2014 Annual Report

Waters

THE SCIENCE OF WHAT'S POSSIBLE.®

Customer Success is our Mission

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

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.

2014 Shareholder Report

Dear Shareholders:

Our 2014 financial results were highlighted by our eight percent constant currency revenue increase in the fourth quarter resulting in full year sales growth of six percent. As in recent years, foreign currency headwinds created challenges to maintaining our traditional earnings per share growth. However, consistent with our history, we carefully managed our expenses throughout the year while launching new instrument systems and integrating a handful of small acquired businesses. As has been our strategy for several years, the primary use of strong cash generation was our ongoing share repurchase program. Over the years, this program has considerably reduced our share count.

An important factor for Waters Corporation's continued annual growth in 2014 was strong demand from the pharmaceutical sector. Longtime shareholders understand the importance of this market segment on Waters' revenue growth. And while we continue to develop technologies and applications valued by the food, environmental, clinical, chemical and physical materials industries, the effect of a strong response by pharmaceutical can and has driven year-on-year growth.

As encouraging as the pharmaceutical demand was, equally important was that this strength was broadly balanced across geographies and application ranges. Traditionally strong markets in the Americas and Europe offset softer demands from China experienced throughout our sector. From early discovery to product release, Waters experienced a full breadth of application success in 2014.

ACQUITY UPLC – Ten Years of Impact

Last year marked the ten-year anniversary of ACQUITY UltraPerformance LC® (UPLC®) technology which transformed the analytical science industry both scientifically as well as from a business standpoint. The novel capability of ACQUITY UPLC® technology has shown time and again that ACQUITY UPLC systems yield significant productivity gains for customers through a broad range of applications.

This historic jump in liquid chromatography performance brought about by the ACQUITY UPLC systems has also proven the technology to be a sustainable solution for laboratories: saving energy, using less solvent and producing less waste. In comparison to traditional chromatography technologies, laboratories utilizing ACQUITY UPLC systems save approximately 222 liters of solvent per year. Over a ten year period, that equates to 5.5 million liters of solvent saving Waters' customers a total of more than a HALF BILLION USD.

Focus on Core Technologies

Since 2004, Waters has introduced a succession of breakthrough products that further extends the importance of UPLC technology, most recently being the award winning ACQUITY QDa® detector. The first mass detector to bring high-quality, mass spectral data to chromatographic separations, the ACQUITY QDa detector is the realization of a vision that started twenty years ago at Waters. This mass detector blends chromatography and mass spectrometry technologies together in a way that gives every analytical scientist access to mass spectral data at the push of a button regardless of their previous experience with mass spectrometry.

Just as the ACQUITY QDa detector expanded access to mass spectrometry for more chromatographers, the 2014 introduction of the ionKey/MS™ system extends the power of chromatographic separations to mass spectrometrists. IonKey/MS technology integrates a UPLC separation through a plug-and-play device about the size of a smart phone. It contains the fluidic connections, UPLC-grade separation particles and electronics needed to produce significant improvement in nano-scale chromatography. At this scale of chromatography where sample amounts are typically limited, the ionKey/MS system offers scientists unprecedented sensitivity and ease-of-use for complex biological samples.

These and other Waters' innovations don't happen by chance. They are a product of commitment and investment as exemplified by the 2014 opening of Waters' new, custom-built mass spectrometry headquarters in Wilmslow, UK. The facility has been designed and equipped to accelerate innovation in the field of mass spectrometry.

Constructed in less than two years from ground-breaking to completion, the new facility unites Waters' previous mass spectrometry centers supporting more than 500 employees. The 2313m² facility includes state-of-the-art customer demonstration laboratories, research and development capabilities and an expanded manufacturing capacity. The site was constructed to the "Very Good" BREEAM rating, with sustainability elements built throughout, including rain water harvesting tanks, solar panels and heat recovery systems.

We look forward to many years of mass spectrometry innovation emanating from this new facility.

Mass Spectrometry: A Tool for Today's Complex Health Challenges

The nature of healthcare and disease has changed. A century ago, one was more likely to be struck by infectious diseases like influenza and pneumonia compared to the prevalence of chronic diseases today. We are now in the age of chronic disease. Progress in reducing the frequency and burden of these conditions can be accelerated with the development of highly predictive diagnostic tests that accurately forecast the health conditions a person is genetically predisposed to developing.

We believe that mass spectrometry will complement genetic testing, and become increasingly important in expanding our understanding of biomarkers for reliable diagnostics.

That is why we created Waters Health Sciences initiative in 2014. This initiative is focused on the biomarker to diagnostic continuum: from discovery research, to translational research and ultimately to diagnostic solutions. We will accomplish this goal by partnering with the biomedical community to make breakthrough scientific discoveries and translate them into healthcare solutions.

Waters, Where Possibilities are Made Real

Waters' ongoing successes are the result of its employees. We believe that passionate employees are motivated to make a significant impact and contribution as valued members of the Waters' team. The company strives to create an open and accessible environment that cultivates this passion where employees are empowered to fully explore the limits of their own unique and diverse potential.

Bound by a common passion, Waters' employees directly affect the success of our customers whose combined missions are to care for, feed, nurture and protect the citizens of the world. Waters' mission is to develop laboratory innovations and foster enduring partnerships to enable scientific and humanitarian advancements through an unwavering dedication to customer success. We at Waters take pride in the role we play in improving the quality of people's lives worldwide.

Waters is a strong, stable corporation because of its management, philosophy and commitment to creating value for its shareholders. Our disciplined approach to financial performance allows Waters to be an organization that employees and shareholders can depend upon.

Waters Corporate is an organization where possibilities are made real.

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

Best Regards,

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, 2014

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.

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 28, 2014: $8,843,973,000.

Indicate the number of shares outstanding of the registrant's common stock as of February 20, 2015: 83,028,414

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement that will be filed for the 2015 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. Through its TA Division ("TA®"), the Company primarily designs, manufactures, sells and services thermal analysis, rheometry and calorimetry instruments. The Company is also a developer and supplier of software-based products that interface with the Company's instruments, as well as other suppliers' 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 and stability 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 discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision maker. 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 operating 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 15 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 foreign counterparts that mandate testing requiring HPLC instrumentation.

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 more 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 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. In 2013, the Company introduced the ACQUITY® Advanced Polymer Chromatography® ("APC™") system. This system delivers improved polymer peak resolution, particularly for low molecular weight polymers and oligomers, up to 20 times faster than traditional gel permeation chromatography. In 2013, the Company introduced the ACQUITY® QDa® Detector, a compact and easy to operate mass spectrometric module that further supports the broader usage of mass detection for routine LC applications. In 2014, the Company introduced the ACQUITY UPLC® M-Class instrument system. This system delivers the sensitivity to quantify and identify vanishingly small concentrations of key molecules, particularly when used with mass spectrometric detection. The innovations incorporated into the ACQUITY UPLC M-Class system are led by its internal low-volume design and newly redesigned fluidics that minimize dispersive and adsorptive losses during a chromatographic separation.

Waters manufactures LC instruments that are offered in configurations that allow for varying degrees of automation, from component configured systems for academic teaching and 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 typically 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 permeates 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 a 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 primarily on its ACQUITY UPLC instrument systems and, furthermore, that its ACQUITY UPLC instruments primarily use ACQUITY UPLC columns. In 2013, the Company introduced the CORTECS® family of 1.6 micron solid-core UPLC columns to further extend the application range and performance of its UPLC offerings. In 2014, the Company expanded its CORTECS family with a new line of 2.7 micron silica-based, solid-core particle columns for usage on UPLC, as well as HPLC systems. In addition, the Company introduced size exclusion chromatography columns for the characterization of proteins and ACQUITY UPC^2 columns for chiral and achiral separations.

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. For example, the Company provides tests to identify and quantify mycotoxins (biological contaminants) in various agricultural commodities. These test kits provide reliable, quantitative detection of particular mycotoxins through the choice of fluorimetry, HPLC or LC-MS. In 2014, the Company introduced the Afla-V® AQUA test strips for detecting aflatoxins in grain and received USDA-GIPSA certification for its Afla-V® lateral flow strip tests for the quantitative analysis of total aflatoxins in corn.

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 molecules that have been converted into ions.

The Company believes it is a technology and 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"), magnetic sector and ion mobility technologies. Furthermore, these technologies are often used in tandem to maximize the speed and/or 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 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. In 2013, the Company introduced the SYNAPT® G2-S*i*, which combines the unique power of travelling wave ("T-Wave™") ion mobility separations with new data acquisition and informatics technologies, and collision cross-section measurements. In 2014, the Company introduced the ionKey/MS™ system, Xevo® G2-XS and Xevo® TQ-S micro. The ionKey/MS system physically integrates a UPLC separation into the mass spectrometer, producing a significant improvement in sensitivity with reduced solvent and sample sizes. The Xevo G2-XS mass spectrometer combines the new XS Collision Cell with the signature technologies of Tof-MRM, StepWave™ and QuanTof™. The Xevo TQ-S micro is a more compact, research-grade instrument designed to acquire sensitive, robust and dependable data at accelerated rates of acquisition.

In July 2014, the Company acquired the net assets of Medimass Research, Development and Service Kft. ("Medimass"), a developer of mass spectrometry-related technologies with the potential to be used for a variety of applications, for $23 million in cash. In addition, the Company potentially has to pay additional contingent consideration, which had an estimated fair value of $3 million as of the closing date. The net assets acquired consist primarily of the Rapid Evaporative Ionization Mass Spectrometry ("REIMS") technology, including patent applications, software, databases and REIMS expertise. REIMS is an ambient pressure surface ionization technique that, when used with mass spectrometry, can characterize the molecular topography of complex surfaces, such as cellular membranes.

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 combined LC and LC-MS market share in the United States, Europe and Asia (excluding Japan), and believes it may have a market share position in Japan that ranks second to an established domestic supplier.

The Company has been a developer and supplier of software-based products that interface with the Company's instruments, as well as other suppliers' instruments. The Company's newest software platform, UNIFI®, is a scientific information system that is the culmination of a multi-year effort to substantially bring all of Waters' preexisting, distinct 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 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 2014, the Company introduced three new UNIFI-based instrument systems and now offers a total of eight UNIFI-based solutions.

In July 2012, the Company acquired 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 has integrated the Blue Reference technology into 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.

In August 2013, the Company acquired Nonlinear Dynamics Ltd. (“Nonlinear Dynamics”), a developer of proteomics and metabolomics software, for $23 million in cash. Waters and Nonlinear Dynamics collaborated on the development of the Company’s TransOmics™ Informatics, a scalable solution for proteomics, metabolomics, and lipidomics analysis, which was introduced in 2012. In 2014, the Company introduced Progenesis® QI and Progenesis® QI for Proteomics.

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 a 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 30% of sales for the Waters Division. These revenues are derived primarily through the sale of support plans, demand services, spare parts, 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 and stability 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 has included 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 2011, TA introduced the Discovery DSC, Discovery TGA and Discovery Hybrid Rheometer, which provide leading measurement performance in the fields of differential scanning calorimetry and rheometry.

In January 2012, the Company acquired Baehr Thermoanalyse GmbH (“Baehr”), a German manufacturer of a 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, especially for high temperature applications, in a wide range of industries, including electronics, energy, automotive, and aerospace.

In July 2013, the Company acquired Scarabaeus Mess-und Prodktionstechnik GmbH (“Scarabaeus”), a manufacturer of rheometers for the rubber and elastomer markets, for $4 million in cash. Key products developed by Scarabaeus include a Mooney Viscometer, Moving Die Rheometer (MDR), Rubber Process Analyzer (RPA) and automated density and hardness testers. The RPA includes many test features and analysis functions that are being used in the latest research and development efforts for rubber and related materials technology.

In December 2013, the Company acquired Expert Systems Solutions S.r.l. (“ESS”), a manufacturer of advanced thermal analysis instruments, for $3 million in cash. ESS manufactures a variety of heating microscopes, optical dilatometers and optical fleximeters, with a particular focus on the ceramics industry.

In December 2013, the Company acquired the net assets of LaserComp Inc. (“LaserComp”), a manufacturer of thermal conductivity measurement instruments, for $12 million in cash. LaserComp’s FOX line of durable thermal conductivity test instruments is used by many of the world’s leading insulation manufacturers.

In January 2014, the Company acquired ULSP B.V. (“ULSP”), a manufacturer of instrumentation components that enable ultra low temperature generation, for $4 million in cash. ULSP’s core business is the manufacturing and servicing of high quality low temperature coolers for thermal analysis and rheology applications, and these products are important accessories for many TA core instrument offerings. In 2014, TA introduced the new Air Chiller System, ACS-3, which is equipped with a three-stage cascading compressor design, enabling testing to unprecedented temperatures as low as -100°C.

TA Service

Similar to the Waters Division, the servicing and support of TA’s instruments is an important source of revenue and represents more than 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 many 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 often 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 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 2014, 53% of the Company’s sales were to pharmaceutical accounts, 32% to other industrial accounts and 15% to governmental agencies and academic institutions.

The Company typically experiences an increase in sales in the fourth quarter, as a result of purchasing habits for capital goods of many customers who tend to exhaust their spending budgets by calendar year end. The Company does not rely on any single customer for a material portion of its sales. During fiscal years 2014, 2013 and 2012, no single customer accounted for more than 2% of the Company's net sales.

Sales and Service

The Company has one of the largest direct sales and service organizations focused exclusively on the technologies offered by the Company. Across these product technologies, using respective specialized sales and service workforces, the Company serves its customer base with 93 sales offices throughout the world as of December 31, 2014 and approximately 3,100 field representatives in 2014 and 3,000 field representatives in both 2013 and 2012. This investment in sales and service personnel serves to maintain and expand the Company's installed base of instruments. 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 product quality 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 from 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 certain SFC/SFE products in its facility in Pittsburgh, Pennsylvania. The Pittsburgh facility is aligned with the policies and procedures for product manufacturing and distribution as adhered to in the Milford, Massachusetts facility and is under the same structural leadership organization.

The Company primarily 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 Wilmslow, 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, Saugus, MA, Lindon, Utah, Huellhorst, Germany, Wetzlar, Germany, Modena, Italy and Ede, Netherlands 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. In 2013, the Company was not able to determine with certainty the country of origin of some of the conflict minerals in its manufactured products. However, the Company does not have knowledge that any of its conflict minerals originated from the Democratic Republic of the Congo or adjoining countries. The Company is in the process of evaluating its 2014 supply chain, and the Company plans to file its 2014 Form SD with the SEC in May 2015. The results of this and future evaluations may 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 2014, 2013 and 2012 were $108 million, $101 million and $96 million, respectively. In addition, in 2014, the Company incurred a $15 million charge for acquired in-process research and development related to the licensing of certain intellectual property relating to mass spectrometry technologies yet to be commercialized. Upon the achievement of certain milestones, the Company could make additional payments of up to $15 million, as well as royalties on future net sales.

Nearly all of the Company's LC products have been developed at the Company's main research and development center located in Milford, Massachusetts, with input and feedback from the Company's extensive field organizations and customers. The majority of the Company's MS products are developed at facilities in England and most of the Company's current materials characterization products are developed at the Company's research and development center in New Castle, Delaware. At December 31, 2014, 2013 and 2012, there were 875, 824 and 777 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 assurance 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 6,200, 6,000 and 5,900 employees at December 31, 2014, 2013 and 2012, respectively, with approximately 43% 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, supplies and services market is highly competitive. The Company encounters competition from several worldwide suppliers and other companies in both domestic and foreign markets for each of its three primary 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 and have instrument businesses that are generally more diversified than the Company's business. Some competitors have greater financial resources and broader distribution than the Company's.

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. and Anton-Paar GmbH.

The market for consumable LC products, including separation columns, is highly competitive and generally more fragmented than the analytical instruments market. The Company encounters competition in the consumable columns market from chemical companies that produce column sorbents and small specialized companies that primarily pack purchased sorbents into columns and subsequently package 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 performance, reproducibility, reputation and, to a lesser extent, price. In recent years, the Company's principal competitors for consumable products have included: Phenomenex, Inc., Sigma Aldrich Corporation, 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 instruments.

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 15 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 any statements regarding, among other items, anticipated trends or growth in the Company's business, including, but not limited to, the impact of foreign currency translation on financial results; the growth rate of sales and research and development expenses; the impact of costs associated with developing new technologies and bringing these new technologies to market; the impact of new product launches and the associated costs, such as the amortization expense related to software platforms; geographic sales mix of business; development of products by acquired businesses and the amount of contingent payments to the sellers of an acquired business; anticipated expenses, including interest expense, capitalized software costs and effective tax rates; the impact and outcome of the Company's various ongoing tax audit examinations; the achievement of contractual milestones to preserve foreign tax rates; the impact and outcome of litigation matters; the impact of the loss of intellectual property protection; the impact of new accounting standards and pronouncements; the adequacy of the Company's supply chain and manufacturing capabilities and facilities; 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, service debt, repay outstanding lines of credit, make authorized share repurchases, fund potential acquisitions and pay any adverse litigation or tax audit liabilities, particularly in the U.S.; future impairment charges; the Company's contributions to defined benefit plans; 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 "feels", "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:

- The risks inherent in succession planning, as the Company's chief executive officer has announced his intention to retire.

- Foreign exchange rate fluctuations that could adversely affect translation of the Company's future sales, financial operating results and the condition of its non-U.S. operations, especially when a currency weakens against the U.S. dollar.
- Current global economic, sovereign and political conditions and uncertainties, particularly regarding the effect of the Chinese government's ongoing tightening of restrictions on procurement by government-funded customers; 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; changes in the competitive landscape as a result of changes in ownership, mergers and continued consolidation among the Company's competitors; 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.
- 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:

The Company's international operations may be negatively affected by foreign political events, wars or terrorism and regulatory changes, related to either a specific country or a larger region. These potential political, currency and economic disruptions, as well as foreign currency exchange rate fluctuations, could have a material adverse effect on the Company's results of operations or financial condition.

Approximately 70% of the Company's net sales in both 2014 and 2013 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 potential impact of war or terrorism; 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, particularly the Euro, Japanese yen and British pound, could have a material adverse effect or benefit on the Company's results of operations or financial condition. In late 2014 and early 2015, the U.S. dollar strengthened against most of the major currencies throughout the world. The strength of the U.S. dollar may have a significant negative impact on the Company's financial performance in the near future.

Global economic conditions may decrease demand for the Company's products and harm the Company's 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.

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 2014 and 2013, 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.

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.

Competitors may introduce more effective or less expensive products than the Company's, which could result in decreased sales. The competitive landscape may transform as a result of potential changes in ownership, mergers and continued consolidations among the Company's competitors, which could harm the Company's business.

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 suppliers 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. Over the years, some competitors have merged with other competitors for various reasons, some of which include increasing product line offerings, improving market share and reducing costs. 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 costs of developing new technologies and bringing these new technologies to market could negatively impact the Company's financial results.

The Company is in the process of developing new products with recently acquired technologies. The future development of these new products will require a significant amount of spending over the next few years before significant, robust sales will be realized. These new products will be sold into both the clinical and non-clinical markets, and any new products requiring FDA clearance may take longer to bring to market. There can be no assurance given as to the timing of these new product launches and the ultimate realization of sales and profitability 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 $1,465 million in debt and $2,055 million in cash, cash equivalents and investments as of December 31, 2014. As of December 31, 2014, the Company also had the ability to borrow an additional $533 million from its existing, committed credit facility. All but a small portion 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 U.S. acquisitions and continue authorized stock repurchase programs in the U.S. A majority of the Company's cash is generated from foreign operations, with $1,971 million of the Company's cash held by foreign subsidiaries, and may be subject to material tax effects on distribution to U.S. legal entities. 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, (4) the ability to expand the Company's borrowing capacity and (5) 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 all other 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 Wilmslow, 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 loss of key members of management and the risks inherent in succession planning 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. In August 2013, the Company's chief executive officer announced his intention to retire as chief executive officer of the Company. If, for any reason, other 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 materially adverse effects 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 outside contractors, including the manufacturing of LC instrument systems and related components by 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, cyber attack or unforeseen problems with the security, maintenance or upgrade of the Company's information and web-based systems could have an adverse effect on the Company's operations and financial condition.

The Company relies on its technology infrastructure and that of its software and banking partners, among other functions, to interact with suppliers, sell products and services, fulfill contract obligations, ship products, collect and make electronic wire and check based 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, unauthorized access to and funds transfers from Company bank accounts 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.

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 Safety and Health 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. In 2013, the Company was not able to determine with certainty the country of origin of some of the conflict minerals in its manufactured products. However, the Company does not have knowledge that any of its conflict minerals originated from the Democratic Republic of the Congo or adjoining countries. The Company is in the process of evaluating its 2014 supply chain, and the Company plans to file its 2014 Form SD with the SEC in May 2015. The results of this and future evaluations may 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.

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 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.

Item 1B: *Unresolved Staff Comments*

None.

Item 2: ***Properties***

Waters operates 21 United States facilities and 78 international facilities, including field offices. In early 2014, the Company completed the construction of its new facility in Wilmslow, England, which consolidates MS research, manufacturing and distribution. 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
Saugus, MA	M, R, S, D, A	Leased
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
New Castle, England	R, S, D, A	Leased
Wilmslow, England	M, R, S, D, A	Owned
St. Quentin, France	S, A	Leased
Huellhorst, Germany	M, R, S, D, A	Owned
Wetzlar, Germany	M, R, S, D, A	Leased
Budapest, Hungary	R	Leased
Wexford, Ireland	M, R, D, A	Owned
Modena, Italy	M, R, S, D, A	Leased
Ede, Netherlands	M, R, S, D, A	Leased
Etten-Leur, Netherlands	S, D, A	Owned
Brasov, 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 12 field offices in the United States and 65 field offices abroad in addition to sales offices in the primary facilities listed above. The Company's field office locations are listed below.

Field Office Locations (2)

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

(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.

