



xylem
Let's Solve Water

Xylem 2020 First Quarter Results

May 5, 2020

This presentation contains information that may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Act of 1995. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “target,” “will,” “could,” “would,” “should” and similar expressions identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. These forward-looking statements include any statements that are not historical in nature, including any statements about the capitalization of the Company, the Company’s restructuring and realignment, future strategic plans and other statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future - including statements relating to orders, revenues, operating margins and earnings per share growth, and statements expressing general views about future operating results - are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements. Many of these risks and uncertainties are currently amplified by and may continue to be amplified by, or in the future may be amplified by, the novel coronavirus (COVID-19) pandemic.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions; uncertainty of the magnitude, duration, geographic reach and impact on the global economy of the COVID-19 pandemic; the current, and uncertain future, impact of the COVID-19 pandemic on our business, growth, projections, financial condition, operations, cash flows, and liquidity, including the impact of adverse economic conditions caused by the COVID-19 pandemic on our performance or customer markets; actual or potential other epidemics, pandemics or global health crises; geopolitical and other risks associated with our international operations, including military actions, protectionism, economic sanctions or trade barriers including tariffs and embargoes that could affect customer markets and our business, and non-compliance with laws, including foreign corrupt practice laws, data privacy, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; disruption, competition and pricing pressures in the markets we serve; industrial, governmental and private sector spending; the strength of housing and related markets; weather conditions; ability to retain and attract talent and key members of management; our relationship with and the performance of our supply chain including channel partners; our ability to successfully identify, complete and integrate acquisitions; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; changes in the value of goodwill or intangible assets; risks relating to product defects, product security, product liability and recalls; claims or investigations by governmental or regulatory bodies; cybersecurity attacks, breaches or other disruptions of information technology systems on which we rely; our sustainability initiatives; litigation and contingent liabilities; and other factors set forth under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019 (“2019 Annual Report”) and with subsequent filings we make with the Securities and Exchange Commission (“SEC”).

All forward-looking statements made herein are based on information currently available to the Company as of the date of this Report. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Q1 2020 Performance Summary

(\$ in millions, unless otherwise noted)

Q1 2020	GAAP	Adjusted*
Xylem Consolidated		
Revenue	\$1,123	\$1,123
Overall Growth	(9%)	(9%)
Constant Currency Growth	(8%)	(8%)
Organic Growth		(8%)
Operating Income	\$61	\$70
Operating Margin	5.4%	6.2%
Earnings per Share	\$0.21	\$0.23

Earnings Call Notes:

- All references today will be on an adjusted basis unless otherwise indicated.
- Non-GAAP financials are reconciled in the appendix section of the presentation.

Q1 2020	GAAP	Adjusted*
Water Infrastructure		
Revenue	\$438	\$438
Overall Growth	(9%)	(9%)
Constant Currency Growth	(7%)	(7%)
Organic Growth		(7%)
Operating Income	\$39	\$44
Operating Margin	8.9%	10.0%
Applied Water		
Revenue	\$338	\$338
Overall Growth	(11%)	(11%)
Constant Currency Growth	(10%)	(10%)
Organic Growth		(10%)
Operating Income	\$47	\$49
Operating Margin	13.9%	14.5%
Measurement & Control Solutions		
Revenue	\$347	\$347
Overall Growth	(8%)	(8%)
Constant Currency Growth	(7%)	(7%)
Organic Growth		(7%)
Operating Income	(\$12)	(\$10)
Operating Margin	(3.5%)	(2.9%)

- **Our role in the response** ... Supporting our customers to enable mission-critical essential services globally is core to us and to our mission
- **Durable business model with vital products and technology** ... While our portfolio is not immune to economic downturns, we believe our differentiated and diverse portfolio will perform well over the medium and long-term
- **Operational Execution** ... Immediate actions taken on opex and capex spend (~\$100M) to partially mitigate volume declines from COVID-19 impact; Finalizing further structural reductions to address longer term strategic implications from pandemic
- **Strong Financial Position** ... We have a strong liquidity position with ~\$1.7B available at the end of April ... ~\$800M in cash and ~\$900M in credit facilities



Supporting our *Colleagues*

- Safety and health is paramount
- Activated Xylem's Pandemic Risk Mitigation Plan
- Supplementary financial & paid leave support for employees impacted by COVID-19



Supporting our *Customers*

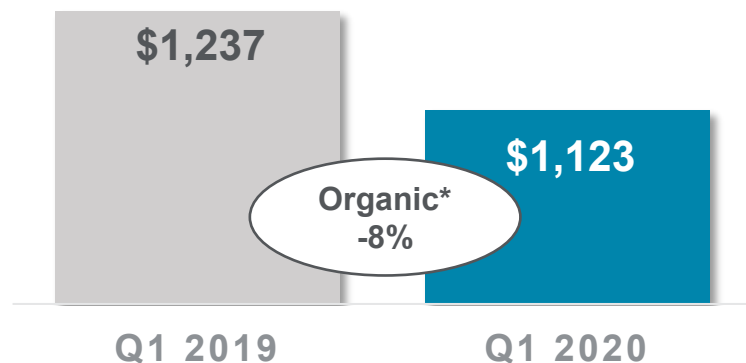
- Supporting mission-critical essential services (i.e. Treatment equipment installed for emergency expansion of hospital in Sicily, Italy)
- Engaging customers through Xylem Assist outreach program
- Enabling remote work and training through online education and certification modules



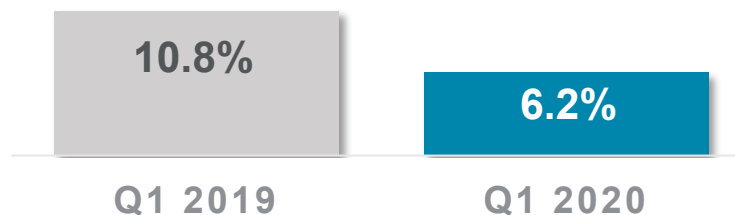
Supporting our *Communities*

- Donating water technology products for urgent community needs (i.e. temp hospitals in China and U.S.)
- Partnerships with global NGO's – Americanas – communities in need
- Donating Personal Protection Equipment such as face shields
- Partnering with our customers to provide grant and donation matching programs for local NGO's

