3M CO
Form 4
February 06, 2007

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
NOZARI M S

(Last) (First) (Middle)

3M CENTER

(Street)

ST. PAUL, MN 55144-1000

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
3M CO [MMM]

3. Date of Earliest Transaction (Month/Day/Year)
02/02/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EXEC VP CONSUMER & OFFICE

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/02/2007		S		10,000	D	$ 73.7917	92,550	D	
Common Stock								4,453	I	by 401k/PAESOP Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
NOZARI M S 3M CENTER ST. PAUL, MN 55144-1000			EXEC VP CONSUMER & OFFICE	

Signatures

By: GeorgeAnn Biros For: Moe S Nozari	02/06/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Remarks:

The indirectly-held common stock holding (401k/PAESOP) reported in Table I includes shares acquired during the fiscal year

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ALIGN="right"> 3,000 *(100%)*

Operating income

119,069 121,745 *(2%)* 341,166 352,085 *(3%)*

Operating income as a % of sales

26.0% 27.1% 25.5% 26.6%

Other expense, net

(1,575)

Interest expense, net

(6,412) (5,923) *8%* (18,811) (17,492) *8%*

Income from operations before income taxes

112,657 115,822 *(3%)* 320,780 334,593 *(4%)*

Provision for income taxes

14,609 16,713 *(13%)* 12,359 49,094 *(75%)*

Net income	$98,048	$99,109	*(1%)*	$308,421	$285,499	*8%*

Net income per diluted common share

$1.14	$1.12	*2%*	$3.56	$3.19	*12%*

Sales for the third quarter increased 2%, with the effect of foreign currency translation negatively impacting the quarter s sales by 2% across all products and services, principally due to the weakness of the Japanese yen. Foreign currency translation negatively impacted Japan s sales by 21%. In the quarter, service sales increased 4% and chemistry sales increased 3%. These increases were offset by flat instrument system sales, resulting from weaker capital spending at larger pharmaceutical customers, which was offset by stronger demand from industrial, governmental and academic customers.

Year-to-date, sales increased 1%, with the effect of foreign currency translation negatively impacting sales by 2% across all products and services, principally due to the weakness of the Japanese yen. Foreign currency translation negatively impacted Japan s sales by 17%. Year-to-date, service sales increased 4% and chemistry sales increased 1%, while sales of instrument systems were flat.

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Sales to pharmaceutical customers decreased 2% for the quarter and were flat year-to-date. Combined sales to industrial chemical, nutritional safety and environmental customers increased 7% and 2% for the quarter and year-to-date, respectively. Combined global sales to governmental and academic customers increased 6% and 5% for the quarter and year-to-date, respectively.

The decline in gross profit as a percentage of sales for the quarter and year-to-date was a result of the effects of unfavorable foreign currency translation, amortization expense from the recently launched UNIFI® software product and a change in product sales mix. Selling and administrative expenses increased 5% and 2% for the quarter and year-to-date, respectively, with modest increases in headcount from the prior year, merit compensation and fringe benefit costs being offset by a favorable effect of foreign currency translation.

Net income per diluted share in the quarter benefited from fewer shares outstanding due to additional share repurchases; however, this benefit was offset by a decline in gross profit and increase in selling and administrative expenses. Net income per diluted share increased year-to-date as a result of a $0.39 increase from the income tax benefits discussed below in *Provision for Income Taxes* under Results of Operations and by fewer shares outstanding due to additional share repurchases. These increases were primarily offset by a decline in gross profit and increase in selling and administrative expenses. Foreign currency translation decreased net income per diluted share by approximately $0.09 for the quarter and approximately $0.23 year-to-date, and is expected to continue to negatively impact net income per diluted share significantly for the full year 2013 as compared to 2012 based on current exchange rates.

Year-to-date, net cash provided by operating activities was $342 million and $318 million in 2013 and 2012, respectively. The $24 million increase was primarily a result of the increase in net income, as well as the timing of payments to vendors and the collection of receivables from customers.

Within cash flows used in investing activities, capital expenditures related to property, plant, equipment and software capitalization were $93 million and $73 million year-to-date for 2013 and 2012, respectively. The capital expenditures for 2013 and 2012 include $36 million and $23 million, respectively, of construction costs associated with multi-year projects, primarily in the United Kingdom to consolidate certain existing primary MS research, manufacturing and distribution locations.