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, 66, 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. In August 2013, Mr. Berthiaume communicated his intention to retire as Chief Executive Officer of the Company.

Arthur G. Caputo, 63, 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.

Mark T. Beaudouin, 60, 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.

Eugene G. Cassis, 58, has been Chief Financial Officer since February 2014. Previously, he served as Corporate Vice President of Worldwide Business Development and Investor Relations. Mr. Cassis joined the Company in 1980 and has held several senior positions with Waters, including President of Nihon Waters K.K., Tokyo, Japan and Liquid Chromatography—Mass Spectrometry (LC-MS) Business Unit Manager.

Elizabeth B. Rae, 57, 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.

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 20, 2015, the Company had 130 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 immediate future. The Company has not made any sales of unregistered equity securities in the years ended December 31, 2014, 2013 or 2012.

Securities Authorized for Issuance under Equity Compensation Plans

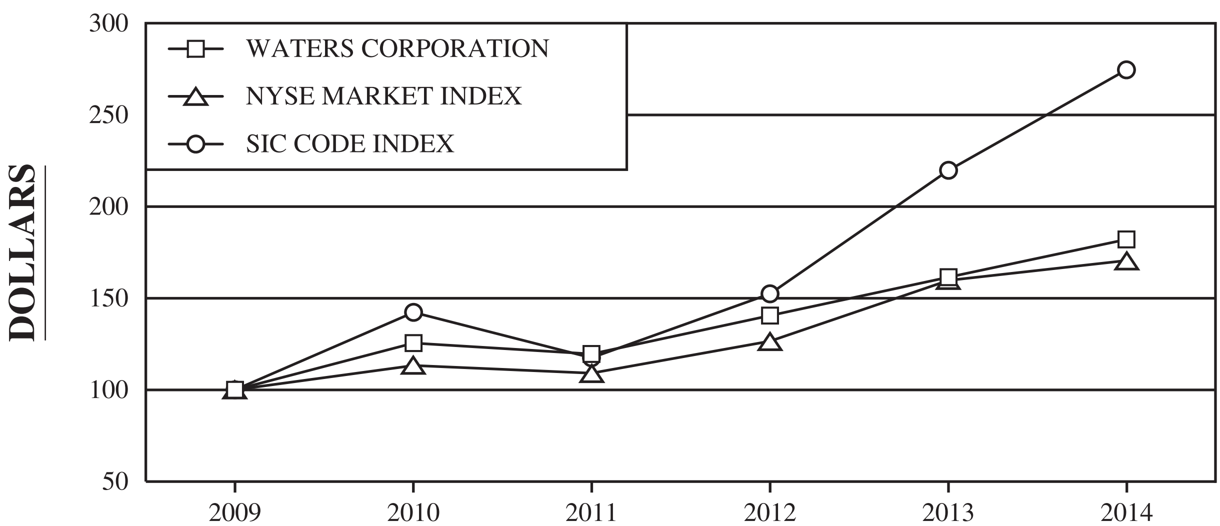
Equity compensation plan information is incorporated by reference from Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of this document and should be considered an integral part of this Item 5.

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, 2009 (the last day of public trading of the Company's common stock in fiscal year 2009) through December 31, 2014 (the last day of public trading of the common stock in fiscal year 2014) 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, 2009 AMONG WATERS CORPORATION, NYSE MARKET INDEX AND SIC CODE 3826 INDEX – LABORATORY ANALYTICAL INSTRUMENTS



	2009	2010	2011	2012	2013	2014
WATERS CORPORATION	100.00	125.42	119.51	140.61	161.39	181.92
NYSE MARKET INDEX	100.00	113.39	109.04	126.47	159.71	170.49
SIC CODE INDEX	100.00	142.13	117.53	152.32	219.87	274.63

Market for Registrant's Common Equity

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

For the Quarter Ended	Price Range High	Price Range Low
March 30, 2013	$ 94.96	$86.22
June 29, 2013	$101.90	$88.24
September 28, 2013	$107.73	$98.16
December 31, 2013	$106.48	$95.25
March 29, 2014	$114.94	$98.04
June 28, 2014	$114.29	$98.54
September 27, 2014	$107.16	$99.25
December 31, 2014	$116.98	$95.08

Purchases of Equity Securities by the Issuer

The following table provides information about purchases by the Company during the three months ended December 31, 2014 of equity securities registered by the Company under the Exchange Act (in thousands, except per share data):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs (1) (2)
September 28 to October 25, 2014	—	$ —	—	$843,155
October 26 to November 22, 2014	405	$112.33	405	$797,661
November 23 to December 31, 2014	263	$115.51	250	$768,758
Total	668	$113.58	655	$768,758

(1) The Company purchased an aggregate of 3.1 million shares of its outstanding common stock in 2014 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 and, in May 2014, the Board of Directors authorized the extension of that program through May 2015.

(2) In May 2014, the Company's Board of Directors authorized the repurchase of up to $750 million of its outstanding common stock in open market transactions over a three-year period.

Item 6: *Selected Financial Data*

The following table sets forth selected historical consolidated financial and operating data for the periods indicated. The statement of operations and balance sheet data is derived from audited financial statements for the years 2014, 2013, 2012, 2011 and 2010. The Company's financial statements as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014 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	2014	2013	2012	2011	2010
STATEMENT OF OPERATIONS DATA:					
Net sales	$1,989,344	$1,904,218	$1,843,641	$1,851,184	$1,643,371
Income from operations before income taxes	$ 490,740	$ 490,105	$ 487,625	$ 509,252	$ 437,863
Net income	$ 431,620	$ 450,003	$ 461,443	$ 432,968	$ 381,763
Net income per basic common share	$ 5.12	$ 5.27	$ 5.25	$ 4.77	$ 4.13
Weighted-average number of basic common shares	84,358	85,426	87,841	90,833	92,385
Net income per diluted common share	$ 5.07	$ 5.20	$ 5.19	$ 4.69	$ 4.06
Weighted-average number of diluted common shares and equivalents	85,151	86,546	88,979	92,325	94,057
BALANCE SHEET AND OTHER DATA:					
Cash, cash equivalents and investments	$2,055,388	$1,803,670	$1,539,025	$1,281,351	$ 946,419
Working capital, including current maturities of debt	$2,272,141	$2,068,723	$1,753,484	$1,340,241	$1,200,791
Total assets	$3,877,934	$3,582,629	$3,168,150	$2,723,234	$2,327,670
Long-term debt	$1,240,000	$1,190,000	$1,045,000	$ 700,000	$ 700,000
Stockholders' equity	$1,894,666	$1,763,173	$1,467,357	$1,226,578	$1,068,797
Employees	6,161	5,965	5,860	5,672	5,381

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 and stability of fine chemicals, pharmaceuticals, water, polymers and viscous liquids in various industrial, consumer goods and healthcare products.

The Company's operating results are as follows for the years ended December 31, 2014, 2013 and 2012:

	Year Ended December 31,			% change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Product sales	$1,346,729	$1,312,503	$1,280,507	3%	2%
Service sales	642,615	591,715	563,134	9%	5%
Total net sales	1,989,344	1,904,218	1,843,641	4%	3%
Total cost of sales	824,913	783,456	737,614	5%	6%
Gross profit	1,164,431	1,120,762	1,106,027	4%	1%
Gross profit as a % of sales	*58.5%*	*58.9%*	*60.0%*		
Selling and administrative expenses	512,707	492,965	477,270	4%	3%
Research and development expenses	107,726	100,536	96,004	7%	5%
Acquired in-process research and development	15,456	—	—	—	—
Purchased intangibles amortization	10,634	9,918	13,829	7%	(28%)
Litigation provisions	—	—	7,434	—	(100%)
Operating income	517,908	517,343	511,490	—	1%
Operating income as a % of sales	*26.0%*	*27.2%*	*27.7%*		
Other expense	—	(1,575)	—	(100%)	—
Interest expense, net	(27,168)	(25,663)	(23,865)	6%	8%
Income from operations before income taxes	490,740	490,105	487,625	—	1%
Provision for income taxes	59,120	40,102	26,182	47%	53%
Net income	$ 431,620	$ 450,003	$ 461,443	(4%)	(2%)
Net income per diluted common share	$ 5.07	$ 5.20	$ 5.19	(3%)	—

In 2014, the Company's sales reached $2 billion, which represented an increase of 4% as compared to 2013. Overall, 2014 sales benefited from strong demand from the Company's pharmaceutical customers. This strength was broad-based and drove mid-single digit sales growth in the U.S. and Europe and 18% sales growth in India. Conversely, the Company's 2014 sales were affected by a slower pace of business in China and the negative effect of foreign currency translation, primarily caused by the weakening Japanese yen.

Combined sales of chemistry consumables and services increased 7% and 4% in 2014 and 2013, respectively, as a result of a larger installed base of customers and higher billing demand. Instrument system sales increased 3% and 2% in 2014 and 2013, respectively. In 2014, instrument systems sales grew due to higher demand for LC and LC-MS instrument system sales. Instrument systems sales grew in 2013 as a result of increased demand in high-end mass spectrometry, core chromatography and TA instrument systems. In addition, instrument system sales benefited in 2014 and 2013 from the introductions of the ACQUITY® QDa® Detector in late 2013, ACQUITY® UPC²® system and the ACQUITY® Advanced Polymer Chromatography® ("APC™") system. Acquisitions had a minimal impact on sales growth in both 2014 and 2013. The effect of foreign currency translation negatively impacted sales by 2% across all products and services in both 2014 and 2013. Based on current foreign exchange rates, the Company expects that foreign currency translation may have a significant negative effect on sales in 2015.

Sales to pharmaceutical customers grew 8% and 1% in 2014 and 2013, respectively. Sales growth to pharmaceutical customers in 2014 was positive in all regions, except Japan, where sales to pharmaceutical customers were flat due to the negative effects of foreign currency translation. Combined global sales to governmental and academic customers increased 4% and 8% in 2014 and 2013, respectively. Combined sales to industrial chemical, nutritional safety and environmental customers decreased 1% in 2014 and increased 6% in

2013. The decline in sales to industrial chemical, nutritional safety and environmental customers in 2014 is primarily due to weaker industrial chemical customer demand for both Waters Division and TA Division instrument systems.

Operating income was flat in 2014 as compared to 2013 as the increase in sales volume was offset by the negative effects of foreign currency translation, which decreased 2014 operating profit by approximately $22 million. During 2014, the Company incurred a $15 million charge for acquired in-process research and development related to the licensing of certain intellectual property relating to mass spectrometry technologies yet to be commercialized and significantly related to new, medically-focused applications, as well as other applications. In addition, 2014 included $6 million of severance-related costs in connection with a reduction in workforce and a $5 million impairment charge related to a write-down in the fair value of a building held for sale in the U.K. These expenses were offset slightly by a $2 million award received in 2014 from an arbitration settlement.

The 1% increase in operating income in 2013 as compared to 2012 was primarily due to the increase in sales volume offset by the negative effects of foreign currency translation, which decreased 2013 operating profit by approximately $27 million, and the increase in amortization expense from the UNIFI® software. In addition, the comparability of 2013 operating income with 2012 operating income was impacted by the 2012 one-time litigation provisions and purchased intangible amortization expense related to the discontinuance of a product trade name intangible asset.

Net income per diluted share was primarily affected by the following factors in 2014, 2013 and 2012:

- Foreign currency translation decreased net income per diluted share by $0.23 in 2014, $0.27 in 2013 and $0.14 in 2012.
- In 2014, the Company incurred an acquired in-process research and development charge of $15 million, which decreased net income per diluted share by $0.14. In addition, net income per diluted share decreased $0.04 due to severance-related costs in connection with a reduction in workforce and $0.04 due to a $5 million impairment charge related to a building held for sale in the U.K.
- In 2013, the Company recorded a $31 million net tax benefit related to the completion of tax audit examinations. In addition, a $3 million benefit related to the research and development tax credit ("R&D Tax Credit") for the 2012 tax year was recorded in the first quarter of 2013. These tax benefits added $0.39 per diluted share in 2013.
- 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 tax audit settlements in the U.S. These tax benefits added $0.48 per diluted share in 2012.
- The effect of lower weighted-average shares outstanding resulting from the Company's share repurchase program, offset by the incremental net interest expense on borrowings to repurchase those shares, increased net income per diluted share $0.07, $0.11 and $0.14 in 2014, 2013 and 2012, respectively. The Company plans to continue its share repurchase program in 2015.

Net cash provided by operating activities was $512 million, $485 million and $449 million in 2014, 2013 and 2012, respectively. The $27 million increase in operating cash flow in 2014 when compared to 2013 was primarily a result of the timing of cash receipts from customers, which improved days-sales-outstanding ("DSO") by 1 day at December 31, 2014 as compared to December 31, 2013, and the timing of payments to vendors. The $36 million increase in operating cash flow in 2013 when compared to 2012 was primarily a result of the timing of cash receipts from customers and the timing of payments to vendors.

Within cash flows used in investing activities, capital expenditures related to property, plant, equipment and software capitalization were $91 million, $118 million and $105 million in 2014, 2013 and 2012, respectively. Capital expenditures in 2013 and 2012 include multi-year construction projects to accommodate future growth.

The construction of the new $83 million research, manufacturing and distribution facility in Wilmslow, England was completed in early 2014. During 2014, the Company made payments of $15 million to acquire and license intellectual property.

In July 2014, the Company acquired the net assets of Medimass Research, Development and Service Kft. ("Medimass"), a developer of mass spectrometry-related technologies with the potential to be used for a variety of applications, for $23 million in cash. In addition, the Company acquired ULSP B.V. in January 2014 for $4 million in cash. These acquisitions are not expected to have significant sales in 2015 and the Company expects to incur additional costs related to commercializing new mass spectrometry-related technologies in 2015 and beyond. In 2013, the Company acquired Scarabaeus Mess-und Prodktionstechnik GmbH, Nonlinear Dynamics Ltd., Expert Systems Solutions S.r.l. and LaserComp Inc. for a total of $41 million, net of cash acquired. In 2012, the Company acquired its Israeli sales and service distributor, Baehr Thermoanalyse GmbH and Blue Reference, Inc. for a total of $31 million, net of cash acquired and including the assumption of $1 million of debt. 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 issued and sold senior unsecured notes with an aggregate principal amount of $200 million in June 2014. The proceeds from the issuance of these senior unsecured notes were used to repay outstanding portions of the revolving facility. In February 2015, the Company repaid $100 million of senior unsecured notes upon maturity with borrowings under the revolving facility. In May 2014, the Company's Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a three-year period and authorized the extension of the May 2012 program until May 2015. During 2014, 2013 and 2012, the Company repurchased $329 million, $295 million and $290 million of the Company's outstanding common stock, respectively, under the May 2012 authorization and other previously announced 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 addition, the Company received $74 million, $69 million and $29 million of proceeds from stock plans in 2014, 2013 and 2012, respectively. Fluctuations in these amounts were primarily attributable to changes in the Company's stock price and the expiration of stock option grants.

Results of Operations

Sales by Geography

Geographic sales information is presented below for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,			*% change*	
	2014	2013	2012	*2014 vs. 2013*	*2013 vs. 2012*
Net Sales:					
United States	$ 596,549	$ 557,734	$ 531,912	*7%*	*5%*
Europe	607,080	573,786	549,341	*6%*	*4%*
Asia:					
China	238,892	240,535	212,701	*(1%)*	*13%*
Japan	163,468	170,115	207,340	*(4%)*	*(18%)*
Asia Other	237,668	216,229	215,612	*10%*	—
Total Asia	640,028	626,879	635,653	*2%*	*(1%)*
Other	145,687	145,819	126,735	—	*15%*
Total net sales	$1,989,344	$1,904,218	$1,843,641	*4%*	*3%*

In 2014, the U.S. sales growth was driven by an increase in LC and LC-MS instrument system sales and service sales to pharmaceutical, governmental and academic customers. Europe's sales in 2014 were driven by LC, LC-MS and TA instrument system sales and service sales across all customer classes. China's sales decline in 2014 can be primarily attributed to lower research-focused, higher priced instrument sales to governmentally funded customers that experienced a tightening of government spending. Japan's 2014 sales were negatively impacted by foreign currency translation, which decreased sales in 2014 by 8%. The increase in sales in the rest of Asia in 2014 was driven by an increase in LC and LC-MS instrument system sales and service sales to pharmaceutical, governmental and academic customers, primarily in India. Sales in the rest of the world in 2014 were flat as increased service sales to pharmaceutical, governmental and academic customers were offset by weakness in other areas.

In 2013, sales increased in all major regions on stronger customer demand for instrument systems, except for Japan, where the effect of foreign currency translation decreased sales 18%. The increase in sales in the U.S. in 2013 was driven by industrial and environmental customers, while the increase in Europe was driven by governmental and academic customers. China's 2013 sales growth was broad-based across all product and customer classes, while sales in the rest of Asia were flat. The increase in the rest of the world's sales in 2013 was broad-based across all product and customer classes.

Waters Division Net Sales

Net sales for the Waters Division's products and services are as follows for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,						*% change*	
	2014	***% of* Total**	**2013**	***% of* Total**	**2012**	***% of* Total**	***2014 vs. 2013***	***2013 vs. 2012***
Waters instrument systems	$ 871,048	*49%*	$ 840,608	*50%*	$ 828,458	*51%*	*4%*	*1%*
Chemistry	312,890	*18%*	304,130	*18%*	294,787	*18%*	*3%*	*3%*
Total Waters Division product sales	1,183,938	*67%*	1,144,738	*68%*	1,123,245	*69%*	*3%*	*2%*
Waters service	579,759	*33%*	532,323	*32%*	509,412	*31%*	*9%*	*4%*
Total Waters Division net sales	$1,763,697	100%	$1,677,061	100%	$1,632,657	100%	5%	3%

Waters instrument system sales (LC and MS technology-based) increased 4% and 1% in 2014 and 2013, respectively. The increase in 2014 instrument systems sales is primarily attributable to higher sales of LC and LC-MS instrument system sales. The increase in 2013 is primarily attributable to higher sales of UPLC®-mass spectrometry systems, driven by Xevo® and SYNAPT® instrument systems. In addition, instrument system sales benefited in 2014 and 2013 from the introductions of the new ACQUITY QDa Detector, ACQUITY UPC^2 system and ACQUITY APC system. Chemistry consumables sales increased in both 2014 and 2013 on the uptake in ACQUITY columns, including the new CORTECS® columns introduced in 2013. Waters Division service sales increased in both 2014 and 2013 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 1% and 2% in 2014 and 2013, respectively. The impact of the acquisitions of Medimass in 2014 and Nonlinear Dynamics in 2013 was not significant to the Waters Division sales in 2014.

In 2014, Waters Division sales increased 8% in the U.S., 5% in Europe, 4% in Asia and 1% in the rest of the world. The increase in sales in the U.S. in 2014 was primarily driven by sales to pharmaceutical, governmental and academic customers. Waters Division sales in China increased 1% in 2014, but decreased 4% in Japan due to the effects of foreign currency translation. Waters Division sales in the rest of Asia increased 13% and were driven by sales to pharmaceutical customers in India as well as governmental and academic customers.

In 2013, Waters Division sales increased 4% in both the U.S. and Europe, while sales decreased 2% in Asia and increased 12% in the rest of the world. Waters Division sales in China increased 13% in 2013 across all product and customer classes. The 2013 growth in China was offset by an 18% decrease in sales in Japan, which was largely due to a 22% weakening of the Japanese yen as compared to the U.S. dollar. The increase in Waters Division sales in the rest of the world was broad-based across most product and customer classes.

TA Division Net Sales
Net sales for the TA Division's products and services are as follows for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	Year Ended December 31,						% change	
	2014	% of Total	2013	% of Total	2012	% of Total	*2014 vs. 2013*	*2013 vs. 2012*
TA instrument systems	$162,791	*72%*	$167,765	*74%*	$157,262	*75%*	*(3%)*	*7%*
TA service	62,856	*28%*	59,392	*26%*	53,722	*25%*	*6%*	*11%*
Total TA net sales	$225,647	*100%*	$227,157	*100%*	$210,984	*100%*	*(1%)*	*8%*

The decrease in TA instrument system sales in 2014 was primarily attributable to lower customer demand for TA's core thermal analysis instrument systems in comparison to stronger sales in 2013. The increase in TA instrument system sales in 2013 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 2014 and 2013 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 both 2014 and 2013. Recent acquisitions added approximately 3% to TA's sales in 2014 and 1% in 2013. TA's 2014 sales increased moderately in the U.S. and Europe but declined in most other regions. TA's 2013 sales increased in each territory, except for Japan, where the effects of foreign currency translation negatively impacted sales due to the weakening of the Japanese yen as compared to the U.S. dollar.

Gross Profit
Gross profit increased 4% in 2014 as compared to 2013, primarily due increased sales volumes which were somewhat offset by negative foreign currency translation. Gross profit increased 1% in 2013 as compared to 2012, primarily due to changes in the product mix of instrument systems and higher manufacturing leverage from higher sales volumes being offset by the negative effects of foreign currency translation and the increase in amortization expense from new software platforms. Gross profit as a percentage of sales was 58.5%, 58.9% and 60.0% for 2014, 2013 and 2012, respectively.

Gross profit as a percentage of sales is affected by many factors, including, but not limited to, foreign currency translation, product mix, price, product costs of instrument systems and amortization software platforms. The Company also expects that the impact of foreign currency translation may negatively affect gross profit in 2015, based on current exchange rates.

Selling and Administrative Expenses
Selling and administrative expenses increased 4% in 2014 and increased 3% in 2013. Selling and administrative expenses in 2014 included $6 million of severance-related costs in connection with a reduction in workforce and a $5 million impairment charge related to a write-down in the fair value of a building held for sale in the U.K. These expenses were offset slightly by a $2 million award received in 2014 from an arbitration settlement. Selling and administrative expenses in 2013 were impacted by headcount additions and higher merit compensation, offset slightly by favorable foreign currency translation due to the weakness in the Japanese yen. As a percentage of net sales, selling and administrative expenses were 25.8%, 25.9% and 25.9% for 2014, 2013 and 2012, respectively.

