Incentive Option.
  - 2.14. Option means an option to purchase shares of Stock.
  - 2.15. Optionee means an eligible individual to whom an Option shall have been granted under the Plan.
  - 2.16. Participant means any holder of an outstanding Award under the Plan.
  - 2.17. Performance Criteria and Performance Goals have the meanings given such terms in Section 7.7(f).
- 2.18. Performance Period means the one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals or other business objectives will be measured for purposes of determining a Participant's right to, and the payment of, a Performance Unit.
- 2.19. <u>Performance Unit</u> means a right granted to a Participant under Section 7.5, to receive cash, Stock or other Awards, the payment of which is contingent on achieving Performance Goals or other business objectives established by the Committee.
- 2.20. <u>Plan</u> means this 2012 Equity Incentive Plan of the Company, as amended from time to time, and including any attachments or addenda hereto.
- 2.21. Qualified Performance-Based Awards means Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

- 2.22. Restricted Stock means a grant or sale of shares of Stock to a Participant subject to a Risk of Forfeiture.
- 2.23. <u>Restricted Stock Units</u> means rights to receive shares of Stock at the close of a Restriction Period, subject to a Risk of Forfeiture.
- 2.24. <u>Restriction Period</u> means the period of time, established by the Committee in connection with an Award of Restricted Stock or Restricted Stock Units, during which the shares of Restricted Stock or Restricted Stock Units are subject to a Risk of Forfeiture described in the applicable Award Agreement.
- 2.25. Risk of Forfeiture means a limitation on the right of the Participant to retain Restricted Stock or Restricted Stock Units, including a right of the Company to reacquire shares of Restricted Stock at less than its then Market Value, arising because of the occurrence or non-occurrence of specified events or conditions.
- 2.26. <u>Stock</u> means common stock, par value \$0.01 per share, of the Company, and such other securities as may be substituted for Stock pursuant to Section 8.
- 2.27. Stock Appreciation Right means a right to receive any excess in the Market Value of shares of Stock (except as otherwise provided in Section 7.2(c)) over a specified exercise price.
  - 2.28. Stock Grant means the grant of shares of Stock not subject to restrictions or other forfeiture conditions.
- 2.29. Ten Percent Owner means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code). Whether a person is a Ten Percent Owner shall be determined with respect to an Option based on the facts existing immediately prior to the Grant Date of the Option.

## 3. Term of the Plan

Unless the Plan shall have been earlier terminated by the Board, Awards may be granted under this Plan at any time in the period commencing on the date of approval of the Plan by the Board and ending immediately prior to the tenth anniversary of such approval. Awards granted pursuant to the Plan within that period shall not expire solely by reason of the termination of the Plan. Awards of Incentive Options granted prior to stockholder approval of the Plan are hereby expressly conditioned upon such approval.

# 4. Stock Subject to the Plan

Subject to adjustment as provided in Section 8, the number of shares of Stock that may be issued pursuant to or subject to outstanding Awards granted under the Plan, may not exceed five million (5,000,000) shares of Stock plus the number of shares which were available for grant, as of the date of approval of the Plan by the Company's stockholders, under the Company's 2003 Equity Incentive Plan. Notwithstanding the foregoing limitation, the number of shares of Stock that may be issued pursuant to or subject to outstanding Awards of Incentive Options shall not exceed five million (5,000,000) shares of Stock. For purposes of determining the aggregate number of shares of Stock reserved for issuance under this Plan, any fractional share shall be rounded to the next highest full share. Shares of Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

For purposes of applying the limitations in the immediately preceding paragraph, the following shall not reduce the number of shares of Stock available for issuance under the Plan:

(1) Shares of Stock reserved for issuance upon exercise or settlement, as applicable, of Awards granted under the Plan, to the extent the Awards expire or are cancelled or surrendered;

- (2) Restricted Stock granted under the Plan, to the extent such Restricted Stock is forfeited or is otherwise surrendered to the Company before the Restriction Period expires; and
  - (3) Awards, to the extent payment is actually made in cash.

In addition, the following shares shall not become available for issuance under the Plan:

- (1) Shares of Stock tendered by Participants as full or partial payment to the Company upon exercise of Options granted under the Plan;
- (2) Shares of Stock reserved for issuance upon grant of Stock Appreciation Rights, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the Stock Appreciation Rights; and
- (3) Shares of Stock withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the lapse of a Risk of Forfeiture on Restricted Stock or Restricted Stock Units or the exercise of Options or Stock Appreciation Rights granted under the Plan or upon any other payment or issuance of Stock under the Plan.

If, and to the extent, that an award made under the Plan expires, terminates or is cancelled or forfeited for any reason without having been exercised in full, the Stock associated with the expired, terminated, cancelled or forfeited portion of the Award shall again become available for issuance hereunder. Shares of Stock with respect to which an Option or Stock Appreciation Right has been exercised or Restricted Stock or Restricted Stock Unit Awards have vested, and shares of Stock which have been issued in connection with Performance Units shall not again be available for grant hereunder. If Options or Stock Appreciation Rights terminate for any reason without being wholly exercised, if Restricted Stock or Restricted Stock Units are forfeited prior to vesting or if shares of Stock are not issued under Performance Units, the number of shares of Stock underlying such Award shall not count towards the maximum aggregate number of shares of Stock that may be issued under the Plan. When Stock Appreciation Rights are settled in Stock, the shares of Stock subject to such Award of Stock Appreciation Rights shall be counted against the shares of Stock available for issuance as one (1) share for every share subject thereto, regardless of the number of shares of Stock used to settle the Stock Appreciation Rights upon exercise.