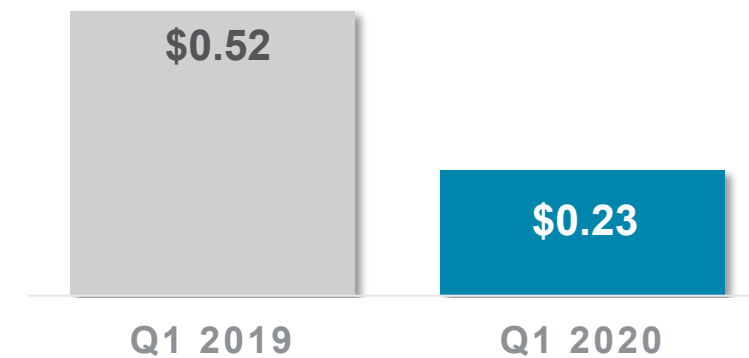
REVENUE



ADJUSTED OPERATING MARGIN*



ADJUSTED EPS*



Organic Growth* by End Market

Utilities	-5%
Industrial	-10%
Commercial	-11%
Residential	-14%

Organic Growth* by Region

United States	-7%
Emerging Markets	-19%
Western Europe	-2%

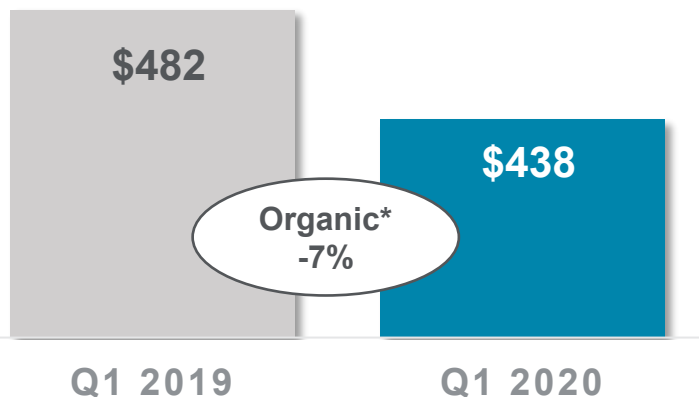
Key Performance Drivers:

- Organic* Revenue down 8% driven by COVID-19 pandemic (~-5% Organic* Revenue impact) from rapid disruption in Europe and Americas in March and -36% decline in China
- Utility wastewater opex activity relatively stable as 'essential service'; Industrial and Commercial end markets significantly impacted by mandatory shutdowns and customer delays
- Orders -2% organically ... Up 2% excluding ~-4% impact of COVID-19
- Operating Margin drivers:
 - Volume/Mix/Other reduces Op Margin by 330 bps (EPS -\$0.21)
 - Productivity drives 390 bps Op Margin expansion (EPS +\$0.20)
 - Cost Inflation reduces Op Margin by 260 bps (EPS -\$0.13)
 - COVID-19 Impacts reduces Op Margin by 150 bps (EPS -\$0.09)
 - MCS Warranty reduces Op Margin 130 bps (EPS -\$0.07)
 - Price expands Op Margin 80 bps (EPS +\$0.04)
 - Strategic investments reduces Op Margin by 60 bps (EPS -\$0.03)