Research and Development Expenses

Research and development expenses increased 7% and 5% in 2014 and 2013, respectively. Research and development expenses in both 2014 and 2013 were impacted by additional headcount, timing of development costs incurred on new products and the unfavorable effect of foreign currency translation in 2014.

Acquired In-Process Research and Development

During 2014, the Company incurred a $15 million charge for acquired in-process research and development related to the licensing of certain intellectual property relating to mass spectrometry technologies yet to be commercialized and for which there was no future alternative use as of the acquisition date. These licensing arrangements are significantly related to new, medically-focused applications, as well as other applications, and require the Company to make additional payments of up to $15 million if certain milestones are achieved, as well as royalties on future net sales. These future payments may be significant, but are not expected to be made in 2015 and are most likely to begin after 2016 and occur over multiple years.

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.

Other Expense

The Company recorded a $2 million charge in 2013 for an other-than-temporary impairment to an investment.

Interest Expense, Net

The increases in net interest expense in 2014 and 2013 were primarily attributable to an increase in average borrowings.

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 were approximately 37.5%, 12.5%, 21.5% and 0%, respectively, as of December 31, 2014. 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 12.0%, 8.2% and 5.4% in 2014, 2013 and 2012, respectively. The income tax provision for 2013 included a $31 million net tax benefit related to the completion of tax audit examinations. In addition, the R&D Tax Credit was retroactively extended in January 2013 for the 2012 and 2013 tax years. The entire $3 million benefit related to the 2012 tax year was recorded in the first quarter of 2013, and the 2013 benefit was included in the 2013 annual effective tax rate. The net income tax benefits related to the completed tax audit examinations and the 2012 R&D Tax Credit decreased the Company's effective tax rate by 6.9 percentage points in 2013. 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 tax audit settlements in the U.S. These tax benefits decreased the Company's effective tax rate by 8.6 percentage points in 2012. The remaining differences between the effective tax rates for 2014, 2013 and 2012 were primarily attributable to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

Liquidity and Capital Resources

Condensed Consolidated Statements of Cash Flows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net income	$ 431,620	$ 450,003	$ 461,443
Depreciation and amortization	94,231	79,695	68,831
Stock-based compensation	32,998	31,708	29,183
Deferred income taxes	1,583	169	(52,219)
Building impairment	4,718	—	—
In-process research and development and other non-cash charges	16,481	—	—
Change in accounts receivable	(29,435)	(35,233)	(39,836)
Change in inventories	(15,984)	(11,389)	(10,930)
Change in accounts payable and other current liabilities	(13,687)	(28,127)	563
Change in deferred revenue and customer advances	9,566	8,512	11,005
Other changes	(20,443)	(10,462)	(18,760)
Net cash provided by operating activities	511,648	484,876	449,280
Net cash used in investing activities	(402,030)	(464,729)	(296,394)
Net cash used in financing activities	(107,221)	(64,588)	(66,535)
Effect of exchange rate changes on cash and cash equivalents	(21,016)	4,202	10,694
(Decrease) increase in cash and cash equivalents	$ (18,619)	$ (40,239)	$ 97,045

Cash Flow from Operating Activities

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net cash provided by operating activities was $512 million and $485 million in 2014 and 2013, respectively. The changes within net cash provided by operating activities in 2014 as compared to 2013 include the following significant changes in the sources and uses of net cash provided by operating activities, aside from the decrease in net income:

- The change in accounts receivable in 2014 compared to 2013 was primarily attributable to timing of payments made by customers and timing of sales in 2014 as compared to 2013. DSO was 68 days at December 31, 2014 and 69 days at December 31, 2013.
- The 2014 change in accounts payable and other current liabilities was a result of timing of payments to vendors. In addition, 2013 includes a $31 million decrease in accrued income taxes due to the resolution of ongoing tax audits.
- Net cash provided from deferred revenue and customer advances in both 2014 and 2013 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, prepaid income taxes and accruals in other current assets, other assets and other liabilities. In addition, the Company made one-time contributions totaling $21 million to certain Non-U.S. pension plans during 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Net cash provided by operating activities was $485 million and $449 million in 2013 and 2012, respectively. The changes within net cash provided by operating activities in 2013 as compared to 2012 include the following significant changes in the sources and uses of net cash provided by operating activities, aside from the decrease in net income:

- The change in accounts receivable in 2013 compared to 2012 was primarily attributable to timing of payments made by customers and timing of sales in 2013 as compared to 2012. DSO was 69 days at December 31, 2013 and 71 days at December 31, 2012.
- The 2013 increase in inventory levels was attributed to the anticipation of the facility relocation in the U.K.
- The 2013 change in accounts payable and other current liabilities was impacted by a $31 million decrease in accrued income taxes, due to the resolution of pending audits, as well as an increase in accounts payable and accrued commissions and management incentive compensation.
- Net cash provided from deferred revenue and customer advances in both 2013 and 2012 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.

Cash Used in Investing Activities

Net cash used in investing activities totaled $402 million, $465 million and $296 million in 2014, 2013 and 2012, respectively. Additions to fixed assets and capitalized software were $91 million, $118 million and $105 million in 2014, 2013 and 2012, respectively. Capital expenditures in 2013 and 2012 included multi-year construction projects. The construction of the new research, manufacturing and distribution facility in Wilmslow, England was completed in early 2014 and the Company had spent a total of $83 million related to this project.

During 2014, 2013 and 2012, the Company purchased $2.2 billion, $3.0 billion and $1.8 billion of investments, respectively, while $1.9 billion, $2.7 billion and $1.7 billion of investments matured, respectively. Business acquisitions, net of cash acquired, were $27 million, $41 million and $31 million during 2014, 2013 and 2012, respectively. During 2014, the Company made payments of $15 million to acquire and license intellectual property.

Cash Used in Financing Activities

In June 2014, the Company issued and sold senior unsecured notes with an aggregate principal amount of $200 million. All of the proceeds from the issuance of the new senior unsecured notes were used to repay outstanding portions of the revolving facility. Interest on the fixed rate senior unsecured notes is payable semi-annually each year. Interest on the floating rate senior unsecured notes is payable quarterly. 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 or prepayment premium for Series H senior unsecured notes. In the event of a change in control of the Company (as defined in the note purchase agreement), 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 senior unsecured notes require that the Company comply with an interest coverage ratio test of not less than 3.50:1 for any period of four consecutive fiscal quarters and a leverage ratio test of not more than 3.50:1 as of the end of any fiscal quarter. In addition, these senior unsecured notes include customary negative covenants, affirmative covenants, representations and warranties and events of default. In February 2015, the Company repaid $100 million of senior unsecured notes upon maturity with borrowings under the revolving facility.

In June 2013, the Company entered into a credit agreement (the "2013 Credit Agreement") that provides for a $1.1 billion revolving facility and a $300 million term loan facility. The revolving facility and term loan facility both mature on June 25, 2018 and require no scheduled prepayments before that date.

The interest rates applicable to the 2013 Credit Agreement are, at the Company's option, equal to either the alternate base rate calculated daily (which is a rate per annum equal to the greatest of (a) the prime rate in effect on such day, (b) the federal funds effective rate in effect on such day plus 1/2% per annum, or (c) the adjusted LIBO rate on such day (or if such day is not a business day, the immediately preceding business day) for a deposit in U.S. dollars with a maturity of one month plus 1% per annum) or the applicable 1, 2, 3 or 6 month adjusted LIBO rate, in each case, plus an interest rate margin based upon the Company's leverage ratio, which can range between 0 to 12.5 basis points for alternate base rate loans and between 75 basis points and 112.5 basis points for adjusted LIBO rate loans. The facility fee on the 2013 Credit Agreement ranges between 12.5 basis points and 25 basis points. The 2013 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 as of the end of any fiscal quarter for any period of four consecutive fiscal quarters and a leverage ratio test of not more than 3.50:1 as of the end of any fiscal quarter. In addition, the 2013 Credit Agreement includes negative covenants, affirmative covenants, representations and warranties and events of default that are customary for investment grade credit facilities.

During 2014, 2013 and 2012, the Company's net debt borrowings increased by $142 million, $146 million and $186 million, respectively. As of December 31, 2014, the Company had a total of $1,465 million in outstanding debt, which consisted of $600 million in outstanding senior unsecured notes, $300 million borrowed under a term loan facility under the 2013 Credit Agreement, $565 million borrowed under revolving credit facility under the 2013 Credit Agreement and less than $1 million borrowed under various other short-term lines of credit. At December 31, 2014, $125 million of the outstanding portion of the revolving facility were classified as short-term liabilities in the consolidated balance sheet due to the fact that the Company expects to utilize this portion of the revolving line of credit to fund its working capital needs within the next twelve months and can repay and re-borrow from the facility without penalty. The remaining $440 million of the outstanding portion of the revolving facility were classified as long-term liabilities in the consolidated balance sheet, as no repayments are required prior to the maturity date in 2018 and this portion is not expected to be repaid within the next twelve months. As of December 31, 2014, the Company had a total amount available to borrow under existing credit agreements of $533 million after outstanding letters of credit. As of December 31, 2014, the Company was in compliance with all debt covenants.

In May 2014, the Company's Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a three-year period and authorized the extension of the May 2012 program until May 2015. During 2014, 2013 and 2012, the Company repurchased 3.1 million, 3.1 million and 3.5 million shares at a cost of $329 million, $295 million and $290 million, respectively, under the May 2012 authorization and other previously announced programs. As of December 31, 2014, the Company repurchased an aggregate of 7.4 million shares at a cost of $731 million under the May 2012 repurchase program, leaving a total of $769 million authorized for future repurchases. In addition, the Company repurchased $8 million, $6 million and $6 million of common stock related to the vesting of restricted stock units during each of the years ended December 31, 2014, 2013 and 2012.

The Company received $74 million, $69 million and $29 million of proceeds from the exercise of stock options and the purchase of shares pursuant to the Company's employee stock purchase plan in 2014, 2013 and 2012, respectively.

The Company had cash, cash equivalents and investments of $2,055 million as of December 31, 2014. The majority of the Company's cash, cash equivalents and investments are generated from foreign operations, with $1,971 million held by foreign subsidiaries at December 31, 2014. Due to the fact that most of the Company's cash, cash equivalents and 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 interest, finance potential U.S. acquisitions and continue the authorized stock repurchase program in the U.S. These U.S. cash requirements are managed by the Company's cash flow from U.S. operations and the use of the Company's revolving credit facility.

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 and 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 and potential acquisitions. 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, 2014 (in thousands):

	Payments Due by Year (1)							
	Total	2015	2016	2017	2018	2019	2020	After 2020
Notes payable and debt	$ 225,243	$225,243	$ —	$ —	$ —	$ —	$ —	$ —
Interest on senior unsecured notes	97,771	17,881	16,579	16,318	13,769	13,098	8,515	11,611
Long-term debt	1,240,000	—	50,000	—	840,000	—	100,000	250,000
Operating leases	76,170	21,945	17,464	12,760	6,528	4,952	4,334	8,187
Total	$1,639,184	$265,069	$84,043	$29,078	$860,297	$18,050	$112,849	$269,798

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

The interest rates applicable to the 2013 Credit Agreement are, at the Company's option, equal to either the alternate base rate calculated daily (which is a rate per annum equal to the greatest of (a) the prime rate in effect on such day, (b) the federal funds effective rate in effect on such day plus 1/2% per annum, or (c) the adjusted LIBO rate on such day (or if such day is not a business day, the immediately preceding business day) for a deposit in U.S. dollars with a maturity of one month plus 1% per annum) or the applicable 1, 2, 3 or 6 month adjusted LIBO rate, in each case, plus an interest rate margin based upon the Company's leverage ratio, which can range between 0 to 12.5 basis points for alternate base rate loans and between 75 basis points and 112.5 basis points for adjusted LIBO rate loans. The facility fee on the 2013 Credit Agreement ranges between 12.5 basis points and 25 basis points. The 2013 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 as of the end of any fiscal quarter for any period of four consecutive fiscal quarters and a leverage ratio test of not more than 3.50:1 as of the end of any fiscal quarter. In addition, the 2013 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, 2014, 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, 2014 (in thousands):

	Amount of Commitments Expiration Per Period							
	Total	2015	2016	2017	2018	2019	2020	After 2020
Letters of credit	$1,581	$1,581	$—	$—	$—	$—	$—	$—

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 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 2015, the Company expects to contribute approximately $4 million to $11 million to the Company's defined benefit plans.

The Company has contingent consideration for an earnout pertaining to the Medimass acquisition. The earnout payments are not included above since they are dependent upon many factors that cannot be predicted with any certainty. The estimated fair value of the contingent consideration as of December 31, 2014 is $4 million.

The Company licenses certain technology and software from third parties. Future minimum license fees payable under existing license agreements as of December 31, 2014 are immaterial. The Company enters into licensing arrangements with third parties that require future milestone or royalty payments contingent upon future events. Upon the achievement of certain milestones in existing agreements, the Company could make additional payments of up to $15 million, as well as royalties on future net sales. It is not possible to predict with reasonable certainty whether these milestones will be achieved or the timing for achievement. As a result, these potential payments are not included in the table above.

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 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 unrecognized tax benefits associated with those reporting positions for the time value of money. If all of the Company's unrecognized tax benefits accrued as of December 31, 2014 were to become recognizable in the future, the Company would record a total reduction of approximately $20 million in its income tax provision.

With limited exceptions, the Company is no longer subject to tax audit examinations in significant jurisdictions for the years ended on or before December 31, 2009. However, carryforward attributes that were generated in years beginning on or before January 1, 2010 may still be adjusted upon examination by tax authorities if the attributes are utilized. 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, 2013, the Company concluded tax audit disputes with tax authorities in the U.S. and Japan that were related to matters for which the Company had previously recorded uncertain tax benefits of approximately $35 million. The resolution of these tax audit disputes also entailed net global assessments against the Company of approximately $4 million. Accordingly, the Company recorded a $35 million reduction in the measurement of its unrecognized tax benefits and a $4 million increase in its current tax liabilities in the year ended December 31, 2013, which reduced the provision for income taxes and increased net income for the year ended December 31, 2013 by $31 million. As of December 31, 2014, the Company expects to record additional reductions in the measurement of its unrecognized tax benefits and related net interest and penalties of approximately $5 million within the next twelve months due to the lapsing of statutes of limitations on potential tax assessments. The Company does not expect to record any other material reductions in the measurement of its unrecognized tax benefits within the next twelve months.

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 amounts 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, 2014, the Company had current and long-term deferred revenue liabilities of $130 million and $29 million, respectively. Revenue is recognized when all of the following revenue recognition criteria are met: persuasive evidence of an arrangement exists; delivery or performance 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 accounted for 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 and estimated installation hours.

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 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, 2014 was $434 million, net of allowances for doubtful accounts and sales returns of $7 million.

The Company values all of its inventories at the lower of cost or market on a first-in, first-out basis ("FIFO"). The Company estimates revisions to its inventory valuations based on technical obsolescence, historical demand, projections of future demand, including that in the Company's current backlog of orders, and industry and market conditions. If actual future demand or market conditions are less favorable than those projected by management, additional write-downs may be required. The Company's inventory balance at December 31, 2014 was recorded at its net realizable value of $246 million, which is net of write-downs of $17 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 $232 million, $322 million and $355 million, respectively, as of December 31, 2014.

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.

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 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 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 unrecognized tax benefits associated with those reporting positions for the time value of money. At December 31, 2014, the Company had unrecognized tax benefits of $20 million.

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, 2014, the Company's warranty liability was $13 million.

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

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 6.95% for its U.S. benefit plans and 2.84% 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, 2014 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, 2014, the Company determined the weighted-average discount rate to be 3.92% for the U.S. benefit plans and 1.98% for the non-U.S. benefits plans.

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. 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.

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 option pricing 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, 2014, 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	$44	3.7
Restricted stock units	40	3.5
Restricted stock	—	—
Total	$84	3.6

Business Combinations and Asset Acquisitions

The Company accounts for business acquisitions under the accounting standards for business combinations. The results of each acquisition are included in the Company's consolidated results as of the acquisition date and the purchase price of an acquisition is allocated to tangible and intangible assets and assumed liabilities based on their estimated fair values. Any excess of the fair value consideration transferred over the estimated fair values of the net assets acquired is recognized as goodwill. Acquired in-process research and development ("IPR&D") included in a business combination is capitalized as an indefinite-lived intangible asset. Development costs incurred after the acquisition are expensed as incurred and acquired IPR&D is tested for impairment until completion of the acquired programs. Upon commercialization, this indefinite-lived intangible asset is then accounted for as a finite-lived intangible asset and amortized on a straight-line basis over its estimated useful life, subject to periodic impairment reviews. If the research and development project is abandoned, the indefinite-lived asset is charged to expense. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

The Company also acquires intellectual property through licensing arrangements. These arrangements often require upfront payments and may include additional milestone or royalty payments, contingent upon certain future events. IPR&D acquired in an asset acquisition (as opposed to a business combination) is expensed immediately unless there is an alternative future use. Subsequent payments made for the achievement of milestones are evaluated to determine whether they have an alternative future use or should be expensed. Payments made to third parties subsequent to commercialization are capitalized and amortized over the remaining useful life of the related asset, and are classified as intangible assets.

Contingent Consideration

In addition to the initial cash consideration paid to acquire Medimass, the Company is obligated to make additional earnout payments based on a royalty due on future sales of products containing the REIMS technology. In accordance with the accounting standards for business combinations, the Company determines the fair value of the liability for contingent consideration at each reporting date using a probability-weighted discounted cash flow model. Subsequent changes in the fair value of the contingent consideration liability are recorded in the results of operations. The fair value of the contingent consideration liability associated with future earnout payments is based on several factors, including estimated future results and a discount rate reflective of the Company's creditworthiness. A change in any of these unobservable inputs can significantly change the fair value of the contingent consideration. Although there is no contractual limit, total future undiscounted contingent consideration payments are estimated to be $4 million as of December 31, 2014, based on the Company's best estimate, as the earnout is based on future sales of certain products through 2034.

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. 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 Euros, Japanese yen, British pounds and Singapore dollars. 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 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. The Company enters into forward foreign exchange contracts to manage exposures to foreign currency by hedging 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 Brazilian real. 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 cost of sales in the consolidated statements of operations. At December 31, 2014, 2013 and 2012, the Company held forward foreign exchange contracts with notional amounts totaling $110 million, $104 million and $134 million, respectively.

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

	December 31, 2014	December 31, 2013
Other current assets	$123	$929
Other current liabilities	$651	$ 88

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,		
	2014	2013	2012
Realized gains on closed contracts	$ 174	$8,666	$4,186
Unrealized (losses) gains on open contracts	(1,369)	361	1,716
Cumulative net pre-tax (losses) gains	$(1,195)	$9,027	$5,902

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, 2014 would decrease pre-tax earnings by approximately $11 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 investments, and are held primarily in U.S. treasury bills, U.S. dollar-denominated treasury bills and commercial paper, bank deposits and corporate debt securities. The Company maintains cash 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, 2014 and 2013, $1,971 million out of $2,055 million and $1,738 million out of $1,804 million, respectively, of the Company's total cash, cash equivalents and 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, 2014, the Company has no holdings in auction rate securities or commercial paper issued by structured investment vehicles.