The aggregate number of shares of Stock reserved under this Section 4 shall be depleted by the maximum number of shares of Stock, if any, that may be issued under an Award as determined at the time of grant; provided, that the aggregate number of shares of Stock reserved under this Section 4 shall be depleted by two (2) shares of Stock for each share of Stock delivered in payment or settlement of a full-value Award, and by one (1) share of Stock for each share of Stock delivered in payment or settlement of an Award that is not a full-value Award. For this purpose, a full-value Award includes any Award other than an Option or Stock Appreciation Right (e.g., Stock Grants, Restricted Stock, Restricted Stock Units, Performance Units and any other similar Award payable in shares of Stock under which the value of the Award is measured as the full value of a share of Stock, rather than the increase in the value of a share of Stock).

#### 5. Administration

The Plan shall be administered by the Committee; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned to the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder; and *provided further, however*, that the Committee may delegate to an executive officer or officers the authority to grant Awards hereunder to employees who are not officers, and to consultants, in accordance with such guidelines as the Committee shall set forth at any time or from time to time. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee, consultant or director to receive the Award and the form of

Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, consultants, and directors, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

#### 6. Authorization of Grants

- 6.1. <u>Eligibility</u>. The Committee may grant from time to time and at any time prior to the termination of the Plan one or more Awards, either alone or in combination with any other Awards, to any employee of or consultant to one or more of the Company and its Affiliates or to any non-employee member of the Board or of any board of directors (or similar governing authority) of any Affiliate. However, only employees of the Company, and of any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code, shall be eligible for the grant of an Incentive Option. Further, in no event shall the number of shares of Stock covered by Options or other Awards granted to any one person in any one calendar year exceed two million (2,000,000) shares of Stock (subject to adjustment pursuant to Section 8 of the Plan, except that any such adjustment shall not apply for the purpose of Awards to covered employees within the meaning of Section 162(m) of the Code intended to be or otherwise qualifying as Qualified Performance-Based Awards).
- 6.2. General Terms of Awards. Each grant of an Award shall be subject to all applicable terms and conditions of the Plan (including but not limited to any specific terms and conditions applicable to that type of Award set out in the following Section), and such other terms and conditions, not inconsistent with the terms of the Plan, as the Committee may prescribe. No prospective Participant shall have any rights with respect to an Award, unless and until such Participant shall have complied with the applicable terms and conditions of such Award (including if applicable delivering a fully executed copy of any agreement evidencing an Award to the Company).
- 6.3. Effect of Termination of Employment, Etc. Unless the Committee shall provide otherwise with respect to any Award (including, but not limited to, in a Participant's Award Agreement), if the Participant's employment or other association with the Company and its Affiliates ends for any reason, including because of an Affiliate ceasing to be an Affiliate, (a) any outstanding Option or Stock Appreciation Right of the Participant shall cease to be exercisable in any respect not later than thirty (30) days following that event and, for the period it remains exercisable following that event, shall be exercisable only to the extent exercisable at the date of that event, and (b) any other outstanding Award of the Participant shall be forfeited or otherwise subject to return to or repurchase by the Company on the terms specified in the applicable Award Agreement. Cessation of the performance of services in one capacity, for example, as an employee, shall not result in termination of an Award while the Participant continues to perform services in another capacity, for example as a director. Military or sick leave or other bona fide leave shall not be deemed a termination of employment or other association, provided that it does not exceed the longer of ninety (90) days or the period during which the absent Participant's reemployment rights, if any, are guaranteed by statute or by contract. To the extent consistent with applicable law, the Committee may provide that Awards continue to vest for some or all of the period of any such leave, or that their vesting shall be tolled during any such leave and only recommence upon the Participant's return from leave, if ever.
- 6.4. Non-Transferability of Awards. Except as otherwise provided in this Section 6.4, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All of a Participant's rights in any

Award may be exercised during the life of the Participant only by the Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; *provided, however*, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, "family member" means any child, stepchild, grandchild, parent, grandparent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which the foregoing persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty (50) percent of the voting interests.