In July 2013, the Company acquired all of the outstanding stock of Scarabaeus Mess-und Prodktionstechnik GmbH, a manufacturer of rheometers for the rubber and elastomer markets, for approximately $4 million in cash. In August 2013, the Company acquired all of the outstanding stock of Nonlinear Dynamics Ltd., a developer of proteomics and metabolomics software, for approximately $23 million in cash.

Within cash flows used in financing activities, the Company received $35 million and $21 million of proceeds from stock plans year-to-date for 2013 and 2012, respectively. In May 2012, the Company s Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a two-year period. The Company repurchased $220 million and $229 million of the Company s outstanding common stock year-to-date in 2013 and 2012, respectively, under the May 2012 authorization and other previously announced stock repurchase programs.

In June 2013, the Company entered into a new 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 Company used the proceeds from the 2013 Credit Agreement to repay the outstanding amounts under the Company s existing multi-borrower credit agreement dated July 2011, which was terminated early without penalty.

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Results of Operations

Sales by Geography

Geographic sales information is presented below for the three and nine months ended September 28, 2013 and September 29, 2012 (in thousands):

	Three Months Ended			Nine Months Ended		
	September 28, 2013	**September 29, 2012**	***% change***	**September 28, 2013**	**September 29, 2012**	***% change***
Net Sales:						
United States	$ 139,603	$ 132,298	*6%*	$ 398,737	$ 387,102	*3%*
Europe	130,326	126,881	*3%*	387,940	377,202	*3%*
Asia:						
China	59,136	55,479	*7%*	170,078	153,103	*11%*
Japan	42,467	50,760	*(16%)*	126,905	156,082	*(19%)*
Asia Other	53,188	51,930	*2%*	153,254	158,539	*(3%)*
Total Asia	154,791	158,169	*(2%)*	450,237	467,724	*(4%)*
Other	32,597	32,604		101,856	89,847	*13%*
Total net sales	$ 457,317	$ 449,952	*2%*	$ 1,338,770	$ 1,321,875	*1%*

The increase in sales in the U.S. for the quarter and year-to-date can be attributed to increased sales to pharmaceutical, industrial chemical, nutritional safety and environmental customers. The increase in Europe s sales for both the quarter and year-to-date was primarily due to increased demand from governmental and academic customers. China s sales growth for the quarter and year-to-date was broad-based across all product and customer classes. Japan s sales declined across all product and customer classes for both the quarter and year-to-date, primarily as a result of a 21% and a 17% drop in foreign currency exchange rates, respectively. The change in sales in both the quarter and year-to-date in the rest of Asia was impacted by lower sales to governmental and academic customers, as well as flat sales growth in India. Sales in the rest of the world for both the quarter and year-to-date grew primarily from higher demand from pharmaceutical, industrial chemical, nutritional safety and environmental customers, which was offset by lower sales from governmental and academic customers.

Waters Division Net Sales

Net sales for the Waters Division s products and services are as follows for the three and nine months ended September 28, 2013 and September 29, 2012 (in thousands):

	Three Months Ended				
	September 28, 2013	**% of Total**	**September 29, 2012**	**% of Total**	***% change***
Waters instrument systems	$ 196,989	*49%*	$ 202,513	*50%*	*(3%)*
Chemistry	75,413	*19%*	73,126	*18%*	*3%*

Total Waters Division product sales	272,402		275,639		*(1%)*
Waters service	130,308	*32%*	126,434	*32%*	*3%*
Total Waters Division net sales	$ 402,710	100%	$ 402,073	*100%*	

	Nine Months Ended				
	September 28, 2013	***%* of Total**	**September 29, 2012**	***%* of Total**	***% change***
Waters instrument systems	$ 576,981	*49%*	$ 583,081	*50%*	*(1%)*
Chemistry	223,000	*19%*	220,026	*19%*	*1%*
Total Waters Division product sales	799,981		803,107		
Waters service	386,332	*32%*	372,708	*31%*	*4%*
Total Waters Division net sales	$ 1,186,313	100%	$ 1,175,815	*100%*	*1%*

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Waters instrument system sales (LC and MS) decreased in the quarter and year-to-date, primarily due to weaker capital spending by our pharmaceutical customers. The increase in sales of chemistry consumables and services for both the quarter and year-to-date primarily resulted from a combination of a higher utilization rate of installed instrument systems and a higher base of installed instruments in some regions. The effect of foreign currency translation impacted the Waters Division across all product lines, resulting in a decrease in total sales of 2% for both the quarter and year-to-date.

