



Q3 2019 Earnings Release

October 31, 2019

FORWARD-LOOKING STATEMENTS

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.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions, political and other risks associated with our international operations, including military actions, 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; competition and pricing pressures in the markets we serve; 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 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 liability and recalls; claims or investigations by governmental or regulatory bodies; security breaches or other disruptions of our information technology systems; 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, 2018 (“2018 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.

Q3 2019 Performance Summary

	GAAP Q3 2019	Adjusted* Q3 2019	GAAP YTD 2019	Adjusted* YTD 2019
Xylem Consolidated				
Revenue	1,296	1,296	3,878	3,878
Overall Growth	1%	1%	1%	1%
Constant Currency Growth		3%		4%
Organic Growth		3%		5%
Operating Income	11	196	291	521
Operating Margin	0.8%	15.1%	7.5%	13.4%
Earnings per Share	\$0.36	\$0.82	\$1.56	\$2.13
Water Infrastructure				
Revenue	531	531	1,574	1,574
Overall Growth	-2%	-2%	0%	0%
Constant Currency Growth		1%		4%
Organic Growth		1%		4%
Operating Income	97	104	246	271
Operating Margin	18.3%	19.6%	15.6%	17.2%
Applied Water				
Revenue	376	376	1,149	1,149
Overall Growth	-1%	-1%	2%	2%
Constant Currency Growth		1%		4%
Organic Growth		1%		4%
Operating Income	61	64	179	189
Operating Margin	16.2%	17.0%	15.6%	16.4%
Measurement & Control Solutions				
Revenue	389	389	1,155	1,155
Overall Growth	6%	6%	3%	3%
Constant Currency Growth		7%		5%
Organic Growth		8%		7%
Operating Income	(136)	39	(94)	101
Operating Margin	-35.0%	10.0%	-8.1%	8.7%

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.

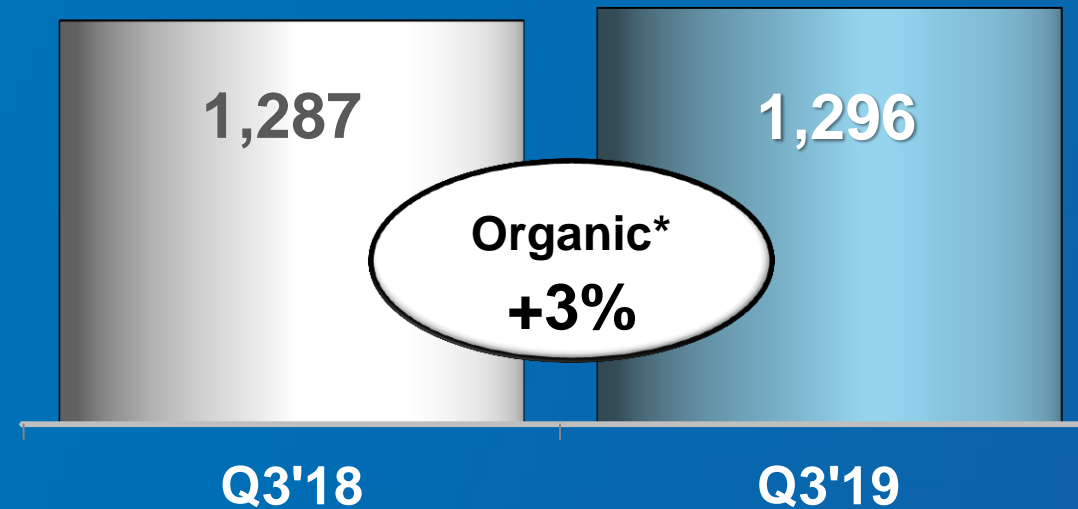
Key Messages

- **Organic Revenue growth +3% from solid Utilities performance moderated by sudden softening in short-cycle Industrial and Commercial markets**
- **Organic Orders +1% on tough prior year compare of +8%**
- **Adj. Operating Margin expansion +50 bps ... at high end of guidance**
- **Adj. EPS \$0.82 (up 10% excluding FX Translation)**
- **Free Cash Flow up 57% in 3Q ... on-track for FY conversion of 105%**
- **Lowering FY 2019 Guidance based on latest market outlook**
- **Investment thesis firmly in-tact**