# 7. Specific Terms of Awards

# 7.1. Options.

- (a) <u>Date of Grant</u>. The granting of an Option shall take place at the time specified in the Award Agreement.
- (b) Exercise Price. The price at which shares of Stock may be acquired under each Option shall be not less than 100% of the Market Value of Stock on the Grant Date or, for an Incentive Option, not less than 110% of the Market Value of Stock on the Grant Date if the Optionee is a Ten Percent Owner.
- (c) Option Period. No Option may be exercised on or after the tenth anniversary of the Grant Date or, for an Incentive Option, on or after the fifth anniversary of the Grant Date if the Optionee is a Ten Percent Owner.
- (d) Exercisability. An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full, the Committee may Accelerate such Option in whole or in part at any time; *provided, however*, that in the case of an Incentive Option, any such Acceleration of the Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code or the Optionee consents to the Acceleration.
- (e) Method of Exercise. An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 17, specifying the number of shares of Stock with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash or check payable to the order of the Company in an amount equal to the exercise price of the shares of Stock to be purchased or, subject in each instance to the Committee's approval, acting in its sole discretion, and to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company,
  - (i) by delivery to the Company of shares of Stock having a Market Value equal to the exercise price of the shares to be purchased, or
  - (ii) by surrender of the Option as to all or part of the shares of Stock for which the Option is then exercisable in exchange for shares of Stock having an aggregate Market Value equal to the difference between (1) the aggregate Market Value of the surrendered portion of the Option, and (2) the aggregate exercise price under the Option for the surrendered portion of the Option.

If the Stock is traded on an established market, payment of any exercise price may also be made through and under the terms and conditions of any formal cashless exercise program authorized by the Company entailing the sale of the Stock subject to an Option in a brokered transaction (other than to the Company). Receipt by the Company of such notice and payment in any authorized or combination of authorized means shall constitute the

exercise of the Option. Within thirty (30) days thereafter but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent a certificate or certificates or shall cause the Stock to be held in book-entry position through the Company's transfer agent's direct registration system for the number of shares then being purchased. Such shares of Stock shall be fully paid and nonassessable.

- (f) Limit on Incentive Option Characterization. An Incentive Option shall be considered to be an Incentive Option only to the extent that the number of shares of Stock for which the Option first becomes exercisable in a calendar year do not have an aggregate Market Value (as of the date of the grant of the Option) in excess of the "current limit". The current limit for any Optionee for any calendar year shall be \$100,000 minus the aggregate Market Value at the date of grant of the number of shares of Stock available for purchase for the first time in the same year under each other Incentive Option previously granted to the Optionee under the Plan, and under each other incentive stock option previously granted to the Optionee under any other incentive stock option plan of the Company and its Affiliates, after December 31, 1986. Any shares of Stock which would cause the foregoing limit to be violated shall be deemed to have been granted under a separate Nonstatutory Option, otherwise identical in its terms to those of the Incentive Option.
- (g) <u>Notification of Disposition</u>. Each person exercising any Incentive Option granted under the Plan shall be deemed to have covenanted with the Company to report to the Company any disposition of the shares of Stock issued upon such exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code and, if and to the extent that the realization of income in such a disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, to remit to the Company an amount in cash sufficient to satisfy those requirements.

# 7.2. Stock Appreciation Rights.

- (a) <u>Tandem or Stand-Alone</u>. Stock Appreciation Rights may be granted in tandem with an Option (at or, in the case of a Nonstatutory Option, after, the award of the Option), or alone and unrelated to an Option. Stock Appreciation Rights in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem Stock Appreciation Rights are exercised.
- (b) Exercise Price. Stock Appreciation Rights shall have an exercise price of not less than 100% of the Market Value of the Stock on the date of award, or in the case of Stock Appreciation Rights in tandem with Options, the exercise price of the related Option.
- (c) Other Terms. No Stock Appreciation Right may be exercised on or after the tenth anniversary of the Grant Date. Except as the Committee may deem inappropriate or inapplicable in the circumstances, Stock Appreciation Rights shall be subject to terms and conditions substantially similar to those applicable to a Nonstatutory Option. In addition, a Stock Appreciation Right related to an Option which can only be exercised during limited periods following a Change of Control may entitle the Participant to receive an amount based upon the highest price paid or offered for Stock in any transaction relating to the Change of Control or paid during the thirty (30) day period immediately preceding the occurrence of the Change of Control in any transaction reported in the stock market in which the Stock is normally traded.

# 7.3. Restricted Stock.

- (a) <u>Purchase Price</u>. Shares of Restricted Stock shall be issued under the Plan for such consideration, if any, in cash, other property or services, or any combination thereof, as is determined by the Committee.
- (b) <u>Issuance of Stock</u>. Each Participant receiving a Restricted Stock Award, subject to subsection (c) below, shall be issued a stock certificate in respect of such shares of Restricted Stock, or the Stock will be

held in book-entry position through the Company's transfer agent's direct registration system. If a certificate is issued, such certificate shall be registered in the name of such Participant, and, if applicable, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award substantially in the following form:

The shares evidenced by this certificate are subject to the terms and conditions of the Waters Corporation 2012 Equity Incentive Plan and an Award Agreement entered into by the registered owner and Waters Corporation, copies of which will be furnished by the Company to the holder of the shares evidenced by this certificate upon written request and without charge.

If the Stock is in book-entry position through the Company's transfer-agent's direct registration system, the restrictions will be appropriately noted.

