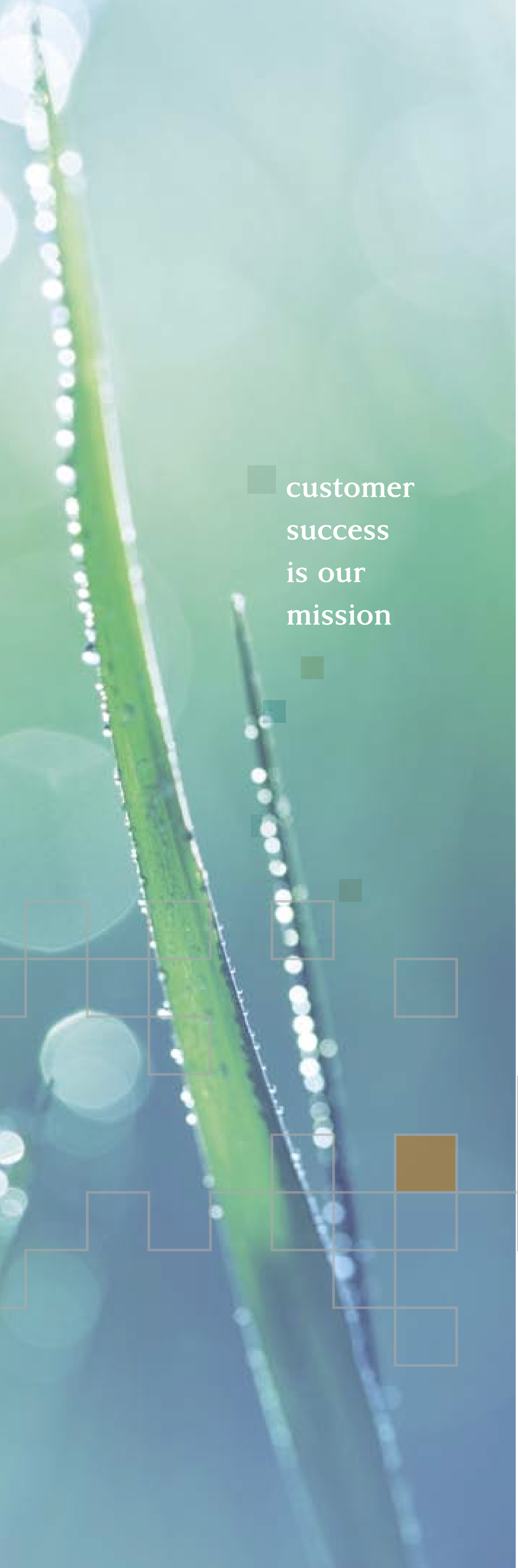
2012
annual report

Waters
THE SCIENCE OF WHAT'S POSSIBLE.™



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

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

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

2012
shareholder letter

With customer success as Waters' mission, we are very proud that the combined mission of our customers is to heal, nurture, feed and protect the citizens of the world. In fact, this combined mission is the foundation of the world's expanding science-based economy. At Waters, we are committed to developing and delivering the most innovative analytical technologies to enable scientists to achieve their goals and to enable industry to grow.

Coming off two years of strong sales and adjusted earnings growth in 2010 and 2011, our business performance in 2012 proved the value of Waters dependable, focused strategy in the face of challenging worldwide macro-economic factors. Throughout the year, our differentiated positions allowed us to maintain our pricing while we carefully controlled expenses. These factors, in combination with our share repurchase program were important in growing Waters adjusted earnings per share.

In the face of broad economic uncertainty, Waters' China operation continues to standout with impressive sales growth in 2012. Putting our China progress into context, in 2005 China represented Waters 10th largest country as measured by sales – today it is our 2nd largest after only the United States. What is mostencouraging is that our growth in China is coming from a broad range of market applications. We have significant opportunities in the food & beverage industry, chemical and industrial industries, and pharmaceutical, biopharmaceutical and traditional Chinese medicine applications. China represents our fastest growing geography with significant growth opportunities still ahead of us.

From a product perspective, Waters' family of ACQUITY® technologies expanded in 2012 with the introduction of the ACQUITY UltraPerformance Convergence Chromatography™ (UPC^{2}™) system. A first-of-its-kind technology, UPC^{2} is a new performance category in analytical instrumentation that meaningfully improves workflows across many applications. The result is a powerful technique that gives scientists a robust analytical option for tackling tough analytical challenges with improved performance, less environmental impact and at lower overall operating expense.

Looking more broadly at our ACQUITY portfolio and the ability to bridge customers between UltraPerformance Liquid Chromatography® (UPLC®) and traditional high performance liquid chromatography (HPLC) applications, the ACQUITY UPLC® H-Class is becoming an increasingly larger proportion of our instrument shipments.

In mass spectrometry, tandem quadrupole technology has become a stronghold for Waters. With applications ranging from clinical drug development to food safety testing, Xevo® TQ-S offers new levels of sensitivity combined with high reliability and usability.

In 2012, we also saw the expansion of Waters' first workflow-specific system solutions, which bring together UPLC/MS characterization technology driven by the UNIFI® Scientific Information System. First introduced as biopharmaceutical and bioanalysis workflow-specific system solutions, Waters unveiled a new general screening platform solution to target, identify, quantify and review results across a variety of applications. With industry-leading core competencies in separations, detection, chemistries, and informatics, Waters is uniquely positioned to develop systems that optimize technology performance for dedicated application areas.

Also during 2012, Waters' TA Instruments Division benefited from new technologies, expanded its geographical reach, and completed synergistic acquisitions to drive growth. Sales for TA are highlighted by the new line of Discovery calorimetry and rheology technologies, including the Discovery Hybrid Rheometer. TA also benefited from new direct sales operations in developing economies in Eastern Europe and South America. Furthermore, TA Instruments acquired BÄHR Thermoanalyse in Germany, expanding its range of core thermal analysis products into higher temperature markets, such as inorganic materials like ceramics, metals, and glass.

Waters continues to expand into new technologies and market segments through innovative partnerships with globally recognized institutions. For example, Waters supported the International Food Safety Training Laboratory Network through an agreement to expand the network with UK Food and Environment Research Agency (Fera) which opened in January 2013. In addition, Waters became a proud partner in the development of the MRC-NIHR Phenome Centre, the world's first research center dedicated to investigating the patient phenome patterns, where ones genome interacts with ones environment.

Though 2012 was a slower-than-typical growth year for Waters, we feel that our long term competitive position remains strong as a result of successful new product launches and continued industry leading customer support. Furthermore, we continue to believe that our technologically focused business strategy and prudent asset allocation plan will further benefit our customers, employees and shareholders.

I want to thank Waters' employees working around the world for their dedication and hard work. These individuals represent the heart and soul of Waters, and I could not be more proud of them for what they are doing to grow our business and leverage advanced science to improve global living standards.

To our shareholders and customers the world over, we thank you for your support.

Best Regards,

Douglas Berthiaume

Douglas A. Berthiaume
Chairman, President and
Chief Executive Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2012

or

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

Commission File Number: 01-14010

Waters Corporation

(Exact name of registrant as specified in its charter)

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

34 Maple Street
Milford, Massachusetts 01757
(Address, including zip code, of principal executive offices)
(508) 478-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:	Common Stock, par value $0.01 per share New York Stock Exchange, Inc.
	Series A Junior Participating Preferred Stock, par value $0.01 per share New York Stock Exchange, Inc.
Securities registered pursuant to Section 12(g) of the Act:	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

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

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

State the aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2012: $6,966,563,351.

Indicate the number of shares outstanding of the registrant's common stock as of February 22, 2013: 85,886,844

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2013 Annual Meeting of Stockholders are incorporated by reference in Part III.

WATERS CORPORATION AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

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PART I

Item 1: *Business*

General

Waters Corporation ("Waters®" or the "Company") 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 and are typically purchased by customers as part of the instrument system.

The Company's products are used by pharmaceutical, life science, biochemical, industrial, nutritional safety, environmental, academic and governmental 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"), nutritional safety analysis and environmental testing. The Company's thermal analysis, rheometry and calorimetry instruments are used in predicting the suitability of fine chemicals, pharmaceuticals, water, 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 a 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 governmental 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 a 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. In 2012, the Company introduced UltraPerformance Convergence Chromatography™ ("UPC^{2}™") with the release of the ACQUITY® UPC^{2}™ system. This new technology marries the unrealized potential of supercritical fluid chromatography ("SFC") with the proven UPLC technology, using carbon dioxide as the primary mobile phase. By varying mobile phase strength, pressure, temperature and stationary phase with UPC^{2}, a user can separate, detect and quantify structural analogs, isomers, enantiomeric and diasteriomeric mixtures – all compounds or samples that challenge today's laboratories.

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.

The Company's chemistry consumable products also include environmental and nutritional 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.

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 classic 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, clinical and nutritional 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 beverage 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™") 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 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™ 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™ found in existing Xevo Q-Tof instrument systems with the QuanTof™ 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™ ion transfer optics and Triwave® ion mobility technologies along with a suite of new informatics tools to enhance qualitative and quantitative high resolution performance. In 2012, the Company introduced the Xevo® G2-S Q-Tof™ and Xevo® G2-S Tof mass spectrometers, bringing StepWave ion technology to its bench-top time-of-flight mass spectrometers.

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 has become 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.

The Company has been a developer and supplier of software-based products that interface with the Company's instruments. The Company recently introduced a new UNIFI® software platform. The UNIFI Scientific Information System is the culmination of a multi-year effort to bring all of Waters' preexisting, disparate software systems under one operating system. UNIFI joins Waters' suite of informatics products – Empower®, Chromatography Data Software, MassLynx® Mass Spectrometry Software and NuGenesis® Scientific Data Management System, each of which is used daily to support innovations within world-leading institutions. UNIFI is the industry's first comprehensive software that seamlessly integrates UPLC chromatography, mass spectrometry, and informatics data workflows in one platform.

In July 2012, the Company acquired all of the outstanding capital stock of Blue Reference, Inc. ("Blue Reference"), a U.S.-based developer and distributor of software products used for the real-time mining and analysis of multiple-application scientific databases, for $14 million in cash. The Company will integrate the Blue Reference technology into current and future software product platforms to further differentiate its offerings by providing customers with a more efficient scientific information assessment process, where there is an ongoing need for immediacy and interactivity of multiple scientific databases.

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 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 other 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 instrument 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™ 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 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 rheometry.

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, for $11 million in cash. 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.

In January 2012, the Company acquired Baehr Thermoanalyse GmbH ("Baehr"), a German manufacturer of a wide range of thermal analyzers, for $12 million in cash, including the assumption of $1 million of debt. Key products developed by Baehr include horizontal, optical, and quenching dilatometer systems that measure thermal expansion to high temperatures with high precision, high temperature viscometers, and high temperature TGA/DTA systems. Baehr systems provide critical information to researchers that develop materials for use in a wide range of industries including electronics, energy, automotive, 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 most of its overseas offices are situated in Waters Division's facilities to achieve operational efficiencies. TA has dedicated field sales and service operations. Service sales are primarily derived from the sale of support plans, replacement parts and 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 governmental agencies. Purchase of the Company's instrument systems is often dependent on its customers' capital spending, or funding as in the cases of governmental, academic and research institutions, which can fluctuate from year to year. 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 governmental 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 2012, 53% of the Company's sales were to pharmaceutical accounts, 33% to other industrial accounts and 14% to university and governmental 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 2012, 2011 and 2010, no single customer accounted for more than 3% of the Company's net sales.

Sales and Service

The Company has one of the largest direct 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 94 sales offices throughout the world as of December 31, 2012 and approximately 3,000, 2,900 and 2,700 field representatives in 2012, 2011 and 2010, respectively. This investment in sales and service personnel serves to maintain and expand the Company's 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.

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 Huellhorst, Germany facilities. 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.

Raw Materials

The Company purchases a variety of raw materials, primarily consisting of high temperature alloy sheet metal and castings, forgings, pre-plated metals and electrical components from various vendors. The materials used by the Company's operations are generally available from a number of sources and in sufficient quantities to meet current requirements subject to normal lead times. The Company is subject to rules of the Securities and Exchange Commission ("SEC") under the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring disclosure as to whether certain materials (tantalum, tin, gold and tungsten), known as conflict minerals, which may be contained in the Company's products are mined from the Democratic Republic of the Congo and adjoining countries. These rules are likely to impose additional costs and may introduce new risks related to the Company's ability to verify the origin of any conflict minerals contained in its products.

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 2012, 2011 and 2010 were $96 million, $92 million and $84 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, 2012, 2011 and 2010, there were 777, 741 and 697 employees, respectively, involved in the Company's research and development efforts. The Company has increased research and development expenses from its continued commitment to invest significantly in new product development and existing product enhancements, and as a result of acquisitions. 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 5,900, 5,700 and 5,400 employees at December 31, 2012, 2011 and 2010, 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. Competitors continuously introduce new products or have instrument businesses that are generally more diversified than the Company's business. 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 products. 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.

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 has been acquired or 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. An internal sustainability working group develops 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. In 2012, the Company published a 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. See Item 1A, Risk Factors – *The effects of climate change could harm the Company's business*, 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 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 http://www.sec.gov. The Company also makes available, free of charge on its website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The website address for Waters Corporation is http://www.waters.com and SEC filings can be found under the caption "Investors".

Forward-Looking Statements

Certain of the statements in this Form 10-K and the documents incorporated herein, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to future results and events, including statements regarding, among other items, anticipated trends or growth in the Company's business, including, but not limited to, the growth rate of sales, particularly in China; new product launches and the associated costs, such as the amortization expense related to UNIFI; geographic sales mix of business; anticipated expenses, including interest expense, capitalized software costs and effective tax rates; the impact of foreign currency translation; the impact of the Company's various ongoing tax audit examinations, unexpected shifts in income between tax jurisdictions and litigation matters; the impact of the loss of intellectual property protection; the effect of new accounting pronouncements; the adequacy of the Company's supply chain and manufacturing capabilities and facilities; 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, capital expenditures (including facility expansion and consolidation projects), service debt, repay outstanding lines of credit, make authorized share repurchases and potential acquisitions, particularly in the U.S.; future impairment charges; the Company's contributions to defined benefit plans; the Company's expectations regarding the payment of dividends; the Company's expectations regarding changes to its financial position; compliance with applicable environmental laws; and the impact of recent acquisitions on sales and earnings.

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 global economic, sovereign and political conditions and uncertainties, particularly regarding the European debt crisis and the overall stability of the Euro and its suitability as a single currency; the Company's ability to access capital and maintain liquidity in volatile market conditions of customers; changes in timing and demand by the Company's customers and various market sectors, particularly if they should reduce capital expenditures or are unable to obtain funding, as in the cases of governmental, academic and research institutions; the effect of mergers and acquisitions on customer demand; and the Company's 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 developing markets; 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 of its non-U.S. operations.
- Increased regulatory burdens as the Company's business evolves, especially with respect to the FDA and EPA, among others, as well as regulatory, environmental and logistical obstacles affecting the distribution of the Company's products, completion of purchase order documentation by our customers and ability of customers to obtain letters of credit or other financing alternatives.
- 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 audit 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 regarding demand for the Company's products and services in the future.

Disruption in worldwide financial markets could adversely impact the Company's access to capital and financial condition.
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, utilize its existing syndicated bank credit facility, funded by such financial institutions, 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 spending and expenditures of the Company's customers; changes in governmental regulations, particularly affecting drug, food and drinking water testing; funding available to governmental, academic and research 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 uncertain global economic conditions.

Additionally, the analytical instrument market may, from time to time, experience low sales growth. Approximately 53% and 52% of the Company's net sales in 2012 and 2011, 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 the Company's 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 $1,178 million in debt and $1,539 million in cash, cash equivalents and short-term investments as of December 31, 2012. As of December 31, 2012, the Company also had the ability to borrow an additional $428 million from its existing, committed 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 $1,489 million 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, cost-effective and timely distribution of cash from non-U.S. subsidiaries, (3) the Company's ability to access its existing cash and revolving credit facility and (4) other sources of capital 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 the Company's manufacturing facilities could harm the Company's 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 and 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 and regulatory changes, related to either a specific country or a larger region. Currency and economic disruptions and foreign currency exchange rate fluctuations could have a material adverse effect on the Company's results of operations or financial condition.
Approximately 71% of the Company's net sales in both 2012 and 2011 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, regulatory 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 Company's 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 and changing application of tax law.

The Company is subject to rates of income tax that range from 0% to in excess of 35% in various jurisdictions in which it conducts 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. In addition, governments in the jurisdictions in which the Company operates implement changes to tax laws and regulations from time to time. Any changes in corporate income tax rates or regulations regarding transfer pricing or repatriation of dividends or capital, as well as changes in the interpretation of existing tax laws and regulations, in the jurisdictions in which the Company operates could adversely affect the Company's cash flow and lead to increases in its overall tax burden, which would negatively affect the Company's profitability.

Disruption or unforeseen problems with the security, maintenance or upgrade of the Company's information systems could have an adverse effect on the Company's operations and financial condition.

The Company relies on its technology infrastructure, among other functions, to interact with suppliers, sell products and services, fulfill contract obligations, ship products, collect and make payments and otherwise conduct business. The Company's technology infrastructure may be vulnerable to damage or interruption from, but not limited to, natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, unauthorized access to customer or employee data and other attempts to harm the Company's systems. Any prolonged disruption to the Company's technology infrastructure, at any of its facilities, could have a material adverse effect on the Company's results of operations or financial condition.

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 chemicals 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 adverse 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's manufacturing facilities are located in the United States, United Kingdom and Ireland. In addition, 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 tsunamis, could potentially cause significant damage to the Company's manufacturing facilities in each of these countries. The effects of such damage and the resulting disruption of manufacturing operations could have a material adverse impact on 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 governmental 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 manufacturing, 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 manufacturing 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 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.

The Company is subject to the rules of the SEC under the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring disclosure as to whether certain materials (tantalum, tin, gold and tungsten), known as conflict minerals, which may be contained in the Company's products are mined from the Democratic Republic of the Congo and adjoining countries. These rules are likely to impose additional costs and may introduce new risks related to the Company's ability to verify the origin of any conflict minerals contained in its products.

Item 1B: *Unresolved Staff Comments*

None.