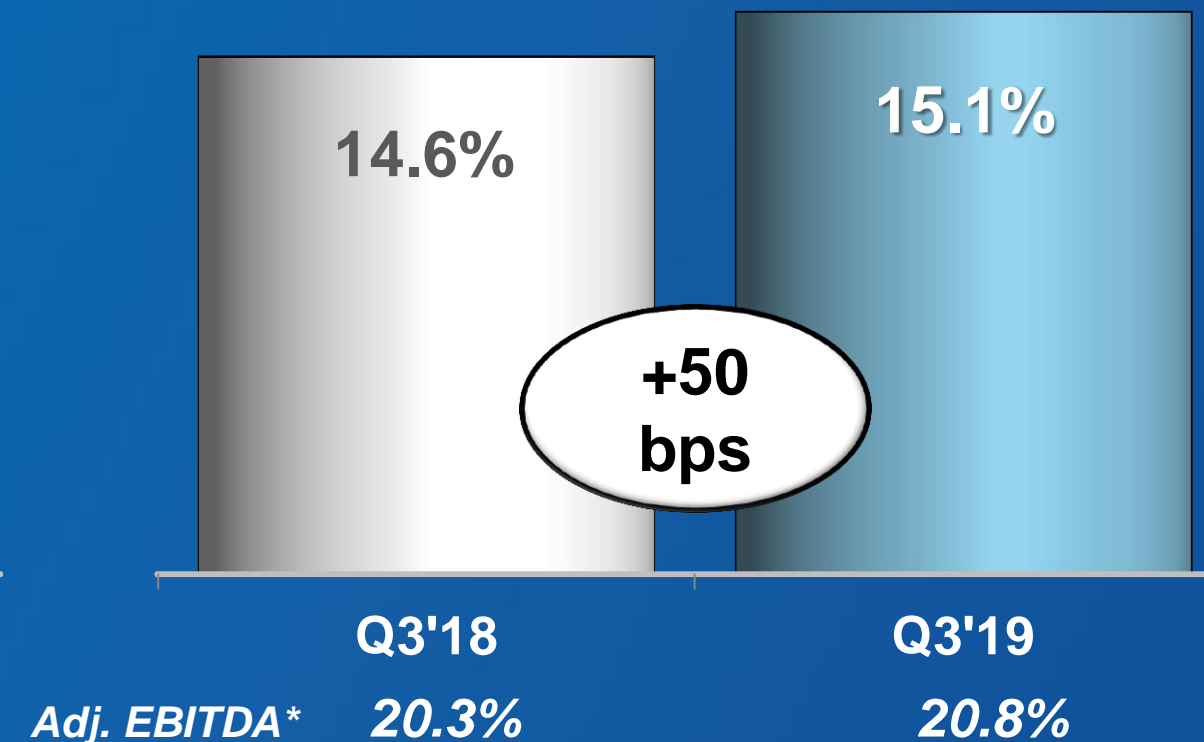
Q3 2019 Xylem Performance

(Dollars, In Millions, except EPS)