- (c) <u>Escrow of Shares</u>. The Committee may require that the stock certificates evidencing shares of Restricted Stock, if issued, be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.
- (d) Restrictions and Restriction Period. During the Restriction Period applicable to shares of Restricted Stock, if issued, such shares shall be subject to limitations on transferability and a Risk of Forfeiture arising on the basis of such conditions related to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. No Award of Restricted Stock shall have a Restriction Period of less than three (3) years except: (i) as may be recommended by the Committee and approved by the Board or (ii) 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 (1) year. Notwithstanding the foregoing, the Committee may recommend, subject to Board approval, the issuance of a Restricted Stock Award having a Restriction Period of less than one (1) year (in the case of an Award of Restricted Stock which provides solely for a performance-based Risk of Forfeiture) or three (3) years (with respect to all other Awards of Restricted Stock), up to a maximum of 5% of the shares reserved for issuance pursuant to the Plan (which 5% limit shall be applied on an aggregate basis to Restricted Stock Awards and Restricted Stock Units granted under Section 7.4 below). Any Risk of Forfeiture applicable to an Award of Restricted Stock may be waived or terminated, or the Restriction Period shortened, by the Committee in connection with such extraordinary circumstances as it deems appropriate.
- (e) Rights Pending Lapse of Risk of Forfeiture or Forfeiture of Award. Except as otherwise provided in the Plan or the applicable Award Agreement, at all times prior to lapse of any Risk of Forfeiture applicable to, or forfeiture of, an Award of Restricted Stock, the Participant shall have all of the rights of a stockholder of the Company, including the right to vote, and the right to receive any dividends with respect to, the shares of Restricted Stock (but any dividends or other distributions payable in shares of Stock or other securities of the Company shall constitute additional Restricted Stock, subject to the same Risk of Forfeiture as the shares of Restricted Stock in respect of which such shares of Stock or other securities are paid). The Committee, as determined at the time of Award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional Restricted Stock to the extent shares of Stock are available under Section 4.
- (f) <u>Lapse of Restrictions</u>. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, the shares shall be issued to the Participant promptly if not theretofore so issued.

# 7.4. Restricted Stock Units.

(a) <u>Character</u>. Each Restricted Stock Unit shall entitle the recipient to one or more shares of Stock at a close of such Restriction Period as the Committee may establish and subject to a Risk of Forfeiture arising on the basis of such conditions relating to the performance of services, Company or Affiliate performance or otherwise

as the Committee may determine and provide for in the applicable Award Agreement. No Award of Restricted Stock Units shall have a Restriction Period of less than three (3) years except: (i) as may be recommended by the Committee and approved by the Board or (ii) with respect to any Award of Restricted Stock Units which provides solely for a performance-based Risk of Forfeiture, so long as such Award has a Restriction Period of at least one (1) year. Notwithstanding the foregoing, the Committee may recommend, subject to Board approval, the issuance of a Restricted Stock Unit Award having a Restriction Period of less than one (1) year (in the case of an Award of Restricted Stock Units which provides solely for a performance-based Risk of Forfeiture) or three (3) years (with respect to all other Awards of Restricted Stock Units), up to a maximum of 5% of the shares reserved for issuance pursuant to the Plan (which 5% limit shall be applied on an aggregate basis to Restricted Stock Units and Restricted Stock Awards granted under Section 7.3 above). Any Risk of Forfeiture applicable to an Award of Restricted Stock Units may be waived or terminated, or the Restriction Period shortened, by the Committee in connection with such extraordinary circumstances as it deems appropriate.

(b) Form and Timing of Payment. Payment of earned Restricted Stock Units shall be made in a single lump sum following the close of the applicable Restriction Period. At the discretion of the Committee, Participants may be entitled to receive payments equivalent to any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such dividend equivalents shall be paid, if at all, without interest or other earnings.

#### 7.5. Performance Units.

- (a) <u>Character</u>. Each Performance Unit shall entitle the recipient to the value of a specified number of shares of Stock, over the initial value for such number of shares, if any, established by the Committee at the time of grant, at the close of a specified Performance Period to the extent specified business objectives, including but not limited to Performance Goals, shall have been achieved.
- (b) Earning of Performance Units. The Committee shall set Performance Goals or other business objectives in its discretion which, depending on the extent to which they are met within the applicable Performance Period, will determine the number and value of Performance Units that will be paid out to the Participant. After the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive payout on the number and value of Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Goals or other business objectives have been achieved.
- (c) <u>Form and Timing of Payment</u>. Payment of earned Performance Units shall be made in a single lump sum following the close of the applicable Performance Period. At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Stock which have been earned in connection with grants of Performance Units which have been earned, but not yet distributed to Participants. The Committee may permit or, if it so provides at grant require, a Participant to defer such Participant's receipt of the payment of cash or the delivery of Stock that would otherwise be due to such Participant by virtue of the satisfaction of any requirements or goals with respect to Performance Units. If any such deferral election is required or permitted, the Committee shall establish rules and procedures for such payment deferrals.
- 7.6. <u>Stock Grants</u>. Stock Grants shall be awarded solely in recognition of significant prior or expected contributions to the success of the Company or its Affiliates, as an inducement to employment, in lieu of compensation otherwise already due and in such other limited circumstances as the Committee deems appropriate. Stock Grants shall be made without forfeiture conditions of any kind.