Item 2: *Properties*

Waters operates 22 United States facilities and 80 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
Huellhorst, Germany	M, R, S, D, A	Owned
Wexford, Ireland	M, R, D, A	Owned
Etten-Leur, Netherlands	S, D, A	Owned
Romania	R, A	Leased
Singapore	R, S, D, A	Leased

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

The Company operates and maintains 13 field offices in the United States and 69 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	Israel	Switzerland
Pleasanton, CA	Austria	Italy	Taiwan
Schaumburg, IL	Belgium	Japan	United Kingdom
Wood Dale, IL	Brazil	Korea	
Columbia, MD	Canada	Mexico	
Beverly, MA	Czech Republic	Netherlands	
Ann Arbor, MI	Denmark	Norway	
Morrisville, NC	Finland	People's Republic of China	
Parsippany, NJ	France	Portugal	
Westlake, OH	Germany	Poland	
Huntingdon, PA	Hungary	Puerto Rico	
Bellaire, TX	India	Spain	
Spring, TX	Ireland	Sweden	

(2) 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. In June 2012, a $3 million payment was made to settle a complaint that was filed against the Company alleging patent infringement.

The Company has been engaged in ongoing patent litigation with Agilent Technologies GmbH ("Agilent") in Germany. In July 2005, Agilent brought an action against the Company alleging that certain features of the Alliance pump continued to infringe certain of its patents. In August 2006, following a trial in this action, the German court ruled that the Company did not infringe the patents. Agilent filed an appeal in this action. A hearing on this appeal was held in January 2008. The appeals court affirmed the finding of the trial court that the Company did not infringe and Agilent appealed this finding to the German Federal Court of Justice. In December 2012, Agilent won this appeal and the Company recorded a $4 million provision for damages and fees estimated to be incurred in connection with this litigation.

Item 4: *Mine Safety Disclosures*

Not applicable.

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, 64, 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, 61, 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, 55, 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, 55, 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, 58, 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 22, 2013, the Company had 167 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 equity securities in the years ended December 31, 2012, 2011 or 2010.

Securities Authorized for Issuance under Equity Compensation Plans

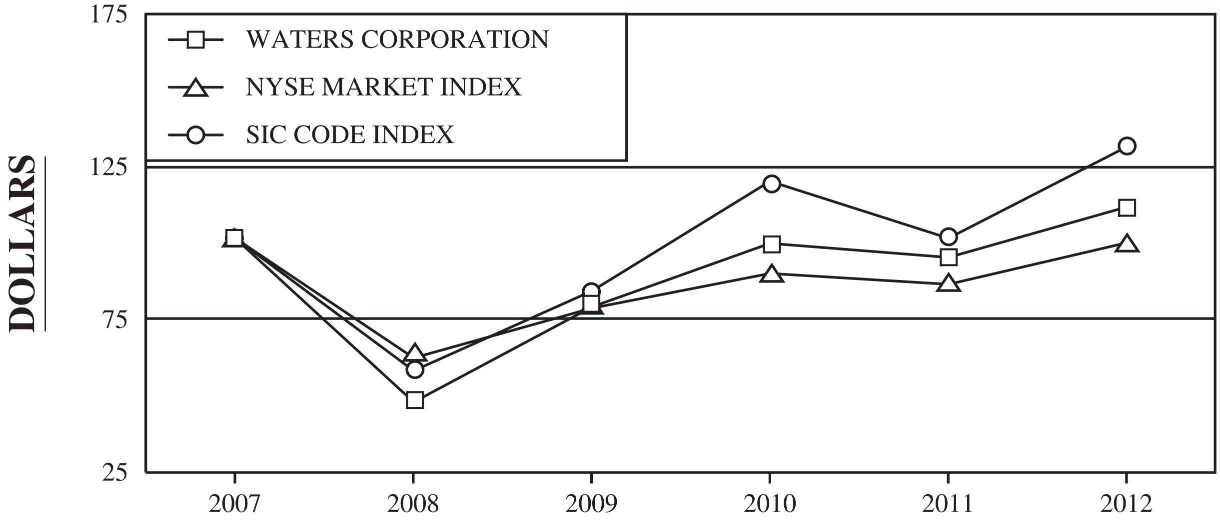
Equity compensation plan information is incorporated by reference from Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this document and should be considered an integral part of this Item 5.

STOCK PRICE PERFORMANCE GRAPH

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

The following graph compares the cumulative total return on $100 invested as of December 31, 2007 (the last day of public trading of the Company's common stock in fiscal year 2007) through December 31, 2012 (the last day of public trading of the common stock in fiscal year 2012) 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, 2007 AMONG WATERS CORPORATION, NYSE MARKET INDEX AND SIC CODE 3826 INDEX – LABORATORY ANALYTICAL INSTRUMENTS



	2007	2008	2009	2010	2011	2012
WATERS CORPORATION	100.00	46.35	78.36	98.28	93.65	110.18
NYSE MARKET INDEX	100.00	60.74	77.92	88.36	84.96	98.55
SIC CODE INDEX	100.00	56.68	83.60	118.52	99.91	129.85

Market for Registrant's Common Equity

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

For the Quarter Ended	Price Range High	Price Range Low
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
March 31, 2012	$94.03	$73.71
June 30, 2012	$93.99	$76.15
September 29, 2012	$85.24	$74.66
December 31, 2012	$89.33	$78.89

Purchases of Equity Securities by the Issuer

The following table provides information about purchases by the Company during the three months ended December 31, 2012 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) (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs
September 30 to October 27, 2012	—	$ —	—	$703,642
October 28 to November 24, 2012	360	$82.98	360	$673,769
November 25 to December 31, 2012	360	$85.33	360	$643,050
Total	720	$84.16	720	$643,050

(1) The Company purchased an aggregate of 2.2 million shares of its outstanding common stock in 2012 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 and is now effectively completed.

(2) The Company purchased an aggregate of 1.3 million shares of its outstanding common stock in 2012 in open market transactions pursuant to a repurchase program that was announced in May 2012 (the "2012 Program"). The 2012 Program authorized the repurchase of up to $750 million of common stock in open market transactions over a two-year period.

Form 10-K

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 2012, 2011, 2010, 2009 and 2008. The Company's financial statements as of December 31, 2012 and 2011, and for each of the three years in the period ended December 31, 2012 are included in Item 8, Financial Statements and Supplementary Data, in Part II of this Form 10-K.

In thousands, except per share and employees data	2012	2011	2010	2009	2008
STATEMENT OF OPERATIONS DATA:					
Net sales	$1,843,641	$1,851,184	$1,643,371	$1,498,700	$1,575,124
Income from operations before income taxes	$ 487,625	$ 509,252	$ 437,863	$ 386,652	$ 372,192
Net income	$ 461,443	$ 432,968	$ 381,763	$ 323,313	$ 322,479
Net income per basic common share	$ 5.25	$ 4.77	$ 4.13	$ 3.37	$ 3.25
Weighted-average number of basic common shares	87,841	90,833	92,385	95,797	99,199
Net income per diluted common share	$ 5.19	$ 4.69	$ 4.06	$ 3.34	$ 3.21
Weighted-average number of diluted common shares and equivalents	88,979	92,325	94,057	96,862	100,555
BALANCE SHEET AND OTHER DATA:					
Cash, cash equivalents and short-term investments	$1,539,025	$1,281,351	$ 946,419	$ 630,257	$ 428,522
Working capital, including current maturities of debt	$1,753,484	$1,340,241	$1,200,791	$ 777,808	$ 666,796
Total assets	$3,168,150	$2,723,234	$2,327,670	$1,907,931	$1,622,898
Long-term debt	$1,045,000	$ 700,000	$ 700,000	$ 500,000	$ 500,000
Stockholders' equity	$1,467,357	$1,226,578	$1,068,797	$ 848,949	$ 661,005
Employees	5,860	5,672	5,381	5,216	5,033

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, nutritional safety, 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, pharmaceuticals, water, polymers and viscous liquids in consumer goods and healthcare products.

The Company's operating results are as follows for the years ended December 31, 2012, 2011 and 2010:

	Year Ended December 31,			% change	
	2012	2011	2010	*2012 vs. 2011*	*2011 vs. 2010*
Product sales	$1,280,507	$1,322,136	$1,166,627	*(3%)*	*13%*
Service sales	563,134	529,048	476,744	*6%*	*11%*
Total net sales	1,843,641	1,851,184	1,643,371	—	*13%*
Total cost of sales	737,614	730,493	653,303	*1%*	*12%*
Gross profit	1,106,027	1,120,691	990,068	*(1%)*	*13%*
Gross profit as a % of sales	*60.0%*	*60.5%*	*60.2%*		
Selling and administrative expenses	477,270	490,011	445,456	*(3%)*	*10%*
Research and development expenses	96,004	92,347	84,274	*4%*	*10%*
Purchased intangibles amortization	13,829	9,733	10,406	*42%*	*(6%)*
Litigation provisions	7,434	—	—		
Operating income	511,490	528,600	449,932	*(3%)*	*17%*
Operating income as a % of sales	*27.7%*	*28.6%*	*27.4%*		
Interest expense, net	(23,865)	(19,348)	(12,069)	*23%*	*60%*
Income from operations before income taxes	487,625	509,252	437,863	*(4%)*	*16%*
Provision for income taxes	26,182	76,284	56,100	*(66%)*	*36%*
Net income	$ 461,443	$ 432,968	$ 381,763	*7%*	*13%*
Net income per diluted common share	$ 5.19	$ 4.69	$ 4.06	*11%*	*16%*

Sales were flat in 2012 as compared to 2011, as a 4% increase in combined sales of chemistry consumables and services was offset by a 4% decrease in instrument system sales. The increase in service sales was from higher renewal rates of service plans, as well as higher service demand billings from the Company's installed base of customers. The decline in instrument system sales was generally attributable to timing of capital spending by our customers across all regions, except China, as a result of uncertain global economic conditions and the weakening of both the Euro, which impacted sales due to the effect of foreign currency translation, and Indian rupee, which effectively increased the price of the systems for certain customers. The effect of foreign currency translation negatively impacted 2012 sales by 2% across all products and services. The 2011 increase in sales of 13% as compared to 2010 was 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 was also attributable to an increase in demand for the ACQUITY UPLC® H-Class, Xevo® Q-Tof™, Xevo® TQ-S and SYNAPT® G2-S instrument systems. The effect of foreign currency translation increased sales by 3% in 2011 and had minimal impact on 2010 sales.

Sales to pharmaceutical customers increased 1% and 13% in 2012 and 2011, respectively. The increase in 2012 was primarily a result of increased spending on chemistry consumables and services. The increase in 2011 was due to increased sales of instrument systems, particularly ACQUITY UPLC H-Class, Xevo Q-Tof, Xevo TQ-S and SYNAPT G2-S instrument systems, and chemistry consumables and services. Combined sales to industrial and environmental customers decreased 2% in 2012 and increased 15% in 2011. Combined global sales to governmental and academic customers decreased 4% in 2012 and increased 5% in 2011. The decreases in 2012 sales were primarily attributable to timing of capital spending by our customers as a result of uncertain global economic conditions and the weakening of the Euro and Indian rupee, while the increases in 2011 were primarily attributable to sales of newly introduced LC and LC-MS systems as global economic conditions improved as compared to 2010.

The 3% decrease in operating income in 2012 as compared to 2011 was primarily due to one-time charges included in purchased intangibles amortization and litigation provisions and the effects of foreign currency translation. Included in purchased intangibles amortization in 2012 is $4 million of amortization expense related to the discontinuance of a product trade name intangible asset. The Company recorded $7 million of litigation provisions in 2012 for damages and fees estimated to be incurred in connection with complaints filed against the Company relating to patent infringement lawsuits. The Company paid $3 million of these litigation provisions in 2012. Foreign currency translation decreased 2012 operating profit by approximately $14 million. The Company expects the impact of foreign currency translation in 2013 to have a neutral effect on sales but negatively impact operating profits when compared to 2012, based on current exchange rates. This is primarily due to the mix of sales and costs in Japan and Europe, where a weaker Japanese Yen is expected to be offset by a stronger Euro.

The 17% increase in operating income in 2011 as compared to 2010 was primarily from increases in sales volumes and the favorable effect of foreign currency translation. Foreign currency translation accounted for approximately $26 million and $6 million of the increase in operating income in 2011 and 2010, respectively.

Net income per diluted share was primarily impacted by the following factors in 2012, 2011 and 2010:

- 2011 and 2010 benefited from higher sales volumes, product mix and the leveraging of lower growth in operating expenses.
- Foreign currency translation decreased net income per diluted share by $0.14 in 2012 and added $0.24 and $0.06 to net income per diluted share in 2011 and 2010, respectively.
- In 2012, the Company refinanced certain of its inter-company debt arrangements, which enabled the Company to record a $36 million tax benefit related to the recognition of a deferred tax asset associated with a non-U.S. net operating loss carryforward. In 2012, the Company also recorded a $6 million tax benefit related to a tax audit settlement in the U.S. These tax benefits added $0.48 per diluted share in 2012.
- In 2010, the Company recorded an $8 million tax benefit related to a tax 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. The impact from the shift in pretax income between tax rate jurisdictions increased net income per diluted share by $0.14 in 2010 after excluding this one-time transaction.
- 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 $0.14, $0.01 and $0.06 in 2012, 2011 and 2010, respectively. The Company plans to continue the share repurchase program in 2013.

Net cash provided by operating activities was $449 million, $497 million and $458 million in 2012, 2011 and 2010, respectively. The $48 million decrease in operating cash flow in 2012 when compared to 2011 was primarily a result of an increase of 7 days in days-sales-outstanding ("DSO"), payments in 2012 of amounts earned under the Company's 2011 management incentive plans, higher U.S. tax payments and a $3 million litigation payment. The increase in operating cash flow in 2011 when compared to 2010 was primarily a result of higher net income and was also impacted by the payment in 2011 of amounts earned under the Company's 2010 management incentive plans.

Within cash flows used in investing activities, capital expenditures related to property, plant, equipment and software capitalization were $105 million, $85 million and $63 million in 2012, 2011 and 2010, respectively. Capital expenditures were higher in 2012 and 2011 due to a multi-year project to consolidate certain existing primary MS research, manufacturing and distribution locations. As of December 31, 2012, the Company has spent a total of $52 million related to this project and expects to incur capital expenditures in the next few years in the range of $25 million to $50 million to finish construction of this facility.

In 2012, the Company acquired three businesses, its Israeli sales and service distributor, Baehr Thermoanalyse GmbH (“Baehr”) and Blue Reference, Inc., for a total of $31 million, net of cash acquired and including the assumption of $1 million of debt. Collectively, these acquisitions are expected to add approximately $13 million of sales in 2013 and be slightly accretive to earnings. The Company acquired Anter Corporation for $11 million in cash in 2011. The Company continues to evaluate the acquisition of businesses, product lines and technologies to augment the Waters and TA operating divisions.

Within cash flows used in financing activities, the Company received $29 million, $60 million and $101 million of proceeds from stock plans in 2012, 2011 and 2010, respectively. Fluctuations in these amounts were primarily attributable to changes in the Company’s stock price and the expiration of stock option grants. In May 2012, the Company’s Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a two-year period. During 2012, 2011 and 2010, the Company repurchased $290 million, $364 million and $292 million of the Company’s outstanding common stock, respectively, under the May 2012 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 August 2012, as permitted by the credit agreement dated July 2011 (the “2011 Credit Agreement”), the Company increased the revolving facility commitment by $200 million, bringing the total amount of the revolving facility commitment to $900 million. There were no other changes to the terms and conditions of the 2011 Credit Agreement. The Company will use the proceeds from the increased revolving facility commitment for general corporate purposes.

Results of Operations

Sales by Geography

Geographic sales information is presented below for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	Year Ended December 31,			% change	
	2012	2011	2010	*2012 vs. 2011*	*2011 vs. 2010*
Net Sales:					
United States	$ 531,912	$ 530,606	$ 499,535	—	*6%*
Europe	549,341	574,770	494,638	*(4%)*	*16%*
Asia:					
China	212,701	175,409	147,389	*21%*	*19%*
Japan	207,340	211,893	187,581	*(2%)*	*13%*
Asia Other	215,612	222,082	205,679	*(3%)*	*8%*
Total Asia	635,653	609,384	540,649	*4%*	*13%*
Other	126,735	136,424	108,549	*(7%)*	*26%*
Total net sales	$1,843,641	$1,851,184	$1,643,371	—	*13%*

In 2012, sales were lower in all major regions, except for the U.S., which remained flat, and Asia, where China’s sales grew 21% as compared to 2011. The sales growth in all regions in 2011 as compared to 2010 was attributable to increased spending by the Company’s pharmaceutical, industrial and chemical analysis customers on LC, MS and TA products. The overall sales growth in Asia in 2012 was driven by China but was tempered by lower sales in India, mostly due to lower Alliance instrument systems sales as a weaker Indian rupee increased the price of these systems, which are priced in U.S. dollars. The sales growth in China in 2012 can be attributed to strong customer demand in pharmaceutical, governmental, industrial and chemical analysis markets. The decline in Europe’s sales in 2012 was due to a 6% negative effect of foreign currency translation. Europe’s 2011 sales benefited from strong demand from pharmaceutical and chemical analysis customers and the effect of foreign currency translation increased Europe’s sales by 5%. The decline in the rest of the world’s sales in 2012 was due to lower demand of instrument systems from pharmaceutical, governmental and academic customers, while the 26% increase in the rest of the world's sales in 2011 was primarily attributable to strong customer demand of instrument systems across all markets. The Company anticipates demand for instrument systems to improve in 2013 across most major regions, with the exception of China, where the demand for instrument systems is expected to continue at a double-digit growth rate.

Waters Division Net Sales
Net sales for the Waters Division's products and services are as follows for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	Year Ended December 31,						% change	
	2012	% of Total	2011	% of Total	2010	% of Total	2012 vs. 2011	2011 vs. 2010
Waters instrument systems	$ 828,458	51%	$ 878,367	53%	$ 772,631	53%	(6%)	14%
Chemistry	294,787	18%	292,506	18%	264,368	18%	1%	11%
Total Waters Division product sales	1,123,245		1,170,873		1,036,999		(4%)	13%
Waters service	509,412	31%	480,553	29%	434,352	29%	6%	11%
Total Waters Division net sales	$1,632,657	100%	$1,651,426	100%	$1,471,351	100%	(1%)	12%

Waters instrument system sales (LC and MS technology-based) decreased 6% in 2012, which was primarily attributable to the timing of capital spending by our customers as a result of uncertain global economic conditions and the weakening of both the Euro, which impacted sales due to the effect of foreign currency translation, and Indian rupee, which effectively increased the price of the systems for certain customers. The 14% increase in instrument systems sales in 2011 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 1% in 2012, with the effect of foreign currency translation negatively impacting chemistry consumables sales by 2%. The 11% increase in chemistry consumables sales in 2011 was driven primarily by higher demand for chemistry consumable products, including increased sales of ACQUITY UPLC lines of columns, and by the bundling of chromatography columns with growing LC system sales. Waters Division service sales increased 6% and 11% in 2012 and 2011, respectively, due to increased sales of service plans and higher service demand billings to a higher installed base of customers. The effect of foreign currency translation decreased Waters Division sales across all products and services by 2% in 2012 and increased sales 3% in 2011.