Waters Division sales increased 3% in the U.S. for both the quarter and year-to-date. Europe sales increased 1% and 2% for the quarter and year-to-date, respectively. Total Asia sales decreased 2% and 3% for the quarter and year-to-date, respectively. Waters Division sales in China for the quarter and year-to-date increased 7% and 12%, respectively, and decreased 15% and 18%, respectively, in Japan, primarily due to the negative effect of foreign currency translation. Sales in the rest of the world decreased 1% for the quarter but increased 9% year-to-date on higher sales to pharmaceutical customers.

TA Division Net Sales

Net sales for the TA Division s products and services are as follows for the three and nine months ended September 28, 2013 and September 29, 2012 (in thousands):

	Three Months Ended				
	September 28, 2013	**% of Total**	**September 29, 2012**	**% of Total**	***% change***
TA instrument systems	$ 40,541	*74%*	$ 35,184	*73%*	*15%*
TA service	14,066	*26%*	12,695	*27%*	*11%*
Total TA Division net sales	$ 54,607	*100%*	$ 47,879	*100%*	*14%*

	Nine Months Ended				
	September 28, 2013	**% of Total**	**September 29, 2012**	**% of Total**	***% change***
TA instrument systems	$ 111,887	*73%*	$ 108,078	*74%*	*4%*
TA service	40,570	*27%*	37,982	*26%*	*7%*
Total TA Division net sales	$ 152,457	*100%*	$ 146,060	*100%*	*4%*

TA instrument system sales increased 15% in the quarter as a result of strong demand for thermal and rheology products. TA service sales increased due to sales of service plans and billings to a higher installed base of customers. TA s sales increased for both the quarter and year-to-date across all geographic regions, with the exception of Japan, which was negatively impacted by the effect of foreign currency translation. The effect of foreign currency translation decreased TA s total sales by 1% for the quarter.

Gross Profit

Gross profit decreased 1% for both the quarter and year-to-date. Gross profit as a percentage of sales decreased for both the quarter and year-to-date, primarily due to the effects of foreign currency translation, amortization expense from the recently launched UNIFI software and changes in instrument systems product mix.

Gross profit as a percentage of sales is affected by many factors, including, but not limited to, foreign currency translation, product mix, price and product costs of instrument systems and associated software platforms. The cost and amortization of capitalized software development costs for the Company s recently introduced UNIFI product may continue to affect the Company s product mix and associated gross profit. The Company also expects that the impact of foreign currency translation will negatively affect gross profit for the remainder of 2013, based on current exchange rates.

Selling and Administrative Expenses

Selling and administrative expenses increased 5% and 2% for the quarter and year-to-date, respectively. The quarter and year-to-date results were impacted by favorable foreign currency translation, primarily from the weakness of the Japanese yen, which was offset by headcount additions from the prior year, higher merit compensation and fringe benefit costs. As a percentage of net sales, selling and administrative expenses were 26.4% and 27.1% for the 2013 quarter and year-to-date, respectively, and 25.6% and 26.9% for the 2012 quarter and year-to-date, respectively.

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Research and Development Expenses

Research and development expenses decreased 1% and increased 4% for the quarter and year-to-date, respectively, primarily due to additional headcount and timing of development costs incurred on new products to be launched late in 2013.

Purchased Intangibles Amortization

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

Litigation Provisions

The Company made a $3 million litigation payment in the second quarter of 2012 to settle a complaint that was filed against the Company alleging patent infringement.

Other Expense, Net

The Company recorded a $1.6 million charge in the second quarter of 2013 for an other-than-temporary impairment to an investment.