## 7.7. Qualified Performance-Based Awards.

(a) <u>Purpose</u>. The purpose of this Section 7.7 is to provide the Committee the ability to qualify Awards as "performance-based compensation" under Section 162(m) of the Code. If the Committee, in its discretion,

decides to grant an Award as a Qualified Performance-Based Award, the provisions of this Section 7.7 will control over any contrary provision contained in the Plan. In the course of granting any Award, the Committee may specifically designate the Award as intended to qualify as a Qualified Performance-Based Award. However, no Award shall be considered to have failed to qualify as a Qualified Performance-Based Award solely because the Award is not expressly designated as a Qualified Performance-Based Award, if the Award otherwise satisfies the provisions of this Section 7.7 and the requirements of Section 162(m) of the Code applicable to "performance-based compensation."

- (b) <u>Authority</u>. All grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by the Committee. If not all of the members thereof qualify as "outside directors" within the meaning of Section 162(m) of the Code, however, all grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by a subcommittee of the Committee consisting of such of the members of the Committee as do so qualify. Any reference in this Section 7.7 to the Committee shall mean any such subcommittee if required under the preceding sentence, and any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan.
- (c) Discretion of Committee with Respect to Qualified Performance-Based Awards. Any form of Award permitted under the Plan, other than a Stock Grant, may be granted as a Qualified Performance-Based Award. Options may be granted as Qualified Performance-Based Awards in accordance with Section 7.1 and may become exercisable based on continued service, on satisfaction of Performance Goals, or on a combination thereof. Each other Award intended to qualify as a Qualified Performance-Based Award, such as Restricted Stock, Restricted Stock Units, or Performance Units, shall be subject to satisfaction of one or more Performance Goals except as otherwise provided in this Section 7.7. The Committee will have full discretion to select the length of any applicable Restriction Period or Performance Period, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, a subsidiary of the Company or any division or business unit or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable Performance Period (or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined for purposes of Section 162(m) of the Code) at the time established.
- (d) Payment of Qualified Performance-Based Awards. A Participant will be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee, *provided*, that a Qualified Performance-Based Award may be deemed earned as a result of death, becoming disabled, or in connection with a Change of Control if otherwise provided in the Plan or the applicable Award Agreement even if the Award would not constitute "performance-based compensation" under Section 162(m) of the Code following the occurrence of such an event. In determining the actual size of an individual Qualified Performance-Based Award, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.
- (e) <u>Limitation on Adjustments for Certain Events</u>. No adjustment of any Qualified Performance-Based Award pursuant to Section 8 shall be made except on such basis, if any, as will not cause such Award to provide other than "performance-based compensation" within the meaning of Section 162(m) of the Code.

#### (f) Definitions. For purposes of the Plan

(i) <u>Performance Criteria</u> means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after

dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales or net sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) general and administrative expenses and (xxv) customer service.

(ii) Performance Goals means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon one or more of the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant, including whether or to what extent there shall not be taken into account any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Standard Codification Section 225-20, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

7.8. Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, procedures and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be as comparable as practicable to the value of such an Award to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements or sub-plans to, or amendments, restatements, or alternative versions of the Plan for the purpose of granting and administrating any such modified Award. No such modification, supplement, sub-plan, amendment, restatement or alternative version may increase the share limit of Section 4.

## 8. Adjustment Provisions

8.1. Adjustment for Corporate Actions. All of the share numbers set forth in the Plan reflect the capital structure of the Company as of February 15, 2012. If subsequent to that date the outstanding shares of Stock (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to shares of Stock, as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such shares of Stock, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of shares provided in Section 4, (ii) the numbers and kinds of shares or other securities subject to the

then outstanding Awards, (iii) the exercise price for each share or other unit of any other securities subject to then outstanding Options and Stock Appreciation Rights (without change in the aggregate purchase price as to which such Options or Rights remain exercisable), and (iv) the repurchase price of each share of Restricted Stock then subject to a Risk of Forfeiture in the form of a Company repurchase right.

- 8.2. Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In the event of any corporate action not specifically covered by the preceding Section, including but not limited to an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.
- 8.3. Related Matters. Any adjustment in Awards made pursuant to Section 8.1 or 8.2 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms, including of Option exercise prices, rates of vesting or exercisability, Risks of Forfeiture, applicable repurchase prices for Restricted Stock, and Performance Goals and other business objectives which the Committee may deem necessary or appropriate so as to ensure the rights of the Participants in their respective Awards are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 8. The Committee, in its discretion, may determine that no fraction of a share of Stock shall be purchasable or deliverable upon exercise, and in that event if any adjustment hereunder of the number of shares of Stock covered by an Award would cause such number to include a fraction of a share of Stock, such number of shares of Stock shall be adjusted to the nearest smaller whole number of shares. No adjustment of an Option exercise price per share pursuant to Sections 8.1 or 8.2 shall result in an exercise price which is less than the par value of the Stock.