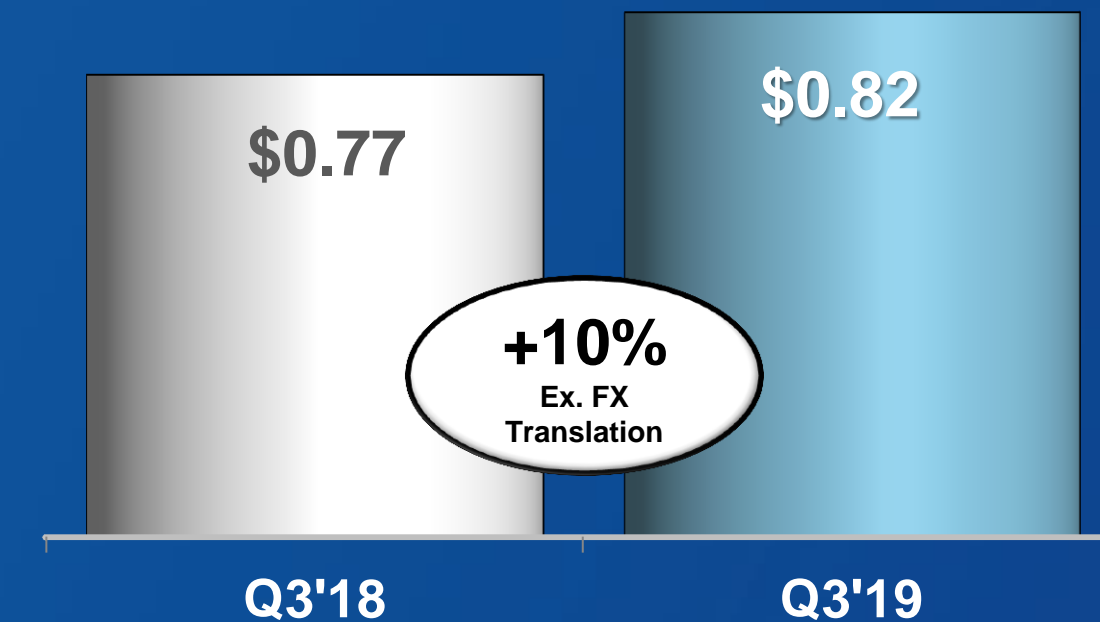
Revenue



Adj. Operating Margin*



Adj. EPS*



Organic Growth by End Market

+ Utilities	+5%
- Industrial	-1%
+ Commercial	+1%
+ Residential	+4%

Organic Growth by Region

+ U.S.	+2%
+ Emerging Mkts	+7%
+ W. Europe	+1%

Key Performance Drivers

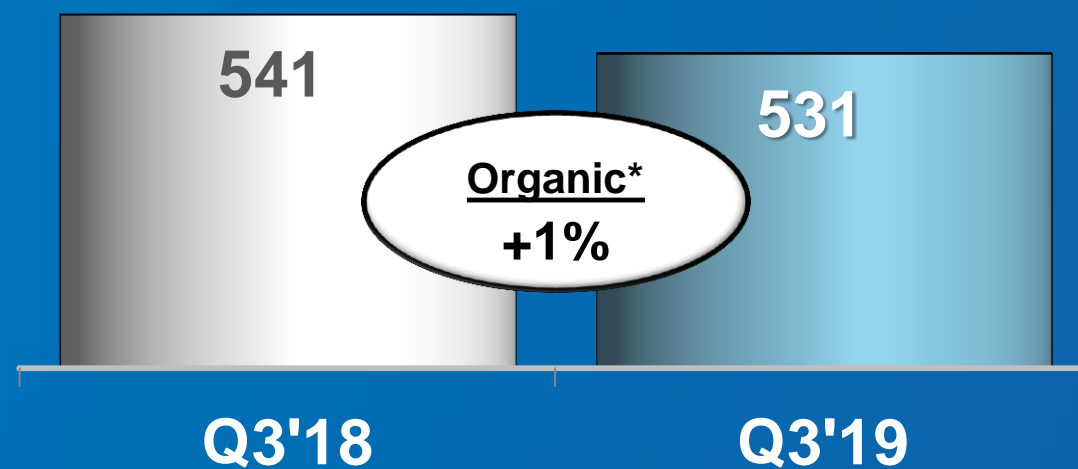
- Utilities growth across most regions and modest Residential growth in U.S. and China offset softer than anticipated Industrial & Commercial markets
- Op. Margin expansion at high end of guidance
 - Productivity drives 400 bps Op Margin expansion (EPS +\$0.23)
 - Price expands Op Margin 160 bps (EPS +0.10)
 - Cost inflation reduces Op Margin by 280 bps (EPS -\$0.16)
 - Strategic investments reduce Op Margin by 50 bps (EPS -\$0.03)
 - Vol/Mix/other reduce Op Margin by 180 bps (EPS -\$0.12)
 - Interest/Other adds EPS \$0.03

Other: Tax Rate* 19.0% Share Count 181.2

Q3 2019 Water Infrastructure

(Dollars, In Millions)

Revenue



Organic Growth By Application

+ Treatment +3%
= Transport Flat

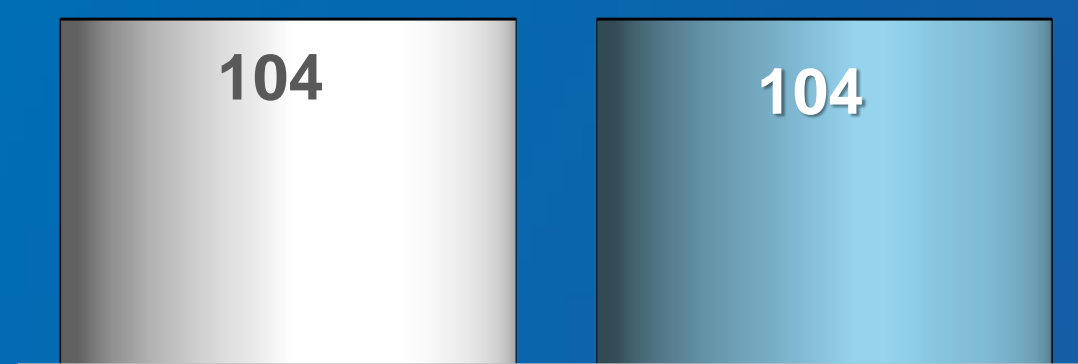
By Regions

+ U.S. +1%
+ W. Europe +2%
= Em. Mkts Flat

Highlights

- + Double-digit and high single-digit growth in the U.S. and Western Europe Utilities Treatment businesses, respectively, from strong project execution; offset by decline in Emerging Markets from tough prior year compare +42%
- + Modest growth in Utilities from Wastewater Transport opex in Europe and Emerging Markets
- Industrial weakness driven by mid single-digit declines in dewatering applications from sudden softening in distribution channel and heavy industrial markets in U.S. and Canada
- + Organic Orders +12% driven by large smart city project win in India and strong double-digit orders growth in China and North America Utilities; partially offset by soft Industrial orders