Provision for Income Taxes

The four principal jurisdictions in which the Company manufactures its products are the U.S., Ireland, the United Kingdom and Singapore, where the marginal effective tax rates are approximately 37.5%, 12.5%, 23.25% and 0%, respectively. The Company has a contractual tax rate in Singapore of 0% through March 2016, based upon achievement of contractual milestones that the Company expects to continue to meet. The current statutory tax rate in Singapore is 17%. The Company s effective tax rate is influenced by many significant factors, including, but not limited to, the wide range of income tax rates in jurisdictions in which the Company operates; sales volumes and profit levels in each tax jurisdiction; changes in tax laws, tax rates and policies; the outcome of various ongoing tax audit examinations; and the impact of foreign currency transactions and translation. As a result of variability in these factors, the Company s effective tax rates in the future may not be similar to the effective tax rates for the current or prior year.

The Company s effective tax rate for the quarter was 13.0% and 14.4% for 2013 and 2012, respectively. The Company s effective tax rate year-to-date was 3.9% and 14.7% for 2013 and 2012, respectively. The year-to-date income tax provision for 2013 included a net $31 million 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 is included in the 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 10.6 percentage points year-to-date in 2013. The remaining differences between the quarter and year-to-date effective tax rates for 2013 and 2012 were primarily attributable to differences in the proportionate amounts of pre-tax income recognized in jurisdictions with different effective tax rates.

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Liquidity and Capital Resources

Condensed Consolidated Statements of Cash Flows (in thousands):

	Nine Months Ended	
	September 28, 2013	**September 29, 2012**
Net income	$ 308,421	$ 285,499
Depreciation and amortization	58,255	51,225
Stock-based compensation	23,985	21,687
Deferred income taxes	(11,181)	(9,382)
Change in accounts receivable	22,585	5,506
Change in inventories	(30,782)	(36,558)
Change in accounts payable and other current liabilities	(24,686)	(18,971)
Change in deferred revenue and customer advances	14,266	16,217
Other changes	(19,278)	2,404
Net cash provided by operating activities	341,585	317,627
Net cash used in investing activities	(329,366)	(298,851)
Net cash used in financing activities	(62,057)	(53,396)
Effect of exchange rate changes on cash and cash equivalents	(196)	6,923
Decrease in cash and cash equivalents	$ (50,034)	$ (27,697)

Cash Flow from Operating Activities

Net cash provided by operating activities was $342 million and $318 million in the nine months ended September 28, 2013 and September 29, 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 increase in net income:

The change in accounts receivable in 2013 compared to 2012 was primarily attributable to timing of shipments and payments made by customers. Days-sales-outstanding (DSO) increased to 74 days at September 28, 2013 from 73 days at September 29, 2012.

The 2013 and 2012 change in accounts payable and other current liabilities was a result of timing of payments to vendors. In addition, 2013 includes a decrease in accrued income taxes resulting from estimated U.S. tax payments and the reduction of income tax reserves as the Company resolved certain ongoing tax examinations.

Net cash provided from deferred revenue and customer advances in both 2013 and 2012 was a result of the higher installed base of customers renewing annual service contracts.

Other changes were attributable to variation in the timing of various provisions, expenditures, prepaid income taxes and accruals in other current assets, other assets and other liabilities.

Cash Used in Investing Activities

Year-to-date, net cash used in investing activities totaled $329 million and $299 million in 2013 and 2012, respectively. Additions to fixed assets and capitalized software were $93 million and $73 million year-to-date in 2013 and 2012, respectively. The capital expenditures for 2013 and 2012 include $36 million and $23 million, respectively, of construction costs associated with multi-year projects, primarily in the United Kingdom to consolidate certain existing primary MS research, manufacturing and distribution locations. During 2013 and 2012, the Company purchased $2,271 million and $1,385 million of investments year-to-date, while $2,061 million and $1,190 million of investments matured, respectively. Business acquisitions, net of cash acquired, were $26 million and $31 million year-to-date in 2013 and 2012, respectively.

Cash Used in Financing Activities

In June 2013, the Company entered into 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 Company used $860 million of the proceeds from the 2013 Credit Agreement to repay the outstanding amounts under the Company s existing multi-borrower credit agreement dated July 2011, which was terminated early without penalty.

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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.