## 8.4. Transactions.

- (a) <u>Definition of Transaction</u>. In this Section 8.4, "<u>Transaction</u>" means (1) any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) any sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions or (4) any liquidation or dissolution of the Company.
- (b) <u>Treatment of Options and Stock Appreciation Rights</u>. In a Transaction, the Committee may take any one or more of the following actions as to all or any (or any portion of) outstanding Options and Stock Appreciation Rights (collectively, "Rights"):
  - (1) Provide that such Rights shall be assumed, or substantially equivalent rights shall be provided in substitution therefore, by the acquiring or succeeding entity (or an affiliate thereof).
  - (2) Upon written notice to the holders, provide that the holders' unexercised Rights will terminate immediately prior to the consummation of such Transaction unless exercised within a specified period following the date of such notice.
  - (3) Provide that outstanding Rights shall become exercisable in whole or in part prior to or upon the Transaction.
  - (4) Provide for cash payments, net of applicable tax withholdings, to be made to holders equal to the excess, if any, of (A) the acquisition price times the number of shares of Stock subject to an Option

(to the extent the exercise price does not exceed the acquisition price) over (B) the aggregate exercise price for all such shares of Stock subject to the Option, in exchange for the termination of such Option; provided, that if the acquisition price does not exceed the exercise price of any such Option, the Committee may cancel that Option without the payment of any consideration therefore prior to or upon the Transaction. For this purpose, "acquisition price" means the amount of cash, and market value of any other consideration, received in payment for a share of Stock surrendered in a Transaction but need not take into account any deferred consideration unless and until received.

- (5) Provide that, in connection with a liquidation or dissolution of the Company, Rights shall convert into the right to receive liquidation proceeds net of the exercise price thereof and any applicable tax withholdings; or
  - (6) Any combination of the foregoing.

For purposes of paragraph (1) above, a Right shall be considered assumed, or a substantially equivalent right shall be considered to have been provided in substitution therefore, if following consummation of the Transaction the Right confers the right to purchase or receive the value of, for each share of Stock subject to the Right immediately prior to the consummation of the Transaction, the consideration (whether cash, securities or other property) received as a result of the Transaction by holders of Stock for each share of Stock held immediately prior to the consummation of the Transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); *provided, however*, that if the consideration received as a result of the Transaction is not solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof), the Committee may provide for the consideration to be received upon the exercise of Right to consist of or be based on solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof) equivalent in value to the per share consideration received by holders of outstanding shares of Stock as a result of the Transaction.

- (c) Treatment of Other Awards. As to outstanding Awards other than Options or Stock Appreciation Rights, upon the occurrence of a Transaction other than a liquidation or dissolution of the Company which is not part of another form of Transaction, the repurchase and other rights of the Company under each such Award shall inure to the benefit of the Company's successor and shall, unless the Committee determines otherwise, apply to the cash, securities or other property which the Stock was converted into or exchanged for pursuant to such Transaction in the same manner and to the same extent as they applied to the Award. Upon the occurrence of a Transaction involving a liquidation or dissolution of the Company which is not part of another form of Transaction, except to the extent specifically provided to the contrary in the instrument evidencing any Award or any other agreement between a Participant and the Company, all Risks of Forfeiture and Performance Goals or other business objectives, where otherwise applicable to any such Awards, shall automatically be deemed terminated or satisfied, as applicable.
- (d) <u>Related Matters</u>. In taking any of the actions permitted under this Section 8.4, the Committee shall not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically. Any determinations required to carry out the foregoing provisions of this Section 8.4, including but not limited to the market value of other consideration received by holders of Stock in a Transaction and whether substantially equivalent Rights have been substituted, shall be made by the Committee acting in its sole discretion. In connection with any action or actions taken by the Committee in respect of Awards and in connection with a Transaction, the Committee may require such acknowledgements of satisfaction and releases from Participants as it may determine.

## 9. Change of Control

Except as otherwise provided below, upon the occurrence of a Change of Control:

(a) any and all Options and Stock Appreciation Rights not already exercisable in full shall Accelerate with respect to 100% of the shares for which such Options or Stock Appreciation Rights are not then exercisable;

- (b) any Risk of Forfeiture applicable to Restricted Stock and Restricted Stock Units which is not based on achievement of Performance Goals or other business objectives shall lapse with respect to 100% of the Restricted Stock and Restricted Stock Units still subject to such Risk of Forfeiture immediately prior to the Change of Control; and
- (c) all outstanding Awards of Restricted Stock and Restricted Stock Units conditioned on the achievement of Performance Goals or other business objectives and the target payout opportunities attainable under outstanding Performance Units shall be deemed to have been satisfied as of the effective date of the Change of Control as to a pro rata number of shares based on the assumed achievement of all relevant Performance Goals or other business objectives and the length of time within the Restriction Period or Performance Period which has elapsed prior to the Change of Control. All such Awards of Performance Units and Restricted Stock Units shall be paid to the extent earned to Participants in accordance with their terms within thirty (30) days following the effective date of the Change of Control.