In 2012, Waters Division sales increased 3% in Asia, while sales were flat in the U.S and decreased 5% in Europe and 6% in the rest of the world. Asia experienced double-digit sales growth rates in China in 2012, particularly in the pharmaceutical, governmental, industrial and chemical analysis markets. The 2012 growth in China was offset by a decline in capital expenditures by customers in India, mostly due to lower Alliance instrument systems sales as a weaker Indian rupee increased the price of these systems, which are priced in U.S. dollars. The decline in Europe's sales was due to a 6% negative effect of foreign currency translation.

In 2011, 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 for instrument systems from pharmaceutical and chemical analysis customers. Waters Division sales in Asia in 2011 increased 13% due to strong sales in China and a 4% increase due to the effects of foreign currency translation. In 2011, 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 in 2011.

TA Division Net Sales

Net sales for the TA Division's products and services are as follows for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	Year Ended December 31,						% change	
	2012	% of Total	2011	% of Total	2010	% of Total	2012 vs. 2011	2011 vs. 2010
TA instrument systems	$157,262	75%	$151,263	76%	$129,628	75%	4%	17%
TA service	53,722	25%	48,495	24%	42,392	25%	11%	14%
Total TA net sales	$210,984	100%	$199,758	100%	$172,020	100%	6%	16%

The increase in TA instrument system sales in both 2012 and 2011 was primarily a result of higher demand for instrument systems from TA's industrial customers, as well as revenue associated with the shipment of the new Discovery instrument systems. TA service sales increased in both 2012 and 2011 due to sales of service plans and billings to a higher installed base of customers. The effect of foreign currency translation decreased TA's sales by 1% in 2012 and increased sales 3% in 2011. Recent acquisitions added approximately 4% to TA's sales in 2012 and 1% in 2011. TA's 2012 sales increased in the U.S., Europe and Asia, while sales to the rest of the world declined. TA's sales increased in each territory in 2011.

Gross Profit

Gross profit decreased 1% in 2012 as compared to 2011, while gross profit as a percentage of sales decreased from 60.5% to 60.0%, primarily due to changes in instrument systems product mix and the negative effects of foreign currency translation. Gross profit increased 13% in 2011 as compared to 2010, while gross profit as a percentage of sales increased from 60.2% to 60.5%, 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, price, product mix, foreign currency translation and product costs of instrument systems and associated software platforms. The cost and amortization of capitalized software development costs for the Company's recently introduced ACQUITY® UPC²™ and UNIFI® products may affect the Company's product mix and associated gross profit in 2013. The Company also expects that the impact of foreign currency translation will negatively affect gross profit, based on current exchange rates.

Selling and Administrative Expenses

Selling and administrative expenses decreased 3% in 2012 and increased 10% in 2011. The decrease in selling and administrative expenses in 2012 was a result of the favorable impact of foreign currency translation and lower incentive compensation in 2012 as compared to 2011. 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 25.9% for 2012 compared to 26.5% for 2011 and 27.1% for 2010. The Company expects selling and administrative expenses to increase in 2013 as a result of headcount additions and acquisitions in 2012, as well as restored incentive compensation levels, based on projected 2013 results.

Research and Development Expenses

Research and development expenses increased 4% and 10% in 2012 and 2011, respectively, primarily due to additional headcount and development costs incurred on new products.

Purchased Intangibles Amortization

In 2012, the Company incurred a one-time $4 million charge to purchased intangibles amortization expense related to the discontinuance of a product trade name intangible asset.

Litigation Provision

The Company recorded $7 million of litigation provisions in 2012 for damages and fees estimated to be incurred in connection with complaints filed against the Company relating to patent infringement lawsuits. The Company paid $3 million of these litigation provisions in 2012.

Interest Expense

The increases in net interest expense in 2012 and 2011 were 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 in which the Company manufactures are the U.S., Ireland, the United Kingdom and Singapore, where the marginal effective tax rates are approximately 37.5%, 12.5%, 23.25% and 0%, respectively. The Company has a contractual tax rate in Singapore of 0% through March 2016, based upon achievement of contractual milestones that the Company expects to continue to meet. The current 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; the outcome of various ongoing tax audit examinations; 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 for the current or prior year.

The Company's effective tax rates were 5.4%, 15.0% and 12.8% in 2012, 2011 and 2010, respectively. The income tax provision for 2012 included a $36 million tax benefit related to the Company's refinancing of certain of its inter-company debt arrangements, which enabled the Company to recognize a deferred tax asset associated with a non-U.S. net operating loss carryforward. In 2012, the Company also recorded a $6 million tax benefit related to a tax audit settlement in the U.S. These tax benefits decreased the Company's effective tax rate by 8.6 percentage points in 2012. 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 a tax 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 a tax 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 differences between the effective tax rates for 2012, 2011 and 2010 were primarily attributable to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

On January 2, 2013, the U.S. enacted legislation that retroactively extended the research and development tax credit ("R&D Tax Credit") for two years, from January 1, 2012 through December 31, 2013. The Company expects that its income tax provision for the first quarter of 2013 will include the entire benefit of the R&D Tax Credit attributable to 2012, which is estimated to be approximately $2 million, and the first quarter of 2013. The Company will continue to record the benefit of the R&D Tax Credit in subsequent quarters in 2013.

Liquidity and Capital Resources

Condensed Consolidated Statements of Cash Flows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Net income	$ 461,443	$ 432,968	$ 381,763
Depreciation and amortization	68,831	66,387	62,558
Stock-based compensation	29,183	27,579	24,852
Deferred income taxes	(52,219)	(5,824)	(15,037)
Change in accounts receivable	(39,836)	(12,528)	(43,286)
Change in inventories	(21,655)	(18,838)	(37,036)
Change in accounts payable and other current liabilities	563	(11,845)	52,017
Change in deferred revenue and customer advances	11,005	2,630	9,433
Other changes	(8,035)	16,845	22,592
Net cash provided by operating activities	449,280	497,374	457,856
Net cash used in investing activities	(296,394)	(355,976)	(411,515)
Net cash used in financing activities	(66,535)	(60,422)	(60,252)
Effect of exchange rate changes on cash and cash equivalents	10,694	(5,484)	(18,702)
Increase (decrease) in cash and cash equivalents	$ 97,045	$ 75,492	$ (32,613)

Cash Flow from Operating Activities

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Net cash provided by operating activities was $449 million and $497 million in 2012 and 2011, respectively. The changes within net cash provided by operating activities in 2012 as compared to 2011 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 increases in net income and deferred income taxes in 2012 were primarily attributable to a $36 million tax benefit related to the Company's refinancing of certain of its inter-company debt arrangements, which enabled the Company to recognize a deferred tax asset associated with a non-U.S. net operating loss carryforward.
- The change in accounts receivable in 2012 compared to 2011 was primarily attributable to timing of payments made by customers and timing of sales in 2012 as compared to 2011. DSO was 71 days at December 31, 2012 and 64 days December 31, 2011.
- The 2012 change in inventories was primarily attributable to the increase in inventory related to new products expected to be launched in 2013.
- The 2012 change in accounts payable and other current liabilities was impacted by an increase in accrued income taxes, which was offset by higher U.S. tax payments. In addition, accounts payable and other current liabilities was impacted by lower levels of incentive compensation earned in 2012 as compared to 2011, as well as the payment of the 2011 incentive compensation in 2012 and timing of payments to vendors.
- Net cash provided from deferred revenue and customer advances in both 2012 and 2011 was a result of an increase in new service contracts, as well as a 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, 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. 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.

Cash Used in Investing Activities

Net cash used in investing activities totaled $296 million, $356 million and $412 million in 2012, 2011 and 2010, respectively. Additions to fixed assets and capitalized software were $105 million, $85 million and $63 million in 2012, 2011 and 2010, respectively. Capital expenditures were higher in 2012 and 2011 due to a multi-year project to consolidate certain existing primary MS research, manufacturing and distribution locations. As of December 31, 2012, the Company has spent a total of $52 million related to this project and expects to incur capital expenditures in the next few years in the range of $25 million to $50 million to finish construction of this facility.

During 2012, 2011 and 2010, the Company purchased $1,816 million, $1,749 million and $1,235 million of short-term investments, respectively, while $1,655 million, $1,490 million and $886 million of short-term investments matured, respectively. Business acquisitions, net of cash acquired, were $31 million and $11 million during 2012 and 2011, respectively. There were no business acquisitions in 2010.

Cash Used in Financing Activities

In August 2012, as permitted by the 2011 Credit Agreement, the Company increased the revolving facility commitment by $200 million, bringing the total amount of the revolving facility commitment to $900 million. There were no other changes to the terms and conditions of the 2011 Credit Agreement. The term loan facility and the revolving facility both mature on July 28, 2016 and require no scheduled prepayments before that date.

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 fees on these credit agreements range between 15 basis points and 30 basis points. These credit agreements require that the Company comply with an interest coverage ratio test of not less than 3.50:1 and a leverage ratio test of not more than 3.25:1 for any period of four consecutive fiscal quarters, respectively. In addition, the 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, 2012, the Company was in compliance with all such covenants.

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 2012, 2011 and 2010, the Company's net debt borrowings increased by $186 million, $225 million and $134 million, respectively. As of December 31, 2012, the Company had a total of $1,178 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, $470 million borrowed under revolving credit facility under the 2011 Credit Agreement and $8 million borrowed under various other short-term lines of credit. At December 31, 2012, $125 million of 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 expects to utilize this portion of the revolving line of credit to fund its working capital needs. It is the Company's intention to pay the short-term portions of the outstanding revolving line of credit balance during the subsequent twelve months following the respective period end date. The remaining $345 million of the outstanding portions of the revolving facilities have been classified as long-term liabilities in the consolidated balance sheets, as no repayments are required prior to the maturity date in 2016 and this portion is not expected to be repaid within the next twelve months. As of December 31, 2012, the Company had a total amount available to borrow under existing credit agreements of $428 million after outstanding letters of credit.

In May 2012, the Company's Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a two-year period. During 2012, 2011 and 2010, the Company repurchased 3.5 million, 4.5 million and 4.4 million shares at a cost of $290 million, $364 million and $292 million, respectively, under the May 2012 authorization and previously announced programs. As of September 29, 2012, the Company repurchased an aggregate of 6.0 million shares of its common stock under the now expired share repurchase program authorized in February 2011 for an aggregate cost of $497 million. As of December 31, 2012, the Company had purchased an aggregate of 1.3 million shares at a cost of $107 million under the May 2012 program, leaving $643 million authorized for future repurchases. In addition, the Company repurchased $6 million, $6 million and $4 million of common stock during 2012, 2011 and 2010 related to the vesting of restricted stock units.

The Company received $29 million, $60 million and $101 million of proceeds from the exercise of stock options and the purchase of shares pursuant to the Company's employee stock purchase plan in 2012, 2011 and 2010, respectively.

The Company had cash, cash equivalents and short-term investments of $1,539 million as of December 31, 2012. The majority of the Company's cash, cash equivalents and short-term investments are generated from foreign operations, with $1,489 million held by foreign subsidiaries at December 31, 2012. 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 funded primarily by the Company's cash flow from U.S. operations and the use of the Company's revolving credit facilities.

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Management believes, as of the date of this report, that its financial position, particularly in the U.S., 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 existing, 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 and tax audit examinations. In addition, there have been no recent significant changes to the Company's financial position, nor are there any anticipated changes, to warrant a material adjustment related to indefinitely reinvested foreign earnings.

Contractual Obligations and Commercial Commitments

The following is a summary of the Company's known contractual obligations as of December 31, 2012 (in thousands):

	Payments Due by Year (1)							
	Total	2013	2014	2015	2016	2017	2018	After 2018
Notes payable and debt	$ 132,781	$132,781	$ —	$ —	$ —	$ —	$ —	$ —
Interest on senior unsecured notes	80,721	15,205	15,205	11,768	10,465	10,205	7,656	10,217
Long-term debt	1,045,000	—	—	100,000	695,000	—	—	250,000
Operating leases	78,112	23,243	18,135	11,456	7,259	5,260	4,315	8,444
Total	$1,336,614	$171,229	$33,340	$123,224	$712,724	$15,465	$11,971	$268,661

(1) 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, 2012, 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, 2012 (in thousands):

	Amount of Commitments Expiration Per Period							
	Total	2013	2014	2015	2016	2017	2018	After 2018
Letters of credit	$18,035	$16,249	$1,786	$—	$—	$—	$—	$—

The Company licenses certain technology and software from third parties. Fees paid for licenses were less than $1 million in each of the years 2012, 2011 and 2010. Future minimum license fees payable under existing license agreements as of December 31, 2012 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 2013, the Company expects to contribute approximately $8 million to $10 million to the Company's defined benefit plans.

In order to accommodate future sales growth, the Company purchased land in the United Kingdom in 2011 to consolidate certain existing primary MS research, manufacturing and distribution locations in the United Kingdom into one facility. As of December 31, 2012, the Company has spent a total of $52 million related to this project and expects to incur capital expenditures in the next few years in the range of $25 million to $50 million to finish construction of 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 standards for income taxes, which require 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 prohibit 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, 2012 were to become recognizable in the future, the Company would record a total reduction of approximately $64 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.

The Company is currently engaged in continuing communications with tax authorities in the U.S., Japan and various other jurisdictions regarding examinations of the Company's tax returns related to matters for which the Company has previously recorded uncertain tax benefits. During 2012, the Company did not record any material changes in the measurement of any unrecognized tax benefits related to these ongoing tax audit examinations. As of December 31, 2012, the Company anticipates that it will be able to resolve certain of these ongoing tax audit examinations during the next twelve months. As of December 31, 2012, the Company expects to record a reduction in the measurement of its unrecognized tax benefits and related net interest and penalties in the range of approximately $5 million to $39 million within the next twelve months due to the lapsing of statutes of limitations on potential tax assessments and the settlement of ongoing tax audit examinations, and does not otherwise expect to record any other material changes within the next twelve months. These amounts have been classified as accrued income taxes in the consolidated balance sheets.

The Company has not paid any dividends and has no plans, at this time, to pay any dividends in the 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, prior to shipment of the instrument. At December 31, 2012, the Company had current and long-term deferred revenue liabilities of $121 million and $23 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 best estimate of selling price 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 best estimate of selling price 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, 2012 was $405 million, net of allowances for doubtful accounts and sales returns of $8 million.

The Company values all of its inventories at the lower of cost or market on a first-in, first-out basis ("FIFO"). The Company estimates revisions to its inventory valuations based on technical obsolescence, historical demand, projections of future demand, including that in the Company's current backlog of orders, and industry and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional write-downs may be required. The Company's inventory balance at December 31, 2012 was recorded at its net realizable value of $230 million, which is net of write-downs of $18 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 impairment 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 and patent costs;
- 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, purchased technology, 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 $220 million, $273 million and $317 million, respectively, as of December 31, 2012.

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, 2012, the Company's warranty liability was $12 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 standards for income taxes require 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 standards, which require 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 prohibit any discounting of any of the related tax effects for the time value of money. At December 31, 2012, the Company had unrecognized tax benefits of $64 million, $39 million of which are classified as current liabilities and $25 million of which are classified as long-term liabilities in the consolidated balance sheets.

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 uncertainty.

With respect to the specific 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 those 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 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 7.12% for its U.S. benefit plans and 1.88% 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, 2012 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, 2012, the Company determined the weighted-average discount rate to be 3.90% for the U.S. benefit plans and 3.10% 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 standards for stock-based compensation require that all share-based payments to employees be recognized in the statements of operations based on their fair values. The Company has used the Black-Scholes model to determine the fair value of its stock option awards. 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. These 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 factors change and the Company employs different assumptions in the application of these accounting standards, 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 recognizes the expense using the straight-line attribution method.

As of December 31, 2012, 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	$47	3.7
Restricted stock units	27	3.1
Restricted stock	1	1.6
Total	$75	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, British Pound and Singapore Dollar. The Company manages its foreign currency exposures on a consolidated basis, which allows the Company to analyze exposures globally and take into account offsetting exposures in certain balances. In addition, the Company utilizes derivative and non-derivative financial instruments to further reduce the net exposure to currency fluctuations.

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

Derivative Transactions

The Company records its derivative transactions in accordance with the accounting standards for derivative instruments and hedging activities, which establish 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 risks. The Company's objectives for holding derivatives are to minimize foreign currency risk using the most effective methods to eliminate or reduce the impact of foreign currency 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.

The Company enters into forward foreign exchange contracts, principally to hedge the impact of currency fluctuations on certain inter-company balances and short-term assets and liabilities. Principal hedged currencies include the Euro, Japanese Yen, British Pound and Singapore Dollar. The periods of these forward contracts typically range from one to three months and have varying notional amounts, which are intended to be consistent with changes in the underlying exposures. Gains and losses on these forward contracts are recorded in selling and administrative expenses in the consolidated statements of operations. At December 31, 2012, 2011 and 2010, the Company held forward foreign exchange contracts with notional amounts totaling $134 million, $161 million and $136 million, respectively.

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

	December 31, 2012	December 31, 2011
Other current assets	$1,173	$ 81
Other current liabilities	$ 693	$1,317

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,		
	2012	2011	2010
Realized gains (losses) on closed contracts	$4,186	$(2,233)	$(8,138)
Unrealized gains (losses) on open contracts	1,716	(1,035)	(39)
Cumulative net pre-tax gains (losses)	$5,902	$(3,268)	$(8,177)

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, 2012 would decrease pre-tax earnings by approximately $13 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. and U.K. treasury bill money market funds and commercial paper. Investments with longer maturities are classified as short-term investments, and are held primarily in U.S. treasury bills, Canadian government U.S. dollar-denominated treasury bills and commercial paper, bank deposits and investment-grade commercial paper. 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, 2012 and December 31, 2011, $1,489 million out of $1,539 million and $1,200 million out of $1,281 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 effects on distribution to U.S. legal entities. As of December 31, 2012, the Company has no holdings in auction rate securities or commercial paper issued by structured investment vehicles.