Other: Tax Rate* 19.2%

Share Count 181.3M

REVENUE



Organic Growth* by End Market

Utilities	-4%
Industrial	-11%

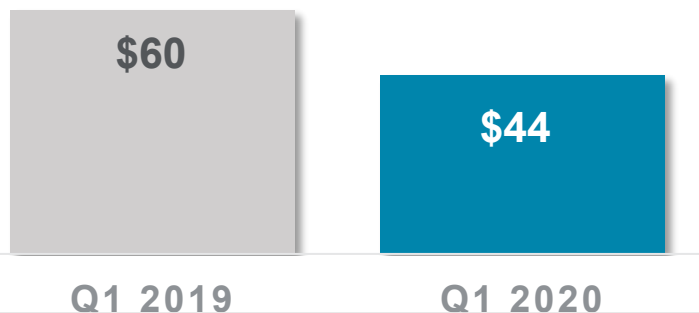
Organic Growth* by Region

United States	-12%
Emerging Markets	-11%
Western Europe	Flat

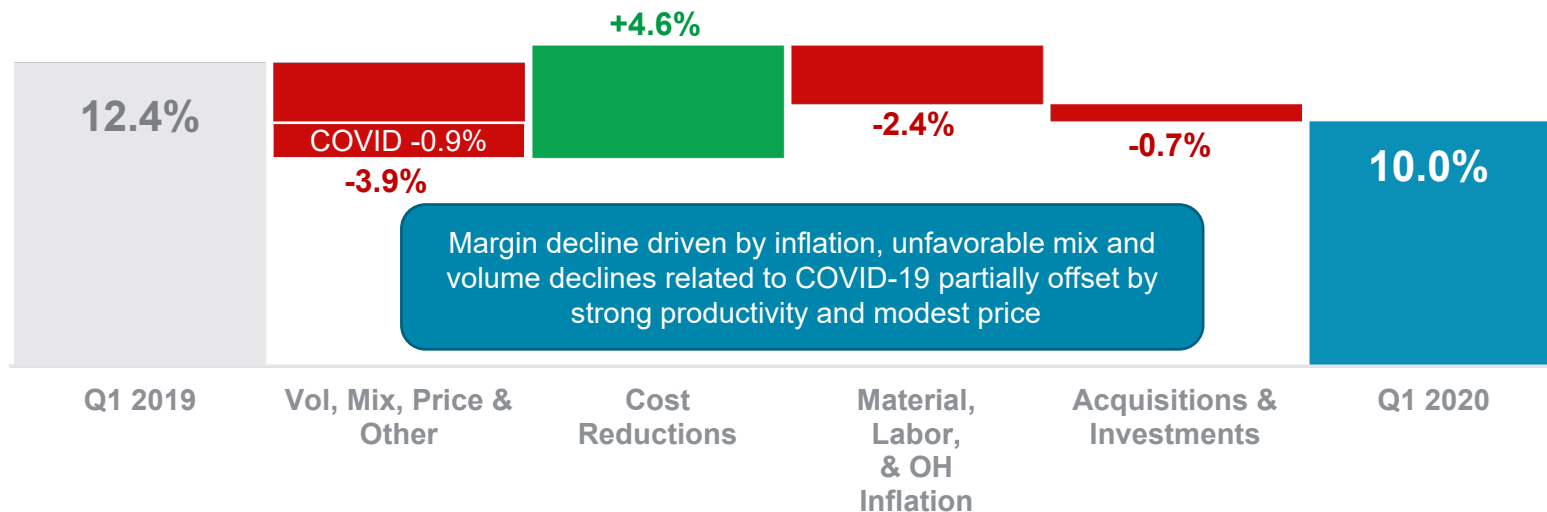
Highlights

- Orders decline 1%; Treatment up double-digits offset by softness in dewatering applications and prior year large project awards in wastewater transport
- Wastewater opex activity steady as utilities focus on mission-critical Transport and Treatment applications and service
- China declines double-digits due to project delays, but seeing strong rebound in activity post-COVID-19
- Industrial weakness driven by oil and gas markets and limited construction activity from COVID-19 in Dewatering

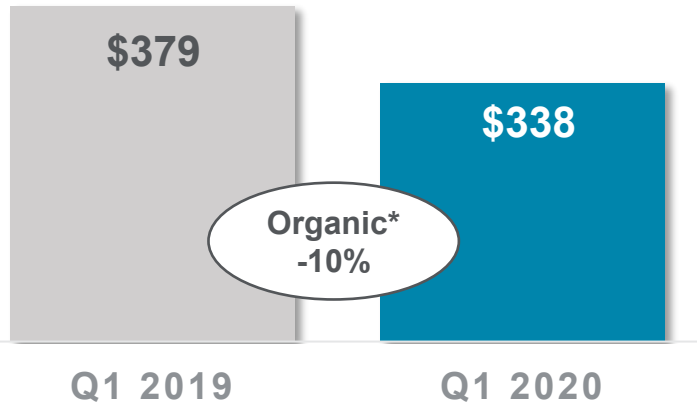
ADJUSTED OPERATING MARGIN*



Adjusted EBITDA Margin*
15.4% 13.0%



REVENUE



Organic Growth*

by End Market

Industrial	-8%
Commercial	-11%
Residential	-14%

Organic Growth*

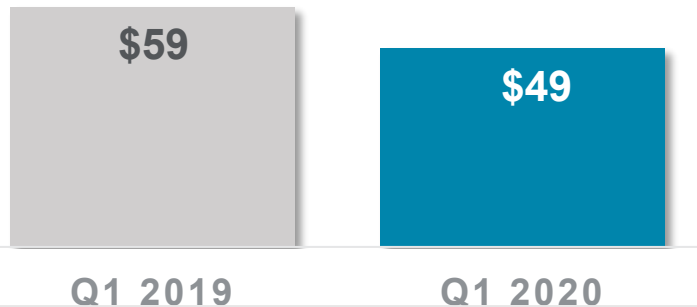
by Region

United States	-5%
Emerging Markets	-27%
Western Europe	-11%

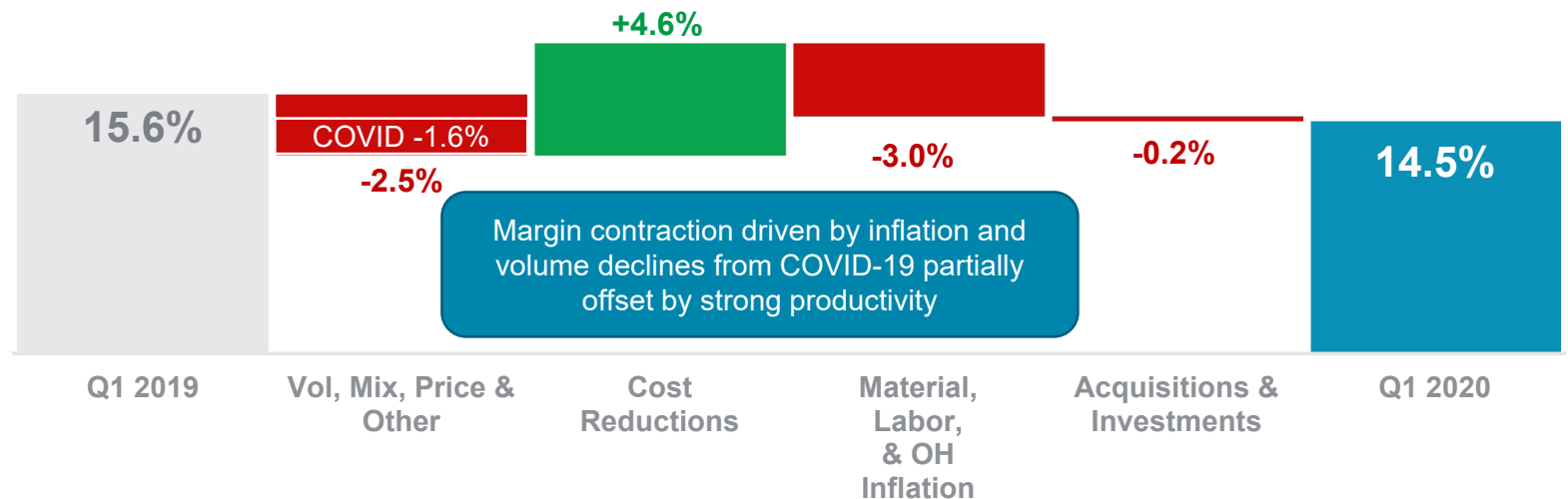
Highlights

- Orders decline 5% in quarter; underlying bid/quote activity remains healthy, but seeing order execution delays
- Industrial market impacted by delays in project releases and deferral of non-essential work in North America and declines in general industry in Europe
- Commercial softness as a result of construction site delays and uncertainty in North America; weakness in Residential driven by slowdown in Italy as well as US & Asia
- Double-digit declines in Emerging Markets primarily driven by COVID-19 shutdowns in China