None of the foregoing shall apply, however, (i) in the case of any Award pursuant to an Award Agreement requiring other or additional terms upon a Change of Control (or similar event), or (ii) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges. Nor shall the foregoing apply in the case of a Qualified Performance-Based Award except to the extent the foregoing would not interfere with the qualification of the Award under 162(m) of the Code at any time prior to a Change of Control (so that, for example, if a Change of Control occurs but does not constitute a change of control within the meaning of Section 162(m) of the Code, there shall be no Acceleration of any Qualified Performance-Based Award pursuant to this Section 9, but if the Change of Control does constitute a change of control within the meaning of Section 162(m) of the Code, then the Award shall Accelerate to the extent provided above regardless of whether it thereafter ceases to qualify as a Qualified Performance-Based Award).

#### 10. Settlement of Awards

- 10.1. <u>In General</u>. Options and Restricted Stock shall be settled in accordance with their terms. All other Awards may be settled in cash, Stock, or other Awards, or a combination thereof, as determined by the Committee at or after grant and subject to any contrary Award Agreement. The Committee may not require settlement of any Award in Stock pursuant to the immediately preceding sentence to the extent issuance of such Stock would be prohibited or unreasonably delayed by reason of any other provision of the Plan.
- 10.2. <u>Violation of Law.</u> Notwithstanding any other provision of the Plan or the relevant Award Agreement, if, at any time, in the reasonable opinion of the Company, the issuance of shares of Stock covered by an Award may constitute a violation of law, then the Company may delay such issuance until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:
- (a) the shares of Stock are at the time of the issue of such shares effectively registered under the Securities Act of 1933, as amended; or
- (b) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such shares does not require registration under the Securities Act of 1933, as amended or any applicable State securities laws.

Furthermore, the inability or impracticability of the Company to obtain or maintain authority from any governmental agency having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance of any Stock hereunder, shall relieve the Company of any liability in respect of the failure

to issue such Stock as to which such requisite authority shall not have been obtained, and shall constitute circumstances in which the Committee may determine to amend or cancel Awards pertaining to such Stock, with or without consideration to the affected Participants.

- 10.3. Corporate Restrictions on Rights in Stock. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the charter, certificate or articles, and By-Laws, of the Company.
- 10.4. Investment Representations. The Company shall be under no obligation to issue any shares of Stock covered by any Award unless the shares to be issued pursuant to Awards granted under the Plan have been effectively registered under the Securities Act of 1933, as amended, or the Participant shall have made such written representations to the Company (upon which the Company believes it may reasonably rely) as the Company may deem necessary or appropriate for purposes of confirming that the issuance of such shares will be exempt from the registration requirements of that Act and any applicable state securities laws and otherwise in compliance with all applicable laws, rules and regulations of any jurisdiction in which Participants may reside or primarily work,, including but not limited to that the Participant is acquiring the shares for his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.
- 10.5. Registration. If the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or other applicable statutes any shares of Stock issued or to be issued pursuant to Awards granted under the Plan, or to qualify any such shares of Stock for exemption from the Securities Act of 1933, as amended or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each recipient of an Award, or each holder of shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for that purpose and may require reasonable indemnity to the Company and its officers and directors from that holder against all losses, claims, damage and liabilities arising from use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or the managing underwriter in any public offering of shares of Stock, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the 180 day period commencing on the effective date of the registration statement relating to the underwritten public offering of securities. Without limiting the generality of the foregoing provisions of this Section 10.5, if in connection with any underwritten public offering of securities of the Company the managing underwriter of such offering requires that the Company's directors and officers enter into a lock-up agreement containing provisions that are more restrictive than the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock acquired pursuant to the Plan (regardless of whether such person has complied or complies with the provisions of clause (b) below) shall be bound by, and shall be deemed to have agreed to, the same lock-up terms as those to which the Company's directors and officers are required to adhere; and (b) at the request of the Company or such managing underwriter, each such person shall execute and deliver a lock-up agreement in form and substance equivalent to that which is required to be executed by the Company's directors and officers.
- 10.6. Placement of Legends; Stop Orders; etc. Each share of Stock to be issued pursuant to Awards granted under the Plan may bear a reference to the investment representations made in accordance with Section 10.4 in addition to any other applicable restrictions under the Plan, the terms of the Award and, if applicable, to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to such shares of Stock. All shares of Stock or other securities delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions, or, if the Stock will be held in book-entry position through the Company's transfer agent's direct registration system, the restrictions will be appropriately noted.

10.7. Tax Withholding. Whenever shares of Stock are issued or to be issued pursuant to Awards granted under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local, foreign or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates, or the book-entry notation through the Company's transfer agent's direct registration system, for such shares. The obligations of the Company under the Plan shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to discretion, a Participant or to utilize any other withholding method prescribed by the Committee from time to time. To the extent necessary under applicable law, withholding in shares of Stock to satisfy an applicable withholding requirement, in whole or in part, shall be subject to the election of the Participant and/or the approval of the Committee, acting in its sole discretion. Any election by a Participant shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee deems appropriate. If shares of Stock are withheld to satisfy an applicable withholding requirement, the shares of Stock withheld shall have a Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction, provided, however, if shares of Stock are withheld to satisfy a withholding requirement imposed by a country other than the United States, the amount withheld may exceed such minimum, provided that it is not in excess of the actual amount required to be withheld with respect to the Participant under applicable tax law or regulations.