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, 2012, 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, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 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, comprehensive income, stockholders' equity, and cash flows present fairly, in all material respects, the financial position of Waters Corporation and its subsidiaries at December 31, 2012 and December 31, 2011 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, 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 and financial statement schedule, 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, on the financial statement schedule, 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 26, 2013

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2012	December 31, 2011
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 481,035	$ 383,990
Short-term investments	1,057,990	897,361
Accounts receivable, less allowances for doubtful accounts and sales returns of $8,240 and $8,584 at December 31, 2012 and December 31, 2011, respectively	404,556	367,085
Inventories	229,565	212,864
Other current assets	84,580	80,804
Total current assets	2,257,726	1,942,104
Property, plant and equipment, net	273,279	237,095
Intangible assets, net	220,145	191,992
Goodwill	316,834	297,071
Other assets	100,166	54,972
Total assets	$ 3,168,150	$ 2,723,234
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and debt	$ 132,781	$ 290,832
Accounts payable	54,724	55,317
Accrued employee compensation	31,910	49,949
Deferred revenue and customer advances	121,470	109,922
Accrued income taxes	60,888	9,449
Accrued warranty	12,353	13,258
Other current liabilities	90,116	73,136
Total current liabilities	504,242	601,863
Long-term liabilities:		
Long-term debt	1,045,000	700,000
Long-term portion of retirement benefits	101,225	92,970
Long-term income tax liability	24,772	72,613
Other long-term liabilities	25,554	29,210
Total long-term liabilities	1,196,551	894,793
Total liabilities	1,700,793	1,496,656
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, 2012 and December 31, 2011	—	—
Common stock, par value $0.01 per share, 400,000 shares authorized, 153,696 and 152,757 shares issued, 86,390 and 88,996 shares outstanding at December 31, 2012 and December 31, 2011, respectively	1,537	1,528
Additional paid-in capital	1,155,504	1,089,959
Retained earnings	3,512,890	3,051,447
Treasury stock, at cost, 67,306 and 63,761 shares at December 31, 2012 and December 31, 2011, respectively	(3,176,179)	(2,880,301)
Accumulated other comprehensive loss	(26,395)	(36,055)
Total stockholders' equity	1,467,357	1,226,578
Total liabilities and stockholders' equity	$ 3,168,150	$ 2,723,234

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,		
	2012	2011	2010
	(In thousands, except per share data)		
Product sales	$1,280,507	$1,322,136	$1,166,627
Service sales	563,134	529,048	476,744
Total net sales	1,843,641	1,851,184	1,643,371
Cost of product sales	501,660	506,073	453,779
Cost of service sales	235,954	224,420	199,524
Total cost of sales	737,614	730,493	653,303
Gross profit	1,106,027	1,120,691	990,068
Selling and administrative expenses	477,270	490,011	445,456
Research and development expenses	96,004	92,347	84,274
Purchased intangibles amortization	13,829	9,733	10,406
Litigation provisions (Note 9)	7,434	—	—
Operating income	511,490	528,600	449,932
Interest expense	(28,073)	(21,971)	(13,924)
Interest income	4,208	2,623	1,855
Income from operations before income taxes	487,625	509,252	437,863
Provision for income taxes	26,182	76,284	56,100
Net income	$ 461,443	$ 432,968	$ 381,763
Net income per basic common share	$ 5.25	$ 4.77	$ 4.13
Weighted-average number of basic common shares	87,841	90,833	92,385
Net income per diluted common share	$ 5.19	$ 4.69	$ 4.06
Weighted-average number of diluted common shares and equivalents	88,979	92,325	94,057

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2012	2011	2010
		(In thousands)	
Net income	$461,443	$432,968	$381,763
Other comprehensive income (loss):			
Foreign currency translation	17,279	(12,644)	(24,568)
Unrealized (losses) gains on investments before income taxes	(995)	966	19
Income tax benefit (expense)	348	(339)	(7)
Unrealized (losses) gains on investments, net of tax	(647)	627	12
Retirement liability adjustment	(11,092)	(18,835)	(4,328)
Income tax benefit	4,120	6,592	1,515
Retirement liability adjustment, net of tax	(6,972)	(12,243)	(2,813)
Other comprehensive income (loss)	9,660	(24,260)	(27,369)
Comprehensive income	$471,103	$408,708	$354,394

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2012	2011	2010
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 461,443	$ 432,968	$ 381,763
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for doubtful accounts on accounts receivable	2,256	3,265	2,926
Provisions on inventory	10,725	10,131	10,897
Stock-based compensation	29,183	27,579	24,852
Deferred income taxes	(52,219)	(5,824)	(15,037)
Depreciation	37,422	36,531	34,421
Amortization of intangibles	31,409	29,856	28,137
Change in operating assets and liabilities, net of acquisitions:			
Increase in accounts receivable	(39,836)	(12,528)	(43,286)
Increase in inventories	(21,655)	(18,838)	(37,036)
(Increase) decrease in other current assets	(7,136)	4,309	2,402
Decrease (increase) in other assets	1,473	(12,071)	2,472
Increase (decrease) in accounts payable and other current liabilities	563	(11,845)	52,017
Increase in deferred revenue and customer advances	11,005	2,630	9,433
(Decrease) increase in other liabilities	(15,353)	11,211	3,895
Net cash provided by operating activities	449,280	497,374	457,856
Cash flows from investing activities:			
Additions to property, plant, equipment and software capitalization	(104,749)	(85,436)	(62,740)
Business acquisitions, net of cash acquired	(31,016)	(11,100)	—
Purchase of short-term investments	(1,815,988)	(1,749,161)	(1,234,671)
Maturity of short-term investments	1,655,359	1,489,721	885,896
Net cash used in investing activities	(296,394)	(355,976)	(411,515)
Cash flows from financing activities:			
Proceeds from debt issuances	218,324	598,528	315,641
Payments on debt	(32,107)	(373,751)	(181,358)
Payments of debt issuance costs	(497)	(4,523)	(1,498)
Proceeds from stock plans	28,869	60,153	100,584
Purchase of treasury shares	(295,878)	(370,835)	(296,292)
Excess tax benefit related to stock option plans	10,568	32,239	10,809
Proceeds from (payments for) derivative contracts	4,186	(2,233)	(8,138)
Net cash used in financing activities	(66,535)	(60,422)	(60,252)
Effect of exchange rate changes on cash and cash equivalents	10,694	(5,484)	(18,702)
Increase (decrease) in cash and cash equivalents	97,045	75,492	(32,613)
Cash and cash equivalents at beginning of period	383,990	308,498	341,111
Cash and cash equivalents at end of period	$ 481,035	$ 383,990	$ 308,498
Supplemental cash flow information:			
Income taxes paid	$ 59,446	$ 50,313	$ 39,688
Interest paid	$ 28,305	$ 19,658	$ 10,564

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Number of Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
				(In thousands)			
Balance December 31, 2009	148,831	$1,488	$ 808,345	$2,236,716	$(2,213,174)	$ 15,574	$ 848,949
Net income	—	—	—	381,763	—	—	381,763
Other comprehensive loss	—	—	—	—	—	(27,369)	(27,369)
Issuance of common stock for employees:							
Employee Stock Purchase Plan	62	1	3,457	—	—	—	3,458
Stock options exercised	1,933	19	97,107	—	—	—	97,126
Tax benefit related to stock option plans	—	—	10,809	—	—	—	10,809
Release of valuation allowance	—	—	25,873	—	—	—	25,873
Treasury stock	—	—	—	—	(296,292)	—	(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
Net income	—	—	—	432,968	—	—	432,968
Other comprehensive loss	—	—	—	—	—	(24,260)	(24,260)
Issuance of common stock for employees:							
Employee Stock Purchase Plan	58	1	4,149	—	—	—	4,150
Stock options exercised	1,381	14	55,989	—	—	—	56,003
Tax benefit related to stock option plans	—	—	32,239	—	—	—	32,239
Release of valuation allowance	—	—	176	—	—	—	176
Treasury stock	—	—	—	—	(370,835)	—	(370,835)
Stock-based compensation	264	2	27,338	—	—	—	27,340
Balance December 31, 2011	152,757	$1,528	$1,089,959	$3,051,447	$(2,880,301)	$(36,055)	$1,226,578
Net income	—	—	—	461,443	—	—	461,443
Other comprehensive income	—	—	—	—	—	9,660	9,660
Issuance of common stock for employees:							
Employee Stock Purchase Plan	66	1	4,660	—	—	—	4,661
Stock options exercised	630	6	24,202	—	—	—	24,208
Tax benefit related to stock option plans	—	—	10,568	—	—	—	10,568
Increase in valuation allowance	—	—	(2,354)	—	—	—	(2,354)
Treasury stock	—	—	—	—	(295,878)	—	(295,878)
Stock-based compensation	243	2	28,469	—	—	—	28,471
Balance December 31, 2012	153,696	$1,537	$1,155,504	$3,512,890	$(3,176,179)	$(26,395)	$1,467,357

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"), nutritional 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, pharmaceuticals, water, 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, fluctuations in customer demand, development by its competitors of new technological innovations, levels of debt and debt service requirements, risk of disruption, fluctuations in foreign currency exchange rates, dependence on key personnel, protection and litigation of proprietary technology, shifts in taxable income between tax jurisdictions and compliance with regulations of the U.S. Food and Drug Administration and similar foreign regulatory authorities and agencies.

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 2012, 71% in 2011 and 70% in 2010. 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 represent highly liquid investments, with original maturities of 90 days or less, primarily in bank deposits, U.S. and U.K. treasury bill money market funds and commercial paper. Investments with longer maturities are classified as short-term investments, and are held primarily in U.S. treasury bills, Canadian government U.S. dollar-denominated treasury bills and commercial paper, bank deposits and investment-grade commercial paper.

Short-term investments are classified as available-for-sale in accordance with the accounting standards 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, 2012 and 2011, the Company had short-term investments with a cost of $1,058 million and $897 million, respectively, which approximated market value.

The Company maintains balances in various operating accounts in excess of federally insured limits, and in foreign subsidiary accounts in currencies other than U.S. dollars. As of December 31, 2012 and 2011, $1,489 million out of $1,539 million and $1,200 million out of $1,281 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 effects on distribution to U.S. legal entities.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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, 2012, 2011 and 2010 (in thousands):

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Allowance for Doubtful Accounts and Sales Returns:				
2012	$8,584	$7,298	$(7,642)	$8,240
2011	$6,196	$9,932	$(7,544)	$8,584
2010	$6,723	$5,508	$(6,035)	$6,196

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 53% in 2012, 52% in 2011 and 52% in 2010. None of the Company's individual customers accounted for more than 3% of annual Company sales in 2012, 2011 or 2010. 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. Appropriate short-term and long-term liabilities have 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 2012, 2011 and 2010.

Asset Impairments

The Company reviews its long-lived assets for impairment in accordance with the accounting standards 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 standards define 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 standards 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 $34 million and $29 million of direct expenses that were related to the development of software in 2012 and 2011, respectively. Net capitalized software included in intangible assets totaled $138 million and $115 million at December 31, 2012 and 2011, respectively, see Note 6, "Goodwill and Other Intangibles".

The Company capitalizes internal software development costs for internal use in accordance with the accounting standards 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 at both December 31, 2012 and 2011.

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 standards 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, 2012 and 2011 are included in other assets and amounted to $3 million and $4 million, respectively.

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, 2012 and 2011. 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, 2012 (in thousands):

	Total at December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 146,232	$—	$ 146,232	$—
Short-term investments	1,057,990	—	1,057,990	—
Waters 401(k) Restoration Plan assets	24,827	—	24,827	—
Foreign currency exchange contract agreements	1,173	—	1,173	—
Total	$1,230,222	$—	$1,230,222	$—
Liabilities:				
Foreign currency exchange contract agreements	$ 693	$—	$ 693	$—
Total	$ 693	$—	$ 693	$—

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	$—	$1,061,075	$—
Liabilities:				
Foreign currency exchange contract agreements	$ 1,317	$—	$ 1,317	$—
Total	$ 1,317	$—	$ 1,317	$—

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. 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. 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, 2012 and 2011.

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 of the Company's fixed interest rate debt was $400 million at both December 31, 2012 and December 31, 2011. The fair value of the Company's fixed rate debt is estimated using discounted cash flow models, based on estimated current rates offered for similar debt under current market conditions for the Company. The fair value of the Company's fixed interest rate debt was $413 million and $410 million at December 31, 2012 and December 31, 2011, respectively.

Derivative 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 derivative transactions in accordance with the accounting standards for derivative instruments and hedging activities, which establish 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 risks. The Company's objectives for holding derivatives are to minimize foreign currency risk using the most effective methods to eliminate or reduce the impact of foreign currency 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.

The Company enters into forward foreign exchange contracts, principally to hedge the impact of currency fluctuations on certain inter-company balances and short-term assets and liabilities. Principal hedged currencies include the Euro, Japanese Yen, British Pound and Singapore Dollar. The periods of these forward contracts typically range from one to three months and have varying notional amounts, which are intended to be consistent with changes in the underlying exposures. Gains and losses on these forward contracts are recorded in selling and administrative expenses in the consolidated statements of operations. At December 31, 2012, 2011 and 2010, the Company held forward foreign exchange contracts with notional amounts totaling $134 million, $161 million and $136 million, respectively.

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

	December 31, 2012	December 31, 2011
Other current assets	$1,173	$ 81
Other current liabilities	$ 693	$1,317

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,		
	2012	2011	2010
Realized gains (losses) on closed contracts	$4,186	$(2,233)	$(8,138)
Unrealized gains (losses) on open contracts	1,716	(1,035)	(39)
Cumulative net pre-tax gains (losses)	$5,902	$(3,268)	$(8,177)

Stockholders' Equity

In May 2012, the Company's Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a two-year period. During 2012, 2011 and 2010, the Company repurchased 3.5 million, 4.5 million and 4.4 million shares at a cost of $290 million, $364 million and $292 million, respectively, under the May 2012 authorization and previously announced programs. As of December 31, 2012, the Company repurchased an aggregate of 6.0 million shares of its common stock for an aggregate cost of $497 million under the February 2011 repurchase program, which is now expired. During 2012, the Company repurchased 1.3 million shares at a cost of $107 million under the May 2012 repurchase program, leaving $643 million authorized for future purchases. In addition, the Company repurchased $6 million, $6 million and $4 million of common stock during 2012, 2011 and 2010 related to the vesting of restricted stock units. The Company believes it has the resources to fund the common stock repurchases as well as to pursue acquisition opportunities in the future.

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 revenue 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 best estimate of selling price 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 best estimate of selling price 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, 2012, 2011 and 2010 (in thousands):

	Balance at Beginning of Period	Accruals for Warranties	Settlements Made	Balance at End of Period
Accrued warranty liability:				
2012	$13,258	$ 7,212	$(8,117)	$12,353
2011	$11,272	$10,175	$(8,189)	$13,258
2010	$10,109	$ 7,618	$(6,455)	$11,272

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 2012, 2011 and 2010 were $13 million, $11 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 11, "Stock-Based Compensation".

Earnings Per Share

In accordance with the earnings per share accounting standards, 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. These standards require 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.

Recently Adopted Accounting Standards

In June 2011, a new accounting standard was issued relating to the presentation of comprehensive income. The adoption of this standard did 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 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 July 2012, amended accounting guidance was issued for indefinite-lived intangible assets other than goodwill in order to simplify how companies test indefinite-lived intangible assets for impairment. This guidance is effective for annual and interim indefinite-lived intangible asset impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The adoption of this standard is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

3 Inventories

Inventories are classified as follows (in thousands):

	December 31,	
	2012	2011
Raw materials	$ 73,280	$ 71,993
Work in progress	16,133	12,293
Finished goods	140,152	128,578
Total inventories	$229,565	$212,864

4 Property, Plant and Equipment

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

	December 31, 2012	December 31, 2011
Land and land improvements	$ 35,734	$ 34,665
Buildings and leasehold improvements	196,554	174,582
Production and other equipment	317,285	288,274
Construction in progress	37,750	20,560
Total property, plant and equipment	587,323	518,081
Less: accumulated depreciation and amortization	(314,044)	(280,986)
Property, plant and equipment, net	$ 273,279	$ 237,095

During 2012, 2011 and 2010, the Company retired and disposed of approximately $6 million, $6 million and $9 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

The Company accounts for business acquisitions under the accounting standards for business combinations and the results of each acquisition have been included in the Company's consolidated results from the respective acquisition dates.

In July 2012, the Company acquired all of the outstanding capital stock of Blue Reference, Inc. ("Blue Reference"), a U.S.-based developer and distributor of software products used for the real-time mining and analysis of multiple-application scientific databases, for $14 million in cash. The Company will integrate the Blue Reference technology into the current and future software product platforms to further differentiate its offerings by providing customers with a more efficient scientific information assessment process, where there is an ongoing need for immediacy and interactivity of multiple scientific databases. 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 $8 million of the purchase price to intangible assets comprised of completed technology and $1 million to customer relationships and other intangibles. The Company is amortizing acquired technology over seven years and the customer relationships and other intangibles over five years. The remaining purchase price of $8 million has been accounted for as goodwill. The goodwill is not deductible for tax purposes.

In February 2012, the Company acquired the net assets of its Israeli sales and service distributor for $6 million in cash. The Company has allocated $2 million of the purchase price to intangible assets comprised of customer relationships. The Company is amortizing the customer relationships over ten years. The remaining purchase price of $4 million has been accounted for as goodwill. The goodwill is deductible for tax purposes.

In January 2012, the Company acquired all of the outstanding capital stock of Baehr Thermoanalyse GmbH ("Baehr"), a German manufacturer of a wide range of thermal analyzers, for $12 million in cash, including the assumption of $1 million of debt. Baehr was acquired to expand TA's thermal analysis instrument product offering and to leverage the Company's distribution channels. 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 completed technology and $1 million to customer relationships and other intangibles. The Company is amortizing the customer relationships and the acquired technology over ten years. The remaining purchase price of $7 million has been accounted for as goodwill. The goodwill is not deductible for tax purposes.

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 acquisitions of Blue Reference, the Israeli sales and service distributor and Baehr (in thousands):

Cash	$ 1,148
Accounts receivable	319
Inventory	2,887
Property, plant and equipment	1,254
Other assets	412
Goodwill	18,460
Intangible assets	15,966
Total assets acquired	40,446
Accrued expenses and other current liabilities	2,896
Debt	732
Deferred tax liability	4,654
Cash consideration paid	$32,164

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. 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 goodwill is deductible for tax purposes.

The principal factor that resulted in recognition of goodwill in these acquisitions is that the purchase price was based in part on cash flow projections assuming the integration of any acquired technology, distribution channels and products with the Company’s products, which is of considerably greater value than utilizing each of the acquired companies’ technology, customer access or products on a stand-alone basis. The goodwill also includes value assigned to assembled workforce, which cannot be recognized as an intangible asset. In each acquisition, the sellers provided the Company with customary representations, warranties and indemnification, which would be settled in the future if and when a breach of the contractual representation or warranty condition occurs. The acquisitions of Blue Reference, the Israeli sales and service distributor and Baehr are expected to add approximately $13 million to the Company’s sales in 2013. The pro forma effect of the ongoing operations for Waters, Blue Reference, the Israeli sales and service distributor, Baehr and Anter as though these acquisitions had occurred at the beginning of the periods covered by this report is insignificant.