The Company's cash, cash equivalents and investments are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2014, 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 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control — Integrated Framework 2013*, 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, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 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, 2014 and December 31, 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 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, 2014, based on criteria established in *Internal Control—Integrated Framework 2013* 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 27, 2015

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 422,177	$ 440,796
Investments	1,633,211	1,362,874
Accounts receivable, net	433,616	430,985
Inventories	246,430	242,800
Other current assets	118,302	78,800
Total current assets	2,853,736	2,556,255
Property, plant and equipment, net	321,583	324,932
Intangible assets, net	232,371	239,112
Goodwill	354,838	350,350
Other assets	115,406	111,980
Total assets	$ 3,877,934	$ 3,582,629
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and debt	$ 225,243	$ 133,346
Accounts payable	65,704	64,961
Accrued employee compensation	47,198	43,305
Deferred revenue and customer advances	129,706	128,056
Accrued income taxes	15,143	19,770
Accrued warranty	13,266	12,962
Other current liabilities	85,335	85,132
Total current liabilities	581,595	487,532
Long-term liabilities:		
Long-term debt	1,240,000	1,190,000
Long-term portion of retirement benefits	85,230	74,723
Long-term income tax liabilities	20,397	25,436
Other long-term liabilities	56,046	41,765
Total long-term liabilities	1,401,673	1,331,924
Total liabilities	1,983,268	1,819,456
Commitments and contingencies (Notes 8, 9, 10, 11 and 14)		
Stockholders' equity:		
Preferred stock, par value $0.01 per share, 5,000 shares authorized, none issued at December 31, 2014 and December 31, 2013	—	—
Common stock, par value $0.01 per share, 400,000 shares authorized, 156,716 and 155,246 shares issued, 83,147 and 84,819 shares outstanding at December 31, 2014 and December 31, 2013, respectively	1,567	1,552
Additional paid-in capital	1,392,494	1,270,608
Retained earnings	4,394,513	3,962,893
Treasury stock, at cost, 73,569 and 70,427 shares at December 31, 2014 and December 31, 2013, respectively	(3,815,203)	(3,477,759)
Accumulated other comprehensive (loss) income	(78,705)	5,879
Total stockholders' equity	1,894,666	1,763,173
Total liabilities and stockholders' equity	$ 3,877,934	$ 3,582,629

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except per share data)		
Product sales	$1,346,729	$1,312,503	$1,280,507
Service sales	642,615	591,715	563,134
Total net sales	1,989,344	1,904,218	1,843,641
Cost of product sales	549,121	526,721	501,660
Cost of service sales	275,792	256,735	235,954
Total cost of sales	824,913	783,456	737,614
Gross profit	1,164,431	1,120,762	1,106,027
Selling and administrative expenses	512,707	492,965	477,270
Research and development expenses	107,726	100,536	96,004
Acquired in-process research and development (Note 2)	15,456	—	—
Purchased intangibles amortization	10,634	9,918	13,829
Litigation provisions (Note 10)	—	—	7,434
Operating income	517,908	517,343	511,490
Other expense (Note 3)	—	(1,575)	—
Interest expense	(34,191)	(30,050)	(28,073)
Interest income	7,023	4,387	4,208
Income from operations before income taxes	490,740	490,105	487,625
Provision for income taxes	59,120	40,102	26,182
Net income	$ 431,620	$ 450,003	$ 461,443
Net income per basic common share	$ 5.12	$ 5.27	$ 5.25
Weighted-average number of basic common shares	84,358	85,426	87,841
Net income per diluted common share	$ 5.07	$ 5.20	$ 5.19
Weighted-average number of diluted commonshares and equivalents	85,151	86,546	88,979

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

WATERS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2014	2013	2012
		(In thousands)	
Net income	$431,620	$450,003	$461,443
Other comprehensive (loss) income:			
Foreign currency translation	(61,728)	11,843	17,279
Unrealized (losses) gains on investments before reclassifications	(532)	134	(27)
Amounts reclassified to other expense	—	1,575	—
Amounts reclassified to selling and administrative expenses	—	—	(968)
Unrealized (losses) gains on investments before income taxes	(532)	1,709	(995)
Income tax benefit (expense)	43	(639)	348
Unrealized (losses) gains on investments, net of tax	(489)	1,070	(647)
Retirement liability adjustment before reclassifications	(34,797)	27,888	(14,147)
Amounts reclassified to selling and administrative expenses	2,886	3,678	3,055
Retirement liability adjustment	(31,911)	31,566	(11,092)
Income tax benefit (expense)	9,544	(12,205)	4,120
Retirement liability adjustment, net of tax	(22,367)	19,361	(6,972)
Other comprehensive (loss) income	(84,584)	32,274	9,660
Comprehensive income	$347,036	$482,277	$471,103

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,		
	2014	2013	2012
		(In thousands)	
Cash flows from operating activities:			
Net income	$ 431,620	$ 450,003	$ 461,443
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for doubtful accounts on accounts receivable	2,037	3,656	2,256
Stock-based compensation	32,998	31,708	29,183
Deferred income taxes	1,583	169	(52,219)
Depreciation	46,393	38,165	37,422
Amortization of intangibles	47,838	41,530	31,409
Building impairment	4,718	—	—
In-process research and development and other non-cash charges	16,481	—	—
Change in operating assets and liabilities, net of acquisitions:			
Increase in accounts receivable	(29,435)	(35,233)	(39,836)
Increase in inventories	(15,984)	(11,389)	(10,930)
(Increase) decrease in other current assets	(5,784)	5,033	(7,136)
(Increase) decrease in other assets	(14,409)	(11,467)	1,473
(Decrease) increase in accounts payable and other current liabilities	(13,687)	(28,127)	563
Increase in deferred revenue and customer advances	9,566	8,512	11,005
Decrease in other liabilities	(2,287)	(7,684)	(15,353)
Net cash provided by operating activities	511,648	484,876	449,280
Cash flows from investing activities:			
Additions to property, plant, equipment and software capitalization	(91,122)	(118,450)	(104,749)
Business acquisitions, net of cash acquired	(27,008)	(41,395)	(31,016)
Payments for intellectual property licenses	(15,126)	—	—
Purchase of investments	(2,196,153)	(2,972,116)	(1,815,988)
Maturities and sales of investments	1,925,816	2,667,232	1,655,359
Proceeds from sale of property	1,563	—	—
Net cash used in investing activities	(402,030)	(464,729)	(296,394)
Cash flows from financing activities:			
Proceeds from debt issuances	381,673	1,032,209	218,324
Payments on debt	(239,776)	(886,644)	(32,107)
Payments of debt issuance costs	(1,400)	(2,039)	(497)
Proceeds from stock plans	73,849	68,958	28,869
Purchase of treasury shares	(337,444)	(301,580)	(295,878)
Excess tax benefit related to stock option plans	15,703	15,842	10,568
Proceeds from derivative contracts	174	8,666	4,186
Net cash used in financing activities	(107,221)	(64,588)	(66,535)
Effect of exchange rate changes on cash and cash equivalents	(21,016)	4,202	10,694
(Decrease) increase in cash and cash equivalents	(18,619)	(40,239)	97,045
Cash and cash equivalents at beginning of period	440,796	481,035	383,990
Cash and cash equivalents at end of period	$ 422,177	$ 440,796	$ 481,035
Supplemental cash flow information:			
Income taxes paid	$ 60,971	$ 55,928	$ 59,446
Interest paid	$ 34,332	$ 29,563	$ 28,305

The accompanying notes are an integral part of the 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, 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
Net income	—	—	—	450,003	—	—	450,003
Other comprehensive income	—	—	—	—	—	32,274	32,274
Issuance of common stock for employees:							
Employee Stock Purchase Plan	58	1	4,816	—	—	—	4,817
Stock options exercised	1,281	13	64,128	—	—	—	64,141
Tax benefit related to stock option plans	—	—	15,842	—	—	—	15,842
Increase in valuation allowance	—	—	(892)	—	—	—	(892)
Treasury stock	—	—	—	—	(301,580)	—	(301,580)
Stock-based compensation	211	1	31,210	—	—	—	31,211
Balance December 31, 2013	155,246	$1,552	$1,270,608	$3,962,893	$(3,477,759)	$ 5,879	$1,763,173
Net income	—	—	—	431,620	—	—	431,620
Other comprehensive loss	—	—	—	—	—	(84,584)	(84,584)
Issuance of common stock for employees:							
Employee Stock Purchase Plan	54	1	5,027	—	—	—	5,028
Stock options exercised	1,185	12	68,809	—	—	—	68,821
Tax benefit related to stock option plans	—	—	15,703	—	—	—	15,703
Treasury stock	—	—	—	—	(337,444)	—	(337,444)
Stock-based compensation	231	2	32,347	—	—	—	32,349
Balance December 31, 2014	156,716	$1,567	$1,392,494	$4,394,513	$(3,815,203)	$(78,705)	$1,894,666

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. 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 and stability 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, as well as other suppliers' 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 foreign currency exchange rates, fluctuations in customer demand, development by its competitors of new technological innovations, costs of developing new technologies, levels of debt and debt service requirements, risk of disruption, 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 70% in 2014 and 71% in both 2013 and 2012. 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 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 investments, and are held primarily in U.S. treasury bills, U.S. dollar-denominated treasury bills and commercial paper, bank deposits and corporate debt securities.

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 exclusive of those categorized as cash equivalents.

The Company maintains cash 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, 2014 and 2013, $1,971 million out of $2,055 million and $1,738 million out of $1,804 million, respectively, of the Company's total cash, cash equivalents and 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 determines it is probable that the receivable will not be recovered. The Company does not have any off-balance sheet credit exposure related to its customers. The allowance for sales returns is the best estimate of the amount of future product returns related to current period revenue and is based on historical experience.

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, 2014, 2013 and 2012 (in thousands):

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
Allowance for Doubtful Accounts and Sales Returns:				
2014	$7,057	$7,551	$(7,429)	$7,179
2013	$8,240	$4,386	$(5,569)	$7,057
2012	$8,584	$7,298	$(7,642)	$8,240

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 2014, 52% in 2013 and 53% in 2012. None of the Company's individual customers accounted for more than 2% of annual Company sales in 2014, 2013 or 2012. 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.

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 recorded in the consolidated statements of operations.

Business Combinations and Asset Acquisitions

The Company accounts for business acquisitions under the accounting standards for business combinations. The results of each acquisition are included in the Company's consolidated results as of the acquisition date and the purchase price of an acquisition is allocated to tangible and intangible assets and assumed liabilities based on their estimated fair values. Any excess of the fair value consideration transferred over the estimated fair values of the net assets acquired is recognized as goodwill. Acquired in-process research and development ("IPR&D") included in a business combination is capitalized as an indefinite-lived intangible asset. Development costs incurred after the acquisition are expensed as incurred and acquired IPR&D is tested for impairment until completion of the acquired programs. Upon commercialization, this indefinite-lived intangible asset is then accounted for as a finite-lived intangible asset and amortized on a straight-line basis over its estimated useful life, subject to periodic impairment reviews. If the research and development project is abandoned, the indefinite-lived asset is charged to expense. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

The Company also acquires intellectual property through licensing arrangements. These arrangements often require upfront payments and may include additional milestone or royalty payments, contingent upon certain future events. IPR&D acquired in an asset acquisition (as opposed to a business combination) is expensed immediately unless there is an alternative future use. Subsequent payments made for the achievement of milestones are evaluated to determine whether they have an alternative future use or should be expensed. Payments made to third parties subsequent to commercialization are capitalized and amortized over the remaining useful life of the related asset, and are classified as intangible assets.

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 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 ten years. Debt issuance costs are amortized over the life of the related debt. Acquired IPR&D is amortized from the date of completion of the acquired program over its estimated useful life. IPR&D and indefinite-lived intangibles are tested annually for impairment.

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 ten years. The Company capitalized $33 million and $35 million of direct expenses that were related to the development of software in 2014 and 2013, respectively. Net capitalized software included in intangible assets totaled $138 million and $151 million at December 31, 2014 and 2013, respectively. See Note 7, "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, 2014 and 2013.

Other 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 long-term investments at December 31, 2014 and 2013 are included in other assets and amounted to $2 million and $3 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, 2014 and 2013. 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, 2014 (in thousands):

	Total at December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Treasury securities	$ 626,772	$—	$ 626,772	$ —
Foreign government securities	24,998	—	24,998	—
Corporate debt securities	984,105	—	984,105	—
Time deposits	64,240	—	64,240	—
Equity securities	147	—	147	—
Other cash equivalents	29,000	—	29,000	—
Waters 401(k) Restoration Plan assets	33,935	—	33,935	—
Foreign currency exchange contract agreements	123	—	123	—
Total	$1,763,320	$—	$1,763,320	$ —
Liabilities:				
Contingent consideration	$ 3,612	$—	$ —	$3,612
Foreign currency exchange contract agreements	651	—	651	—
Total	$ 4,263	$—	$ 651	$3,612

The following table represents the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2013 (in thousands):

	Total at December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
U.S. Treasury securities	$ 556,539	$—	$ 556,539	$—
Foreign government securities	139,670	—	139,670	—
Corporate debt securities	629,434	—	629,434	—
Time deposits	74,050	—	74,050	—
Equity securities	147	—	147	—
Other cash equivalents	62,851	—	62,851	—
Waters 401(k) Restoration Plan assets	31,203	—	31,203	—
Foreign currency exchange contract agreements	929	—	929	—
Total	$1,494,823	$—	$1,494,823	$—
Liabilities:				
Foreign currency exchange contract agreements	$ 88	$—	$ 88	$—
Total	$ 88	$—	$ 88	$—

The fair values of the Company's cash equivalents, 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, 2014 and 2013.

Fair Value of Contingent Consideration

The fair value of the Company's liability for contingent consideration related to the acquisition of Medimass Research, Development and Service Kft. (see Note 6) is determined using a probability-weighted discounted cash flow model, which uses significant unobservable inputs, and has been classified as Level 3. Subsequent changes in the fair value of the contingent consideration liability are recorded in the results of operations. The fair value of the contingent consideration liability associated with future earnout payments is based on several factors, including estimated future results and a discount rate reflective of the Company's creditworthiness. A change in any of these unobservable inputs can significantly change the fair value of the contingent consideration. Although there is no contractual limit, total future contingent consideration payments were estimated to be $3 million as of the acquisition date and $4 million as of December 31, 2014, based on the Company's best estimate, as the earnout is based on future sales of certain products through 2034. The increase in the liability for contingent consideration since the acquisition date is primarily due to change in fair value as the earnout period lapses.

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 $600 million and $400 million at December 31, 2014 and 2013, respectively. The fair value of the Company's fixed interest rate debt was 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 estimated to be $608 million and $398 million at December 31, 2014 and 2013, respectively, using Level 2 inputs.

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.

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, and gains and losses are recorded in cost of sales in the consolidated statements of operations. The Company enters into forward foreign exchange contracts to manage exposures to foreign currency by hedging 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 Brazilian real. 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. At December 31, 2014, 2013 and 2012, the Company held forward foreign exchange contracts with notional amounts totaling $110 million, $104 million and $134 million, respectively.

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

	December 31, 2014	December 31, 2013
Other current assets	$123	$929
Other current liabilities	$651	$ 88

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,		
	2014	2013	2012
Realized gains on closed contracts	$ 174	$8,666	$4,186
Unrealized (losses) gains on open contracts	(1,369)	361	1,716
Cumulative net pre-tax (losses) gains	$(1,195)	$9,027	$5,902

Stockholders' Equity

In May 2014, the Company's Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a three-year period and authorized the extension of the May 2012 program until May 2015. During 2014, 2013 and 2012, the Company repurchased 3.1 million, 3.1 million and 3.5 million shares at a cost of $329 million, $295 million and $290 million, respectively, under the May 2012 authorization and other previously announced programs. As of December 31, 2014, the Company repurchased an aggregate of 7.4 million shares at a cost of $731 million under the May 2012 repurchase program, leaving a total of $769 million authorized for future repurchases. In addition, the Company repurchased $8 million, $6 million and $6 million of common stock related to the vesting of restricted stock units during the years ended December 31, 2014, 2013 and 2012, respectively. 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.

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 or performance 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 accounted for 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 and estimated installation hours.

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 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 suppliers, 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, 2014, 2013 and 2012 (in thousands):

	Balance at Beginning of Period	Accruals for Warranties	Settlements Made	Balance at End of Period
Accrued warranty liability:				
2014	$12,962	$8,148	$(7,844)	$13,266
2013	$12,353	$8,466	$(7,857)	$12,962
2012	$13,258	$7,212	$(8,117)	$12,353

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 2014, 2013 and 2012 were $12 million, $11 million and $13 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. During 2014, the Company incurred a $15 million charge for acquired in-process research and development related to the licensing of certain intellectual property relating to mass spectrometry technologies yet to be commercialized and for which there was no future alternative use as of the acquisition date. These licensing arrangements are significantly related to new, medically-focused applications, as well as other applications, and require the Company to make additional payments of up to $15 million if certain milestones are achieved, as well as royalties on future net sales.

Stock-Based Compensation

The Company has two stock-based compensation plans, which are described in Note 12, “Stock-Based Compensation”.

Earnings Per Share

In accordance with the earnings per share accounting 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.

Retirement Plans

The Company sponsors various retirement plans, which are described in Note 14, “Retirement Plans”.

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, except for the repayment of senior unsecured notes discussed in Note 8, “Debt”.

Recently Adopted Accounting Standards

In July 2013, amended accounting guidance was issued regarding the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The adoption of this standard on January 1, 2014 did not have a material effect on the Company’s financial position, results of operations or cash flows.

Recently Issued Accounting Standards

In May 2014, amended accounting guidance was issued regarding the recognition of revenue from contracts with customers. The objective of this guidance is to significantly enhance comparability and clarify principles of revenue recognition practices across entities, industries, jurisdictions and capital markets. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the potential impact that the adoption of this standard will have on the Company's financial position, results of operations or cash flows.

3 Marketable Securities

The Company's marketable securities within cash equivalents and investments included in the consolidated balance sheets are detailed as follows (in thousands):

	December 31, 2014			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Treasury securities	$ 626,683	$246	$(157)	$ 626,772
Foreign government securities	24,998	—	—	24,998
Corporate debt securities	984,668	125	(688)	984,105
Time deposits	64,240	—	—	64,240
Equity securities	77	70	—	147
Total	$1,700,666	$441	$(845)	$1,700,262
Amounts included in:				
Cash equivalents	$ 67,051	$ —	$ —	$ 67,051
Investments	1,633,615	441	(845)	1,633,211
Total	$1,700,666	$441	$(845)	$1,700,262

	December 31, 2013			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. Treasury securities	$ 556,438	$111	$ (10)	$ 556,539
Foreign government securities	139,670	—	—	139,670
Corporate debt securities	629,477	190	(233)	629,434
Time deposits	74,050	—	—	74,050
Equity securities	77	70	—	147
Total	$1,399,712	$371	$(243)	$1,399,840
Amounts included in:				
Cash equivalents	$ 36,966	$ —	$ —	$ 36,966
Investments	1,362,746	371	(243)	1,362,874
Total	$1,399,712	$371	$(243)	$1,399,840

The estimated fair value of marketable debt securities by maturity date is as follows (in thousands):

	December 31, 2014	December 31, 2013
Due in one year or less	$ 872,872	$1,011,459
Due after one year through three years	763,003	314,184
Total	$1,635,875	$1,325,643

In the year ended December 31, 2013, the Company recorded a $2 million charge for an other-than-temporary impairment to an investment. Realized gains and losses on sales of investments were not material in 2014, 2013 and 2012.

4 Inventories

Inventories are classified as follows (in thousands):

	December 31, 2014	December 31, 2013
Raw materials	$ 84,952	$ 76,930
Work in progress	16,749	19,656
Finished goods	144,729	146,214
Total inventories	$246,430	$242,800

5 Property, Plant and Equipment

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

	December 31, 2014	December 31, 2013
Land and land improvements	$ 39,688	$ 37,156
Buildings and leasehold improvements	256,603	205,638
Production and other equipment	367,716	336,135
Construction in progress	20,606	80,420
Total property, plant and equipment	684,613	659,349
Less: accumulated depreciation and amortization	(363,030)	(334,417)
Property, plant and equipment, net	$ 321,583	$ 324,932

During 2014, the Company recorded a $5 million impairment charge related to a write-down in the fair value of a building in the U.K. The building is currently classified as held-for-sale and recorded in other current assets in the consolidated balance sheet as of December 31, 2014 at a fair value of $4 million, which was determined based on a real estate market analysis. During 2014, 2013 and 2012, the Company retired and disposed of approximately $10 million, $19 million and $6 million of property, plant and equipment, respectively, most of which was fully depreciated and no longer in use. Gains on disposal were $1 million during the year ended December 31, 2014 and were immaterial for both 2013 and 2012.

6 Acquisitions

In July 2014, the Company acquired the net assets of Medimass Research, Development and Service Kft. (“Medimass”), a developer of mass spectrometry-related technologies with the potential to be used for a variety of applications, for $23 million in cash. In addition, the Company potentially has to pay additional contingent consideration, which had an estimated fair value of $3 million as of the closing date. The net assets acquired consist primarily of the Rapid Evaporative Ionization Mass Spectrometry (“REIMS”) technology, including patent applications, software, databases and REIMS expertise. REIMS is an ambient pressure surface ionization technique that, when used with mass spectrometry, can characterize the molecular topography of complex surfaces, such as cell membranes. The Company allocated $18 million of the purchase price to intangible assets comprised of $13 million of technology and $5 million of IPR&D. The technology will be amortized over fifteen years and the amortization of IPR&D will commence once commercialized. The remaining purchase price of $8 million was accounted for as goodwill, which is deductible for tax purposes. The contingent consideration payments are calculated based on a royalty due on future sales of products containing the REIMS technology. The fair value of the contingent consideration recognized was estimated using a probability-weighted discounted cash flow model, using Level 3 inputs.

In January 2014, the Company acquired all of the outstanding stock of ULSP B.V. ("ULSP"), a manufacturer of instrumentation components that enable ultra low temperature generation, for $4 million in cash. ULSP's core business is the manufacturing and servicing of high quality low temperature coolers for thermal analysis and rheology applications, and these products are important accessories for many TA core instrument offerings. ULSP was acquired to bring the manufacturing of these devices in-house and to expand the Company's product offering. The Company allocated $1 million of the purchase price to an intangible asset comprised of technology, which will be amortized over ten years. The remaining purchase price of $3 million was accounted for as goodwill. The goodwill is not deductible for tax purposes.

The fair values of the assets and liabilities acquired were determined using various income-approach valuation techniques, which use Level 3 inputs. The following table presents the fair values as of the respective acquisition dates, as determined by the Company, of 100% of the assets and liabilities owned and recorded in connection with the acquisitions of Medimass and ULSP (in thousands):

Accounts receivable and other assets	$ 550
Intangible assets	18,457
Goodwill	11,631
Total assets acquired	30,638
Accrued expenses and other liabilities	294
Accrued contingent consideration	3,336
Cash consideration paid	$27,008

In December 2013, the Company acquired the net assets of LaserComp Inc. ("LaserComp"), a manufacturer of thermal conductivity measurement instruments, for $12 million in cash. LaserComp was acquired to expand TA's thermal analysis instrument product offering and to leverage the Company's distribution channels.

In December 2013, the Company acquired all of the outstanding capital stock of Expert Systems Solutions S.r.l. ("ESS"), a manufacturer of advanced thermal analysis instruments, for $3 million in cash. ESS was acquired to expand TA's thermal analysis instrument product offering and to leverage the Company's distribution channels.

In August 2013, the Company acquired all of the outstanding capital stock of Nonlinear Dynamics Ltd. ("Nonlinear Dynamics"), a developer of proteomics and metabolomics software, for $23 million in cash. Waters and Nonlinear Dynamics collaborated on the development of the Company's TransOmics™ Informatics, a scalable solution for proteomics, metabolomics, and lipidomics analysis, which was introduced in 2012. In 2014, the Company introduced Progenesis® QI and Progenesis® QI for Proteomics.

In July 2013, the Company acquired all of the outstanding capital stock of Scarabaeus Mess-und Prodktionstechnik GmbH ("Scarabaeus"), a manufacturer of rheometers for the rubber and elastomer markets, for $4 million in cash. Scarabaeus was acquired to expand TA's rheology analysis instrument product offering and to leverage the Company's distribution channels.