Year-to-date, the Company s total debt borrowings increased by $116 million and $156 million in 2013 and 2012, respectively. As of September 28, 2013, the Company had a total of $1,294 million in outstanding debt, which consisted of $400 million in outstanding notes, $300 million borrowed under the term loan facility under the 2013 Credit Agreement, $585 million borrowed under revolving credit facilities under the 2013 Credit Agreement and $9 million borrowed under various other short-term lines of credit. At September 28, 2013, $125 million of the outstanding portions of the revolving facilities have been 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. It is the Company s intention to pay the short-term portions of the outstanding revolving line of credit balance during the twelve months following the respective period end date. The remaining $460 million of the outstanding portions of the revolving facilities have been 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 September 28, 2013, the Company had a total amount available to borrow under the 2013 Credit Agreement of $513 million after outstanding letters of credit.

In May 2012, the Company s Board of Directors authorized the Company to repurchase up to $750 million of its outstanding common stock over a two-year period. During the first nine months of 2013 and 2012, the Company repurchased a total of 2.3 million and 2.8 million shares at a cost of $220 million and $229 million, respectively, under the May 2012 authorization and other previously announced programs. As of September 28, 2013, the Company had a total of $423 million authorized for future repurchases under the May 2012 program. In addition, the Company repurchased $6 million of common stock during both 2013 and 2012 related to the vesting of restricted stock units.

The Company received $35 million and $21 million of proceeds from the exercise of stock options and the purchase of shares pursuant to the Company s employee stock purchase plan in 2013 and 2012, respectively.

The Company had cash, cash equivalents and investments of $1,699 million as of September 28, 2013. The majority of the Company s cash, cash equivalents and investments are generated from foreign operations, with approximately $1,670 million held by foreign subsidiaries at September 28, 2013. 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 and interest, finance potential U.S. acquisitions and continue to repurchase shares under the authorized stock repurchase program in the U.S. These U.S. cash requirements are managed by the Company s cash flow from U.S. operations and the use of the Company s revolving credit facilities.

Management believes, as of the date of this report, that its financial position, 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, potential acquisitions and any adverse final determination of ongoing litigation and tax audit examinations. In addition, there have been no recent significant changes to the Company s financial position, nor are there any anticipated changes, to warrant a material adjustment related to indefinitely reinvested foreign earnings.

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Contractual Obligations and Commercial Commitments

A summary of the Company s contractual obligations and commercial commitments is included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the U.S. Securities and Exchange Commission (SEC) on February 26, 2013. The Company reviewed its contractual obligations and commercial commitments as of September 28, 2013 and determined that there were no material changes from the information set forth in the Annual Report on Form 10-K.

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 that it has meritorious arguments in its current litigation matters and that any outcome, either individually or in the aggregate, will not be material to the Company s financial position or results of operations.

During the nine months ended September 28, 2013, the Company contributed $4 million to the Company s U.S. pension plans. During fiscal year 2013, the Company expects to contribute a total of approximately $8 million to $10 million to the Company s defined benefit plans.

The Company is in the process of consolidating its facilities in the United Kingdom into one new facility, which is expected to cost up to $20 million to finish construction. The Company believes it can fund the construction of this facility with cash flow from operations and its borrowing capacity from committed credit facilities.

The Company has not paid any dividends and has no plans, at this time, to pay any dividends in the future.

Critical Accounting Policies and Estimates

In the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on February 26, 2013, the Company s most critical accounting policies and estimates upon which its financial status depends were identified as those relating to revenue recognition, loss provisions on accounts receivable and inventory, valuation of long-lived assets, intangible assets and goodwill, warranty, income taxes, pension and other postretirement benefit obligations, litigation and stock-based compensation. The Company reviewed its policies and determined that those policies remain the Company s most critical accounting policies for the nine months ended September 28, 2013. The Company did not make any changes in those policies during the nine months ended September 28, 2013.

New Accounting Pronouncements

Please refer to Note 13, Recent Accounting Standards Changes and Developments, in the Condensed Notes to Consolidated Financial Statements.