6 Goodwill and Other Intangibles

The carrying amount of goodwill was $317 million and $297 million at December 31, 2012 and 2011, respectively. The Company’s acquisitions increased goodwill by $18 million (See Note 5) and the effect of foreign currency translation increased goodwill by $2 million in 2012.

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

	December 31, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period
Purchased intangibles	$154,749	$ 94,498	11 years	$138,001	$ 80,023	10 years
Capitalized software	293,589	155,394	5 years	253,379	138,573	5 years
Licenses	7,112	6,361	6 years	6,597	6,039	6 years
Patents and other intangibles	40,290	19,342	8 years	33,698	15,048	8 years
Total	$495,740	$275,595	7 years	$431,675	$239,683	7 years

During the year ended December 31, 2012, the Company acquired $16 million of purchased intangibles as a result of the acquisitions of Blue Reference, an Israeli sales and service distributor and Baehr (Note 5). Amortization expense for intangible assets was $31 million, $30 million and $28 million for the years ended December 31, 2012, 2011 and 2010, respectively. Included in amortization expense for the year ended December 31, 2012 is a one-time $4 million charge to purchased intangibles amortization expense related to the discontinuance of a product trade name intangible asset. Amortization expense for intangible assets is estimated to be between $40 million and $45 million per year for each of the next five years. The estimated significant increase in amortization expense is due to amortization associated with capitalized software costs related to the launch of new software product platforms in the first quarter of 2013. The carrying value of the new software platform was approximately $102 million as of December 31, 2012 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 term loan facility. In August 2012, as provided for in the 2011 Credit Agreement, the Company increased the revolving facility commitment by $200 million, bringing the total amount of the revolving facility commitment to $900 million. There were no other changes to the terms and conditions of the 2011 Credit Agreement. The Company will use the proceeds from the increased revolving facility commitment for general corporate purposes. The revolving facility and term loan facility both mature on July 28, 2016 and require no scheduled prepayments before that date.

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. At December 31, 2012, $125 million of 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 expects to utilize this portion of the revolving line of credit to fund its working capital needs and can repay and re-borrow from the facility without penalty. The remaining $345 million of the outstanding portions of the revolving facilities have been classified as long-term liabilities in the consolidated balance sheets, as no repayments are required prior to the maturity date in 2016 and this portion is not expected to be repaid within the next twelve months.

During the year ended December 31, 2011, the Company issued and sold senior unsecured notes with a face value of $200 million. As of both December 31, 2012 and 2011, the Company had a total of $400 million of outstanding senior unsecured notes. Interest on the senior unsecured notes is payable semi-annually each year. 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, 2012, the Company was in compliance with all debt covenants.

The Company had the following outstanding debt at December 31, 2012 and 2011 (in thousands):

	December 31, 2012	December 31, 2011
Foreign subsidiary lines of credit	$ 7,781	$ 10,832
2011 Credit Agreement	125,000	280,000
Total notes payable and debt	132,781	290,832
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	50,000
Senior unsecured notes — Series D — 3.22%, due March 2018	100,000	100,000
Senior unsecured notes — Series E — 3.97%, due March 2021	50,000	50,000
2011 Credit Agreement	645,000	300,000
Total long-term debt	1,045,000	700,000
Total debt	$1,177,781	$990,832

As of December 31, 2012 and 2011, the Company had a total amount available to borrow of $428 million and $419 million, respectively, after outstanding letters of credit, under the 2011 Credit Agreement. The weighted-average interest rates applicable to the senior unsecured notes and 2011 Credit Agreement borrowings collectively were 2.11% and 2.33% at December 31, 2012 and 2011, respectively.

The Company and its foreign subsidiaries also had available short-term lines of credit totaling $107 million and $109 million at December 31, 2012 and 2011, respectively, for the purpose of short-term borrowing and issuance of commercial guarantees. At December 31, 2012 and 2011, the weighted-average interest rates applicable to the short-term borrowings were 2.00% and 2.02%, respectively.

8 Income Taxes

Income tax data for the years ended December 31, 2012, 2011 and 2010 is as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
The components of income from operations before income taxes areas follows:			
Domestic	$116,071	$102,998	$ 60,470
Foreign	371,554	406,254	377,393
Total	$487,625	$509,252	$437,863

	Year Ended December 31,		
	2012	2011	2010
The current and deferred components of the provision for income taxes on operations are as follows:			
Current	$ 78,401	$ 82,108	$ 71,137
Deferred	(52,219)	(5,824)	(15,037)
Total	$ 26,182	$ 76,284	$ 56,100
The jurisdictional components of the provision for income taxes on operations are as follows:			
Federal	$ 39,840	$ 33,242	$ 21,599
State	5,599	5,661	3,491
Foreign	(19,257)	37,381	31,010
Total	$ 26,182	$ 76,284	$ 56,100
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	$ 170,669	$ 178,238	$153,252
State income tax, net of federal income tax benefit	3,639	3,679	2,269
Net effect of foreign operations	(108,893)	(102,528)	(97,312)
Recognition of deferred tax asset associated with a non-U.S. net operating loss	(36,410)	—	—
Other, net	(2,823)	(3,105)	(2,109)
Provision for income taxes	$ 26,182	$ 76,284	$ 56,100

The Company's effective tax rates for the years ended December 31, 2012, 2011 and 2010 were 5.4%, 15.0% and 12.8%, respectively. The income tax provision for the year ended December 31, 2012 included a $36 million tax benefit related to the Company's refinancing of certain of its inter-company debt arrangements, which enabled the Company to recognize a deferred tax asset associated with a non-U.S. net operating loss carryforward. During the year ended December 31, 2012, the Company also recorded a $6 million tax benefit related to a tax audit settlement in the U.S. These tax benefits decreased the Company's effective tax rate by 8.6 percentage points in the year ended December 31, 2012. 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 an $8 million tax benefit related to a tax 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 the year ended December 31, 2010. The remaining differences between the effective tax rates for 2012, 2011 and 2010 were primarily attributable to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

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):

	December 31,	
	2012	2011
Deferred tax assets:		
Net operating losses and credits	$119,405	$ 18,242
Depreciation	14,555	12,990
Stock-based compensation	25,024	22,616
Deferred compensation	29,666	27,442
Revaluation of equity investments	3,919	4,941
Inventory	3,658	3,226
Accrued liabilities and reserves	36,711	30,371
Other	19,038	11,349
Total deferred tax assets	251,976	131,177
Valuation allowance	(93,576)	(10,248)
Deferred tax assets, net of valuation allowance	158,400	120,929
Deferred tax liabilities:		
Capitalized software	(15,726)	(13,263)
Amortization	(3,980)	(9,818)
Indefinite-lived intangibles	(18,252)	(17,665)
Other	(4)	(171)
Total deferred tax liabilities	(37,962)	(40,917)
Net deferred tax assets	$120,438	$ 80,012

Net deferred tax assets of $51 million and $56 million are included in other current assets and $69 million and $24 million are included in other assets at December 31, 2012 and 2011, respectively. During the year ended December 31, 2012, the deferred tax assets associated with net operating losses and tax credit carryforwards and the related valuation allowance increased due to the aforementioned tax benefit related to the Company's refinancing of inter-company debt arrangements. This deferred tax asset was established for $111 million, for which a $75 million valuation allowance was established and a $36 million tax benefit was recorded in the income tax provision. The Company's net deferred tax assets associated with net operating losses and tax credit carryforwards are approximately $35 million as of December 31, 2012, which represent the future tax benefit of foreign net operating loss carryforwards that do not expire under current law.

The income tax benefits associated with non-qualified stock option compensation expense recognized for tax purposes and credited to additional paid-in capital were $11 million, $32 million and $11 million for the years ended December 31, 2012, 2011 and 2010, respectively.

At December 31, 2012, 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. Because of the complexity of U.S. and foreign tax rules applicable to the distribution of earnings from foreign subsidiaries to U.S. legal entities, the determination of the unrecognized deferred tax liability on these earnings is not practicable.

The Company accounts for its uncertain tax return reporting positions in accordance with the accounting standards for income taxes, which require 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 prohibit 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, 2012, 2011 and 2010 (in thousands):

	2012	2011	2010
Balance at the beginning of the period	$73,199	$71,523	$77,924
Realization of uncertain U.S. tax benefits	(5,625)	—	—
Realization of uncertain U.K. tax benefits	—	—	(9,996)
Realization of uncertain pre-acquisition tax benefits	—	—	(1,500)
Net (decrease) increase in other uncertain tax benefits	(3,184)	1,676	5,095
Balance at the end of the period	$64,390	$73,199	$71,523

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. During the year ended December 31, 2012, the Company reclassified $39 million of its unrecognized tax benefits to short-term liabilities in the consolidated balance sheets, leaving $25 million classified as long-term liabilities.

The Company is currently engaged in continuing communications with tax authorities in the U.S., Japan and various other jurisdictions regarding examinations of the Company's tax returns related to matters for which the Company has previously recorded uncertain tax benefits. During 2012, the Company did not record any material changes in the measurement of any unrecognized tax benefits related to these ongoing tax audit examinations. As of December 31, 2012, the Company anticipates that it will be able to resolve certain of these ongoing tax audit examination processes during the next twelve months. As of December 31, 2012, the Company expects to record a reduction in the measurement of its unrecognized tax benefits and related net interest and penalties in the range of approximately $5 million to $39 million within the next twelve months due to the lapsing of statutes of limitations on potential tax assessments and the settlement of ongoing tax audit examinations, and does not otherwise expect to record any other material changes within the next twelve months. These amounts have been classified as accrued income taxes in the consolidated balance sheets.

9 Litigation

The Company is involved in various litigation matters arising in the ordinary course of business. The Company believes the outcome of these matters will not have a material impact on the Company's financial position, results of operations or cash flows. In June 2012, a $3 million payment was made to settle a complaint that was filed against the Company alleging patent infringement.

The Company has been engaged in ongoing patent litigation with Agilent Technologies GmbH ("Agilent") in Germany. In July 2005, Agilent brought an action against the Company alleging that certain features of the

Alliance pump continued to infringe certain of its patents. In August 2006, following a trial in this action, the German court ruled that the Company did not infringe the patents. Agilent filed an appeal in this action. A hearing on this appeal was held in January 2008. The appeals court affirmed the finding of the trial court that the Company did not infringe and Agilent appealed this finding to the German Federal Court of Justice. In December 2012, Agilent won this appeal and the Company recorded a $4 million provision for damages and fees estimated to be incurred in connection with this litigation. The accrued patent litigation expense is in other current liabilities in the consolidated balance sheets at December 31, 2012 and 2011.

10 Other Commitments and Contingencies

Lease agreements, expiring at various dates through 2026, cover buildings, office equipment and automobiles. Rental expense was $30 million, $28 million and $27 million during the years ended December 31, 2012, 2011 and 2010, respectively. Future minimum rents payable as of December 31, 2012 under non-cancelable leases with initial terms exceeding one year are as follows (in thousands):

2013	$23,243
2014	18,135
2015	11,456
2016	7,259
2017 and thereafter	18,019

The Company licenses certain technology and software from third parties. Fees paid for licenses were less than $1 million for each of the years ended December 31, 2012, 2011 and 2010. Future minimum license fees payable under existing license agreements as of December 31, 2012 are immaterial for the years ended December 31, 2013 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.

11 Stock-Based Compensation

In May 2012, the Company's shareholders approved the Company's 2012 Equity Incentive Plan ("2012 Plan"). As of December 31, 2012, the 2012 Plan has 5.6 million shares available for grant 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 2012 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 2012 Plan is scheduled to terminate on May 9, 2022. 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 2012 Plan for such consideration as is determined by the Compensation Committee of the Board of Directors. As of December 31, 2012, the Company had stock options, restricted stock and restricted stock unit awards outstanding.

In May 2009, the Company's shareholders approved the 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, 2012, 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, $1 million and less than $1 million for the years ended December 31, 2012, 2011 and 2010, 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 these standards, 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, 2012, 2011 and 2010 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):

	2012	2011	2010
Cost of sales	$ 2,694	$ 2,566	$ 2,483
Selling and administrative expenses	22,679	21,891	19,197
Research and development expenses	3,810	3,122	3,172
Total stock-based compensation	$29,183	$27,579	$24,852

As of both December 31, 2012 and 2011, the Company has capitalized stock-based compensation costs of less than $1 million in inventory in the consolidated balance sheets. As of December 31, 2012 and 2011, the Company has capitalized stock-based compensation costs of $2 million and $3 million, respectively, 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 2012, 2011 and 2010 are as follows:

Options Issued and Significant Assumptions Used to Estimate Option Fair Values	2012	2011	2010
Options issued in thousands	699	658	667
Risk-free interest rate	1.0%	1.1%	2.0%
Expected life in years	6	6	6
Expected volatility	0.265	0.376	0.271
Expected dividends	—	—	—

Weighted-Average Exercise Price and Fair Value of Options on the Date of Grant	2012	2011	2010
Exercise price	$86.55	$79.10	$78.21
Fair value	$23.97	$29.67	$23.97

The following table summarizes stock option activity for the plans for the year ended December 31, 2012 (in thousands, except per share data):

	Number of Shares	Exercise Price per Share	Weighted-Average Exercise Price
Outstanding at December 31, 2011	4,809	$21.39 to $79.15	$56.71
Granted	699	$75.94 to $87.06	$86.55
Exercised	(630)	$21.39 to $79.05	$38.40
Canceled	(69)	$41.20 to $77.94	$64.10
Outstanding at December 31, 2012	4,809	$23.19 to $87.06	$63.34

The following table details the weighted-average remaining contractual life of options outstanding at December 31, 2012 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
$23.19 to $48.99	1,592	$41.06	2.9	1,479	$41.07
$49.00 to $78.99	1,325	$63.59	5.7	1,028	$63.77
$79.00 to $87.06	1,892	$81.91	9.1	361	$79.15
Total	4,809	$63.34	6.1	2,868	$54.00

During 2012, 2011 and 2010, 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 $31 million, $67 million and $45 million, respectively. The total cash received from the exercise of these stock options was $24 million, $56 million and $97 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The aggregate intrinsic value of the outstanding stock options at December 31, 2012 was $114 million. Options exercisable at December 31, 2012, 2011 and 2010 were 2.9 million, 2.9 million and 3.7 million, respectively. The weighted-average exercise prices of options exercisable at December 31, 2012, 2011 and 2010 were $54.00, $47.95 and $43.45, respectively. The weighted-average remaining contractual life of the exercisable outstanding stock options at December 31, 2012 was 4.3 years.

At December 31, 2012, 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 $114 million, $63.18 and 6.0 years, respectively, at December 31, 2012.

As of December 31, 2012, 2011 and 2010, there were $45 million, $45 million and $38 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 3.7 years.

Restricted Stock

During each of the years ended December 31, 2012, 2011 and 2010, the Company granted 12 thousand shares of restricted stock. The restrictions on these shares lapse at the end of a three-year period. The weighted-average fair value per share on the grant date of the restricted stock granted in 2012, 2011 and 2010 was $75.94, $78.10 and $61.63, respectively. The Company has recorded $1 million of compensation expense in each of the years ended December 31, 2012, 2011 and 2010, respectively, related to the restricted stock grants. As of December 31, 2012, the Company had 36 thousand unvested shares of restricted stock outstanding with a total of $1 million of unrecognized compensation costs. These costs are expected to be recognized over a weighted-average period of 1.6 years.

Restricted Stock Units

The following table summarizes the unvested restricted stock unit award activity for the year ended December 31, 2012 (in thousands, except for per share amounts):

	Shares	Weighted-Average Price
Unvested at December 31, 2011	654	$57.94
Granted	161	$87.81
Vested	(225)	$55.21
Forfeited	(16)	$61.83
Unvested at December 31, 2012	574	$67.28

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, 2012, 2011 and 2010 on the restricted stock units expected to vest were $13 million, $13 million and $12 million, respectively. As of December 31, 2012, 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.

12 Earnings Per Share

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

	Year Ended December 31, 2012		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
Net income per basic common share	$461,443	87,841	$5.25
Effect of dilutive stock option, restricted stock and restricted stock unit securities		1,138	
Net income per diluted common share	$461,443	88,979	$5.19

	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
Effect of dilutive stock option, restricted stock and restricted stock unit securities		1,492	
Net income per diluted common share	$432,968	92,325	$4.69

	Year Ended December 31, 2010		
	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

For the years ended December 31, 2012, 2011 and 2010, the Company had 2.0 million, 1.3 million and 2.5 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.

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, 2012, 2011 and 2010, the Company's matching contributions amounted to $12 million, $12 million and $11 million, respectively.

The Company maintains two defined benefit plans in the U.S. for which the pay credit accruals have been frozen, the Waters Retirement Plan and the Waters Retirement Restoration Plan (collectively, the "U.S. Pension 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 employee benefit plans outside the United States (both defined benefit and defined contribution plans). Certain non-U.S. defined benefit plans ("Non-U.S. Pension Plans") are included in the disclosures below, which are required under the accounting standards for retirement benefits.

During 2012, the Company identified additional defined benefit pension plans in certain non-U.S. countries that had not historically been accounted for in accordance with GAAP in the Company's consolidated financial statements. The cumulative impact of these plans was (i) an understatement of the Company's long-term pension liability of $6 million, an understatement of accumulated other comprehensive income of $4 million and an understatement of long-term deferred tax assets of $2 million and (ii) an omission of pension disclosures in previous years that resulted in the 2012 projected benefit obligation and plan assets increasing $25 million and $18 million, respectively. The impact of these adjustments was reflected in the related 2012 fair value and other pension disclosures below.

The Company corrected the errors describe above through an out-of-period adjustment to the consolidated balance sheet and statements of comprehensive income and stockholders' equity during the first quarter of the year ended December 31, 2012. The errors did not impact the Company's consolidated statement of operations or statement of cash flows. Management concluded that the adjustments described above to correct the cumulative effect of the omission of these plans were not material to the results for the first quarter of 2012 or for the year ended December 31, 2012. In addition, management concluded that the omission of these plans was not material to any previously issued annual or quarterly financial statements, individually or in the aggregate.

The Company contributed $3 million, $2 million and $2 million in the years ended December 31, 2012, 2011 and 2010, respectively, to the non-U.S. plans that were previously omitted from the required disclosures. The Company contributed $11 million, $10 million and $9 million in the years ended December 31, 2012, 2011 and 2010, respectively, to the remaining non-U.S. plans (primarily defined contribution plans) which are currently outside of the scope of the required disclosures. The eligibility and vesting of 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 U.S. Pension Plans, U.S. retiree healthcare plan and Non-U.S. Pension Plans are presented in the following tables, using the measurement dates of December 31, 2012 and 2011, respectively.