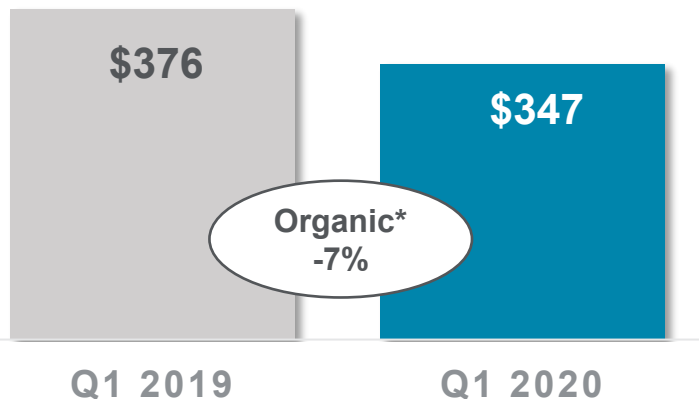
ADJUSTED OPERATING MARGIN*



Adjusted EBITDA Margin*
 17.7% 16.6%



REVENUE



Organic Growth* by End Market

Water	-7%
Energy	-2%
Test	-9%
SaaS/Other	-11%

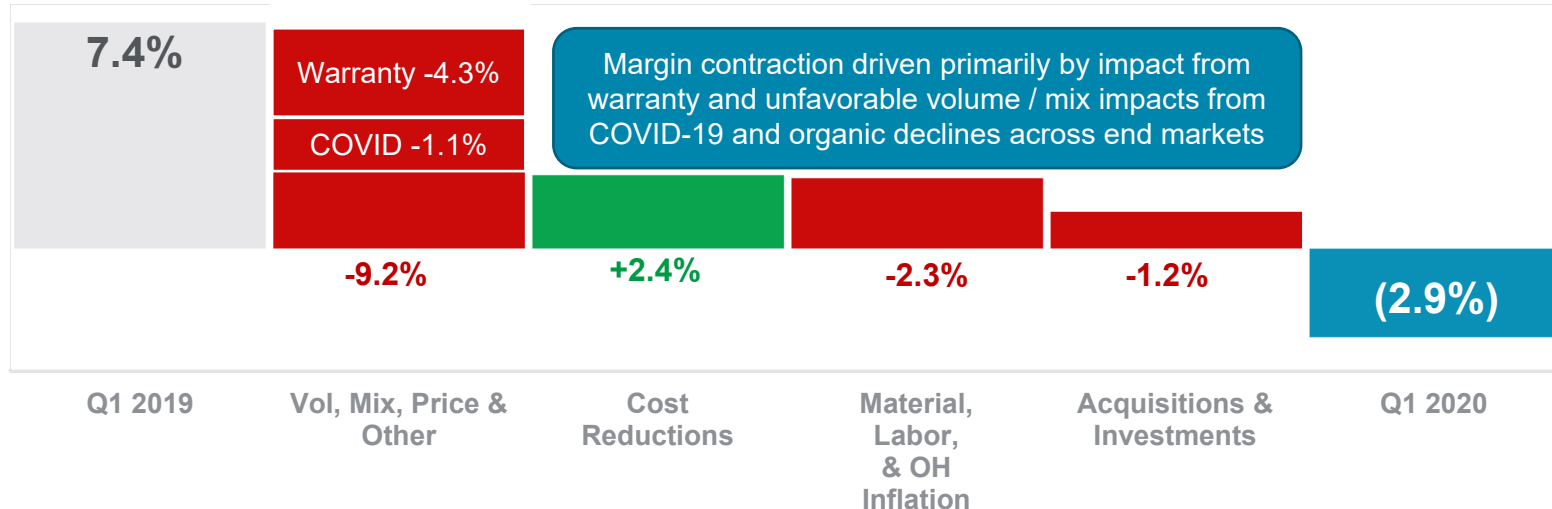
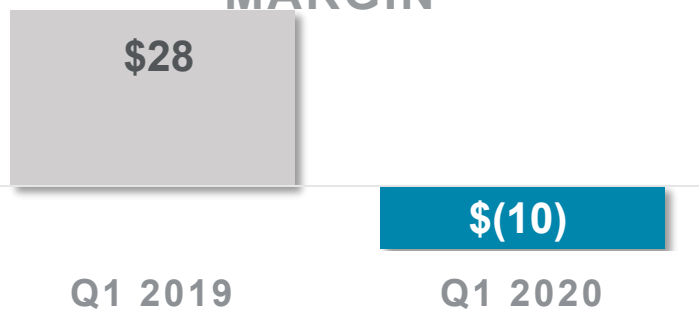
Organic Growth* by Region