Adj. Operating Margin*



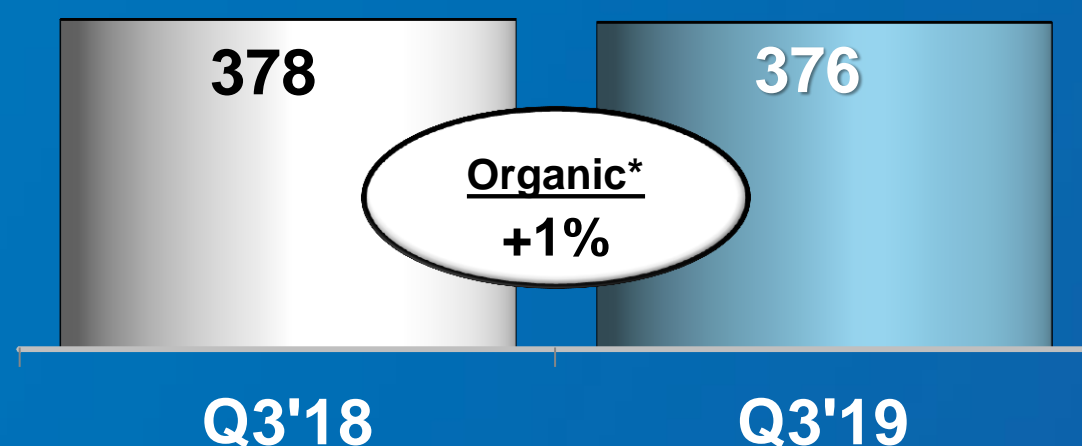
Adj. EBITDA* 22.2% Q3'18
22.2% Q3'19



Q3 2019 Applied Water

(Dollars, In Millions)