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 has integrated the Blue Reference technology into 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.

In February 2012, the Company acquired the net assets of its Israeli sales and service distributor for $6 million in cash.

In January 2012, the Company acquired all of the outstanding capital stock of Baehr Thermoanalyse GmbH ("Baehr"), a German manufacturer of a 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 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. Specifically, the goodwill acquired with Medimass and Nonlinear Dynamics consists of the values assigned to the respective workforces and the future incremental sales synergies anticipated when Medimass and Nonlinear Dynamics develop future products.

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 pro forma effect of the ongoing operations for Waters, Medimass, ULSP LaserComp, ESS, Nonlinear Dynamics, Scarabaeus, Blue Reference, the Israeli sales and service distributor and Baehr, either individually or in the aggregate, as though these acquisitions had occurred at the beginning of the periods covered by this report was immaterial.

7 Goodwill and Other Intangibles

The carrying amount of goodwill was $355 million and $350 million at December 31, 2014 and 2013, respectively. The Company's acquisitions increased goodwill by $12 million (see Note 6) and the effect of foreign currency translation decreased goodwill by $7 million in 2014.

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

	December 31, 2014			December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Weighted-Average Amortization Period
Capitalized software	$334,280	$196,477	7 years	$340,070	$189,415	7 years
Purchased intangibles	163,855	112,279	11 years	158,424	105,347	10 years
Trademarks and IPR&D	14,095	—	—	9,180	—	—
Licenses	5,371	3,634	6 years	3,909	3,390	7 years
Patents and other intangibles	56,513	29,353	8 years	49,902	24,221	8 years
Total	$574,114	$341,743	8 years	$561,485	$322,373	8 years

During the year ended December 31, 2014, the Company acquired $18 million of purchased intangibles as a result of the acquisitions of Medimass and ULSP (see Note 6). In addition, the gross carrying value of intangible assets and accumulated amortization for intangible assets decreased by $48 million and $28 million, respectively, in the year ended December 31, 2014 due to the effects of foreign currency translation. Amortization expense for intangible assets was $48 million, $42 million and $31 million for the years ended December 31, 2014, 2013 and

2012, 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 $50 million per year for each of the next five years. The increase in amortization expense in 2013, 2014 and for the next five years is primarily due to amortization associated with acquisitions and capitalized software costs related to the launch of new software product platforms. The net carrying value of the new software platforms were approximately $103 million as of December 31, 2014 and are being amortized over ten years.

8 Debt

In June 2014, the Company issued and sold the following senior unsecured notes:

Senior Unsecured Notes	Term	Interest Rate	Face Value (in millions)	Maturity Date
Series F	7 years	3.40%	$100	June 2021
Series G	10 years	3.92%	$ 50	June 2024
Series H	10 years	Floating Rate*	$ 50	June 2024

* Series H senior unsecured notes bear interest at 3 month LIBOR for that floating rate interest period plus 1.25%.

All of the proceeds from the issuance of the new senior unsecured notes were used to repay outstanding portions of the revolving facility under the credit agreement dated June 2013 (the "2013 Credit Agreement"). At December 31, 2014 and 2013, the Company had a total of $600 million and $400 million of outstanding senior unsecured notes, respectively. Interest on the fixed rate senior unsecured notes is payable semi-annually each year. Interest on the floating rate senior unsecured notes is payable quarterly. 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 or prepayment premium for Series H senior unsecured notes. In the event of a change in control of the Company (as defined in the note purchase agreement), 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 senior unsecured notes require that the Company comply with an interest coverage ratio test of not less than 3.50:1 for any period of four consecutive fiscal quarters and a leverage ratio test of not more than 3.50:1 as of the end of any fiscal quarter. In addition, these senior unsecured notes include customary negative covenants, affirmative covenants, representations and warranties and events of default. In February 2015, the Company repaid $100 million of senior unsecured notes upon maturity with borrowings under the revolving facility.

In June 2013, the Company entered into the 2013 Credit Agreement, which provides for a $1.1 billion revolving facility and a $300 million term loan facility. The revolving facility and term loan facility both mature on June 25, 2018 and require no scheduled prepayments before that date.

The interest rates applicable to the 2013 Credit Agreement are, at the Company's option, equal to either the alternate base rate calculated daily (which is a rate per annum equal to the greatest of (a) the prime rate in effect on such day, (b) the federal funds effective rate in effect on such day plus 1/2% per annum, or (c) the adjusted LIBO rate on such day (or if such day is not a business day, the immediately preceding business day) for a deposit in U.S. dollars with a maturity of one month plus 1% per annum) or the applicable 1, 2, 3 or 6 month adjusted LIBO rate, in each case, plus an interest rate margin based upon the Company's leverage ratio, which can range between 0 to 12.5 basis points for alternate base rate loans and between 75 basis points and 112.5 basis points for adjusted LIBO rate loans. The facility fee on the 2013 Credit Agreement ranges between 12.5 basis points and 25 basis points. The 2013 Credit Agreement requires that the Company comply with an interest coverage ratio test of not less than 3.50:1 as of the end of any fiscal quarter for any period of four consecutive fiscal quarters and a leverage ratio test of not more than 3.50:1 as of the end of any fiscal quarter. In addition, the 2013 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, 2014, $125 million of the outstanding portion of the revolving facility were classified as short-term liabilities in the consolidated balance sheet due to the fact that the Company expects to utilize this portion of the revolving line of credit to fund its working capital needs within the next twelve months and can repay and re-borrow from the facility without penalty. The remaining $440 million of the outstanding portion of the revolving facility were classified as long-term liabilities in the consolidated balance sheet, as no repayments are required prior to the maturity date in 2018 and this portion is not expected to be repaid within the next twelve months.

The Company had the following outstanding debt at December 31, 2014 and 2013 (in thousands):

	December 31,	
	2014	2013
Foreign subsidiary lines of credit	$ 243	$ 8,346
Senior unsecured notes - Series A - 3.75%, due February 2015	100,000	—
2013 Credit Agreement	125,000	125,000
Total notes payable and debt	225,243	133,346
Senior unsecured notes - Series A - 3.75%, due February 2015	—	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
Senior unsecured notes - Series F - 3.40%, due June 2021	100,000	—
Senior unsecured notes - Series G - 3.92%, due June 2024	50,000	—
Senior unsecured notes - Series H - floating rate, due June 2024	50,000	—
2013 Credit Agreement	740,000	790,000
Total long-term debt	1,240,000	1,190,000
Total debt	$1,465,243	$1,323,346

As of December 31, 2014 and 2013, the Company had a total amount available to borrow of $533 million and $483 million, respectively, after outstanding letters of credit, under the 2013 Credit Agreement. The weighted-average interest rates applicable to the senior unsecured notes and 2013 Credit Agreement borrowings collectively were 2.31% and 1.94% at December 31, 2014 and 2013, respectively. As of December 31, 2014, the Company was in compliance with all debt covenants.

The Company and its foreign subsidiaries also had available short-term lines of credit totaling $88 million and $87 million at December 31, 2014 and 2013, respectively, for the purpose of short-term borrowing and issuance of commercial guarantees. The weighted-average interest rates applicable to these short-term borrowings were 1.48% and 2.00% at December 31, 2014 and 2013, respectively.

9 Income Taxes

Income tax data for the years ended December 31, 2014, 2013 and 2012 is as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
The components of income from operations before income taxes are as follows:			
Domestic	$ 70,136	$116,067	$116,071
Foreign	420,604	374,038	371,554
Total	$490,740	$490,105	$487,625

	Year Ended December 31,		
	2014	2013	2012
The current and deferred components of the provision for income taxes on operations are as follows:			
Current	$ 57,537	$ 39,933	$ 78,401
Deferred	1,583	169	(52,219)
Total	$ 59,120	$ 40,102	$ 26,182
The jurisdictional components of the provision for income taxes on operations are as follows:			
Federal	$ 23,071	$ (702)	$ 39,840
State	3,791	5,142	5,599
Foreign	32,258	35,662	(19,257)
Total	$ 59,120	$ 40,102	$ 26,182
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	$ 171,759	$171,537	$ 170,669
Settlement of tax audits	—	(30,552)	(6,035)
State income tax, net of federal income tax benefit	2,464	3,342	3,639
Net effect of foreign operations	(109,240)	(96,461)	(102,858)
Recognition of deferred tax asset associated with a non-U.S. net operating loss	—	—	(36,410)
Other, net	(5,863)	(7,764)	(2,823)
Provision for income taxes	$ 59,120	$ 40,102	$ 26,182

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 were approximately 37.5%, 12.5%, 21.5% and 0%, respectively, as of December 31, 2014. 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 rates for the years ended December 31, 2014, 2013 and 2012 were 12.0%, 8.2% and 5.4%, respectively. The income tax provision for 2013 included a $31 million net tax benefit related to the completion of tax audit examinations. In addition, the research and development tax credit ("R&D Tax

Credit") was retroactively extended in January 2013 for the 2012 and 2013 tax years. The entire $3 million benefit related to the 2012 tax year was recorded in the first quarter of 2013, and the 2013 benefit was included in the 2013 annual effective tax rate. The net income tax benefits related to the completed tax audit examinations and the 2012 R&D Tax Credit decreased the Company's effective tax rate by 6.9 percentage points in the year ended December 31, 2013. 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 tax audit settlements 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. The remaining differences between the effective tax rates for 2014, 2013 and 2012 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,	
	2014	2013
Deferred tax assets:		
Net operating losses and credits	$102,810	$116,567
Depreciation	11,979	7,163
Stock-based compensation	18,702	22,684
Deferred compensation	34,301	25,391
Revaluation of equity investments	5,819	3,832
Inventory	4,104	3,651
Accrued liabilities and reserves	9,368	23,268
Other	18,097	15,289
Total deferred tax assets	205,180	217,845
Valuation allowance	(82,550)	(94,952)
Deferred tax assets, net of valuation allowance	122,630	122,893
Deferred tax liabilities:		
Capitalized software	(16,253)	(18,012)
Amortization	(8,765)	(3,798)
Indefinite-lived intangibles	(18,094)	(18,840)
Total deferred tax liabilities	(43,112)	(40,650)
Net deferred tax assets	$ 79,518	$ 82,243

The Company's net deferred tax assets included in the consolidated balance sheets are classified as follows (in thousands):

	December 31, 2014	December 31, 2013
Other current assets	$ 36,691	$ 31,423
Other assets	61,920	69,466
Other current liabilities	(1,096)	(579)
Other long-term liabilities	(17,997)	(18,067)
Net deferred tax assets	$ 79,518	$ 82,243

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.

As of December 31, 2014, the Company has provided a deferred tax valuation allowance of $83 million, of which $78 million relates to foreign tax credits and certain foreign net operating losses. The Company's net deferred tax assets associated with net operating losses and tax credit carryforwards are approximately $25 million as of December 31, 2014, 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 $16 million, $16 million and $11 million for the years ended December 31, 2014, 2013 and 2012, respectively.

At December 31, 2014, there were unremitted earnings of foreign subsidiaries of approximately $3 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. Events that could trigger a tax might include U.S. acquisitions or other investments funded by cash distributions or loans from a foreign subsidiary.

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 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 unrecognized tax benefits associated with those reporting positions 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, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Balance at the beginning of the period	$24,716	$ 64,390	$73,199
Realization of uncertain U.S. tax benefits	—	—	(5,625)
Changes resulting from completion of tax examinations	—	(35,279)	—
Other changes in uncertain tax benefits	(5,120)	(4,395)	(3,184)
Balance at the end of the period	$19,596	$ 24,716	$64,390

With limited exceptions, the Company is no longer subject to tax audit examinations in significant jurisdictions for the years ended on or before December 31, 2009. However, carryforward attributes that were generated in years beginning on or before January 1, 2010 may still be adjusted upon examination by tax authorities if the attributes are utilized. 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, 2013, the Company concluded tax audit disputes with tax authorities in the U.S. and Japan that were related to matters for which the Company had previously recorded uncertain tax benefits of approximately $35 million. The resolution of these tax audit disputes also entailed net global assessments against the Company of approximately $4 million. Accordingly, the Company recorded a $35 million reduction in the measurement of its unrecognized tax benefits and a $4 million increase in its current tax liabilities in the year ended December 31, 2013, which reduced the provision for income taxes and increased net income for the year ended December 31, 2013 by $31 million. As of December 31, 2014, the Company expects to record additional reductions in the measurement of its unrecognized tax benefits and related net interest and penalties of approximately $5 million within the next twelve months due to the lapsing of statutes of limitations on potential tax assessments. The Company does not expect to record any other material reductions in the measurement of its unrecognized tax benefits within the next twelve months.

10 Litigation

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, 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, 2014 and 2013.

11 Other Commitments and Contingencies

Lease agreements, expiring at various dates through 2026, cover buildings, office equipment and automobiles. Rental expense was $30 million during each of the years ended December 31, 2014, 2013 and 2012. Future minimum rents payable as of December 31, 2014 under non-cancelable leases with initial terms exceeding one year are as follows (in thousands):

2015	$21,945
2016	17,464
2017	12,760
2018	6,528
2019 and thereafter	17,473

The Company licenses certain technology and software from third parties. Future minimum license fees payable under existing license agreements as of December 31, 2014 are immaterial for the years ended December 31, 2015 and thereafter. The Company enters into licensing arrangements with third parties that require future milestone or royalty payments contingent upon future events. Upon the achievement of certain milestones in existing agreements, the Company could make additional payments of up to $15 million, as well as royalties on future net sales.

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

12 Stock-Based Compensation

In May 2012, the Company's shareholders approved the Company's 2012 Equity Incentive Plan ("2012 Plan"). As of December 31, 2014, the 2012 Plan has 4.2 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, 2014, 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, 2014, 1.2 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 for each of the years ended December 31, 2014, 2013 and 2012, 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 were estimated based on historical experience. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially impacted. In addition, if the Company employs different assumptions in the application of 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, 2014, 2013 and 2012 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):

	2014	2013	2012
Cost of sales	$ 2,732	$ 2,523	$ 2,694
Selling and administrative expenses	26,128	25,252	22,679
Research and development expenses	4,138	3,933	3,810
Total stock-based compensation	$32,998	$31,708	$29,183

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 2014, 2013 and 2012 are as follows:

Options Issued and Significant Assumptions Used to Estimate Option Fair Values	2014	2013	2012
Options issued in thousands	569	428	699
Risk-free interest rate	1.6%	1.7%	1.0%
Expected life in years	6	5	6
Expected volatility	0.266	0.248	0.265
Expected dividends	—	—	—

Weighted-Average Exercise Price and Fair Value of Options on the Date of Grant	2014	2013	2012
Exercise price	$112.56	$97.74	$86.55
Fair value	$ 32.61	$27.37	$23.97

The following table summarizes stock option activity for the plans for the year ended December 31, 2014 (in thousands, except per share data):

	Number of Shares	Exercise Price per Share	Weighted-Average Exercise Price
Outstanding at December 31, 2013	3,917	$33.12 to $103.47	$ 71.08
Granted	569	$99.22 to $113.36	$112.56
Exercised	(1,185)	$33.12 to $ 87.06	$ 58.12
Canceled	(21)	$79.15 to $ 98.21	$ 88.02
Outstanding at December 31, 2014	3,280	$37.84 to $113.36	$ 82.85

The following table details the weighted-average remaining contractual life of options outstanding at December 31, 2014 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
$37.84 to $59.99	593	$49.45	3.5	593	$49.45
$60.00 to $79.99	1,151	$78.34	5.9	757	$78.18
$80.00 to $113.36	1,536	$99.12	9.0	305	$89.83
Total	3,280	$82.85	6.9	1,655	$70.03

During 2014, 2013 and 2012, 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 $63 million, $64 million and $31 million, respectively. The total cash received from the exercise of these stock options was $69 million, $64 million and $24 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The aggregate intrinsic value of the outstanding stock options at December 31, 2014 was $98 million. Options exercisable at December 31, 2014, 2013 and 2012 were 1.7 million, 2.2 million and 2.9 million, respectively. The weighted-average exercise prices of options exercisable at December 31, 2014, 2013 and 2012 were $70.03, $60.88 and $54.00, respectively. The weighted-average remaining contractual life of the exercisable outstanding stock options at December 31, 2014 was 5.3 years.

At December 31, 2014, the Company had 3.2 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 $98 million, $82.67 and 6.8 years, respectively, at December 31, 2014.

As of December 31, 2014, 2013 and 2012, there were $43 million, $40 million and $45 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, 2014, 2013 and 2012, the Company granted 12 thousand shares of restricted stock. The weighted-average fair value per share on the grant date of the restricted stock granted in 2014, 2013 and 2012 was $99.22, $88.71 and $78.10, respectively. The Company has recorded $2 million, $2 million and $1 million of compensation expense in each of the years ended December 31, 2014, 2013 and 2012, respectively, related to the restricted stock grants. As of December 31, 2014, the Company had 24 thousand unvested shares of restricted stock outstanding, which have been fully expensed.

Restricted Stock Units

The following table summarizes the unvested restricted stock unit award activity for the year ended December 31, 2014 (in thousands, except for per share amounts):

	Shares	Weighted-Average Price
Unvested at December 31, 2013	642	$ 82.16
Granted	134	$112.59
Vested	(222)	$ 70.69
Forfeited	(21)	$ 87.43
Unvested at December 31, 2014	533	$ 94.38

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, 2014, 2013 and 2012 on the restricted stock units expected to vest were $16 million, $12 million and $13 million, respectively. As of December 31, 2014, there were $37 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 3.5 years.

13 Earnings Per Share

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

	Year Ended December 31, 2014		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
Net income per basic common share	$431,620	84,358	$5.12
Effect of dilutive stock option, restricted stock and restricted stock unit securities		793	
Net income per diluted common share	$431,620	85,151	$5.07

	Year Ended December 31, 2013		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
Net income per basic common share	$450,003	85,426	$5.27
Effect of dilutive stock option, restricted stock and restricted stock unit securities		1,120	
Net income per diluted common share	$450,003	86,546	$5.20

	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

For the years ended December 31, 2014, 2013 and 2012, the Company had 1.0 million, 1.1 million and 2.0 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.

14 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 60% 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, 2014, 2013 and 2012, the Company's matching contributions amounted to $13 million, $13 million and $12 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. The Company made one-time contributions totaling $21 million to certain of these Non-U.S. Pension Plans during 2014.

The Company contributed $11 million, $12 million and $11 million in the years ended December 31, 2014, 2013 and 2012, respectively, to the 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, 2014 and 2013, respectively.

The reconciliation of the projected benefit obligations at December 31, 2014 and 2013 is as follows (in thousands):

	2014			2013		
	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	$134,593	$11,020	$69,116	$145,047	$10,788	$64,857
Service cost	—	1,623	5,171	—	1,733	5,079
Interest cost	6,417	463	2,195	5,505	333	1,966
Actuarial losses (gains)	18,270	1,253	17,967	(13,328)	(1,292)	(925)
Benefits paid	(3,587)	(847)	(1,195)	(2,631)	(542)	(1,743)
Plan amendments	—	—	796	—	—	232
Plan settlements	—	—	(2,766)	—	—	—
Other plans	—	—	—	—	—	227
Currency impact	—	—	(9,278)	—	—	(577)
Projected benefit obligation, December 31	$155,693	$13,512	$82,006	$134,593	$11,020	$69,116

The accumulated benefit obligations at December 31, 2014 and 2013 are as follows (in thousands):

	2014			2013		
	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	$155,693	**	$69,664	$134,592	**	$58,471

** Not applicable.

The reconciliation of the fair value of the plan assets at December 31, 2014 and 2013 is as follows (in thousands):

	2014			2013		
	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 plan assets, January 1	$128,516	$6,616	$40,820	$106,572	$5,357	$35,859
Actual return on plan assets	7,366	533	4,170	19,755	693	1,948
Company contributions	3,592	392	24,216	4,820	290	4,104
Employee contributions	—	832	592	—	818	612
Plan settlements	—	—	(2,766)	—	—	—
Benefits paid	(3,587)	(847)	(1,195)	(2,631)	(542)	(1,743)
Currency impact	—	—	(6,269)	—	—	40
Fair value of plan assets, December 31	$135,887	$7,526	$59,568	$128,516	$6,616	$40,820

The summary of the funded status of the plans at December 31, 2014 and 2013 is as follows (in thousands):

	2014			2013		
	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	$(155,693)	$(13,512)	$(82,006)	$(134,593)	$(11,020)	$(69,116)
Fair value of plan assets	135,887	7,526	59,568	128,516	6,616	40,820
Projected benefit obligation in excess of fair value of plan assets	$ (19,806)	$ (5,986)	$(22,438)	$ (6,077)	$ (4,404)	$(28,296)

The summary of the amounts recognized in the consolidated balance sheets for the plans at December 31, 2014 and 2013 is as follows (in thousands):

	2014			2013		
	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	$ —	$ —	$ 838	$ —	$ —	$ 1,370
Current liabilities	(193)	(351)	—	—	(262)	(193)
Long-term liabilities	(19,613)	(5,635)	(23,276)	(6,077)	(4,142)	(29,473)
Net amount recognized at December 31	$(19,806)	$(5,986)	$(22,438)	$(6,077)	$(4,404)	$(28,296)

The summary of the components of net periodic pension costs for the plans for the years ended December 31, 2014, 2013 and 2012 is as follows (in thousands):

	2014			2013			2012		
	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	$ —	$ 791	$ 4,579	$ —	$ 915	$4,467	$ 9	$ 720	$3,752
Interest cost	6,417	463	2,195	5,505	333	1,966	5,806	350	1,988
Expected return on plan assets	(9,060)	(435)	(1,520)	(8,034)	(355)	(901)	(7,619)	(287)	(838)
Settlement loss	—	—	557	—	—	—	—	—	—
Net amortization:									
Prior service credit	—	(51)	(176)	—	(54)	(216)	—	(54)	(267)
Net actuarial loss (gain)	2,216	(35)	375	3,432	—	516	3,009	—	367
Net periodic pension (benefit) cost	$ (427)	$ 733	$ 6,010	$ 903	$ 839	$5,832	$ 1,205	$ 729	$5,002