10.8. Company Charter and By-Laws; Other Company Policies. This Plan and all Awards granted hereunder are subject to the charter and By-Laws of the Company, as they may be amended from time to time, and all other Company policies duly adopted by the Board, the Committee or any other committee of the Board and as in effect from time to time regarding the acquisition, ownership or sale of Stock by employees and other service providers, including, without limitation, policies intended to limit the potential for insider trading and to avoid or recover compensation payable or paid on the basis of inaccurate financial results or statements, employee conduct, and other similar events.

## 11. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Awards granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

## 12. Limitation of Rights in Stock; No Special Service Rights

A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock subject to an Award, unless and until a certificate shall have been issued therefor and delivered to the Participant or his agent, or the Stock shall be issued through the Company's transfer agent's direct registration system. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the Certificate of Incorporation and the By-Laws of the Company. Nothing contained in the Plan or in any Award Agreement shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or By-Laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

#### 13. Unfunded Status of Plan

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

#### 14. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor any action taken in connection with the adoption or operation of the Plan shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

## 15. No Guarantee of Tax Consequences

Neither the Company nor any Affiliate, nor any director, officer, agent, representative or employee of either, guarantees to the Participant or any other person any particular tax consequences as a result of the grant of, exercise of rights under, or payment in respect of an Award, including but not limited to that an Option granted as an Incentive Option has or will qualify as an "incentive stock option" within the meaning of Section 422 of the Code or that the provisions and penalties of Section 409A of the Code, pertaining non-qualified plans of deferred compensation, will or will not apply and the Company will have no liability to a Participant or any other party if a payment under an Award that is intended to benefit from favorable tax treatment or avoid adverse tax treatment fails to realize such intention or for any action taken by the Committee with respect to the Award. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Plan Participants.

#### 16. Termination and Amendment of the Plan

- 16.1. <u>Termination or Amendment of the Plan</u>. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval if applicable, the Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment.
- 16.2. <u>Termination or Amendment of Outstanding Awards</u>; <u>Assumptions</u>. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval if applicable, the Committee may at any time:
- (a) amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan; and
- (b)(i) offer to buy out for a payment in cash or cash equivalents an Award previously granted or (ii) authorize the recipient of an Award to elect to cash out an Award previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

## 16.3. Limitations on Amendments, Etc.

Without the approval of the Company's stockholders, no amendment or modification of the Plan by the Board may (i) increase the number of shares of Stock which may be issued under the Plan, (ii) change the

description of the persons eligible for Awards, or (iii) effect any other change for which stockholder approval is required by law or the rules of any relevant stock exchange. Furthermore, except in connection with a corporate transaction involving the Company, the terms of outstanding Options or Stock Appreciation Rights may not be amended to reduce their exercise price, nor may outstanding Options or Stock Appreciation Rights be cancelled in exchange for cash, Options or Stock Appreciation Rights with exercise prices that are less than the exercise prices of the original Options or Stock Appreciation Rights, or other Awards, without stockholder approval.

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

## 17. Notices and Other Communications

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

## 18. Governing Law

It is intended that all Awards shall be granted and maintained on a basis which ensures they are exempt from, or otherwise compliant with, the requirements of Section 409A of the Code and the Plan shall be governed, interpreted and enforced consistent with such intent. Neither the Committee nor the Company, nor any of its Affiliates or its or their officers, employees, agents, or representatives, shall have any liability or responsibility for any adverse federal, state or local tax consequences and penalty taxes which may result the grant or settlement of any Award on a basis contrary to the provisions of Section 409A of the Code or comparable provisions of any applicable state or local income tax laws. The Plan and all Award Agreements and actions taken thereunder otherwise shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware without regard to the conflict of laws principles thereof.

### **Directors**

Joshua Bekenstein Managing Director Bain Capital, LLC

Dr. Michael J. Berendt Independent Director and Investor

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

**Edward Conard** Independent Director and Investor

Laurie H. Glimcher, M.D. The Stephen and Suzanne Weiss Dean Provost for Medical Affairs Weill Cornell Medical College of Cornell University

Christopher A. Kuebler Independent Director and Investor

William J. Miller Independent Director and Investor

JoAnn A. Reed Health Care Services Consultant

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

Flizabeth 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: Wednesday, May 9, 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

### Offices

Corporate Headquarters Waters Corporation 34 Maple Street Milford, Massachusetts 01757 Phone: 508-478-2000 Toll Free: 800-252-4752

Fax: 508-872-1990 Email: info@waters.com URL: www.waters.com

# Waters

THE SCIENCE OF WHAT'S POSSIBLE.™



**Waters Corporation** 

34 Maple Street Milford, MA 01757 U.S.A. T: 508 478 2000 F: 508 872 1990 www.waters.com

Waters, ACQUITY UPLC, ACQUITY UltraPerformance LC, UPLC, SYNAPT, UNIFI, and Xevo are registered trademarks of Waters Corporation. The Science of What's Possible is a trademark of Waters Corporation. All other trademarks are the property of their respective owners.

©2012 Waters Corporation. Printed in the U.S.A. February 2012 720004191EN LL-B