United States	-6%
Emerging Markets	-24%
Western Europe	+5%

Highlights

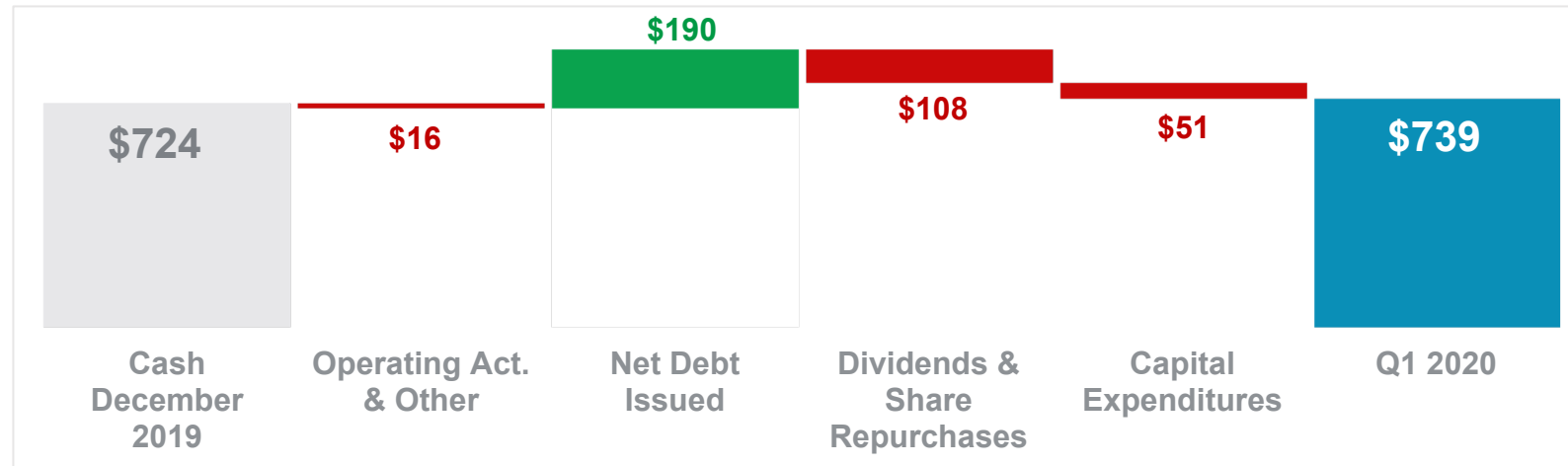
- Orders down 3% as modest growth in Test offset by slight softness in Sensus and AIA from large project orders in prior year
- Weakness in Water and SaaS/other applications driven by lapping Sensus deployments in North America and Emerging Markets in prior year partly offset by project work in UK; Delays in some large water deployments regionally in U.S. from COVID-19 distancing regulations
- Soft performance in Test applications from COVID-19 temporary supply chain disruption and project timing

ADJUSTED OPERATING MARGIN*



Adjusted EBITDA Margin*
17.0% **7.8%**

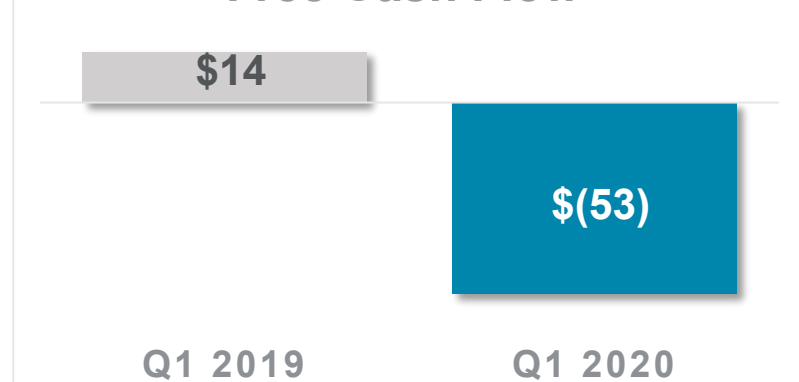
Cash Drivers



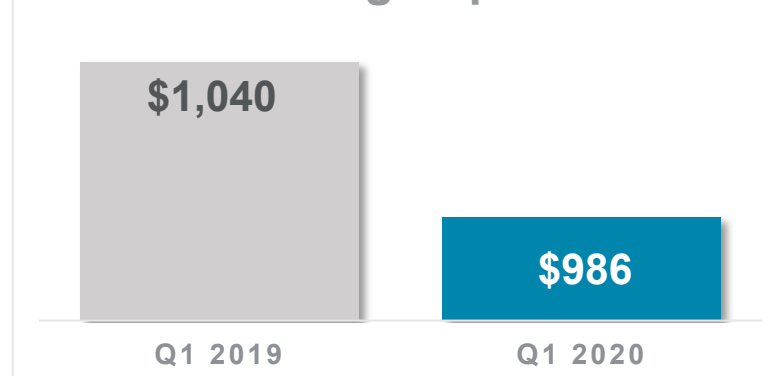
Capital Summary

March 31, 2020	
Cash	\$739
Debt	\$2,490
Net Debt	\$1,751
Shareholders' Equity	\$2,812
Net Capital	\$4,563
Net Debt to Net Capital	38%

Free Cash Flow*



Working Capital**



FCF Conversion*

17.0% (139%)

Working Capital %

19.9% 19.2%

Financial Highlights

- Strong financial position
 - Available liquidity of ~\$1.7B consisting of Cash and available credit facilities
 - Committed to maintaining investment grade credit
- Opportunistically repurchased \$50M shares in February to offset dilution
- Working Capital** improvement by 70 bps
- FCF conversion* impacted by lower net income and higher use of working capital on a year-over-year basis

Wastewater Utilities

Key Facts**:

- **Revenue:** ~50% of Xylem Utilities Revenue
- **Opex/Capex Split:** ~65% / ~35%
- **XYL Businesses:** Primarily Water Infrastructure segment
- **Geographic Split:** US ~35% / W. Europe ~35% / Em. Mkts & Other ~30%
- **US & W. Europe** leading installed base & strong recurring revenue through Opex
- **Emerging Markets** mostly greenfield & currently skewed to Capex

Current Trends:

- **Focus on daily opex needs and mission-critical applications (operation & maint. of wastewater networks and treatment sites)**
- **Increased emergency clogs from disposable wipes & more household waste ... opportunity for our technologies & services**
- **Facing workforce challenges from COVID concerns, quarantines, physical distancing while still ensuring day-to-day operations and quality product to customers**
- **Capital project backlog and bidding and opex spending still healthy; Seeing modest project timing shifts & delays**

Clean Water Utilities

Key Facts**:

- **Revenue:** ~50% of Xylem Utilities Revenue
- **Opex/Capex Split:** ~70% / ~30%
- **XYL Businesses:** Primarily MCS segment
- **Geographic Split:** US ~70% / W. Europe ~15% / Em. Mkts & Other ~15%
- **Adoption of AMI and remote monitoring networks** expected to continue to be long-term secular trend globally
- **Under-penetrated international presence, but opportunities increasing**

Current Trends:

- **Utilities currently focused on operational resilience**
- **Expect postponement of award announcements for large projects in bid process; No cancellations to date; Funding for projects already in process largely protected**
- **Large deployments shifted to right due to physical distancing (varies by location and local mandates)**
- **Standard meter replacements (Opex) soft as utilities limited by social distancing constraints and some utilities classifying meter replacement as “non-essential”**



Industrial (~35% Revenue)

Key Facts:

- **Oil & Gas Revenue:** <2% of total Xylem
- **Mining Revenue:** ~4% of total Xylem
- **“Light” Industrial Revenue:** ~30% of total Xylem
- **XYL Businesses:** All 3 segments (~35% of WI, ~45% of AWS, 15% of MCS)
- **Equipment is generally not tied to output; keeps facilities ‘up-and-running’**

Current Trends:

- Industrial facilities limiting access to visitors (sales teams & channel partners) causing slower orders and activity; non-essential work deferred
- O&G market downturn impacting upstream Dewatering business and slowing project business midstream in Applied Water
- Softness in marine and beverage dispensing verticals from social distancing and mandatory lockdown constraints

Commercial (~10% Revenue)

Key Facts:

- **XYL Businesses:** Applied Water Systems
- **New build / Replacement (aftermarket):** 30% / 70%
- **Geographic Split:** N. America ~60% / Europe ~20% / Em Mkts & Other ~20%
- **Energy efficiency, reliability and “connectivity” critical to customers**

Current Trends:

- Some Construction site shut-downs and delayed projects (in high impacted areas only / balance is business as usual). Channels buffering the delays
- Replacement (book and ship) business impacted by COVID especially in US ‘hotspots’ (NY, CA, IL, etc.)
- Backlog remains robust; No order cancelations, new construction demand holding steady; Monitoring quote to order conversion closely with channel partners

Residential (~5% Revenue)

Key Facts:

- **XYL Businesses:** Applied Water Systems
- **New build / Replacement:** 10% New / 90% Replacement
- **Geographic Split:** N. America ~60% / Europe ~25% / Em Mkts & Other ~15%
- **Sales almost exclusively via channel partners**

Current Trends:

- Primarily replacement revenue serviced through long-standing distributor / dealer network
- Focus on emergency / breakdown replacement activity currently w/social distancing requirements in heavily impacted areas (NY,CA)
- Expect softness to continue with shelter in place in high impact areas; stability post-COVID
- Channels managing inventory / cashflow

- **Expect Organic* Revenue declines of -20% to -30%**
- **Expect decremental margin for 2Q of ~50% after cost savings & employee support pay**
- **Disciplined management of Opex and Capex spend to protect profitability and cash flow**
- **Finalizing further structural cost actions to address longer term strategic implications from pandemic:**
 - **Simplifying cost structure to align with post-pandemic ways of working**
 - **Addressing business models in markets most affected by pandemic impacts**
 - **Prioritizing investments and technologies based on customer needs**

- **Investment thesis intact ... *And we will be even Stronger Post-Pandemic* by:**
 - ***Driving sustainable profitable growth***
 - ***Executing actions to optimize cost structure and profitability***
 - ***Maintaining financial strength through strong cash conversion***
 - ***Deploying capital and prioritizing investments to further strengthen portfolio***
 - ***Create value for all of our stakeholders through Sustainability***



xylem
Let's Solve Water

Appendix

Foreign Exchange Translation

- The table below illustrates the impact of FX fluctuations on Xylem's reported results

Currency	2020 Guidance Rate	Rates assuming 5% decrease in Guidance Rate	Revenue Impact on FY 2020 of 5% Decrease in Rate	EPS Impact on 2Q 2020 of 5% Decrease in Rate
Euro	1.08	1.03	(\$11M)	(\$0.02)
GBP	1.24	1.17	(\$5M)	\$0.00
SEK	0.10	0.09	(\$2M)	\$0.01
RMB	0.14	0.13	(\$2M)	(\$0.00)
CAD	0.71	0.67	(\$5M)	\$0.00
All Other			(\$21M)	(\$0.00)
Total			(\$46M)	(\$0.02)

* Increase in rate would have inverse impact on results

**RULE OF THUMB: 1 PENNY MOVEMENT IN EUR/USD RATE,
EQUATES TO MORE THAN ONE PENNY MOVEMENT IN EPS FOR THE FULL YEAR**

Xylem Inc. Non-GAAP Measures

Management reviews key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, working capital and backlog, among others. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and to provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including but not limited to, dividends, acquisitions, share repurchases and debt repayment. Excluding revenue, Xylem provides guidance only on a non-GAAP basis due to the inherent difficulty in forecasting certain amounts that would be included in GAAP earnings, such as discrete tax items, without unreasonable effort. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following items to represent non-GAAP measures as well as the related reconciling items to the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

"Organic revenue" and "Organic orders" defined as revenue and orders, respectively, excluding the impact of fluctuations in foreign currency translation and contributions from acquisitions and divestitures. Divestitures include sales of insignificant portions of our business that did not meet the criteria for classification as a discontinued operation. The period-over-period change resulting from foreign currency translation impacts is determined by translating current period and prior period activity using the same currency conversion rate.

"Constant currency" defined as financial results adjusted for foreign currency translation impacts by translating current period and prior period activity using the same currency conversion rate. This approach is used for countries whose functional currency is not the U.S. dollar.

"EBITDA" defined as earnings before interest, taxes, depreciation and amortization expense. **"Adjusted EBITDA"** reflects the adjustment to EBITDA to exclude share-based compensation charges, restructuring and realignment costs, gain or loss from sale of businesses and special charges.