The summary of the changes in plan assets and benefit obligations recognized in other comprehensive (loss) income for the years ended December 31, 2014, 2013 and 2012 is as follows (in thousands):

	2014			2013			2012		
	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	$ —	$ —	$ (796)	$ —	$ —	$ (232)	$ —	$ —	$ —
Net (loss) gain arising during the year	(19,965)	(1,155)	(15,168)	25,048	1,629	1,940	(2,042)	(96)	(5,622)
Amortization:									
Prior service credit	—	(51)	(176)	—	(54)	(216)	—	(54)	(267)
Net loss (gain)	2,216	(35)	932	3,432	—	516	3,009	—	367
Other Plans	—	—	—	—	—	—	—	—	(5,970)
Currency impact	—	—	2,287	—	—	(497)	—	—	(424)
Total recognized in other comprehensive (loss) income	$(17,749)	$(1,241)	$(12,921)	$28,480	$1,575	$1,511	$ 967	$(150)	$(11,916)

The summary of the amounts included in accumulated other comprehensive (loss) income in stockholders' equity for the plans at December 31, 2014 and 2013 is as follows (in thousands):

	2014			2013		
	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 actuarial (loss) gain	$(45,749)	$44	$(23,327)	$(27,999)	$1,233	$(11,190)
Prior service credit	—	—	719	—	52	1,933
Total	$(45,749)	$44	$(22,608)	$(27,999)	$1,285	$ (9,257)

The summary of the amounts included in accumulated other comprehensive (loss) income expected to be included in next year's net periodic benefit cost for the plans at December 31, 2014 is as follows (in thousands):

	2014		
	U.S. Pension Plans	U.S. Retiree Healthcare Plan	Non-U.S. Pension Plans
Net actuarial loss	$(2,717)	$—	$(1,091)
Prior service credit	—	—	121
Total	$(2,717)	$—	$ (970)

The plans' investment asset mix is as follows at December 31, 2014 and 2013:

	2014			2013		
	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	75%	68%	4%	75%	59%	0%
Debt securities	24%	30%	12%	24%	25%	0%
Cash and cash equivalents	1%	2%	19%	1%	16%	16%
Insurance contracts and other	0%	0%	65%	0%	0%	84%
Total	100%	100%	100%	100%	100%	100%

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

	U.S. Pension and U.S. Retiree Healthcare Plans		Non-U.S. Pension Plans
	Policy Target	Range	Policy Target
Equity securities	60%	40% - 80%	5%
Debt securities	25%	20% - 60%	10%
Cash and cash equivalents	5%	0% - 20%	20%
Insurance contracts and other	10%	0% - 20%	65%

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, 2014 (in thousands):

	Total at December 31, 2014	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]	$124,405	$124,405	$ —	$ —
Common stocks[b]	3,438	3,438	—	—
Cash equivalents[c]	710	—	710	—
Hedge funds[d]	7,334	—	—	7,334
Total U.S. Pension Plans	135,887	127,843	710	7,334
U.S. Retiree Healthcare Plan:				
Mutual funds[e]	7,371	7,371	—	—
Cash equivalents[c]	155	—	155	—
Total U.S. Retiree Healthcare Plan	7,526	7,371	155	—
Non-U.S. Pension Plans:				
Cash equivalents[c]	11,367	11,367	—	—
Mutual funds[f]	9,528	9,258	—	—
Bank and insurance investment contracts[g]	38,943	—	—	38,943
Total Non-U.S. Pension Plans	59,568	20,625	—	38,943
Total fair value of retirement plan assets	$202,981	$155,839	$865	$46,277

The fair value of the Company's retirement plan assets are as follows at December 31, 2013 (in thousands):

	Total at December 31, 2013	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[h]	$117,718	$117,718	$ —	$ —
Common stocks[b]	3,123	3,123	—	—
Cash equivalents[c]	650	—	650	—
Hedge funds[d]	7,025	—	—	7,025
Total U.S. Pension Plans	128,516	120,841	650	7,025
U.S. Retiree Healthcare Plan:				
Mutual funds[i]	5,589	5,589	—	—
Cash equivalents[c]	1,027	—	1,027	—
Total U.S. Retiree Healthcare Plan	6,616	5,589	1,027	—
Non-U.S. Pension Plans:				
Cash equivalents[c]	6,400	6,400	—	—
Bank and insurance investment contracts[g]	34,420	—	—	34,420
Total Non-U.S. Pension Plans	40,820	6,400	—	34,420
Total fair value of retirement plan assets	$175,952	$132,830	$1,677	$41,445

(a) The mutual fund balance in the U.S. Pension Plans are invested in the following categories: 43% in the common stock of large-cap U.S. companies, 31% in the common stock of international growth companies, and 26% 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: 52% in the common stock of large-cap U.S. companies, 20% in the common stock of international growth companies and 28% in fixed income bonds of U.S. companies and U.S. government.

(f) The mutual fund balance in the Non-U.S. Pension Plans is invested in the following categories: 74% in international bonds and 26% in the common stock of international companies.

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

(h) The mutual fund balance in the U.S. Pension Plans are invested in the following categories: 41% in the common stock of large-cap U.S. companies, 33% in the common stock of international growth companies, and 26% in fixed income bonds issued by U.S. companies and by the U.S. government and its agencies.

(i) The mutual fund balance in the U.S. Retiree Healthcare Plan is invested in the following categories: 58% in the common stock of large-cap U.S. companies, 12% 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, 2014 and 2013 (in thousands):

	Total	Hedge Funds	Insurance Guaranteed Investment Contracts
Fair value of assets, December 31, 2012	$35,963	$6,266	$29,697
Net purchases (sales) and appreciation (depreciation)	5,482	759	4,723
Fair value of assets, December 31, 2013	41,445	7,025	34,420
Net purchases (sales) and appreciation (depreciation)	4,832	309	4,523
Fair value of assets, December 31, 2014	$46,277	$7,334	$38,943

The weighted-average assumptions used to determine the benefit obligation in the consolidated balance sheets at December 31, 2014, 2013 and 2012 are as follows:

	2014		2013		2012	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	3.92%	1.98%	4.82%	3.29%	3.90%	3.10%
Increases in compensation levels	**	2.58%	**	2.54%	**	2.59%

** Not applicable

The weighted-average assumptions used to determine the net periodic pension cost at December 31, 2014, 2013 and 2012 are as follows:

	2014		2013		2012	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	4.64%	3.25%	3.61%	3.10%	4.26%	3.29%
Return on plan assets	6.95%	2.84%	6.94%	2.40%	7.12%	1.88%
Increases in compensation levels	**	2.58%	**	2.59%	**	2.91%

** Not applicable

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 2015, the Company expects to contribute a total of approximately $4 million to $11 million to the Company's defined benefit plans. Estimated future benefit payments as of December 31, 2014 are as follows (in thousands):

	U.S. Pension and Retiree Healthcare Plans	Non-U.S. Pension Plans	Total
2015	$ 7,878	$ 1,057	$ 8,935
2016	7,833	1,132	8,965
2017	8,165	2,334	10,499
2018	8,810	2,045	10,855
2019	9,879	1,763	11,642
2020 - 2024	58,524	15,363	73,887

15 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 maker. 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, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Product net sales:			
Waters instrument systems	$ 871,048	$ 840,608	$ 828,458
Chemistry	312,890	304,130	294,787
TA instrument systems	162,791	167,765	157,262
Total product sales	1,346,729	1,312,503	1,280,507
Service net sales:			
Waters service	579,759	532,323	509,412
TA service	62,856	59,392	53,722
Total service sales	642,615	591,715	563,134
Total net sales	$1,989,344	$1,904,218	$1,843,641

Geographic sales information is presented below for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	2014	2013	2012
Net Sales:			
United States	$ 596,549	$ 557,734	$ 531,912
Europe	607,080	573,786	549,341
Asia:			
China	238,892	240,535	212,701
Japan	163,468	170,115	207,340
Asia Other	237,668	216,229	215,612
Total Asia	640,028	626,879	635,653
Other	145,687	145,819	126,735
Total net sales	$1,989,344	$1,904,218	$1,843,641

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 2% of annual Company sales.

Long-lived assets information at December 31, 2014 and 2013 is presented below (in thousands):

	2014	2013
Long-lived assets:		
United States	$181,851	$174,143
Europe	126,080	138,962
Asia	12,416	10,412
Other	1,236	1,415
Total long-lived assets	$321,583	$324,932

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

16 Unaudited Quarterly Results

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

2014	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$430,508	$481,801	$493,165	$583,870	$1,989,344
Cost of sales	187,719	201,853	202,222	233,119	824,913
Gross profit	242,789	279,948	290,943	350,751	1,164,431
Selling and administrative expenses	126,635	131,930	122,226	131,916	512,707
Research and development expenses	24,746	26,977	27,279	28,724	107,726
Acquired in-process research and development	—	—	—	15,456	15,456
Purchased intangibles amortization	2,647	2,646	2,725	2,616	10,634
Operating income	88,761	118,395	138,713	172,039	517,908
Interest expense	(7,489)	(7,971)	(9,062)	(9,669)	(34,191)
Interest income	1,458	1,700	1,762	2,103	7,023
Income from operations before income taxes	82,730	112,124	131,413	164,473	490,740
Provision for income tax expense	12,428	15,595	17,916	13,181	59,120
Net income	$ 70,302	$ 96,529	$113,497	$151,292	$ 431,620
Net income per basic common share	0.83	1.14	1.36	1.82	5.12
Weighted-average number of basic common shares	84,977	84,462	83,663	83,217	84,358
Net income per diluted common share	0.82	1.13	1.34	1.80	5.07
Weighted-average number of diluted common shares and equivalents	85,873	85,177	84,401	84,015	85,151

2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net sales	$430,338	$451,115	$457,317	$565,448	$1,904,218
Cost of sales	174,568	188,329	191,568	228,991	783,456
Gross profit	255,770	262,786	265,749	336,457	1,120,762
Selling and administrative expenses	118,660	123,062	120,563	130,680	492,965
Research and development expenses	25,312	24,650	23,599	26,975	100,536
Purchased intangibles amortization	2,393	2,382	2,518	2,625	9,918
Operating income	109,405	112,692	119,069	176,177	517,343
Other expense (Note 3)	—	(1,575)	—	—	(1,575)
Interest expense	(7,185)	(7,580)	(7,358)	(7,927)	(30,050)
Interest income	1,187	1,179	946	1,075	4,387
Income from operations before income taxes	103,407	104,716	112,657	169,325	490,105
Provision for income tax (benefit) expense	(17,652)	15,402	14,609	27,743	40,102
Net income	$121,059	$ 89,314	$ 98,048	$141,582	$ 450,003
Net income per basic common share	1.41	1.04	1.15	1.67	5.27
Weighted-average number of basic common shares	86,049	85,482	85,185	85,006	85,426
Net income per diluted common share	1.39	1.03	1.14	1.65	5.20
Weighted-average number of diluted common shares and equivalents	87,215	86,576	86,364	86,017	86,546

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.

In the fourth quarter of 2014, the Company recorded a $15 million charge related to acquired in-process research and development (see Note 2). In the first quarter of 2013, the Company recorded a $31 million net tax benefit related to the completion of tax audit examinations. In addition, the R&D Tax Credit was retroactively extended in January 2013 for the 2012 and 2013 tax years. The entire $3 million benefit related to the 2012 tax year was recorded in the first quarter of 2013, and the 2013 benefit is included in the annual effective tax rate (see Note 9).

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, 2014 (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 40 of this Form 10-K.

Report of the Independent Registered Public Accounting Firm

See the report of PricewaterhouseCoopers LLP in Item 8 on page 41 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, 2014 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 2015 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 2015 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 2015 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 2015 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 2015 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, 2014 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	3,280	$82.85	5,128
Equity compensation plans not approved by security holders	—	—	—
Total	3,280	$82.85	5,128

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

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

This information is contained in the Company's definitive proxy statement for the 2015 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 2015 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 42 to 81. The report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, dated February 27, 2015, is set forth on page 41 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.(3)
3.3	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, dated as of July 27, 2000.(4)
3.4	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Waters Corporation, dated as of May 25, 2001.(5)
3.5	Amended and Restated Bylaws of Waters Corporation, dated as of October 16, 2013.(20)
10.1	Waters Corporation Retirement Plan.(2)(*)
10.2	Waters Corporation 2003 Equity Incentive Plan.(6)(*)
10.3	First Amendment to the Waters Corporation 2003 Equity Incentive Plan.(7)(*)
10.4	Form of Director Stock Option Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(8)(*)
10.5	Form of Director Restricted Stock Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(8)(*)
10.6	Form of Executive Officer Stock Option Agreement under the Waters Corporation 2003 Equity Incentive Plan, as amended.(8)(*)
10.7	Second Amendment to the Waters Corporation 2003 Equity Incentive Plan.(9)(*)
10.8	Third Amendment to the Waters Corporation 2003 Equity Incentive Plan.(10)(*)
10.9	Amended and Restated Waters 401(k) Restoration Plan, effective January 1, 2008.(11)(*)
10.10	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Mark T. Beaudouin.(12)(*)
10.11	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Douglas A. Berthiaume.(12)(*)
10.12	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Arthur G. Caputo.(12)(*)

Exhibit Number	Description of Document
10.13	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Elizabeth B. Rae.(12)(*)
10.14	Change of Control/Severance Agreement, dated as of February 27, 2008, between Waters Corporation and Eugene G. Cassis.(*)
10.15	Amended and Restated Waters Retirement Restoration Plan, effective January 1, 2008.(13)(*)
10.16	Amended and Restated Waters Corporation 1996 Non-Employee Director Deferred Compensation Plan, Effective January 1, 2008.(13)(*)
10.17	2014 Waters Corporation Management Incentive Plan.(*)
10.18	Waters Corporation 2009 Employee Stock Purchase Plan (14)(*)
10.19	Note Purchase Agreement, dated as of February 1, 2010, between Waters Corporation and the purchases named therein.(15)
10.20	First Amendment to the Note Purchase Agreement, dated as of February 1, 2010.(16)
10.21	Note Purchase Agreement, dated March 15, 2011, between Waters Corporation and the purchases named therein.(16)
10.22	Waters Corporation 2012 Equity Incentive Plan.(17)(*)
10.23	Form of Waters 2012 Stock Option Agreement - Executive Officers.(18)(*)
10.24	Form of Waters 2012 Stock Option Agreement - Directors.(18)(*)
10.25	Form of Waters 2012 Restricted Stock Agreement - Directors.(18)(*)
10.26	Credit Agreement, dated as of June 25, 2013, among Waters Corporation, JPMorgan Chase Bank, N.A., JP Morgan Europe Limited and other Lenders party thereto.(19)
10.27	Form of Waters 2012 Restricted Stock Unit Agreement for Executive Officers - Five Year Vesting.(21)(*)
10.28	Form of Waters 2012 Restricted Stock Unit Agreement for Executive Officers - One Year Vesting.(21)(*)
10.29	Note Purchase Agreement, dated June 30, 2014, between Waters Corporation and the purchases named therein.(22)
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, 2014, 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) 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 the Registrant's Registration Statement on Form S-1 (File No. 333-96934).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(18) Incorporated by reference to the Registrant's Report on Form 8-K dated December 11, 2012 (File No. 001-14010).

(19) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 1, 2013 (File No. 001-14010).

(20) Incorporated by reference to the Registrant's Report on Form 10-Q dated November 1, 2013 (File No. 001-14010).

(21) Incorporated by reference to the Registrant's Report on Form 8-K dated December 11, 2013 (File No. 001-14010).

(22) Incorporated by reference to the Registrant's Report on Form 10-Q dated August 1, 2014 (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, 2014

	Balance at Beginning of Period	Charged to Provision for Income Taxes*	Other**	Balance at End of Period
Valuation allowance for deferred tax assets:				
2014	$94,952	$ 1,505	$(13,907)	$82,550
2013	$93,576	$ 484	$ 892	$94,952
2012	$10,248	$80,974	$ 2,354	$93,576

* 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.

** The change in the valuation allowance during the year ended December 31, 2014 is primarily due to the effect of foreign currency translation on a valuation allowance related to a net operating loss carryforward. During the years ended December 31, 2013 and 2012, the Company recorded amounts associated with the tax benefit related to stock option plans 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/ EUGENE G. CASSIS
Eugene G. Cassis
Corporate Vice President and
Chief Financial Officer

Date: February 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2015.

/s/ DOUGLAS A. BERTHIAUME Douglas A. Berthiaume	Chairman of the Board of Directors, President and Chief Executive Officer (principal executive officer)
/s/ EUGENE G. CASSIS Eugene G. Cassis	Corporate Vice President 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 2015

Waters

April 1, 2015

Dear Stockholder:

On behalf of the Board of Directors of Waters Corporation ("Waters" or the "Company"), I cordially invite you to attend the Annual Meeting of Stockholders (the "Meeting") of the Company to be held at Waters Corporation, 34 Maple Street, Milford, Massachusetts 01757 on May 12, 2015 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 April 1, 2015, 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, 2015, (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 12, 2015 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, 2015;
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 18, 2015 as the record date for the determination of the holders of common stock entitled to notice of and to vote at the Meeting.

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

By order of the Board of Directors

Mark T. Beaudouin
Vice President
General Counsel and Secretary

Milford, Massachusetts
April 1, 2015

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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 April 1, 2015, 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 12, 2015, 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 2015 Annual Meeting of Stockholders (the "Meeting") to be held on May 12, 2015 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 $7,000, 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 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 18, 2015 (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 82,676,840 shares of common stock outstanding and entitled to vote at the Meeting. Each outstanding share of common stock is entitled to one vote. There are no cumulative voting rights. This Proxy Statement and form of Proxy is first being made available to the stockholders of record on or about April 1, 2015. 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, 66, 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, 56, 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., 66, has served as a Director of the Company since March 1998. Dr. Berendt is the Chief Executive Officer and Chief Scientist of Telesta Therapeutics, a position he assumed in November 2013. From July 2011 to November 2013, Dr. Berendt was a Life Sciences Consultant. 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, 58, 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., 63, 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 and Provost for Medical Affairs of 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, 61, 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, 69, 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, 59, 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, Mallinckrodt PLC 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, 55, has served as a Director of the Company since July 1994. Mr. Salice is a co-founder and managing member 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 is a Director of Mettler-Toledo International, Inc., and the privately held companies Industrial Dynamics Holdings, Inc., Essin Bioscience, Inc. and Spectro Scientific, 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 must 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 (a contested election). 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") are counted as present for the purpose of determining whether a quorum is present. Abstentions and broker non-votes 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 ("PWC"), an independent registered public accounting firm, to audit the books, records and accounts of the Company for the fiscal year ending December 31, 2015. 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 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 and therefore will have the effect of a vote against the proposal. Ratification by stockholders is not required. Brokerage firms may vote to ratify the appointment of PWC as it is a "discretionary" or "routine" item. If this Proposal 2 is not approved by the stockholders, the Audit Committee does not intend to change the appointment for fiscal year 2015, but will consider the stockholder vote in selecting an independent registered public accounting firm for fiscal year 2016.

Fees

The aggregate fees for the fiscal years ended December 31, 2014 and December 31, 2013 billed by the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, were as follows:

	2014	2013
Audit Fees	$3,578,038	$3,633,502
Audit-Related Fees	193,533	34,250
Tax Related Fees		
Tax Compliance	458,300	456,150
Tax Planning	277,050	287,600
Total Tax Related Fees	735,350	743,750
All Other Fees	-0-	-0-
Total	$4,506,921	$4,411,502

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. Stockholders have elected to conduct this vote annually.

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 2014 and the prior eighteen years.
- Target non-GAAP E.P.S. performance of 15% growth has been achieved in twelve of the past nineteen years and Waters has delivered an annual compounded non-GAAP E.P.S. growth rate of 12% over the past ten years.
- In 2014, the Company achieved 9% non-GAAP E.P.S. growth, exceeding the threshold of 5% non-GAAP E.P.S. growth resulting in annual bonus payments of 53% of the target payout to named executive officers for 2014.

A description of GAAP to non-GAAP items can be found below the caption, 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 website 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;
- a policy against hedging;

- 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 present or represented by Proxy and entitled to vote, 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. Note: 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 eight meetings during the year ended December 31, 2014. 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.

During 2014, 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 2014, the Compensation Committee met three times, the Audit Committee met eight times and the Nominating and Corporate Governance Committee met once. The Company does not have a formal policy, but encourages Director attendance at annual stockholder meetings. All Directors attended the 2014 annual meeting of stockholders.

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 and provides oversight with respect to accounting and financial reporting and audit functions. 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.

CORPORATE GOVERNANCE

Annual Evaluation

During 2014, 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 2014. 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 2015. 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 (as defined below) 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 the base salary over a three-year period. Additionally, the Company's named executive officers on December 31, 2014, Messrs. Caputo, Cassis 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 regain 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 a named 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 named executive officers.

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.

Policy Against Hedging

In 2013, the Board adopted a policy prohibiting Directors, Officers and certain key employees from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset any decrease in market value of equity securities of the Company. This prohibition does not apply to any bona fide pledge of equity securities of the Company, not made for the purpose of hedging.

Succession Planning

In August, 2013, the Company announced that Douglas A. Berthiaume, the Company's Chairman, President and Chief Executive Officer, had decided to retire from the Company before the end of 2015. The Board of Directors of the Company established a Succession Planning Committee (the "Committee") to guide the process of selecting a successor to Mr. Berthiaume. The Committee is comprised of the Company's Lead Director, Thomas P. Salice as well as William J. Miller, Michael J. Berendt and Christopher A. Kuebler. The Committee has retained an executive search firm to assist in this succession planning process.