Revenue



Organic Growth By Application

+ Residential	+4%
+ Commercial	+1%
+ Industrial Water	+1%

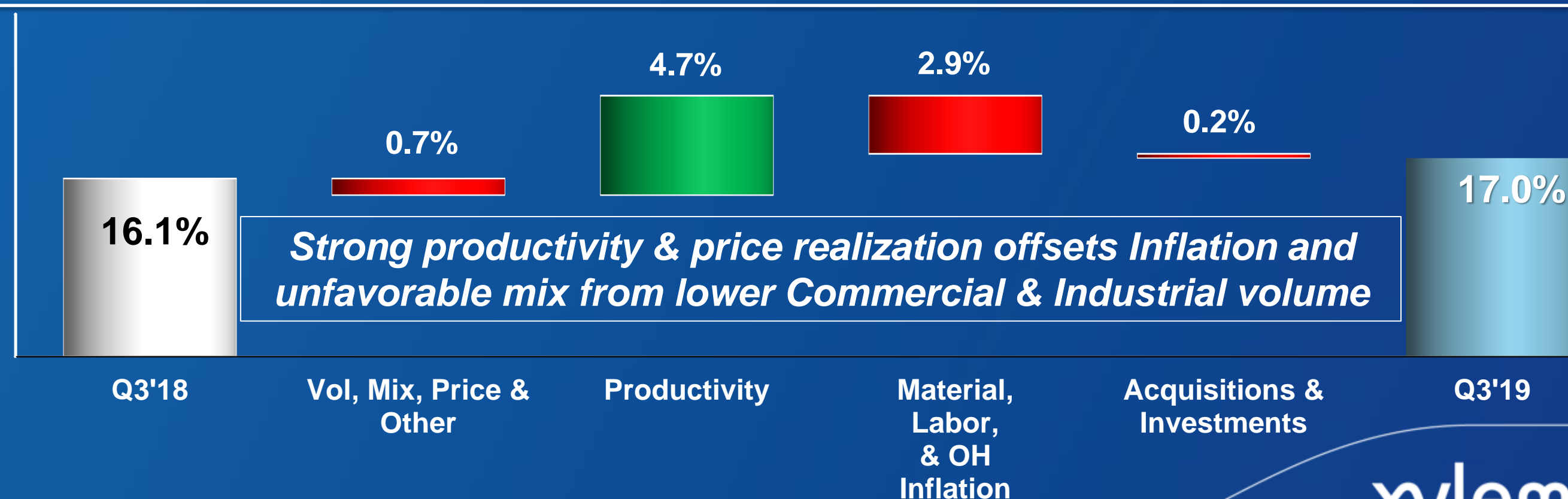
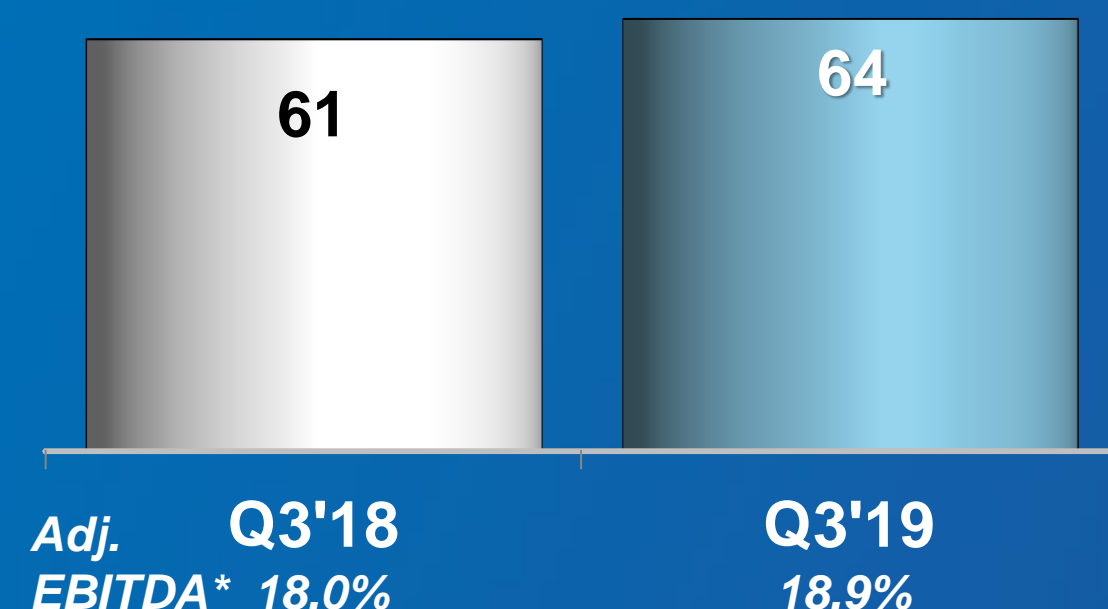
By Regions

+ U.S.	Flat
+ Em. Mkts	+14%
- W. Europe	-6%

Highlights

- + Solid performance in Residential from double-digit growth in China due to second water supply demand and strength in the U.S.
- + Commercial growth driven by channel expansion in Emerging Markets largely offset by softer performance in U.S. and Western Europe from strong prior year compare (+12% and 9% respectively) and project delays
- + Industrial growth driven by Emerging Markets project execution and strong channel activity in China
- + Organic Orders +1% driven by modest growth in Emerging Markets and U.S., partially offset by declines in Europe

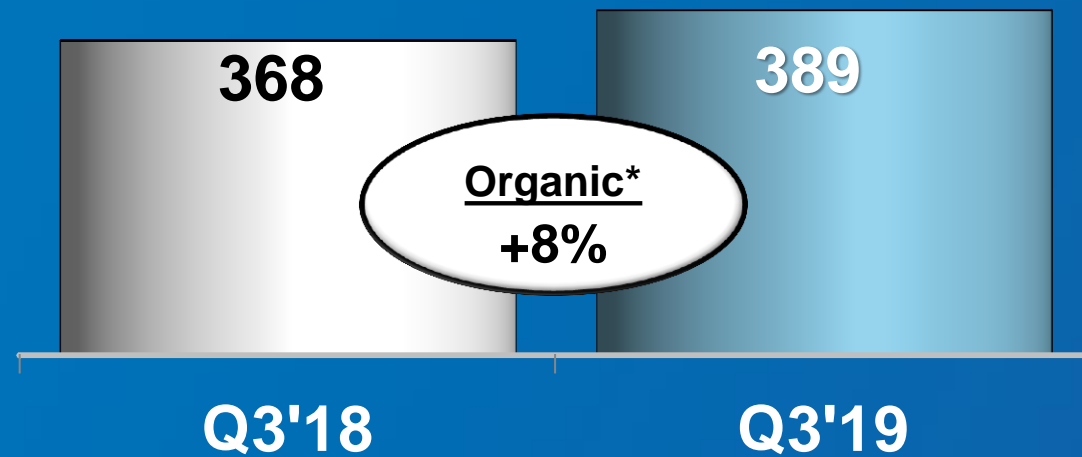
Adj. Operating Margin*



Q3 2019 Measurement & Control Solutions

(Dollars, In Millions)