The summary of the projected benefit obligations at December 31, 2012 and 2011 is as follows (in thousands):

	2012			2011		
	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	$136,256	$ 9,146	$29,195	$118,459	$7,724	$29,504
Service cost	9	1,447	4,318	7	1,214	1,872
Interest cost	5,806	350	1,988	6,166	364	1,079
Actuarial losses	6,184	325	5,790	13,884	331	439
Disbursements	(3,208)	(480)	(1,011)	(2,260)	(487)	(1,462)
Plan amendments	—	—	—	—	—	(2,640)
Other plans*	—	—	25,041	—	—	—
Currency impact	—	—	(464)	—	—	403
Projected benefit obligation, December 31	$145,047	$10,788	$64,857	$136,256	$9,146	$29,195

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

The accumulated benefit obligations at December 31, 2012 and 2011 are as follows (in thousands):

	2012			2011		
	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	$145,045	**	$55,937	$136,240	**	$26,210

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.
** Not applicable.

The summary of the fair value of the plan assets at December 31, 2012 and 2011 is as follows (in thousands):

	2012			2011		
	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	$ 91,610	$4,319	$12,798	$93,187	$3,808	$11,934
Actual return on plan assets	11,761	516	1,007	(1,844)	61	271
Company contributions	6,409	275	4,243	2,527	268	1,874
Employee contributions	—	727	566	—	669	—
Disbursements	(3,208)	(480)	(1,011)	(2,260)	(487)	(1,462)
Other plans*	—	—	18,382	—	—	—
Currency impact	—	—	(126)	—	—	181
Fair value of assets, December 31	$106,572	$5,357	$35,859	$91,610	$4,319	$12,798

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

The summary of the funded status of the plans at December 31, 2012 and 2011 is as follows (in thousands):

	2012			2011		
	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	$(145,047)	$(10,788)	$(64,857)	$(136,256)	$(9,146)	$(29,195)
Fair value of plan assets	106,572	5,357	35,859	91,610	4,319	12,798
Projected benefit obligation in excess of fair value of plan assets	$ (38,475)	$ (5,431)	$(28,998)	$ (44,646)	$(4,827)	$(16,397)

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The summary of the amounts recognized in the consolidated balance sheets for the plans at December 31, 2012 and 2011 is as follows (in thousands):

	2012			2011		
	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	$ —	$ —	$ 1,407	$ —	$ —	$ 1,817
Current liabilities	(140)	(283)	(175)	(149)	—	(108)
Long-term liabilities	(38,335)	(5,148)	(30,230)	(44,497)	(4,827)	(18,106)
Net amount recognized at December 31	$(38,475)	$(5,431)	$(28,998)	$(44,646)	$(4,827)	$(16,397)

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

The summary of the components of net periodic pension costs for the plans for the years ended December 31, 2012, 2011 and 2010 is as follows (in thousands):

	2012			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*	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans*
Service cost	$ 9	$ 720	$3,752	$ 7	$ 545	$1,872	$ 55	$ 427	$1,710
Interest cost	5,806	350	1,988	6,166	364	1,079	6,315	356	1,027
Expected return on plan assets	(7,619)	(287)	(838)	(7,443)	(277)	(313)	(7,123)	(226)	(329)
Net amortization:									
Prior service credit	—	(54)	(267)	—	(53)	(89)	—	(53)	—
Net actuarial loss	3,009	—	367	1,782	—	37	1,095	—	11
Net periodic pension cost	$ 1,205	$ 729	$5,002	$ 512	$ 579	$2,586	$ 342	$ 504	$2,419

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

The summary of the changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended December 31, 2012, 2011 and 2010 is as follows (in thousands):

	2012			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*	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans*
Prior service cost	$ —	$ —	$ —	$ —	$ —	$(3,619)	$ —	$ —	$ —
Net gain (loss) arising during the year	2,042	96	5,622	23,170	546	481	5,198	(605)	627
Amortization:									
Prior service credit	—	54	267	—	53	89	—	53	—
Net loss	(3,009)	—	(367)	(1,782)	—	(37)	(1,095)	—	(11)
Other Plans*	—	—	5,970	—	—	—	—	—	—
Currency impact	—	—	424	—	—	55	—	—	253
Total recognized in other comprehensive (loss) income	$ (967)	$150	$11,916	$21,388	$599	$(3,031)	$4,103	$(552)	$869

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

The summary of the amounts included in accumulated other comprehensive (loss) income in stockholders' equity for the plans at December 31, 2012 and 2011 is as follows (in thousands):

	2012			2011		
	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	$(56,479)	$(395)	$(13,674)	$(57,446)	$(299)	$(2,416)
Prior service credit	—	105	2,938	—	159	3,527
Total	$(56,479)	$(290)	$(10,736)	$(57,446)	$(140)	$ 1,111

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

The summary of the amounts included in accumulated other comprehensive income (loss) expected to be included in next year's net periodic benefit cost for the plans at December 31, 2012 is as follows (in thousands):

	2012		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Net loss	$(3,523)	$—	$(523)
Prior service credit	—	54	248
Total	$(3,523)	$54	$(275)

The plans' investment asset mix is as follow at December 31, 2012 and 2011:

	2012			2011		
	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	65%	57%	0%	62%	61%	0%
Debt securities	33%	22%	0%	35%	27%	0%
Cash and cash equivalents	2%	21%	17%	3%	12%	45%
Insurance contracts and other	0%	0%	83%	0%	0%	55%
Total	100%	100%	100%	100%	100%	100%

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

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

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

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, 2012 (in thousands):

	Total at December 31, 2012	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)]	$ 93,061	$ 92,830	$ 231	$ —
Common stocks[(b)]	4,886	4,886	—	—
Cash equivalents[(c)]	2,359	—	2,359	—
Hedge funds[(d)]	6,266	—	—	6,266
Total U.S. Pension Plans	106,572	97,716	2,590	6,266
U.S. Retiree Healthcare Plan:				
Mutual funds[(e)]	4,236	4,236	—	—
Cash equivalents[(c)]	1,121	—	1,121	—
Total U.S. Retiree Healthcare Plan	5,357	4,236	1,121	—
Non-U.S. Pension Plans*:				
Cash equivalents[(c)]	6,162	6,162	—	—
Bank and insurance investment contracts[(f)]	29,697	—	—	29,697
Total Non-U.S. Pension Plans	35,859	6,162	—	29,697
Total fair value of retirement plan assets	$147,788	$108,114	$3,711	$35,963

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[(g)]	$ 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[(h)]	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

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

(a) The mutual fund balance in the U.S. Pension Plans are invested in the following categories: 34% in the common stock of large-cap U.S. companies, 27% 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: 63% in the common stock of large-cap U.S. companies, 9% in the common stock of international growth companies and 28% 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, 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.
(h) 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.

The following table summarizes the changes in fair value of the Level 3 retirement plan assets for the years ended December 31, 2012 and 2011 (in thousands):

	Total	Hedge Funds	Insurance Guaranteed Investment Contracts
Fair value of assets, December 31, 2010	$10,795	$4,882	$ 5,913
Net purchases (sales) and appreciation (depreciation)	2,262	1,136	1,126
Fair value of assets, December 31, 2011	13,057	6,018	7,039
Net purchases (sales) and appreciation (depreciation)	4,524	248	4,276
Other Plans*	18,382	—	18,382
Fair value of assets, December 31, 2012	$35,963	$6,266	$29,697

* Certain Non-U.S. Pension Plans were omitted from prior year's disclosure. The current year disclosure has been adjusted to include these plans.

The weighted-average assumptions used to determine the benefit obligation in the consolidated balance sheets at December 31, 2012, 2011 and 2010 are as follows:

	2012		2011		2010	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.90%	3.10%	4.33%	3.29%	5.31%	3.63%
Increases in compensation levels	4.75%	2.59%	4.75%	2.91%	4.75%	2.90%

The weighted-average assumptions used to determine the pension cost at December 31, 2012, 2011 and 2010 are as follows:

	2012		2011		2010	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	4.26%	3.29%	5.10%	3.63%	5.95%	4.05%
Return on assets	7.12%	1.88%	7.20%	2.50%	6.86%	3.07%
Increases in compensation levels	4.75%	2.91%	4.75%	2.90%	4.75%	2.94%

To develop the expected long-term rate of return on assets assumption, the Company considered historical returns and 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 2013, the Company expects to contribute a total of approximately $8 million to $10 million to the Company's defined benefit plans. Estimated future benefit payments as of December 31, 2012 are as follows (in thousands):

	U.S. Pension and Retiree Healthcare Plans	Non-U.S. Pension Plans	Total
2013	$ 5,368	$ 939	$ 6,307
2014	6,399	1,104	7,503
2015	7,129	1,321	8,450
2016	7,483	3,950	11,433
2017	8,138	2,010	10,148
2018 - 2022	53,346	13,705	67,051

14 Business Segment Information

The accounting standards for segment reporting establish standards for reporting information about operating segments in annual financial statements and require selected information for those segments to be presented in interim financial reports of public business enterprises. They also establish 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, 2012, 2011 and 2010 (in thousands):

	2012	2011	2010
Product net sales:			
Waters instrument systems	$ 828,458	$ 878,367	$ 772,631
Chemistry	294,787	292,506	264,368
TA instrument systems	157,262	151,263	129,628
Total product sales	1,280,507	1,322,136	1,166,627
Service net sales:			
Waters service	509,412	480,553	434,352
TA service	53,722	48,495	42,392
Total service sales	563,134	529,048	476,744
Total net sales	$1,843,641	$1,851,184	$1,643,371

Geographic sales information is presented below for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	2012	2011	2010
Net Sales:			
United States	$ 531,912	$ 530,606	$ 499,535
Europe	549,341	574,770	494,638
Asia:			
China	212,701	175,409	147,389
Japan	207,340	211,893	187,581
Asia Other	215,612	222,082	205,679
Total Asia	635,653	609,384	540,649
Other	126,735	136,424	108,549
Total net sales	$1,843,641	$1,851,184	$1,643,371

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, 2012 and 2011 is presented below (in thousands):

	2012	2011
Long-lived assets:		
United States	$173,932	$180,750
Europe	89,389	46,082
Japan	964	1,228
Asia	7,503	7,702
Other	1,491	1,333
Total long-lived assets	$273,279	$237,095

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):

2012	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$420,458	$451,465	$449,952	$521,766	$1,843,641
Cost of sales	167,290	179,259	182,702	208,363	737,614
Gross profit	253,168	272,206	267,250	313,403	1,106,027
Selling and administrative expenses	117,119	122,682	115,322	122,147	477,270
Research and development expenses	23,347	23,943	23,756	24,958	96,004
Purchased intangibles amortization	2,485	2,458	6,427	2,459	13,829
Litigation provisions	—	3,000	—	4,434	7,434
Operating income	110,217	120,123	121,745	159,405	511,490
Interest expense	(6,491)	(6,878)	(7,107)	(7,597)	(28,073)
Interest income	769	1,031	1,184	1,224	4,208
Income from operations before income taxes	104,495	114,276	115,822	153,032	487,625
Provision for income tax expense (benefit)	15,829	16,552	16,713	(22,912)	26,182
Net income	$ 88,666	$ 97,724	$ 99,109	$175,944	$ 461,443
Net income per basic common share	1.00	1.11	1.13	2.03	5.25
Weighted-average number of basic common shares	88,992	88,317	87,411	86,712	87,841
Net income per diluted common share	0.98	1.09	1.12	2.00	5.19
Weighted-average number of diluted common shares and equivalents	90,269	89,381	88,451	87,851	88,979

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
Weighted-average number of basic common 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

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. 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. The Company recorded litigation provisions in the second and fourth quarters of 2012 for damages and fees estimated to be incurred in connection with complaints filed against the Company relating to patent infringement lawsuits (Note 9). In the third quarter of 2012, the Company incurred a one-time $4 million charge to purchased intangibles amortization expense related to the discontinuance of a product trade name intangible asset (Note 6). In the fourth quarter of 2012, the Company recorded a $36 million tax benefit related to the reduction in a deferred tax asset valuation reserve associated with the Company's refinancing of certain of its inter-company debt arrangements, which enabled the Company to recognize a deferred tax asset associated with a non-U.S. net operating loss carryforward (Note 8). In the fourth quarter of 2012, the Company also recorded a $6 million tax benefit related to a tax audit settlement in the U.S. 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.

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, 2012 (1) to ensure that information required to be disclosed by the Company, including its consolidated subsidiaries, in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, to allow timely decisions regarding the required disclosure and (2) to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial Reporting

See Management's Report on Internal Control Over Financial Reporting in Item 8 on page 38 of this Form 10-K.

Report of the Independent Registered Public Accounting Firm

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

Changes in Internal 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, 2012 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 2013 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 2013 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 2013 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, www.waters.com, under the caption "Governance". The Company intends to satisfy the disclosure requirement regarding any amendment to, or waiver of a provision of, the Code applicable to any executive officer or director by posting such information on 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, www.waters.com, under the caption "Governance". The Company shall provide to any person without charge, upon request, a copy of any of the foregoing materials. Any such request must be made in writing to the Secretary of the Company, c/o Waters Corporation, 34 Maple Street, Milford, MA 01757.

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

Item 11: *Executive Compensation*

This information is contained in the Company's definitive proxy statement for the 2013 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 Matters*

Except for the Equity Compensation Plan information set forth below, this information is contained in the Company's definitive proxy statement for the 2013 Annual Meeting of Stockholders under the heading "Security Ownership of Certain Beneficial Owners and Management". Such information is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2012 about the Company's common stock that may be issued upon the exercise of options, warrants, and rights under its existing equity compensation plans (in thousands):

	A	B	C
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (A))**
Equity compensation plans approved by security holders	4,809	$63.34	6,594
Equity compensation plans not approved by security holders	—	—	—
Total	4,809	$63.34	6,594

See Note 11, Stock-Based Compensation, in the Notes to Consolidated Financial Statements for a description of the material features of the Company's equity compensation plans.

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

This information is contained in the Company's definitive proxy statement for the 2013 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 2013 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 40 to 77. The report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, dated February 26, 2013, is set forth on page 39 of this Form 10-K.

(2) Financial Statement Schedule:

See (c) below.

(3) Exhibits:

Exhibit Number	Description of Document
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.(22)
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.(19)(*)
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.(12)(*)
10.7	Form of Director Stock Option Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(13)(*)
10.8	Form of Director Restricted Stock Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(13)(*)
10.9	Form of Executive Officer Stock Option Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(13)(*)
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.(24)
10.11	First Amendment to the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(10)(*)

Exhibit Number	Description of Document
10.12	Form of Amendment to Stock Option Agreement under the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(14)(*)
10.13	Waters Corporation 2003 Equity Incentive Plan.(11)(*)
10.14	Form of Executive Officer Stock Option Agreement under the Waters Corporation Second Amended and Restated 1996 Long-Term Performance Incentive Plan.(14)(*)
10.15	2008 Waters Corporation Management Incentive Plan.(19)(*)
10.16	Second Amendment to the Waters Corporation 2003 Equity Incentive Plan.(15)(*)
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.(16)(*)
10.22	Third Amendment to the Waters Corporation 2003 Equity Incentive Plan.(16)(*)
10.23	Amended and Restated Waters Retirement Restoration Plan, effective January 1, 2008.(19)(*)
10.24	Amended and Restated Waters 401(k) Restoration Plan, effective January 1, 2008.(17)(*)
10.25	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Mark T. Beaudouin.(18)(*)
10.26	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Douglas A. Berthiaume.(18)(*)
10.27	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Arthur G. Caputo.(18)(*)
10.28	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and William J. Curry.(18)(*)
10.29	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and John Ornell.(18)(*)
10.30	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Elizabeth B. Rae.(18)(*)
10.31	Waters Corporation 2009 Employee Stock Purchase Plan (20)(*)
10.32	Note Purchase Agreement, dated as of February 1, 2010, between Waters Corporation and the purchases named therein.(21)
10.33	First Amendment to the Note Purchase Agreement, dated as of February 1, 2010.(23)
10.34	Note Purchase Agreement, dated March 15, 2011, between Waters Corporation and the purchases named therein.(23)
10.35	Incremental Commitment Agreement, dated as of August 9, 2012, among Waters Corporation, JPMorgan Chase Bank, N.A., and other Lenders party thereto.(26)
10.36	Waters Corporation 2012 Equity Incentive Plan.(25)(*)

Exhibit Number	Description of Document
10.37	Form of Waters 2012 Stock Option Agreement—Executive Officers.(27)(*)
10.38	Form of Waters 2012 Stock Option Agreement—Directors.(27)(*)
10.39	Form of Waters 2012 Restricted Stock Agreement—Directors.(27)(*)
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.
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, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity and (vi) 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 S-8 dated November 20, 2003 (File No. 333-110613).

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

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

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

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

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

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

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

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

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

(21) Incorporated by reference to the Registrant's Report on Form 10-K dated February 26, 2010 (File No. 001-14010).

(22) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 6, 2010 (File No. 001-14010).

(23) Incorporated by reference to the Registrant's Report on Form 10-Q dated May 6, 2011 (File No. 001-14010).

(24) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 5, 2011 (File No. 001-14010).

(25) Incorporated by reference to the Registrant's Report on Form S-8 dated September 5, 2012 (File No. 333-183721).

(26) Incorporated by reference to the Registrant's Report on Form 10-Q dated November 2, 2012 (File No. 001-14010).

(27) Incorporated by reference to the Registrant's Report on Form 8-K dated December 11, 2012 (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) Financial Statement Schedule:

WATERS CORPORATION AND SUBSIDIARIES
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For each of the three years in the period ended December 31, 2012

	Balance at Beginning of Period	Charged to Provision for Income Taxes*	Amounts Recorded in Additional Paid-In Capital**	Balance at End of Period
Valuation allowance for deferred tax assets:				
2012	$10,248	$ 80,974	$ 2,354	$93,576
2011	$10,361	$ 63	$ (176)	$10,248
2010	$83,683	$(47,449)	$(25,873)	$10,361

* These amounts have been recorded as part of the income statement provision for income taxes. The income statement effects of these amounts have largely been offset by amounts related to changes in other deferred tax balance sheet accounts.

** During the year ended December 31, 2012, the Company recorded amounts associated with the tax benefit related to stock option plans in additional paid-in capital. During the years ended December 31, 2011 and 2010, the Company released valuation allowances on a portion of the deferred tax assets created by the tax benefit related to stock option plans that had been previously established in additional paid-in capital.

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 26, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 26, 2013.

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

Waters

NOTICE AND PROXY STATEMENT
2013

Waters

March 29, 2013

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, 2013 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 http://www.proxydocs.com/wat.

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 29, 2013, 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, 2013, (iii) to approve, by non-binding vote, executive compensation, and (iv) to consider and act upon any other matters which may properly come before the Meeting or any adjournment thereof. These matters are more fully explained in the Proxy Statement that you are encouraged to read in its entirety.