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 include criteria adopted by the Board to assist it in making determinations regarding the independence of its members. Our categorical Standards of Independence are also available on the website www.waters.com under the caption "Governance". 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

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- 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 these criteria and the 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 2014, 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 Vice President, Chief Financial Officer and its Vice President, Corporate Controller. During 2014, 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 11, 2015, 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, 2014.

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 2014. 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 eight meetings during the fiscal year ended December 31, 2014. 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, 2014 that:

1. It has reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2014 with Company management;

2. It has reviewed and discussed with PricewaterhouseCoopers LLP those matters required to be communicated by PricewaterhouseCoopers LLP to the Audit committee, including under Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board ("PCAOB");

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 11, 2015, 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, 2014 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 2014, 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 on Form 10-K for the year ended December 31, 2014 are the risk factors affecting the Company which are periodically reviewed by the Board and the Audit Committee and updated or expanded as warranted. The Board is responsible for overseeing the management and operations of the Company, including its risk assessment and risk management functions. The Board has delegated responsibility to reviewing the Company's policy with respect to risk assessment and management to the Audit Committee.

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. The Compensation Committee has responsibility for oversight of risk related to compensation matters as more fully described below.

Compensation-Related Risk

The Compensation Committee 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; (3) a five-year vesting provision for long-term incentive awards; (4) a prohibition on hedging; and (5) 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, Compensation Committee and Management in Decision-Making

The Compensation Committee engaged the services of Pearl Meyer & Partners as its outside independent compensation consultant during fiscal year 2014. 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 2014, 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.

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. The named executive officers for fiscal year 2014 were as follows:

- Douglas A. Berthiaume, Chairman, President and Chief Executive Officer ("CEO")
- Arthur G. Caputo, Executive Vice President and President, Waters Division
- Eugene G. Cassis, Vice President Finance and Administration and interim Chief Financial Officer
- John A. Ornell, Vice President Finance and Administration and Chief Financial Officer
- Mark T. Beaudouin, Vice President, General Counsel and Secretary
- Elizabeth B. Rae, Vice President, Human Resources.

John Ornell resigned as the Company's Chief Financial Officer effective February 1, 2014 and continued to serve the Company on a part-time basis as a senior advisor until his retirement on December 31, 2014. Mr. Cassis has served as the Company's interim Chief Financial Officer since February 1, 2014.

The Succession Planning Committee, formed in August of 2013, continued its work in 2014 to identify a successor to Douglas A. Berthiaume. On August 27, 2013, the Company announced that Douglas A, Berthiaume intends retire as CEO within twenty-four months.

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 2014 Say on Pay vote. Details of our compensation programs are discussed in further detail in the appropriate sections of this Compensation Discussion and Analysis:

2014 Company Performance and Events

- Our full-year sales growth was 6% on a constant currency basis and was in line with our 2014 operating plan. Currency translation reduced our sales growth by 2%.
- Our non-GAAP E.P.S.(1) grew 9% to $5.48 versus 5.04 in 2013. This result was impacted by currency translation which reduced the 2014 non-GAAP E.P.S. by 23 cents or 4%.
- During 2014, the Company delivered 13% total shareholder return.

(1) A description of GAAP to non-GAAP items can be found below 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 website 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

In adherence to our pay-for-performance philosophy, the following actions and decisions were taken in 2014 as a result of Company performance:

- Base Salaries: The Compensation Committee approved a 3% increase to the base salary for each named executive officer to be effective on January 1, 2014. The decision to increase base salaries was based on an improving economic environment and the market data, provided by Pearl Meyer & Partners, which indicated that base salaries for executives increased on average 5%.

- Annual Incentive Plan: The annual incentive plan, The Management Incentive Plan, is aligned with the Company's performance target of mid-teens non-GAAP E.P.S. growth annually. The Management Incentive Plan specifically requires 15% non-GAAP E.P.S. growth over the prior year for a payout at target and 5% non-GAAP E.P.S. growth for a payout at threshold. In addition, the plan requires a minimum level of operating income of 3% in order to trigger any payout under the plan. The non-GAAP E.P.S. target of 15% has been maintained as the target performance under the Management Incentive Plan for the past 19 years, through multiple business cycles. In 2014, threshold performance for both the non-GAAP E.P.S. and operating income measures were met, however the actual non-GAAP E.P.S. growth for 2014 of 9% fell below the target performance of 15% growth. This performance resulted in payouts under the Management Incentive Plan to named executive equal to 53% of their respective incentive payouts at target.
- Long-Term Incentive Plan: On December 11, 2014, the Compensation Committee approved a stock option grant for the named executive officers. The annual grant made the year prior, in December of 2013, included the annual stock option grant, as well as a grant of restricted stock units. The grant of restricted stock units for named executive officers was intended to provide a retention incentive in light of the CEO retirement and transition plan that was announced by the Company on August 27, 2013. For the annual equity grant made on December 11, 2014, the Company returned to its long-standing practice of utilizing stock options in order to align the interests of the named executive officers with the Company's stockholders and did not include a grant of restricted stock units. 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 cash incentive awards paid to executive. 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. These guidelines include a share retention requirement in the event a named executive officer fell out of compliance with the stock ownership guidelines. Further details of the guidelines are outlined below under the heading "Equity Ownership Guidelines".
- The Company has implemented a policy against hedging Company equity securities. Further details of the policy can be found below under the hedging "Policy on Hedging".
- 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.

2014 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 2014 with 91% of voted shares voting in favor of Waters' executive compensation programs. In part due to this support, we have not made any 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-based 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.

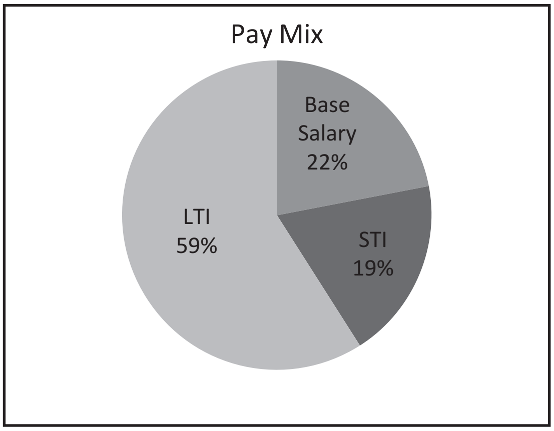
The compensation program is designed to motivate and reward executives for sustained high levels of achievement of the Company's financial and operating objectives. In conjunction with our objective to emphasize performance-based compensation, base salaries are generally targeted below the market median 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.

In order to provide target total cash compensation that approximates the median of the market for achieving target performance goals, annual incentive target awards are positioned 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. 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, also assist in retaining executives. The Compensation Committee reviews competitive market data in determining the value of executive stock option grants.

Pay Mix

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 award and the actual value of the long-term incentive award) for named executive officers. In 2014, 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 award 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. 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 named 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.

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 2014 Industry Peer Group is comprised of the following companies.

Agilent	Mettler-Toledo
C.R. Bard	Pall
Bio-Rad Laboratories	Perkin Elmer
Bruker	ResMed
Edwards Lifesciences	Roper Industries
FLIR Systems	Sigma-Aldrich
Hologic	Teleflex
Illumina	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 for the peer group for the four quarters ending September 2014 was $2,322,000,000 and market capitalization for the peer group as of September 2014 was $7,834,000,000. Waters' revenue and market capitalization for the same period were $1,935,000,000 and $8,323,000,000 representing the 28th and 54th percentiles, respectively.

In 2014, Life Technologies and Thermo Fisher were eliminated from the peer group. Life Technologies was eliminated due to its acquisition by Thermo Fisher. Thermo Fisher was eliminated because its size post-acquisition significantly exceeded the target revenue range. These two companies were replaced by Edwards Lifesciences and Teleflex.

Pearl Meyer & Partners and the Compensation Committee also utilized the Hewitt Executive Compensation Survey to review the competitive marketplace for each named executive officer. The Hewitt Executive Compensation Survey provides a general industry perspective based on revenue scope 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 source 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 awards, and long-term incentive 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.

Compensation Element	Objective	Target Position to Market	2014 Actual Position to Market for Named Executive Officers (1)
Base Salary	To attract and retain senior executives and other key employees.	Generally targeted at or below the 50th percentile. Actual individual salaries may vary based on an executive's performance, tenure, experience and contributions.	The overall market position for base salaries in 2014 was at the 25th percentile of the market. Individual base salaries ranged from below the 25th percentile to the 35th percentile.
Annual Incentive	To motivate named executive officers to achieve strong financial and operational goals as established by the Compensation Committee at the beginning of the fiscal year.	Target payouts at 100% achievement of performance goals are generally positioned at or slightly above the 50th percentile in order to achieve a target total cash position (base plus annual incentive) that approximates the 50th percentile. Achievement of threshold performance goals is required for any payout.	The overall total target cash market position was at the 40th percentile of the market. (*Target Total Cash is defined as the sum of Base Salary and Target Bonus.)*

Compensation Element	Objective	Target Position to Market	2014 Actual Position to Market for Named Executive Officers (1)
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 assist in the retention of senior executives and key employees.	Equity compensation is targeted to be at or above the competitive market and to represent a significant portion of the executive's total direct compensation. Actual individual grants are determined based on the executive's position, performance, tenure, experience and contributions.	Long-term incentive awards and Target Total Direct Compensation both approximated the 50th 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*.)

(1) The 2014 Compensation Element Results in the above table reflect the analysis completed by Pearl Meyer & Partners in the fourth quarter of 2014. It has been the consistent practice of the Compensation Committee to grant long-term performance equity-based compensation to the named executive officers at the Compensation Committee meeting held in December of each year. This Pearl Meyer & Partners analysis therefore includes the cash compensation comprised of base salary and annual incentive effective as of January 1, 2014 and the annual long-term performance equity award granted on December 6, 2013.

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.

Assessment of 2014 Base Salary

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 2013 provided the competitive market information used in determining the base salary in effect in 2014. The overall competitive market position for the executive officers in this Pearl Meyer & Partners analysis was at the 30th percentile.

Based on (1) an improving economic environment, (2) a Pearl Meyer & Partner market assessment which indicated that base salaries for executives increased on average 5% in 2013 and (3) a base salary competitive position at the 30th percentile, the Compensation Committee approved a 3% base salary increase for Messrs. Berthiaume, Caputo, Ornell, Beaudouin and Ms. Rae. Mr. Cassis' base salary was set at $350,000 when he assumed the interim Chief Financial Officer position on February 1, 2014. Similarly, on February 1, 2014, Mr. Ornell's annual salary was reduced to $248,598 to reflect a reduced work schedule.

Assessment of 2015 Base Salary

The Pearl Meyer & Partners Executive Compensation Competitive Assessment which was completed at the end of 2014 provided the competitive market information used in approving base salary changes to be effective in January 2015. The overall competitive position of base salaries for named executive officers in this analysis fell from the 30th percentile to the 25th percentile. On an individual basis, the competitive market position for each named executive officer ranged from below the 25th percentile to the 35th percentile.

Based on (1) the Pearl Meyer & Partners analysis which indicated that executive salaries increased on average 5% and (2) the overall competitive position of the base salaries for the executive officers at the 25th percentile, the Compensation Committee approved a 5% base salary increase for all named executive officers to be effective January 1, 2015. In addition, the Compensation Committee approved market adjustment increases for Mr. Cassis and Ms. Rae of 7% and 6%, respectively, in order to position their base salaries at a more competitive position relative to the market and in each case closer to the 25th percentile of the market data.

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. Achievement of 100% of the performance target is required for an incentive payout equal to 100% of the incentive plan target. The 2014 Management Incentive Plan payout structure is described in the table below.

	2014 Management Incentive Plan Payout Structure as a Percent of Base Salary			
Name	Below Threshold Performance	Threshold Performance	Target Performance	Maximum Performance
Douglas A. Berthiaume	**0%**	**31.25%**	**125%**	**375%**
Arthur G. Caputo	**0%**	**27.50%**	**110%**	**330%**
Eugene G. Cassis	**0%**	**18.75%**	**75%**	**225%**
Mark T. Beaudouin	**0%**	**18.75%**	**75%**	**225%**
Elizabeth B. Rae	**0%**	**12.50%**	**50%**	**150%**

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. Effective in 2014, the maximum payout under the plan was reduced to 3 times the target for all named executive officers, from a maximum of 3.3 times the target for Mr. Berthiaume and 3.182 times the target payouts for all other named executive officers. Mr. Ornell did not participate in the 2014 Management Incentive Plan. Payouts are interpolated for performance between threshold, target and maximum levels. The Compensation Committee believes that a maximum payout opportunity of 3 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 19 years, the Compensation Committee has established a goal of 15% non-GAAP E.P.S. growth over the prior year. The Company has exceeded the target of 15% non-GAAP E.P.S. growth in 12 of the past 19 years and has exceeded threshold performance 15 of the past 19 years.

Consistent use of this measure promotes executive team alignment, focuses the executive team on operational efficiencies and profitable growth, 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.

The performance measures required for payout under the 2014 Management Incentive Plan are outlined in the table below.

2014 Performance Measures	2014 Management Incentive Plan Performance Targets			
	Below Threshold Performance	**Threshold Performance**	**Target Performance**	**Maximum Performance**
2014 Non-GAAP E.P.S. growth over 2013	<5%	5%	15%	27.5%
2014 Non-GAAP Operating Income growth over 2013	<3%	3%		
Both threshold performance measures must be met in order for a payout under the Plan. Once threshold non-GAAP operating income performance and non-GAAP E.P.S. performance has been achieved, increasing levels of payout are based on non-GAAP E.P.S growth only.				

In fiscal year 2014, the Company met the minimum non-GAAP operating income and non-GAAP E.P.S. thresholds, but did not meet the target performance under the plan. This resulted in payouts to named executive officers that were 53% of the target payout. Non-GAAP operating income for 2014 was $561,695,000 which represents a 5% increase over 2013 non-GAAP operating income of $536,806,000. Non-GAAP E.P.S. for 2014 was $5.48 which represents a 9% growth over 2013 non-GAAP E.P.S. of $5.04. Non-GAAP E.P.S. and non-GAAP operating income for 2014 and 2013 excluded, net of tax, as applicable, purchased intangibles amortization, infrequent income tax items, restructuring costs and acquired in-process research and development costs from its non-GAAP adjusted amounts since the Company believes that these items are not directly related to ongoing operations.

For 2015, the Committee retained non-GAAP operating income and non-GAAP E.P.S. as the primary performance metrics under the Management Incentive Plan and also established a maximum funding measure under this plan determined by reference to the amount of non-GAAP operating income attained, subject to the Management Incentive Plan's individual payout limit and the other limits set by the Committee. The maximum payout opportunity for Mr. Berthiaume is set at 1% of non-GAAP operating income and for Messrs. Caputo, Cassis, Beaudouin and Ms. Rae the maximum payout opportunity is set at .5% of non-GAAP operating income.

On an annual basis the Committee sets non-GAAP operating income and non-GAAP E.P.S. goals for 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. In addition, the Compensation Committee may, at their discretion, consider the impact of foreign currency translation on the non-GAAP operating income and non-GAAP E.P.S. results.

For fiscal year 2015, 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 2015, the Committee established threshold performance goals of 3% non-GAAP operating income growth and a 5% non-GAAP E.P.S. growth. A maximum payout will require non-GAAP E.P.S. growth of 27.5%. Payouts are interpolated for performance between threshold, target and maximum levels. In no event will the maximum award paid to any one named executive officer exceed 3 times the target award amount specified for the named executive officer.

The Company has reviewed the Management Incentive Plan with Pearl Meyer & Partners. The objectives of this review were to consider the alignment of the Management Incentive Plan with Waters' compensation philosophy and emphasis on pay-for-performance and to review the performance measures utilized under the 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 and 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.

Long-Term Performance-Based Awards

The Compensation Committee considers long-term performance-based awards in the form of equity-based compensation 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 competitive market data, dilution, share usage, stock compensation expense, the financial and operational performance of the Company and each named executive officer, and the prior number of shares granted, both individually to each named executive officer and in aggregate to all named executive officers.

It has been the long-standing practice of the Compensation Committee to utilize non-qualified stock options to align the interests of named executive officers and other senior 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.

Competitive market data for long-term performance-based awards is prepared for the Compensation Committee by Pearl Meyer & Partners. As noted above, the Compensation Committee also uses this data as one of the factors in determining the equity 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 above the median of the competitive market data for each named executive officer. The Compensation Committee targets long-term incentives above the market median because in combination with a base salary target below the market median and an annual incentive target at or slightly above the market median, it achieves the Compensation Committee's objective of emphasizing performance-based pay. In addition, unlike most of the Company's peers that grant a mix of long-term incentive instruments including time-based restricted stock, the Compensation Committee has historically granted 100% stock options. The only exception to the use of 100% stock options in the annual equity grant was a one-time retention RSU grant made in December, 2013 in conjunction with the announced CEO transition. Pearl Meyer & Partners prepares long-term incentive guidelines for the Compensation Committee that derives a range at the 50^{th} and 75^{th} percentiles of the competitive market data for long-term incentives of the Industry Peer Group. The value of the annual grant comprised of non-qualified stock options granted to Messrs. Caputo, Cassis, Beaudouin and Ms. Rae on December 11, 2014 were all within the long-term incentive guidelines as prepared by Pearl Meyer & Partners. The non-qualified stock options were granted under the Waters Corporation 2012 Equity Incentive Plan and will vest 20% per year for five years. The non-qualified stock options were granted based on the closing price of Waters' common stock on the grant date, December 11, 2014 and have a ten-year term.

A review of share usage, dilution and stock based compensation expense was also prepared by Pearl Meyer & Partners with data as of the fiscal year ended December 31, 2013. In this analysis the Company's annual share usage, as a percent of common shares outstanding, was at the 39^{th} percentile for the most recent annual grant and the 43^{rd} percentile for an average of the past three years grants when compared to that of the Industry Peer Group. The Company's dilution was 5.4% which represents approximately the 61^{st} percentile of the Industry Peer Group. The Company's fair market value stock-based expense for the fiscal year ended December 31, 2013 was at the 53^{rd} percentile and as a percent of market capitalization is at the 38^{th} percentile. The Compensation Committee reviews these metrics annually and in December, 2014 determined that the overall grant practices with respect to share usage and stock compensation expense were appropriate relative to the Industry Peer Group.

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. The Compensation Committee believes that the stock option grants made to the named executive officers in December, 2014 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 126,000 non-qualified stock options to Mr. Berthiaume in 2014. Due to Mr. Berthiaume's significant ownership position in the Company, Mr. Berthiaume declined to be considered for an option grant in 2014. The Compensation Committee will continue to consider Mr. Berthiaume for future stock option grants.

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, Cassis 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 and restricted stock units 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 these ownership guidelines 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 subsequently falls out of compliance will have 12 months to regain compliance before the disposition guideline on stock option exercises is applied. Vested "in-the-money" stock options and restricted stock 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 cash incentive awards paid to current or former named executive officers under the Company's management incentive plans. Under this policy, if any executive officer engaged in misconduct that resulted in a restatement of financial results, the Board or an authorized committee, such as the Compensation Committee, if it is determined appropriate, could seek reimbursement of the portion of management incentive plan awards impacted by the event. The Company will review and as necessary amend or replace 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.

Long-Term Incentive 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 under the current Management Incentive Plan of $7,500,000 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, however, the Compensation Committee retains complete discretion to make payments to named executive officers that would not qualify as performance-based compensation to the extent necessary and appropriate to support the Company's strategies and long-term success.

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, 2014, 2013 and 2012.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Douglas A. Berthiaume Chairman, President and Chief Executive Officer	**2014**	**$797,258**	**—**	**—**	**$0**	**$527,946**	**$130,693**	**$49,006**	**$1,504,903**
	2013	**$774,037**	**—**	**—**	**$0**	**$0**	**$77,325**	**$47,612**	**$898,974**
	2012	**$814,776**	**—**	**—**	**$0**	**$0**	**$104,369**	**$143,827**	**$1,062,972**
Arthur G. Caputo Executive Vice President and President, Waters Division	**2014**	**$508,049**	**—**	**—**	**$3,155,900**	**$296,060**	**$85,923**	**$16,770**	**$4,062,702**
	2013	**$493,251**	**—**	**$1,805,002**	**$1,520,200**	**$0**	**$13,442**	**$16,470**	**$3,848,365**
	2012	**$508,506**	**—**	**—**	**$2,611,400**	**$0**	**$65,248**	**$16,170**	**$3,201,324**
Eugene G. Cassis Vice President, Finance and Administration and interim Chief Financial Officer (k)	**2014**	**$340,141**		**—**	**$1,328,800**	**$139,063**	**$47,885**	**$20,687**	**$1,876,576**
John A. Ornell Former Vice President, Finance and Administration and Chief Financial Officer (k)	**2014**	**$262,410**	**—**	**—**	**$0**	**$0**	**$69,794**	**$16,770**	**$348,974**
	2013	**$402,263**	**—**	**$250,043**	**$0**	**$0**	**$0**	**$16,470**	**$668,776**
	2012	**$414,704**	**—**	**—**	**$1,424,400**	**$0**	**$40,961**	**$36,267**	**$1,916,332**
Mark T. Beaudouin Vice President, General Counsel and Secretary	**2014**	**$400,659**	**—**	**—**	**$1,328,800**	**$159,190**	**$20,508**	**$16,662**	**$1,925,819**
	2013	**$388,989**	**—**	**$989,957**	**$691,000**	**$0**	**$0**	**$16,395**	**$2,086,341**
	2012	**$401,020**	**—**	**—**	**$1,187,000**	**$0**	**$13,216**	**$51,768**	**$1,653,004**
Elizabeth B. Rae Vice President, Human Resources	**2014**	**$245,113**	**—**	**—**	**$1,129,480**	**$64,926**	**$24,646**	**$15,264**	**$1,479,429**
	2013	**$237,974**	**—**	**$715,951**	**$552,800**	**$0**	**$0**	**$14,850**	**$1,521,575**
	2012	**$245,334**	**—**	**—**	**$949,600**	**$0**	**$13,501**	**$36,115**	**$1,244,550**

(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 during 2014, 2013 and 2012, respectively. Effective February 1, 2014, Mr. Ornell's annual salary of $414,330 was reduced to $248,598 to reflect his part-time status and Mr. Cassis' annual base salary was increased to $350,000.