Special Note Regarding Forward-Looking Statements

Certain of the statements in this Quarterly Report on Form 10-Q, including the information incorporated by reference herein, may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), with respect to future results and events, including statements regarding, among other items, anticipated trends or growth in the Company s business, including, but not limited to, development of products by acquired businesses; the growth rate of sales and research and development expenses; the impact of new product launches and the associated costs, such as the amortization expense related to UNIFI; geographic sales mix of business; anticipated expenses, including interest expense, capitalized software costs and effective tax rates; the impact of foreign currency translation on financial results; the impact and outcome of the Company s various ongoing tax audit examinations; future changes in unrecognized tax benefits and related net interest and penalties; the impact of unexpected shifts in income between tax jurisdictions; 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 (including facility expansion and consolidation projects, particularly in the U.K.), 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.

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Many of these statements appear, in particular, under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of this Quarterly Report on Form 10-Q. 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 , intend appears , estimates , projects , should and similar expressions, whether in the negative or affirmative. These statemen 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 by the end of August 2015.

Current global economic, sovereign and political conditions and uncertainties; changes in timing and demand by the Company s customers and various market sectors, particularly if they should reduce capital expenditures or are unable to obtain funding, as in the cases of governmental, academic and research institutions; the effect of mergers and acquisitions on customer demand; and the Company s ability to sustain and enhance service.

Negative industry trends; introduction of competing products by other companies and loss of market share; pressures on prices from customers or resulting from competition; regulatory, economic and competitive obstacles to new product introductions; lack of acceptance of new products; expansion of our business in developing markets; spending by certain end-markets and ability to obtain alternative sources for components and modules.

Foreign exchange rate fluctuations that could adversely affect translation of the Company s future sales, financial operating results and the condition of its non-U.S. operations, especially when a currency weakens against the U.S. dollar.

Increased regulatory burdens as the Company s business evolves, especially with respect to the Food and Drug Administration and Environmental Protection Agency, 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 discussed under the heading Risk Factors under Part I, Item 1A of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on February 26, 2013.

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 Quarterly Report on Form 10-Q 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 3: ***Quantitative and Qualitative Disclosures About Market Risk***

There have been no material changes in the Company s market risk during the nine months ended September 28, 2013. For information regarding the Company s market risk, refer to Item 7A of Part II of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on February 26, 2013.

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Item 4: ***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 Quarterly Report on Form 10-Q. 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 September 28, 2013 (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.

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 September 28, 2013 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II: ***Other Information***

Item 1: ***Legal Proceedings***

There have been no material changes in the Company s legal proceedings during the nine months ended September 28, 2013 as described in Item 3 of Part I of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on February 26, 2013.

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

Information regarding risk factors of the Company is set forth under the heading Risk Factors under Part I, Item 1A in the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on February 26, 2013. The Company reviewed its risk factors as of September 28, 2013 and determined that there were no material changes from the ones set forth in the Form 10-K. Note, however, the discussion under the subheading Special Note Regarding Forward-Looking Statements in Part I, Item 2 of this quarterly report on Form 10-Q. These risks are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company s business, financial condition and operating results.

Item 2: ***Unregistered Sales of Equity Securities and Use of Proceeds***

Purchases of Equity Securities by the Issuer

The following table provides information about purchases by the Company during the three months ended September 28, 2013 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 Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
June 30 to July 27, 2013		$		$ 478,242
July 28 to August 24, 2013		$		$ 478,242
August 25 to September 28, 2013	541	$ 101.88	541	$ 423,163
Total	541	$ 101.88	541	$ 423,163

(1) The Company purchased 0.5 million shares of its outstanding common stock in the quarter ended September 28, 2013 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.

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Item 6: ***Exhibits***

Exhibit Number	Description of Document
3.1	Amended and Restated Bylaws of Waters Corporation, dated as of October 16, 2013.
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 Quarterly Report on Form 10-Q for the quarter ended September 28, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets (unaudited), (ii) the Consolidated Statements of Operations (unaudited), (iii) the Consolidated Statements of Comprehensive Income (unaudited), (iv) the Consolidated Statements of Cash Flows (unaudited), and (v) Condensed Notes to Consolidated Financial Statements (unaudited).

** 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.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WATERS CORPORATION

/s/ JOHN ORNELL
John Ornell
Vice President, Finance and Administration

and Chief Financial Officer

Date: November 1, 2013

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