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

We hope you will be able to attend the Meeting.

Sincerely,

Douglas Berthiaume

Douglas A. Berthiaume
Chairman, President and
Chief Executive Officer

Waters

WATERS CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of Stockholders (the "Meeting") of Waters Corporation ("Waters" or the "Company") will be held at Waters Corporation, 34 Maple Street, Milford, Massachusetts 01757 on May 9, 2013 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, 2013;
3. To approve, by non-binding vote, executive compensation; and,
4. 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, 2013 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 29, 2013

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ELECTRONIC DELIVERY OF WATERS STOCKHOLDER COMMUNICATIONS

Notice of Electronic Availability of Proxy Statement and Annual Report

As permitted by Securities and Exchange Commission ("SEC") rules, Waters is making this Proxy Statement and its Annual Report available to its stockholders electronically via the Internet. On March 29, 2013, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials ("Notice") containing instructions on how to access this Proxy Statement and our Annual Report and vote by Internet. If you received the Notice by mail, you *will not* receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the Proxy Statement and Annual Report electronically or to receive a printed version in the mail. The Notice also instructs you on how you may submit your proxy over the Internet or in person at the Meeting.

Important Notice Regarding Availability of Proxy Materials:

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

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

VOTING

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the Meeting in person. Stockholders have three options for submitting their votes: (1) via the Internet, (2) by phone or (3) by mail, using a paper proxy card. If you have Internet access, we encourage you to record your vote on the Internet. It is convenient for you, and it saves the Company significant postage and processing costs. In addition, when you vote via the Internet or by telephone prior to the Meeting date, your vote is recorded immediately and there is no risk that postal delays will cause your vote to arrive late and therefore not be counted. Refer to your Notice, or the email you received for electronic delivery of the Proxy Statement for further instructions on voting.

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

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

WATERS CORPORATION
34 Maple Street
Milford, Massachusetts 01757

PROXY STATEMENT
Annual Meeting of Stockholders
May 9, 2013, 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 2013 Annual Meeting of Stockholders (the "Meeting") to be held on May 9, 2013 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 $6,000, 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, 2013 (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 85,646,429 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 29, 2013. 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, 64, 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, 54, 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., 64, 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, 56, 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 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 also a director of Unisource Worldwide, Inc. 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., 61, 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, 59, 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, 67, 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 its 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, 57, 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 American Tower and a trustee of St. Mary's College of Notre Dame. Ms. Reed's extensive experience as a senior financial executive provides the Waters Board with significant accounting, finance and health care industry expertise.

Thomas P. Salice, 53, 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, 2013. 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 2013, but will consider the stockholder vote in selecting an independent registered public accounting firm for fiscal year 2014.

Fees

The aggregate fees for the fiscal years ended December 31, 2012 and December 31, 2011 billed by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, were as follows:

	2012	2011
Audit Fees	$3,347,262	$3,470,295
Audit-Related Fees	31,670	32,999
Tax Related Fees		
Tax Compliance	326,600	453,402
Tax Planning	429,500	321,690
Total Tax Related Fees	756,100	775,092
All Other Fees	-0-	1,500
Total	$4,135,032	$4,279,886

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 statutory audits, 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 including but not limited to, the impact of acquisitions, restructurings and changes in regulations.

All Other Fees — consists of fees for all 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 stockholders of Waters are entitled to cast an advisory vote at the 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.
- Annual performance targets represent challenging operational and financial goals.
- Named executive officers have had an annual performance target of 15% non-GAAP earnings per diluted share ("E.P.S.") growth for 2012 and the prior sixteen years.
- Target non-GAAP E.P.S. performance of 15% growth has been achieved in twelve of the past seventeen years and Waters has delivered an annual compounded non-GAAP E.P.S. growth rate of 16% over the past ten years.
- In 2012, neither the target of 15% non-GAAP E.P.S growth nor the threshold of 7% non-GAAP E.P.S. growth were met resulting in no annual bonus payments to named executive officers for 2012.

A description of GAAP to non-GAAP items can be found here under in the section, Compensation of Directors and Executive Officers, Elements of Executive Compensation, *Annual Incentive*. A reconciliation of GAAP to non-GAAP E.P.S. and non-GAAP operating income can be found on the Company's web-site at http://www.waters.com 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;
- a compensation recoupment policy; and
- a balanced program that does not include perquisites and guaranteed payments as a significant source of compensation

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 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. 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 six meetings during the year ended December 31, 2012. 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 on the Company's website at http://www.waters.com under the caption "Corporate 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 engages the independent registered public accounting firm, and performs certain other functions pursuant to its charter, a copy of which is available on the Company's website at http://www.waters.com under the caption "Corporate 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 on the Company's website at http://www.waters.com under the caption "Corporate 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 2012, 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 2012, 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 but two Directors attended the 2012 annual meeting of stockholders.

CORPORATE GOVERNANCE

Annual Evaluation

During 2012, the Nominating and Corporate Governance Committee of the Board conducted its annual 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 2012. 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 2013. 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 named 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 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 named executive officers. These guidelines provide for the accumulation by anyone who holds the Chief Executive Officer position of common stock equal to five times his base salary over a three-year period. 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 such executive officer shall become non-compliant with the guidelines, he or she shall have a period of twelve (12) months to again come into compliance with the guidelines. If, after such twelve month period, the named executive officer remains non-compliant, then, with respect to any subsequent exercise of a stock option by such executive officer, 50% of such executive's net after tax profit from such exercise must 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, apply toward the satisfaction of the guidelines. The ownership guidelines have been met by all Directors 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 facilitates an appropriate balance between such leadership and independent and effective oversight of the Company's affairs.

Majority Voting

The Company's by-laws provide for majority voting for Directors in uncontested elections. A further description of the Company's majority voting provisions can be found under "Proposal 1. Election of Directors" herein.

Guidelines and Code of Conduct

The Board has adopted Corporate Governance Guidelines, a Code of Business Conduct and Ethics for employees, executive officers and Directors and a "whistleblower" policy regarding the treatment of complaints on accounting, internal accounting controls and auditing matters. All of these documents are available on the Company's website at http://www.waters.com under the caption "Corporate 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 2012, 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, including compliance with applicable provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; 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 2012, 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 26, 2013, 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, 2012.

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 2012. The charter is available on the Company's website at http://www.waters.com under the caption "Corporate 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, 2012. 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, 2012 that:

1. It has reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2012 with Company management;
2. It has discussed with PricewaterhouseCoopers LLP those matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Codification of Statement on Auditing Standards, AU §380) as adopted by the Public Company Accounting Oversight Board ("PCAOB") in rule 3200T;
3. It has received from PricewaterhouseCoopers LLP written disclosures and a letter required by the applicable requirements of the PCAOB regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence;
4. It has considered whether, and determined that, the provision of non-audit services to the Company by PricewaterhouseCoopers LLP as set forth below, was compatible with maintaining auditor independence; and
5. It has reviewed and discussed with PricewaterhouseCoopers LLP its internal quality control procedures, and any material issues raised by the most recent internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years.

Based on the items reported above, on February 26, 2013, 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, 2012 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 2012, 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 officer 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, 2012 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 its 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, among others, (1) the Company's Recoupment Policy for Management Incentive Plan awards; (2) stock ownership guidelines for named executive officers; and (3) independent oversight of compensation programs by the Compensation Committee with input from an independent compensation consultant. 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 2012. Pearl Meyer & Partners participates in Compensation Committee meetings and executive sessions and advises the Compensation Committee on a range of executive officer 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 officer and director compensation, including defining peer groups, comparing executive officer 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.

The Compensation Committee regularly reviews the services provided by its outside consultants and believes that Pearl Meyer & Partners is independent in providing executive compensation consulting services.

The Compensation Committee conducted a specific review of its relationship with Pearl Meyer & Partners in 2012, and determined that Pearl Meyer & Partners' work for the Compensation Committee did not raise any conflicts of interest, considering the factors set forth in applicable SEC and New York Stock Exchange Rules. The Compensation Committee continues to monitor the independence of its compensation consultant on a periodic basis.

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, after consulting with 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, however, 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 2012 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 2012 Say on Pay vote. Details of our compensation programs are discussed in further detail in the appropriate sections of this Compensation Discussion and Analysis:

2012 Company Performance

- Non-GAAP E.P.S. grew 2.5% in 2012 to $4.93 from $4.81 in 2011.
- Non-GAAP Operating Income was $541,574,000 in 2012 as compared to $547,524,000 in 2011.

A description of GAAP to non-GAAP items can be found here under in the section Elements of Executive Compensation, *Annual Incentive*. A reconciliation of GAAP to non-GAAP E.P.S. and non-GAAP operating income can be found on the Company's web-site at http://www.waters.com 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

Impact of Company Performance on Compensation

The following actions and decisions were taken in 2012 as a result of Company performance:

- Base Salaries: In December 2011, the Committee approved salary increases to be effective January 1, 2012 for named executive officers which ranged between 2.5% to 3.5%. For 2013, in light of projected difficult economic conditions, the base salaries of named executive officers were reduced by amounts that range from 3.0% to 5%. These salary decreases were approved in December 2012 and are effective January 1, 2013.
- Annual Incentive Plan: For 2012, payments under the Company's Management Incentive Plan were based on non-GAAP E.P.S. growth for 2012 and minimum non-GAAP operating income. As neither the non-GAAP E.P.S. performance nor the non-GAAP operating income threshold was met, there were no payouts under the Management Incentive Plan to named executive officers for 2012 performance.
- Long-Term Incentive Plan: Stock options were granted to the named executive officers on December 11, 2012. The number of stock options granted to each named executive officer on December 11, 2012 and the grant price of these awards were consistent with prior year grants and the objective to continue to align the long-term interests of executive officers with shareholders. 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 due to his substantial ownership position in Company stock.

Compensation Governance and Pay Practices

- The Company has adopted a Recoupment Policy for incentive awards paid to executive officers under the Management Incentive Plan. A full description of the policy can be found 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 a Compensation Committee consultant.

2012 Say on Pay Vote

- The Compensation Committee values the opinions of our stockholders and considers the outcome of the annual Say on Pay stockholder votes in determining the structure of executive compensation, as well as in making future compensation decisions. Waters received strong stockholder support of our executive compensation programs in both 2012 and 2011 with 94% and 95% of voted shares voting in favor of Waters executive compensation programs, respectively. In part, due to 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

The Waters executive compensation program is intended to be both performance and market-based such that a significant portion of compensation is 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. Base salaries are generally targeted below the market median for similarly situated executives in comparable firms. Actual base salaries may vary from this generally targeted position based on the performance, tenure, experience and contributions of the individual.

Annual incentive target awards are intended to be at or slightly above the market median. In aggregate, these two annual components, base salary and annual incentive, provide a target total cash compensation opportunity that approximates the median of the market for achieving target performance goals. Annual performance targets represent challenging operational and financial goals. Actual incentives will vary with the performance of the Company and the overachievement of performance goals will provide opportunity for significantly greater reward on an annual basis. Underachievement of threshold goals will result in no payout. 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 in total comprise a substantial portion of the target total direct compensation (base salary, target annual incentive and value of stock option award) for named executive officers. In 2012, performance-oriented compensation instruments represent an average of 78% of the target total direct compensation for named executive officers as a group.

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 and analysis 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 prepares this analysis (the "Pearl Meyer & Partners Executive Compensation Competitive Assessment") annually for the Compensation Committee.

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 2012 Industry Peer Group is comprised of the same companies as in 2011. They 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, 2012 was $2,460,000,000 and $5,848,000,000 respectively. Waters' revenue and market capitalization for the same period were $1,848,000,000 and $6,967,000,000 respectively.

Two companies in the peer group, Agilent and Thermo Fisher Scientific, have revenues above the target range, but are included in the peer group because (1) they have similar products and services offerings as Waters, (2) they are direct competitors of Waters, (3) Waters competes 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 2012 Compensation Element Results in the following table reflect the analysis completed by Pearl Meyer & Partners at the end of 2012.

Compensation Element	Objective	Executive Compensation Philosophy	2012 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 2012 base salaries for named executive officers was at the 40th percentile of the market.
Annual Incentive	To motivate named 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 2012 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	2012 Result
Long-Term Performance Based Awards	To motivate senior executives and other key employees to contribute to the Company's long-term growth of stockholder value and to align compensation with the growth in Waters stock price. Long-Term Performance-Based Awards are also designed to retain senior executives and key employees.	Equity compensation in the form of non-qualified stock options is targeted to be at or above the competitive market and to represent a significant portion of the executive's total direct compensation. Individual grants are determined based on the executive's position, performance, tenure, experience and contributions.	Non-qualified stock option grants and Target Total Direct Compensation both approximated the 70th percentile of the market. Target Total Direct Compensation is defined as the sum of Total Target Cash plus the value of the most recent Long-Term Incentive Grant.

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 an executive officer's 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 Executive Compensation Competitive Assessment completed at the end of 2011 provided the competitive market position used in determining the base salary in effect in 2012. The competitive market position at the end of 2011 averaged at the 40th percentile for named executive officers as a group. Salary increases for named executive officers ranged from 2.5% to 3.5% and were effective in January 2012.

Similarly, the Pearl Meyer & Partners Executive Compensation Competitive Assessment at the end of 2012 provided the competitive market information used in approving base salary changes in December 2012 to be effective in January 2013. The overall competitive position of base salaries for named executive officers in this analysis was also at the 40th percentile. However, in light of projected difficult economic conditions, salaries for named executive officers were reduced by amounts that range between 3% and 5%. The reduced salaries were effective in January 2013.

Annual Incentive

The Management Incentive Plan is the annual incentive plan for named 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 named 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 2012 Management Incentive Plan structure is described in the table below and is unchanged from the payout structure in 2011.

Name	2012 Management Incentive Plan Payout Structure as a Percent of Base Salary		
	Threshold Performance	Target Performance	Maximum Performance
Douglas A. Berthiaume	**31.25%**	**125%**	**412.5%**
Arthur G. Caputo	**27.5%**	**110%**	**350.02%**
John A. Ornell	**25%**	**100%**	**318.2%**
Mark T. Beaudouin	**18.75%**	**75%**	**238.65%**
Elizabeth B. Rae	**12.5%**	**50%**	**159.1%**

All payouts at threshold performance are equal to .25 times 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. The maximum payout under the plan is 3.3 times the target for Mr. Berthiaume and 3.182 times the target payouts for Messrs. Caputo, Ornell and Beaudouin and Ms. Rae. Payouts are interpolated for performance between threshold, target and maximum levels. The Compensation Committee believes that a maximum payout opportunity of 3.3 and 3.182 times the target payout 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 overachievement of challenging performance goals. As discussed in detail below, the Compensation Committee establishes annual performance goals which represent strong Company performance.

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 seventeen 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 stockholder 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 any benefits from finance costs, taxes and stock repurchases to non-GAAP E.P.S. The non-GAAP E.P.S. growth targets are based on E.P.S. reported in accordance with GAAP, but 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, if any, for the named executive officers under the Management Incentive Plan.

For the 2012 fiscal year, the Compensation Committee again established a 15% non-GAAP E.P.S. growth target over 2011. 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 2012 was 7% growth over 2011 and the 2012 minimum non-GAAP E.P.S threshold performance requirement was 7% growth over 2011. The maximum payout requires 27.5% non-GAAP E.P.S. growth over 2011. 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 only. In fiscal year 2012, the Company did not meet the minimum non-GAAP operating income and non-GAAP E.P.S. thresholds and there were no payouts under the Management Incentive Plan for named executive officers. Non-GAAP operating income for 2012 was $541,574,000 which represents a 1% decline over 2011 non-GAAP operating income of $547,524,000. Non-GAAP E.P.S. for 2012 was $4.93 which represents 2.5% growth over 2011 non-GAAP E.P.S. of $4.81. Non-GAAP E.P.S. and non-GAAP operating income for 2012 and 2011 excluded, net of tax, as applicable, purchased intangibles amortization, tax audit settlements and adjustments, asset impairments, restructuring costs, litigation provisions 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 17 years and has exceeded threshold performance of 7% non-GAAP E.P.S. growth in 14 of the past 17 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.

Consistent with the Company's philosophy of a Total Target Cash competitive position that is at or slightly above the market median, the 2012 Pearl Meyer & Partners Executive Compensation Competitive Assessment showed that the overall Total Target Cash competitive position for named executive officers was at the 55th percentile.

On an annual basis the Committee considers an appropriate non-GAAP operating income and non-GAAP E.P.S. threshold for threshold payments under the Management Incentive Plan taking into consideration factors including, but not limited to, the Company's current year operating plan and the general outlook for economic conditions. For fiscal year 2013, the Compensation Committee has again established a 15% non-GAAP E.P.S. growth target for a target payout under the Management Incentive Plan. For a payout at threshold in 2013, the Committee established threshold performance goals of a 3% non-GAAP operating income growth and a 7% non-GAAP E.P.S. growth. The maximum payout will require non-GAAP E.P.S. growth of 27.5%. Payouts are interpolated for performance between threshold, target and maximum levels.

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 was prepared by Pearl Meyer & Partners as of the fiscal year ended December 31, 2011. In this analysis the Company's annual share usage, as a percent of common shares outstanding, was at the 40th percentile for the most recent annual grant and the 50th percentile for an average of the past three years grants when compared to that of the Industry Peer Group. The Company's dilution was 6.0% which represent approximately the 55th percentile of the Industry Peer Group. The Company's fair market value stock-based expense approximates the market median and as a percent of market capitalization approximates the 25th percentile. The Compensation Committee reviews these metrics annually and in 2012 determined that the overall grant practices with respect to share usage and stock compensation expense were appropriate relative to the Industry Peer Group.

Competitive market data for long-term performance-based awards is also 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 long-term incentives in the form of 100% stock options because executives only realize value if stockholders realize value. Furthermore, the Committee targets grant values above the median of the competitive market data for each named executive officer since 100% of the long-term incentives are at risk and ultimately dependent on the long-term performance of the Company. The Pearl Meyer & Partners 2012 Competitive Assessment indicated that the stock option awards granted in December 2011 for the named executive officers ranged between the 65th and 75th percentiles and averaged approximately the 70th percentile of the Black Scholes value competitive market data prepared by Pearl Meyer & Partners. In addition, the Pearl Meyer & Partners' report indicated that peer counterparts received approximately 35% to 40% of their long-term incentive awards in the form of time-based restricted stock. The option grants approved in December 2012 for Messrs. Caputo, Ornell and Beaudouin and Ms. Rae were within the competitive range derived by applying 15% above and below the 50thth 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 emphasize long-term performance-based awards 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 2012. Due to Mr. Berthiaume's significant ownership position in the Company, Mr. Berthiaume declined to be considered for an option grant in 2012. The Compensation Committee will continue to consider Mr. Berthiaume for future stock option grants.