(e) Reflects the restricted stock unit granted on December 6, 2013 at the closing price on December 6, 2013 of $98.21.

(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 on Form 10-K for the fiscal years ended December 31, 2014, 2013 and 2012. The closing prices of the Common Stock on the grant dates December 11, 2014, December 6, 2013 and December 11, 2012 were $113.36, $98.21 and $87.06, 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 2014, 2013 and 2012.

(g) Reflects the annual incentive compensation earned in 2014, 2013 and 2012, respectively under the Company's Management Incentive Plan. No incentive award was earned in 2013 or 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 2014, 2013 and 2012. 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 2014, 2013 and 2012.

Named Executive Officer	Matching Contributions 401(k) Restoration Plan and 401(k) Plan			Company Paid Group Term Life Insurance Premiums		
	2014	2013	2012	2014	2013	2012
Douglas A. Berthiaume	**$47,836**	**$46,442**	**$142,657**	**$1,170**	**$1,170**	**$1,170**
Arthur G. Caputo	**$15,600**	**$15,300**	**$15,000**	**$1,170**	**$1,170**	**$1,170**
Eugene G. Cassis	**$20,181**			**$506**		
John A. Ornell	**$15,600**	**$15,300**	**$35,097**	**$1,170**	**$1,170**	**$1,170**
Mark T. Beaudouin	**$15,600**	**$15,300**	**$50,705**	**$1,062**	**$1,095**	**$1,063**
Elizabeth B. Rae	**$14,707**	**$14,275**	**$35,560**	**$557**	**$575**	**$555**

(j) Reflects the total of compensation elements reported in columns (a) through (i) for 2014, 2013 and 2012.

(k) Effective February 1, 2014, Mr. Ornell was succeeded by Mr. Cassis, who is the Company's interim Chief Financial Officer. Mr. Ornell served the company in a senior advisory capacity on a part-time basis until his retirement on December 31, 2014. Mr. Cassis was not a named executive officer in 2012 or 2013.

Grants of Plan-Based Awards Fiscal Year 2014

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	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)	(i)	(j)	(k)	(l)
Douglas A. Berthiaume		$249,143	$996,573	$2,989,718				
Arthur G. Caputo	12/11/2014					95,000	$113.36	$3,155,900
		$139,713	$558,854	$1,676,562				
Eugene G. Cassis	12/11/2014					40,000	$113.36	$1,328,800
		$ 65,625	$262,500	$ 787,500				
John A. Ornell		—	—	—		—	—	—
Mark T. Beaudouin	12/11/2014					40,000	$113.36	$1,328,800
		$ 75,124	$300,494	$ 901,483				
Elizabeth B. Rae	12/11/2014					34,000	$113.36	$1,129,480
		$ 30,639	$122,557	$ 367,670				

The table above 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.

(a) Mr. Ornell did not received a stock option grant on December 11, 2014 and did not participate in the 2014 Management Incentive Plan.

(c) (d) (e) Reflects the range of payout under the Company's Management Incentive Plan from threshold performance to maximum performance for 2014. 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 $7,500,000 maximum payout.

(j) Reflects the number of non-qualified stock options granted by the Compensation Committee on December 11, 2014. 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 126,000 shares to Mr. Berthiaume in 2014; however, Mr. Berthiaume declined to be considered for an option grant in 2014 due to his significant stock ownership position in the Company.

(k) Reflects the closing price of the $113.36 on the grant date of December 11, 2014.

(l) The FASB ASC Topic 718 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 2014, 2013 and 2012. 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 2014 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, respectively, were granted pursuant to the Waters Corporation 2012 Equity Incentive Plan. This stock option award was granted at a meeting of the Compensation Committee held on December 11, 2014 and vest 20% per year for five years. The stock option exercise price of $113.36 is equal to the closing market price of the Common Stock on December 11, 2014. The stock option grants to the named executive officers 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 2014, 2013 or 2012.

Messrs. Berthiaume, Caputo, Cassis, 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 sets forth the outstanding equity awards classified as exercisable and unexercisable and the unvested stock awards for each of the named executive officers as of December 31, 2014

Outstanding Equity Awards at Fiscal Year-End 2014

	Option Awards				Stock Awards		
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
(a)	(b)	(c)	(e)	(f)	(g)	(h)	(j)
Arthur G. Caputo	0	95,000	$113.36	12/11/2024			
	11,000	44,000	$98.21	12/6/2023	14,704	$1,657,435	
	44,000	66,000	$87.06	12/11/2022			
	66,000	44,000	$79.15	12/7/2021			
	88,000	22,000	$79.05	12/9/2020			
	100,000	0	$59.44	12/9/2019			
	100,000	0	$41.20	12/10/2018			
	85,000	0	$77.94	12/11/2017			
	100,000	0	$49.31	12/13/2016			
	0	0	$38.99	12/2/2015			
Eugene G. Cassis	0	40,000	$113.36	12/11/2024			
	5,000	20,000	$98.21	12/6/2023	5,499	$619,847	
	6,000	9,000	$87.06	12/11/2022			
	9,000	6,000	$79.15	12/7/2021			
	12,000	3,000	$79.05	12/9/2020			
	12,000	0	$59.44	12/9/2019			
	10,000	0	$41.20	12/10/2018			
	10,000	0	$77.94	12/11/2017			
	8,000	0	$49.31	12/13/2016			
	6,000	0	$38.99	12/2/2015			
John A. Ornell	0	36,000	$87.06	12/11/2022			
	0	24,000	$79.15	12/7/2021			
	0	12,000	$79.05	12/9/2020			
	0	0	$59.44	12/9/2019			
	0	0	$41.20	12/10/2018			
	0	0	$77.94	12/11/2017			
	0	0	$49.31	12/13/2016			
Mark T. Beaudouin	0	40,000	$113.36	12/11/2024			
	5,000	20,000	$98.21	12/6/2023	8,064	$908,974	
	20,000	30,000	$87.06	12/11/2022			
	10,000	20,000	$79.15	12/7/2021			
	10,000	10,000	$79.05	12/9/2020			
	8,000	0	$59.44	12/9/2019			
	0	0	$41.20	12/10/2018			
	0	0	$77.94	12/11/2017			
	0	0	$49.31	12/13/2016			
Elizabeth B. Rae	0	34,000	$113.36	12/11/2024			
	4,000	16,000	$98.21	12/6/2023	5,832	$657,383	
	16,000	24,000	$87.06	12/11/2022			
	24,000	16,000	$79.15	12/7/2021			
	32,000	8,000	$79.05	12/9/2020			
	0	0	$59.44	12/9/2019			
	0	0	$41.20	12/10/2018			
	0	0	$77.94	12/11/2017			
	0	0	$49.31	12/13/2016			

(a) As of December 31, 2014, Mr. Berthiaume did not have any outstanding equity awards. Although it was the intention of the Compensation Committee to grant a stock option award to Mr. Berthiaume each year since

2005, Mr. Berthiaume declined to be considered for an option grant in each of these years due to his substantial stock ownership in the Company.

(b) (c) 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 9, 2019 or earlier are 100% vested as of December 9, 2014. Vesting dates for annual grants with expiration dates after December 9, 2019 are, December 9, 2020, December 7, 2021, December 11, 2022, December 6, 2023 and December 11, 2024, 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.

(g) (h) Represents restricted stock units granted on December 6, 2013. The grants made to Mr. Caputo, Mr. Beaudouin, Mr. Cassis and Ms. Rae vest 20% per year for five years. The grant made to Mr. Ornell vested in full on December 6, 2014.

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 2014

	Option Awards		Stock Awards	
Name	Number of Securities Acquired on Exercise (#)	Value Realized Upon Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
(a)	(b)	(c)	(d)	(e)
Douglas A. Berthiaume	**150,000**	**$10,483,499**	**—**	**—**
Arthur G. Caputo	**225,000**	**$15,612,700**	**3,675**	**$423,911**
Eugene G. Cassis	**0**	**$0**	**1,374**	**$158,490**
John A. Ornell	**100,000**	**$3,802,961**	**2,546**	**$293,681**
Mark T. Beaudouin	**66,000**	**$2,670,660**	**2,016**	**$232,545**
Elizabeth B. Rae	**33,000**	**$1,541,361**	**1,458**	**$168,180**

(a) All options exercised by Mr. Berthiaume and 125,000 options exercised by Mr. Caputo had an expiration date of December 8, 2014.

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 2014

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**	**34.12**	**$412,648**	**—**
	Waters Corporation Retirement Restoration Plan	**34.12**	**$2,108,917**	**—**
Arthur G. Caputo	**Waters Corporation Retirement Plan**	**37.19**	**$444,598**	**—**
	Waters Corporation Retirement Restoration Plan	**37.19**	**$849,739**	**—**
Eugene G. Cassis	**Waters Corporation Retirement Plan**	**34.37**	**$366,080**	**—**
	Waters Corporation Retirement Restoration Plan	**34.37**	**$6,027**	**—**
John A. Ornell	**Waters Corporation Retirement Plan**	**24.54**	**$314,203**	**—**
	Waters Corporation Retirement Restoration Plan	**24.54**	**$258,301**	**—**
Mark T. Beaudouin	**Waters Corporation Retirement Plan**	**11.75**	**$77,335**	**—**
	Waters Corporation Retirement Restoration Plan	**11.75**	**$132,558**	**—**
Elizabeth B. Rae	**Waters Corporation Retirement Plan**	**18.96**	**$154,219**	**—**
	Waters Corporation Retirement Restoration Plan	**18.96**	**$24,067**	**—**

The present value of the accumulated benefit is calculated in accordance with FASB Accounting Standards Codification Topic 715 Compensation – Retirement Benefits. Please refer to the footnotes in the Waters 2014 Annual Report on Form 10-K for the fiscal year ended December 31, 2014 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, Cassis 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 2014 Annual Report for the fiscal year ended December 31, 2014.

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

Nonqualified Deferred Compensation Fiscal Year 2014

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	**$47,836**	**$32,236**	**$630,266**	**$0**	**$9,206,524**
Arthur G. Caputo	**$0**	**$0**	**$82,523**	**$0**	**$1,172,251**
Eugene G. Cassis	**$117,723**	**$4,581**	**$168,615**	**$0**	**$1,921,732**
John A. Ornell	**$0**	**$0**	**$36,427**	**$0**	**$1,008,607**
Mark T. Beaudouin	**$0**	**$0**	**$74,660**	**$0**	**$1,214,059**
Elizabeth B. Rae	**$14,707**	**$0**	**$24,160**	**$0**	**$314,632**

(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 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 for Messrs. Berthiaume, Caputo, Ornell and Beaudouin and Ms. Rae: $1,524,788, $108,030, $331,729, $617,640 and $212,975, respectively. For Mr. Cassis, the 2014 aggregate fiscal year-end balance reported for the 401(k) Restoration Plan that is also reported in the 2014 Summary Compensation Table is $122,304.

All nonqualified 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 ($17,500 in 2014 or $23,000 if age 50 or older). The 401(k) Restoration Plan is also intended to permit participants to receive the additional matching contributions that they would have been eligible to receive under the 401(k) Plan if the Internal Revenue Service limit on compensation for such plans, $260,000 in 2014, did not apply.

Payments Upon Termination or Change of Control

Messrs. Berthiaume, Caputo, Cassis, 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 and restricted stock unit agreements issued under the 2003 and 2012 Equity Incentive Plans, in the event of a change of control, all of their outstanding and unvested stock options and restricted stock units 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, 2014 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, 2014.

Potential Payments Upon Termination Following a Change of Control

Name	Cash Severance		Other Benefits				Total Value of Change-in-Control Related Benefits
	Base Salary (2X Base Salary)	Incentive Plan (2X Target)	Benefits Continuation	In-the-Money Value of Accelerated Stock Options	Value of Accelerated Restricted Stock Units	Excise Tax Gross-Up	
Douglas A. Berthiaume	$1,594,516	$1,993,145	$39,338	—	—	—	$3,626,999
Arthur G. Caputo	$1,016,098	$1,117,708	$27,900	$4,549,820	$1,657,435	—	$8,368,961
Eugene G. Cassis	$700,000	$525,000	$26,266	$823,570	$619,847	$695,870	$3,390,553
John A. Ornell	$497,196	—	$39,332	$2,133,480	—	—	$2,670,008
Mark T. Beaudouin	$801,318	$600,989	$39,073	$2,068,100	$908,974	—	$4,418,454
Elizabeth B. Rae	$490,226	$245,113	$37,823	$1,654,480	$657,383	—	$3,085,025

The cash severance was calculated assuming the base salary and annual incentive plan target under the Management Incentive Plan for 2014, in effect on December 31, 2014. The benefit continuation payment is based on premium costs as of December 31, 2014. Mr. Ornell did not participate in the Management Incentive Plan in 2014 and his base salary reflects his part-time salary in effect on December 31, 2014.

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 2014

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Total ($)
(a)	(b)	(c)	(d)	(f)
Joshua Bekenstein	**$73,000**	**$148,830**	**$100,280**	**$322,110**
Michael J. Berendt, Ph.D.	**$95,500**	**$148,830**	**$100,280**	**$344,610**
Edward Conard	**$79,000**	**$148,830**	**$100,280**	**$328,110**
Laurie H. Glimcher	**$70,000**	**$148,830**	**$100,280**	**$319,110**
Christopher A. Kuebler	**$122,500**	**$148,830**	**$100,280**	**$371,610**
William J. Miller	**$128,500**	**$148,830**	**$100,280**	**$377,610**
JoAnn A. Reed	**$79,000**	**$148,830**	**$100,280**	**$328,110**
Thomas P. Salice	**$176,500**	**$148,830**	**$100,280**	**$425,610**

(b) Reflects the Board and committee retainers and meeting fees earned in 2014. For Messrs. Berendt, Kuebler, Miller and Salice these amounts include the meeting fees paid in conjunction with their participation on the Succession Planning Committee.

(c) Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller and Salice, and Mss. Glimcher and Reed were each granted 1,500 restricted stock awards on January 2, 2014, with a grant date fair value of $99.22 and a vesting date of January 2, 2015. The closing price of the common stock was $99.22 on January 2, 2014. On December 31, 2014, all Directors held 3,000 shares of unvested restricted stock.

(d) Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller and Salice, and Mss. Glimcher and Reed were each granted 4,000 non-qualified stock options on January 2, 2014, with an exercise price of $99.22 and a grant date fair value of $25.07. These stock options vested in full on January 2, 2015. The closing price of the common stock on January 2, 2014 was $99.22 per share. The outstanding stock options for Messrs. Bekenstein, Berendt, Conard, Kuebler, Miller and Salice, and Mss. Glimcher and Reed on December 31, 2013, were 35,000, 35,000, 35,000, 35,000, 35,000, 35,000, 16,800 and 35,000 options, respectively. 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 Footnote 11, Stock-Based Compensation in the Waters 2014 Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Board compensation in 2014 remained the same as in 2013 and 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 chairs 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 2, 2014. The exercise price of the stock option grant was equal to the closing price on the grant date.

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

The Compensation Committee utilizes an external consultant, Pearl Meyer & Partners, to provide advice on the structure of director compensation. Pearl Meyer & Partners and the Compensation Committee utilize sources of data consistent with the executive compensation assessment which include the Industry Peer Group of 16 publicly traded companies described above in the Compensation Discussion and Analysis. Based on the competitive assessment by Pearl Meyer & Partners and to align director compensation practices with that of the Industry Peer Group, the additional annual retainer for the lead director for 2015 was increased to $20,000 resulting in a total annual retainer of $75,000. In addition, the annual retainers for 2015 for the chairs of the Compensation Committee and the Nominating and Corporate Governance Committee were increased to $10,000. There were no changes to the annual Board retainer, the Audit Committee Chair retainer or meeting fees for 2015. Equity grants of 1,200 shares of restricted stock and 4,000 non-qualified stock options were made on the first business day of the year, January 2, 2015. The exercise price of the non-qualified stock option grant was equal to $113.88, the closing price on January 2, 2015. Both the restricted stock and non-qualified stock option grants to Directors have a one-year vesting provision. Additionally, the restricted stock and stock option grant agreements provide for acceleration of any unvested restricted stock or stock options upon death of a Director.

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. In 2014, Messrs. Bekenstein, Conard and Kuebler elected to defer fees into Waters common stock units and Ms. Glimcher elected to defer her fees into cash.

COMPENSATION COMMITTEE REPORT

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the 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 18, 2015 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)	10,906,612	13.19%
The Vanguard Group, Inc. (3)	6,090,416	7.37%
BlackRock, Inc. (4)	5,572,434	6.74%
Executive Officers and Directors		
Mark T. Beaudouin (5)(6)	47,598	*
Douglas A. Berthiaume (7)	3,132,881	3.79%
Arthur G. Caputo (5)	682,679	*
Eugene G. Cassis (5)(8)	111,562	*
John Ornell	4,424	*
Elizabeth Rae (5)(9)	65,527	*
Joshua Bekenstein (5)(10)	83,300	*
Dr. Michael J. Berendt (5)	52,800	*
Edward Conard (5)(10)	79,300	*
Dr. Laurie H. Glimcher (5)	19,600	*
Christopher A. Kuebler (5)(10)	45,300	*
William J. Miller (5)(10)	53,300	*
JoAnn A. Reed (5)	45,300	*
Thomas P. Salice (5)(10)(11)	124,398	*
All Directors and Executive Officers as a group (14 persons)	4,547,969	5.44%

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

(1) Figures are based upon 82,676,840 of common stock outstanding as of March 18, 2015. The figures assume exercise by only the stockholder or group named in each row of all options for the purchase of common stock held by such stockholder or group which are exercisable within 60 days of March 18, 2015.

(2) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by Massachusetts Financial Services Company ("MFS") based on information set forth in Schedule 13G/A filed with the SEC on February 11, 2015. The Schedule 13G/A indicates that MFS was the beneficial owner with sole dispositive power as to 10,906,612 shares, with sole voting power as to 8,680,951 shares and shared voting power as to none of the shares. The address of MFS is 111 Huntington Ave, Boston, MA 02199.

(3) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by The Vanguard Group, Inc. based on information set forth in Schedule 13G/A filed with the SEC on February 10, 2015. The Schedule 13G/A indicates that the Vanguard Group, Inc. was the beneficial owner with sole dispositive power as to 5,954,089 shares, shared dispositive power as to the 136,327 shares, sole voting power as to 143,395 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.

(4) Amounts shown reflect the aggregate number of shares of common stock beneficially owned by BlackRock, Inc. based on information set forth in Schedule 13G/A filed with the SEC on February 9, 2015. The Schedule 13G/A indicates that Blackrock, Inc. was the beneficial owner with sole dispositive power as to 5,572,434 shares and sole voting power as to 4,876,041 shares. The address of BlackRock, Inc. is 40 East 52nd Street, New York, NY 10022.

(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 18, 2015 as follows: Mr. Beaudouin 31,500, Mr. Caputo 594,000, Mr. Cassis 72,000, Ms. Rae 52,000, Mr. Bekenstein 32,600, Dr. Berendt 32,600, Mr. Conard 32,600, Dr. Glimcher 14,400, Mr. Kuebler 32,600, Mr. Miller 32,600, Ms. Reed 32,600 and Mr. Salice 32,600.

(6) Includes 5,994 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, 34,331 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 6,069 shares held by Mr. Cassis' wife, 1,564 shares held in Mr. Cassis' ESPP and 2,802 shares held by Mr. Cassis wife's ESPP and 401(k) accounts.

(9) Includes 6,025 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 over which Mr. Salice shares voting and investment power with his spouse as trustees and 69,648 shares held by an LLC over which Mr. Salice has voting and investment power. Mr. Salice disclaims beneficial ownership of the shares held by the charitable trust and of the shares held by the LLC, except to the extent of his pecuniary interest in the LLC.

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 required by Section 16 of the Exchange Act on a timely basis during the fiscal year ended December 31, 2014.

STOCKHOLDER PROPOSALS FOR THE 2016 ANNUAL MEETING

Proposals of stockholders to be presented at the 2016 Annual Meeting of Stockholders anticipated to be scheduled on or about May 12, 2016, must be received by the Secretary of the Company at 34 Maple Street, Milford, Massachusetts 01757 as follows: 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 submitted in writing and received by no later than 11:59 p.m., local time, on December 3, 2015. In addition, a stockholder may bring before the 2016 Annual Meeting (other than a proposal), or may submit nominations for a director, if the stockholder complies with Section 10 (for nominees of directors) and Section 11 (for business to be transacted) of the company's by-laws, as applicable, by:

- providing written notice to the Secretary of the Company at the address above between February 12, 2016 and March 13, 2016 (subject to adjustment as described in the by-laws), and
- supplying the additional information as required in Sections 10 and 11 of the by-laws, as applicable.

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) 482-2314.

Notes

Notes

Directors

Joshua Bekenstein
Managing Director
Bain Capital, LLC

Michael J. Berendt, Ph.D.
Chief Executive Officer
Telesta Therapeutics

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

Eugene G. Cassis
Vice President 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 30170
College Station, TX 77842-3170

Overnight correspondence should
be mailed to:
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

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

Morgan, Lewis & Bockius LLP
One Federal Street
Boston, Massachusetts 02110-1726

Stockholders' Meeting

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

Stocklist Symbol

NYSE: WAT

Investor Relations

John Lynch
Vice President Investor Relations
508-482-2314
john_lynch@waters.com

Form 10-K

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

Waters Corporation
34 Maple Street
Milford, Massachusetts 01757

Offices

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

Waters

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March 2015 720005291EN AO-RRD

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