Revenue



Organic Growth By Application

+ Water	+15%
+ Energy	+3%
+ SaaS/Other	+1%
+ Test	+1%

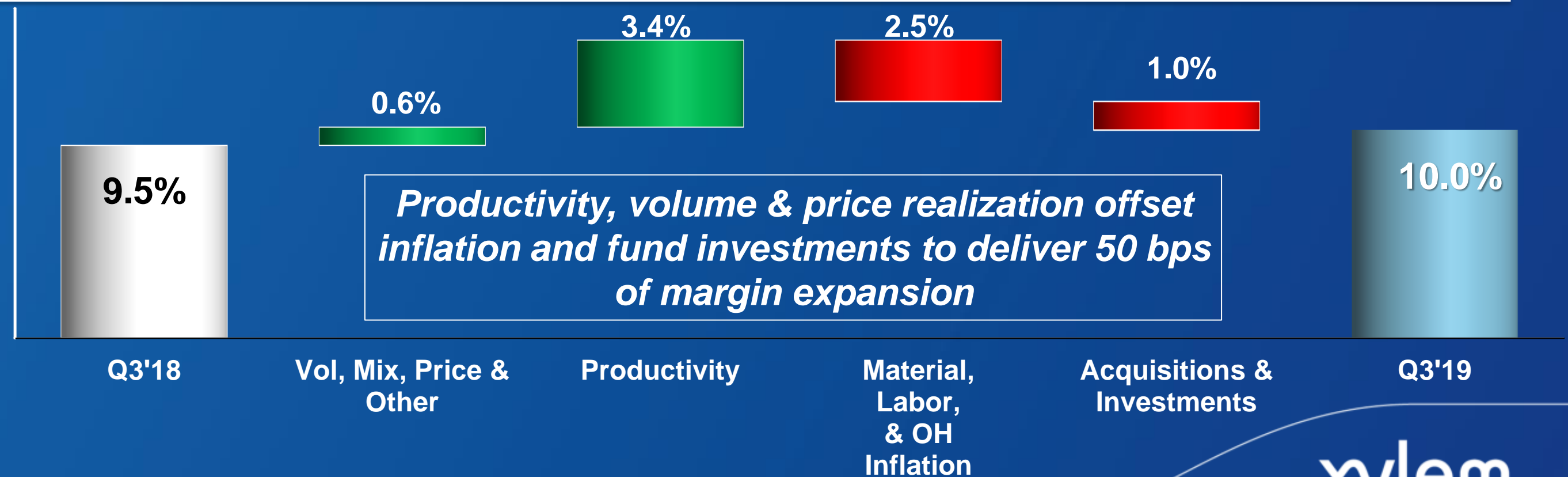
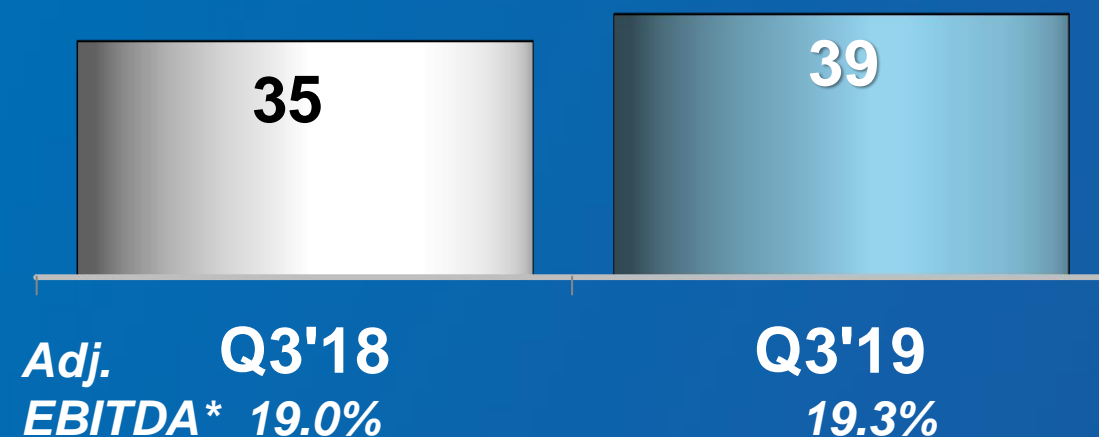
By Regions