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 2012 as in December 2011.

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 2012 Equity Incentive Plan based on the closing price of the Waters' common stock on the grant date, December 11, 2012. 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. The December 11, 2012 grant agreements provide for the acceleration of vesting of unvested options upon the death of a named executive officer or senior executive.

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 and other senior executives 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 of control of the Company, and to ensure the ability of executives to evaluate a potential change of control in the best interests of the Company and stockholders. In addition, under the terms and conditions of the executive officers' stock option agreements issued under the 2003 Equity Incentive Plan and the 2012 Equity Incentive Plan, in the event of a change of control, all of the named executive officers and other senior executives' 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.

Equity 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

The Company has adopted a Recoupment Policy for incentive awards paid to named 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 and 2012 Equity Incentive Plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. 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. 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 named executive officers for the fiscal years ended December 31, 2012, 2011 and 2010.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Douglas A. Berthiaume Chairman, President and Chief Executive Officer	**2012**	**$814,776**	**—**	**—**	**$0**	**$0**	**$104,369**	**$143,827**	**$1,062,972**
	2011	**$794,903**	**—**	**—**	**$0**	**$1,562,840**	**$150,965**	**$138,022**	**$2,646,730**
	2010	**$757,050**	**—**	**—**	**$0**	**$1,483,269**	**$155,091**	**$46,755**	**$2,442,165**
Arthur G. Caputo Executive Vice President and President, Waters Division	**2012**	**$508,506**	**—**	**—**	**$2,611,400**	**$0**	**$65,248**	**$16,170**	**$3,201,324**
	2011	**$491,310**	**—**	**—**	**$3,289,000**	**$821,893**	**$102,106**	**$16,032**	**$4,720,341**
	2010	**$463,500**	**—**	**—**	**$2,651,000**	**$792,652**	**$92,655**	**$16,032**	**$4,015,839**
John A. Ornell Vice President Finance and Administration and Chief Financial Officer	**2012**	**$414,704**	**—**	**—**	**$1,424,400**	**$0**	**$40,961**	**$36,267**	**$1,916,332**
	2011	**$400,680**	**—**	**—**	**$1,794,000**	**$609,347**	**$69,562**	**$35,359**	**$2,908,948**
	2010	**$378,000**	**—**	**—**	**$1,446,000**	**$549,470**	**$51,812**	**$15,723**	**$2,441,005**
Mark T. Beaudouin Vice President, General Counsel and Secretary	**2012**	**$401,020**	**—**	**—**	**$1,187,000**	**$0**	**$13,216**	**$51,768**	**$1,653,004**
	2011	**$389,340**	**—**	**—**	**$1,495,000**	**$444,076**	**$21,784**	**$32,245**	**$2,382,445**
	2010	**$370,800**	**—**	**—**	**$1,205,000**	**$443,885**	**$17,683**	**$23,272**	**$2,060,640**
Elizabeth B. Rae Vice President, Human Resources	**2012**	**$245,334**	**—**	**—**	**$949,600**	**$0**	**$13,501**	**$36,115**	**$1,244,550**
	2011	**$237,038**	**—**	**—**	**$1,196,000**	**$180,242**	**$23,493**	**$26,406**	**$1,663,179**
	2010	**$225,750**	**—**	**—**	**$964,000**	**$193,033**	**$16,026**	**$14,080**	**$1,412,889**

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

(c) Reflects the base salary earned by the executive officer during 2012, 2011 and 2010 respectively.

(f) FASB ASC Topic 718 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, 2012, 2011 and 2010. The closing prices of the common stock on the grant dates December 11, 2012, December 7, 2011 and December 9, 2010 were $87.06, $79.15 and, $79.05, respectively. The Compensation Committee considered Mr. Berthiaume for an option grant, however due to his significant stock ownership position in the Company, he declined to be considered for a grant in 2012, 2011 and 2010.

(g) Reflects the annual incentive compensation earned in 2012, 2011 and 2010 respectively, under the Company's Management Incentive Plan. No incentive was earned for 2012.

(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 2012, 2011 and 2010. 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 2012, 2011 and 2010.

Named Executive Officer	Matching Contributions 401(k) Restoration Plan and 401(k) Plan			Company Paid Group Term Life Insurance Premiums		
	2012	2011	2010	2012	2011	2010
Douglas A. Berthiaume	**$142,657**	**$136,690**	**$45,423**	**$1,170**	**$1,332**	**$1,332**
Arthur G. Caputo	**$15,000**	**$14,700**	**$14,700**	**$1,170**	**$1,332**	**$1,332**
John A. Ornell	**$35,097**	**$34,117**	**$14,700**	**$1,170**	**$1,242**	**$1,023**
Mark T. Beaudouin	**$50,705**	**$31,125**	**$22,249**	**$1,063**	**$1,120**	**$1,023**
Elizabeth B. Rae	**$35,560**	**$25,804**	**$13,545**	**$555**	**$602**	**$535**

(j) Reflects the total of compensation elements reported in columns (a) through (i) for 2012, 2011 and 2010.

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

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
		Threshold ($)	Target ($)	Maximum ($)			
(a)	(b)	(c)	(d)	(e)	(j)	(k)	(l)
Douglas A. Berthiaume		$254,618	$1,018,470	$3,360,951			
Arthur G. Caputo	12/11/2012				110,000	$87.06	$2,611,400
		$139,839	$ 559,357	$1,779,873			
John A. Ornell	12/11/2012				60,000	$87.06	$1,424,400
		$103,676	$ 414,704	$1,319,588			
Mark T. Beaudouin	12/11/2012				50,000	$87.06	$1,187,000
		$ 75,191	$ 300,765	$ 957,034			
Elizabeth B. Rae	12/11/2012				40,000	$87.06	$949,600
		$ 30,667	$ 122,667	$ 390,326			

(c), (d), (e) Reflects the range of payout under the Company's Management Incentive Plan from threshold performance to maximum performance for 2012. 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 11, 2012. 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 2012; however, Mr. Berthiaume declined to be considered for an option grant in 2012 due to his significant stock ownership position in the Company.

(k) Reflects the closing price of the common stock on the grant date of December 11, 2012.

(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 2012, 2011 and 2010. Incentive payments, if any, were based on exceeding the threshold requirements for non-GAAP operating income and 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 2012 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 2012 Equity Incentive Plan. These stock option awards were granted at a meeting of the Compensation Committee held on December 11, 2012. The exercise price of $87.06 is equal to the closing market price of the common stock on December 11, 2012. 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 2012, 2011 or 2010.

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, 2012. There are no stock awards outstanding for named executive officers as of December 31, 2012.

Outstanding Equity Awards at Fiscal Year-End 2012

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
(a)	(b)	(c)	(d)	(e)	(f)
Douglas A. Berthiaume	150,000	0	—	$47.12	12/8/2014
	150,000	0	—	$32.12	12/11/2013
Arthur G. Caputo	0	110,000	—	$87.06	12/11/2022
	22,000	88,000	—	$79.15	12/7/2021
	44,000	66,000	—	$79.05	12/9/2020
	60,000	40,000	—	$59.44	12/9/2019
	80,000	20,000	—	$41.20	12/10/2018
	85,000	0	—	$77.94	12/11/2017
	100,000	0	—	$49.31	12/13/2016
	100,000	0	—	$38.99	12/2/2015
	125,000	0	—	$47.12	12/8/2014
	100,000	0	—	$32.12	12/11/2013
John A. Ornell	0	60,000	—	$87.06	12/11/2022
	12,000	48,000	—	$79.15	12/7/2021
	24,000	36,000	—	$79.05	12/9/2020
	30,000	20,000	—	$59.44	12/9/2019
	32,000	8,000	—	$41.20	12/10/2018
	34,000	0	—	$77.94	12/11/2017
	40,000	0	—	$49.31	12/13/2016
Mark T. Beaudouin	0	50,000	—	$87.06	12/11/2022
	10,000	40,000	—	$79.15	12/7/2021
	20,000	30,000	—	$79.05	12/9/2020
	24,000	16,000	—	$59.44	12/9/2019
	32,000	8,000	—	$41.20	12/10/2018
	34,000	0	—	$77.94	12/11/2017
	40,000	0	—	$49.31	12/13/2016
Elizabeth B. Rae	0	40,000	—	$87.06	12/11/2022
	8,000	32,000	—	$79.15	12/7/2021
	16,000	24,000	—	$79.05	12/9/2020
	18,000	12,000	—	$59.44	12/9/2019
	12,000	6,000	—	$41.20	12/10/2018
	25,000	0	—	$77.94	12/11/2017
	6,000	0	—	$49.31	12/13/2016

(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, 2011 and 2012, Mr. Berthiaume declined to be considered for an option grant in each of these years due to his substantial stock ownership in the Company. 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 11, 2017 or earlier are 100% vested as of December 11, 2012. Vesting dates for annual grants with expiration dates after December 11, 2017 are December 10, December 9, December 9, December 7 and December 11, 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 2012

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized Upon Exercise ($)**
(a)	(b)	(c)
Douglas A. Berthiaume	0	$0
Arthur G. Caputo	60,000	$3,907,206
John A. Ornell	0	$0
Mark T. Beaudouin	0	$0
Elizabeth B. Rae	0	$0

(a) All options exercised by Mr. Caputo had expiration dates of December 30, 2012.

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

Pension Benefits Fiscal Year 2012

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefits ($)	Payments During Last Fiscal Year ($)
(a)	(b)	(c)	(d)	(e)
Douglas A. Berthiaume	Waters Corporation Retirement Plan	32.12	$372,759	—
	Waters Corporation Retirement Restoration Plan	32.12	$1,940,788	—
Arthur G. Caputo	Waters Corporation Retirement Plan	35.19	$404,927	—
	Waters Corporation Retirement Restoration Plan	35.19	$790,045	—
John A. Ornell	Waters Corporation Retirement Plan	22.54	$285,052	—
	Waters Corporation Retirement Restoration Plan	22.54	$240,183	—
Mark T. Beaudouin	Waters Corporation Retirement Plan	9.75	$70,244	—
	Waters Corporation Retirement Restoration Plan	9.75	$123,246	—
Elizabeth B. Rae	Waters Corporation Retirement Plan	16.96	$139,633	—
	Waters Corporation Retirement Restoration Plan	16.96	$22,381	—

The present value of the accumulated benefit is calculated in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 715 Compensation – Retirement Benefits. Please refer to the footnotes in the Waters 2012 Annual Report for the fiscal year ended December 31, 2012 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, Caputo and Ornell are former Millipore Retirement Plan participants and are eligible for retirement.

The valuation method and material assumptions used in calculating the benefits reported in column (d) are disclosed in the Waters 2012 Annual Report for the fiscal year ended December 31, 2012.

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	**$142,657**	**$127,657**	**$958,742**	**$0**	**$6,335,483**
Arthur G. Caputo	**$0**	**$0**	**$87,202**	**$0**	**$949,671**
John A. Ornell	**$24,882**	**$20,097**	**$28,072**	**$0**	**$929,239**
Mark T. Beaudouin	**$84,510**	**$35,706**	**$111,672**	**$0**	**$935,297**
Elizabeth B. Rae	**$25,535**	**$20,561**	**$24,932**	**$0**	**$223,664**

(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 2012, 2011, 2010, 2009, 2008, 2007 and 2006 for Messrs. Berthiaume, Caputo, Ornell and Beaudouin and Ms. Rae: $1,367,133, $108,030, $331,729, $617,640 and $183,990, 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 ($17,000 in 2012 or $22,500 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 2012, 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 of a 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 of 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. While these existing agreements contain an excise tax provision under §§280G and 4999 of the Internal Revenue Code, no agreements executed after February 27, 2008 contain a provision for an excise tax gross-up.

In addition, under the terms and conditions of the named executive officers' stock option agreements issued under the 2003 Equity Incentive Plan and the 2012 Equity Incentive Plan, in the event of a change of 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, 2012 and within 18 months of a change of 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, 2012.

Potential Payments Upon Termination Following a Change of Control

	Cash Severance		Other Benefits			
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	$1,629,552	$2,036,940	$37,928	—	—	$3,704,420
Arthur G. Caputo	$1,017,012	$1,118,713	$26,589	$3,266,180	—	$5,428,494
John A. Ornell	$829,408	$829,408	$37,234	$1,597,640	—	$3,293,690
Mark T. Beaudouin	$802,040	$601,530	$37,671	$1,374,140	—	$2,815,381
Elizabeth B. Rae	$490,668	$245,334	$35,721	$1,058,800	—	$1,830,523

The cash severance was calculated assuming the base salary and annual incentive plan target under the Management Incentive Plan for 2012, in effect on December 31, 2012. The benefit continuation payment is based on premium costs as of December 31, 2012.

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 2012

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Total ($)
(a)	(b)	(c)	(d)	(h)
Joshua Bekenstein	**$68,500**	**$113,910**	**$114,720**	**$297,130**
Michael J. Berendt, Ph.D.	**$73,000**	**$113,910**	**$114,720**	**$301,630**
Edward Conard	**$73,000**	**$113,910**	**$114,720**	**$301,630**
Laurie H. Glimcher	**$67,000**	**$113,910**	**$114,720**	**$295,630**
Christopher A. Kuebler	**$71,500**	**$113,910**	**$114,720**	**$300,130**
William J. Miller	**$89,500**	**$113,910**	**$114,720**	**$318,130**
JoAnn A. Reed	**$74,500**	**$113,910**	**$114,720**	**$303,130**
Thomas P. Salice	**$115,000**	**$113,910**	**$114,720**	**$343,630**

(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, 2012, with a grant date fair value of $75.94 and a vesting date of January 30, 2015. The closing price of the common stock was $75.94 on January 3, 2012. On December 31, 2012, all Directors held 4,500 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, 2012, with an exercise price of $75.94, grant date fair value of $28.68 and a vesting schedule of 20% per year for five years. The closing price of the common stock on January 3, 2012 was $75.94 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, 2012, were 35,000, 35,000, 35,000, 27,000, 35,000, 35,000, 20,900 and 27,000 options, respectively. FASB ASC Topic 718 is the accounting standard used in determining the aggregate grant date fair value of the option awarded. The 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 Footnote 11 Stock-Based Compensation in the Waters 2012 Annual Report for the fiscal year ended December 31, 2012.

Board compensation in 2012 included a retainer of $55,000 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 $70,000. 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 to directors on the first business day of the fiscal year and each director received 4,000 non-qualified stock options and 1,500 shares of restricted stock on January 3, 2012. 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. There were no changes made to the annual Board retainer, the Committee Chairman retainers or the meeting fees for 2013. 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 2, 2013. Based on the competitive assessment by Pearl Meyer & Partners and to align equity practices for the Board with that of the Peer Group, the 2013 restricted stock and stock option grants had a one year vesting provision. Additionally, the 2013 restricted stock and stock option grant agreements provide for acceleration of any unvested restricted stock or stock options upon death of a Director. The exercise price of the stock option grant was equal to $88.71 per share, the closing price on January 2, 2013.

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 2012.

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 its review and 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, 2013 by each person or entity known to the Company who owns beneficially five percent or more of the common stock, by each named executive officer and Director nominee and all executive officers and Director nominees as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage of Outstanding Common Stock(1)
5% Stockholders		
Massachusetts Financial Services Company(2)	10,199,880	11.91%
BlackRock, Inc.(3)	6,020,960	7.03%
The Vanguard Group, Inc.(4)	5,230,111	6.11%
Executive Officers and Directors		
Mark T. Beaudouin(5)(6)	166,250	*
Douglas A. Berthiaume(5)(7)	3,331,261	3.88%
Arthur G. Caputo(5)	795,881	*
John Ornell(5)(8)	189,975	*
Elizabeth Rae(5)(9)	91,282	*
Joshua Bekenstein(5)(10)	67,100	*
Dr. Michael J. Berendt(5)	48,600	*
Edward Conard(5)(10)	63,100	*
Dr. Laurie H. Glimcher(5)	14,200	*
Christopher A. Kuebler(5)	29,100	*
William J. Miller(5)(10)	45,100	*
JoAnn A. Reed(5)	29,100	*
Thomas P. Salice(5)(10)(11)	83,559	*
All Directors and Executive Officers as a group (13 persons)	4,954,507	5.68%

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

(1) Figures are based upon 85,646,429 of common stock outstanding as of March 15, 2013. 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, 2013.

(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 February 13, 2013. The Schedule 13G/A indicates that MFSC was the beneficial owner with sole dispositive power as to 10,199,880 shares, with sole voting power as to 7,906,713 shares and shared voting power as to none of the shares. The address of MFSC is 111 Huntington Ave, Boston, MA 02199.

(3) 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 5, 2013. 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 52nd Street, New York, NY 10022.

(4) 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 11, 2013. The Schedule 13G/A indicates that the Vanguard Group, Inc. was the beneficial owner with sole dispositive power as to 5,084,622 shares, shared dispositive power as to the 145,489 shares, sole voting power as to 153,089 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.

(5) 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, 2013 as follows: Mr. Beaudouin 160,000, Mr. Berthiaume 300,000, Mr. Caputo 716,000, Mr. Ornell 172,000, Ms. Rae 85,000, Mr. Bekenstein 27,100, Dr. Berendt 27,100, Mr. Conard 27,100, Dr. Glimcher 6,200, Mr. Kuebler 19,100, Mr. Miller 27,100, Ms. Reed 19,100 and Mr. Salice 27,100.

(6) Includes 5,275 shares held in Mr. Beaudouin's ESPP and 401(k) accounts.

(7) Includes 69,000 shares held by Mr. Berthiaume's wife, 794,562 shares held by a family limited partnership, 34,633 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.

(8) Includes 11,971 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.

(9) Includes 5,382 shares held in Ms. Rae's ESPP and 401(k) accounts.

(10) 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.

(11) Includes 3,000 shares held in Mr. Salice's Individual Retirement Account, 7,950 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 of Waters 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, 2012.

STOCKHOLDER PROPOSALS

Proposals of stockholders to be presented at the 2014 Annual Meeting of Stockholders anticipated to be scheduled on or about May 8, 2014, 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 29, 2013. 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.

Notes

Notes

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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

Elizabeth B. Rae
Vice President
Human Resources

Transfer Agent and Registrar

Shareholder correspondence should
be mailed to:
Computershare
P.O. Box 43006
Providence, RI 02940-3006

Overnight correspondence should
be mailed to:
Computershare
250 Royall Street
Canton, MA 02021

Shareholder website:
www.computershare.com/investor
Shareholder online inquiries:
https://www-us.computershare.com/
investor/Contact

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: Thursday, 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
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Waters

THE SCIENCE OF WHAT'S POSSIBLE.™

March 2013 720004578EN AO-RRD

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