"Adjusted Operating Income", "Adjusted Segment Operating Income", "Adjusted Net Income" and "Adjusted EPS" defined as operating income, segment operating income, net income and earnings per share, adjusted to exclude restructuring and realignment costs, gain or loss from sale of businesses, special charges and tax-related special items, as applicable.

"Adjusted Operating Margin" and "Adjusted Segment Operating Margin" defined as adjusted operating income and adjusted segment operating income divided by total revenue and segment revenue, respectively.

"Free Cash Flow" defined as net cash from operating activities, as reported in the Statement of Cash Flow, less capital expenditures, and **"Free Cash Flow Conversion"** defined as Free Cash Flow divided by net income, excluding the gain on sale of businesses and non-cash impairment charges. Our definitions of "free cash flow" and "free cash flow conversion" does not consider certain non-discretionary cash payments, such as debt.

"Realignment costs" defined as costs not included in restructuring costs that are incurred as part of actions taken to reposition our business, including items such as professional fees, severance, relocation, travel, facility set-up and other costs.

"Special charges" defined as costs incurred by the Company, such as acquisition and integration related costs, non-cash impairment charges and other special non-operating items, such as pension adjustments.

"Tax-related special items" defined as tax items, such as tax return versus tax provision adjustments, tax exam impacts, tax law change impacts, excess tax benefits/losses and other discrete tax adjustments.

Xylem Inc. Non-GAAP Reconciliation
 Reported vs. Organic & Constant Currency Orders
 (\$ Millions)

	(As Reported - GAAP)		(As Adjusted - Organic)				Constant Currency	
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A	
		Change	% Change			Change	% Change	
	Orders	Orders	2020 v. 2019	2020 v. 2019	Acquisitions /	Adj. 2020 v.	Adj. 2020 v.	
	2020	2019			Divestitures	2019	2019	
Quarter Ended March 31								
Xylem Inc.	1,261	1,315	(54)	(4%)	-	23	(31)	(2%)
Water Infrastructure	514	532	(18)	(3%)	-	15	(3)	(1%)
Applied Water	372	394	(22)	(6%)	-	4	(18)	(5%)
Measurement & Control Solutions	375	389	(14)	(4%)	-	4	(10)	(3%)

Xylem Inc. Non-GAAP Reconciliation
 Reported vs. Organic & Constant Currency Revenue
 (\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)			(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /	FX Impact	Change	% Change	
	2020	2019	2020 v. 2019	2020 v. 2019	Divestitures		Adj. 2020 v. 2019	Adj. 2020 v. 2019	
Quarter Ended March 31									
Xylem Inc.	1,123	1,237	(114)	(9%)	-	19	(95)	(8%)	(8%)
Water Infrastructure	438	482	(44)	(9%)	-	12	(32)	(7%)	(7%)
Applied Water	338	379	(41)	(11%)	-	3	(38)	(10%)	(10%)
Measurement & Control Solutions	347	376	(29)	(8%)	-	4	(25)	(7%)	(7%)

Xylem Inc. Non-GAAP Reconciliation
Adjusted Operating Income
(\$ Millions)

	Q1	
	2020	2019
Total Revenue		
• Total Xylem	1,123	1,237
• Water Infrastructure	438	482
• Applied Water	338	379
• Measurement & Control Solutions	347	376
Operating Income		
• Total Xylem	61	109
• Water Infrastructure	39	51
• Applied Water	47	56
• Measurement & Control Solutions	(12)	16
• Total Segments	74	123
Operating Margin		
• Total Xylem	5.4%	8.8%
• Water Infrastructure	8.9%	10.6%
• Applied Water	13.9%	14.8%
• Measurement & Control Solutions	-3.5%	4.3%
• Total Segments	6.6%	9.9%
Special Charges		
• Total Xylem	-	4
• Water Infrastructure	-	-
• Applied Water	-	-
• Measurement & Control Solutions	-	4
• Total Segments	-	4
Restructuring & Realignment Costs		
• Total Xylem	9	20
• Water Infrastructure	5	9
• Applied Water	2	3
• Measurement & Control Solutions	2	8
• Total Segments	9	20
Adjusted Operating Income		
• Total Xylem	70	133
• Water Infrastructure	44	60
• Applied Water	49	59
• Measurement & Control Solutions	(10)	28
• Total Segments	83	147
Adjusted Operating Margin		
• Total Xylem	6.2%	10.8%
• Water Infrastructure	10.0%	12.4%
• Applied Water	14.5%	15.6%
• Measurement & Control Solutions	(2.9%)	7.4%
• Total Segments	7.4%	11.9%

Xylem Inc. Non-GAAP Reconciliation
Adjusted Diluted EPS
(\$ Millions, except per share amounts)

	Q1 2020			Q1 2019		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,123		1,123	1,237	-	1,237
Operating Income	61	9	a 70	109	24	a 133
Operating Margin	5.4%		6.2%	8.8%		10.8%
Interest Expense	(16)		(16)	(18)	-	(18)
Other Non-Operating Income (Expense)	(3)	1	b (2)	2		2
Gain/(Loss) From Sale of Business	-		-	1	(1)	-
Income before Taxes	42	10	52	94	23	117
Provision for Income Taxes	(4)	(6)	c (10)	(15)	(8)	c (23)
Net Income Attributable to Xylem	<u>38</u>	<u>4</u>	<u>42</u>	<u>79</u>	<u>15</u>	<u>94</u>
Diluted Shares	181.3		181.3	181.1		181.1
Diluted EPS	\$0.21	\$0.02	\$0.23	\$0.43	\$0.09	\$0.52
Year-over-year currency translation impact on current year diluted EPS	\$(0.01)	\$(0.01)	\$(0.02)			
Diluted EPS at Constant Currency	\$0.22	\$0.03	\$0.25			

a Restructuring & realignment costs of \$9 million in 2020 and \$20 million in 2019 and special charges of \$4 million in 2019 (\$1 million of acquisition related costs and \$3 million of intangible asset Impairment).

b Special charges consist of pension costs related to the UK pension plan that has been transferred to an annuity in 2020 as part of the planned buyout activities.

c Net tax impact on restructuring & realignment costs of \$2 million and \$4 million in 2020 and 2019, respectively; \$4 million of negative impact from tax related special benefit adjustments in each of 2020 and 2019.