+ U.S.	+5%
+ Em. Mkts	+18%
+ W. Europe	+10%

Highlights

- + Strong growth in Water applications from iPerl and AMI deployments driving high single-digit growth in North America; Double-digit growth in Emerging Markets from Sensus metrology and AIA project deliveries
- + AIA delivers 12% revenue growth from strong project execution delivering double-digit growth in Emerging Markets and mid-teens growth in the U.S.
- + Modest growth in energy from gas deployments in North America partly offset by soft electric from prior year deployments
- Organic orders -11% driven by very strong prior year comparison (+31%) partly offset by more than 80% growth in AIA ... reinforces strong 2020 outlook for MCS

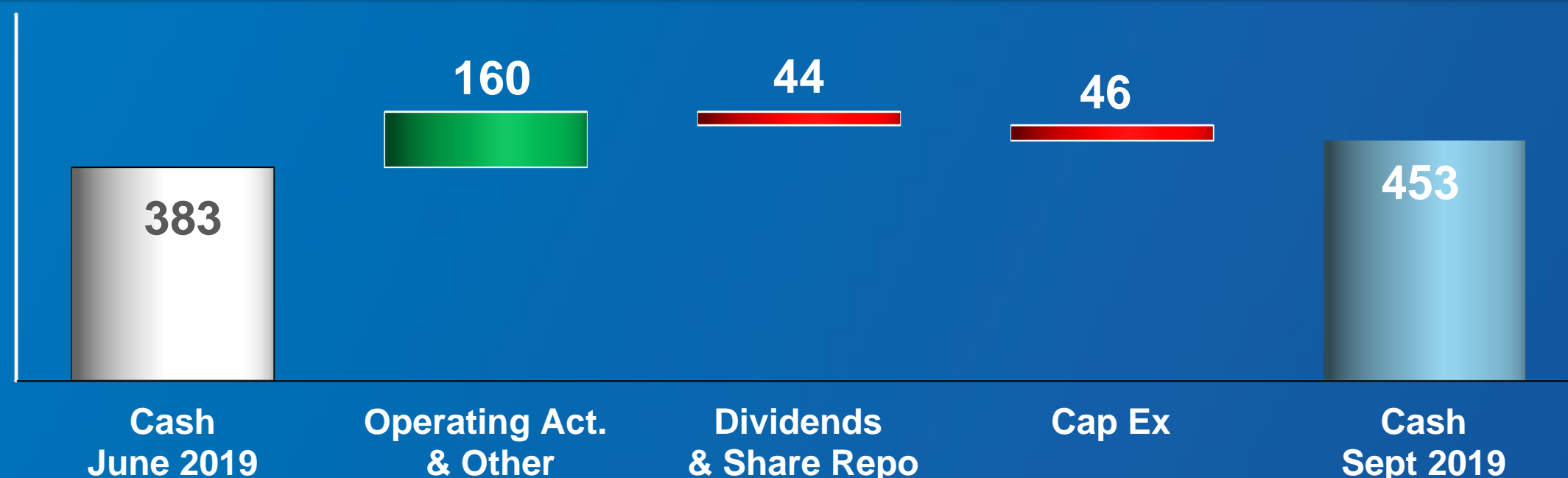
Adj. Operating Margin*



Xylem Financial Position

(Dollars, In Millions)