Xylem Inc. Non-GAAP Reconciliation
 Net Cash - Operating Activities vs. Free Cash Flow
 (\$ Millions)

	Q1	
	2020	2019
Net Cash - Operating Activities	\$ (2)	\$ 83
Capital Expenditures - PP&E	(32)	(53)
Capital Expenditures - Software	(19)	(16)
Capital Expenditures	(51)	(69)
Free Cash Flow	\$ (53)	\$ 14
Net Income	38	79
Gain/(Loss) from sale of businesses	-	1
Special Charges - non-cash impairment	-	(3)
Net Income, excluding gain on sale of businesses and non-cash impairment charges	\$ 38	\$ 81
Operating Cash Flow Conversion	-5%	105%
Free Cash Flow Conversion	-139%	17%

Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
(\$ Millions)

	2020				
	Q1	Q2	Q3	Q4	Total
Net Income	38				38
Income Tax Expense	4				4
Interest Expense (Income), net	14				14
Depreciation	29				29
Amortization	35				35
EBITDA	<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120</u>
Share-based Compensation	8				8
Restructuring & Realignment	9				9
Loss/(Gain) from sale of business	-				-
Special Charges	1				1
Adjusted EBITDA	<u>138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138</u>
Revenue	<u>1,123</u>				<u>1,123</u>
Adjusted EBITDA Margin	<u>12.3%</u>				<u>12.3%</u>

	2019				
	Q1	Q2	Q3	Q4	Total
Net Income	79	139	65	118	401
Income Tax Expense	15	17	(77)	60	15
Interest Expense (Income), net	17	18	14	13	62
Depreciation	29	29	30	29	117
Amortization	35	34	35	36	140
EBITDA	<u>175</u>	<u>237</u>	<u>67</u>	<u>256</u>	<u>735</u>
Share-based Compensation	9	7	7	6	29
Restructuring & Realignment	20	21	30	11	82
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Special Charges	4	-	166	8	178
Adjusted EBITDA	<u>207</u>	<u>265</u>	<u>270</u>	<u>281</u>	<u>1,023</u>
Revenue	<u>1,237</u>	<u>1,345</u>	<u>1,296</u>	<u>1,371</u>	<u>5,249</u>
Adjusted EBITDA Margin	<u>16.7%</u>	<u>19.7%</u>	<u>20.8%</u>	<u>20.5%</u>	<u>19.5%</u>

Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Water Infrastructure
(\$ Millions)

	2020				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	37				37
Interest Expense (Income), net	-				-
Depreciation	11				11
Amortization	4				4
EBITDA	<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>
Share-based Compensation	-				-
Restructuring & Realignment	5				5
Adjusted EBITDA	<u>57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>
Revenue	<u>438</u>				<u>438</u>
Adjusted EBITDA Margin	<u>13.0%</u>				<u>13.0%</u>

	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	50	96	97	117	360
Interest Expense (Income), net	(1)	1	(1)	-	(1)
Depreciation	11	12	11	10	44
Amortization	4	4	4	5	17
EBITDA	<u>64</u>	<u>113</u>	<u>111</u>	<u>132</u>	<u>420</u>
Share-based Compensation	1	-	-	1	2
Restructuring & Realignment	9	9	7	5	30
Special Charges	-	-			-
Adjusted EBITDA	<u>74</u>	<u>122</u>	<u>118</u>	<u>138</u>	<u>452</u>
Revenue	<u>482</u>	<u>561</u>	<u>531</u>	<u>603</u>	<u>2,177</u>
Adjusted EBITDA Margin	<u>15.4%</u>	<u>21.7%</u>	<u>22.2%</u>	<u>22.9%</u>	<u>20.8%</u>

Xylem Inc. Non-GAAP Reconciliation
 EBITDA and Adjusted EBITDA by Quarter

 Applied Water
 (\$ Millions)

	2020				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	47				47
Interest Expense (Income), net	-				-
Depreciation	5				5
Amortization	1				1
EBITDA	53	-	-	-	53
Share-based Compensation	1				1
Restructuring & Realignment	2				2
Adjusted EBITDA	56	-	-	-	56
Revenue	338				338
Adjusted EBITDA Margin	16.6%				16.6%
	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	57	62	62	63	244
Interest Expense (Income), net	-	-	-	(1)	(1)
Depreciation	5	5	5	6	21
Amortization	1	1	-	1	3
EBITDA	63	68	67	69	267
Share-based Compensation	1	-	1	1	3
Restructuring & Realignment	3	4	3	4	14
Adjusted EBITDA	67	72	71	74	284
Revenue	379	394	376	392	1,541
Adjusted EBITDA Margin	17.7%	18.3%	18.9%	18.9%	18.4%

 Xylem Inc. Non-GAAP Reconciliation
 EBITDA and Adjusted EBITDA by Quarter

Measurement & Control Solutions

(\$ Millions)

	2018				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	(13)				(13)
Interest Expense (Income), net	-				-
Depreciation	9				9
Amortization	27				27
EBITDA	23	-	-	-	23
Share-based Compensation	2				2
Restructuring & Realignment	2				2
Adjusted EBITDA	27	-	-	-	27
Revenue	347				347
Adjusted EBITDA Margin	7.8%				7.8%
	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	16	26	(137)	28	(67)
Interest Expense (Income), net	-	-	-	-	-
Depreciation	9	9	9	10	37
Amortization	27	26	27	27	107
EBITDA	52	61	(101)	65	77
Share-based Compensation	1	2	1	1	5
Restructuring & Realignment	8	8	20	2	38
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Special Charges	4	-	155	1	159
Adjusted EBITDA	64	71	75	68	278
Revenue	376	390	389	376	1,531
Adjusted EBITDA Margin	17.0%	18.2%	19.3%	18.1%	18.2%