Cash Drivers

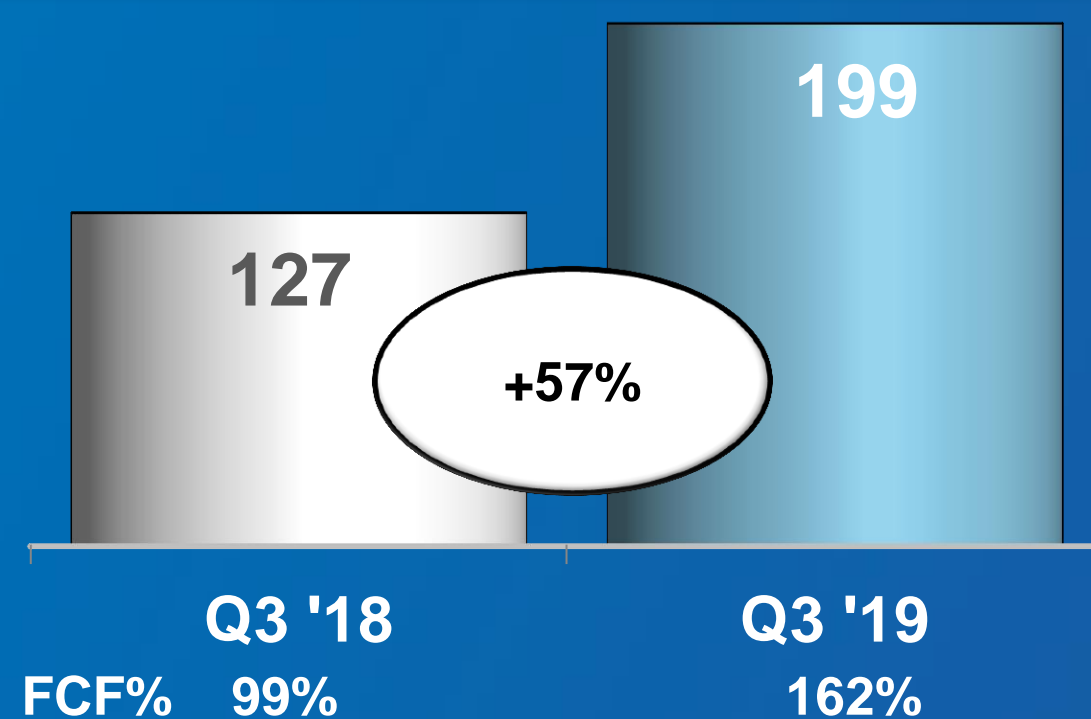


Capital Summary

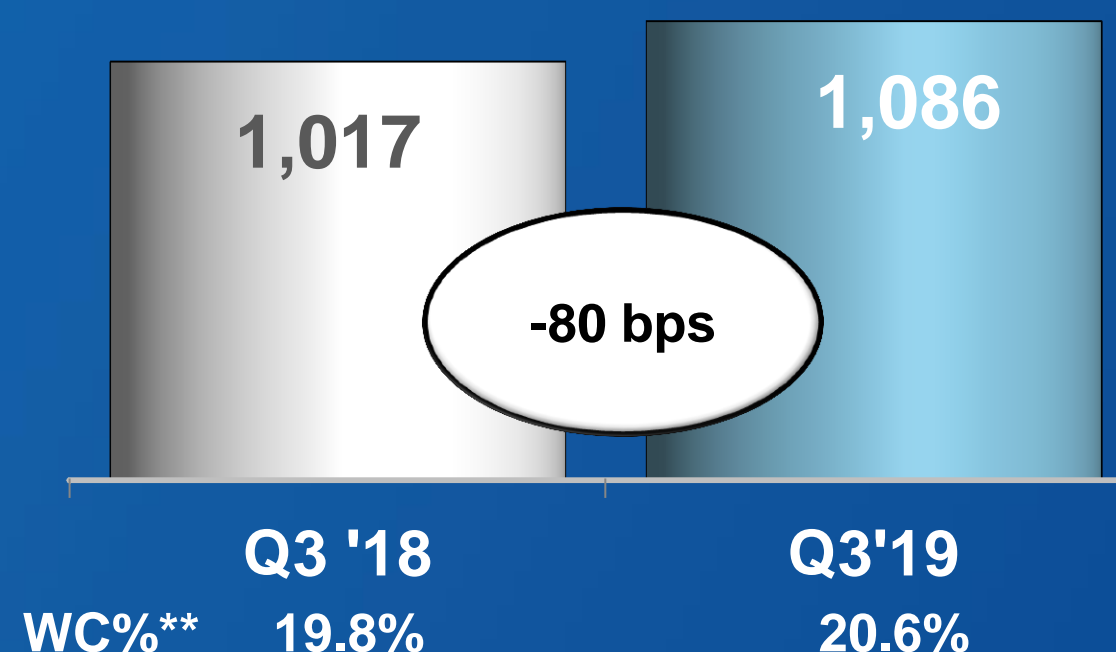
September 30, 2019

Cash	453
Debt	2,336
Net Debt	1,883
Shareholders' Equity	2,886
Net Capital	4,769
Net Debt to Net Capital	39%

Free Cash Flow*



Working Capital



Financial Highlights

- Committed to maintaining Investment Grade Credit (BBB/Baa2); within target leverage range for credit rating agencies (2.5-3x)
- Year-over-Year Working Capital performance reflects timing on Inventory and Accounts Receivable; Expect continued improvement in 4Q
- Ramping Free Cash Flow in 2H; up 57% Year-over-Year in Q3
- Focused on delivering FY 2019 FCF conversion of 105%

2019 End Market Outlook



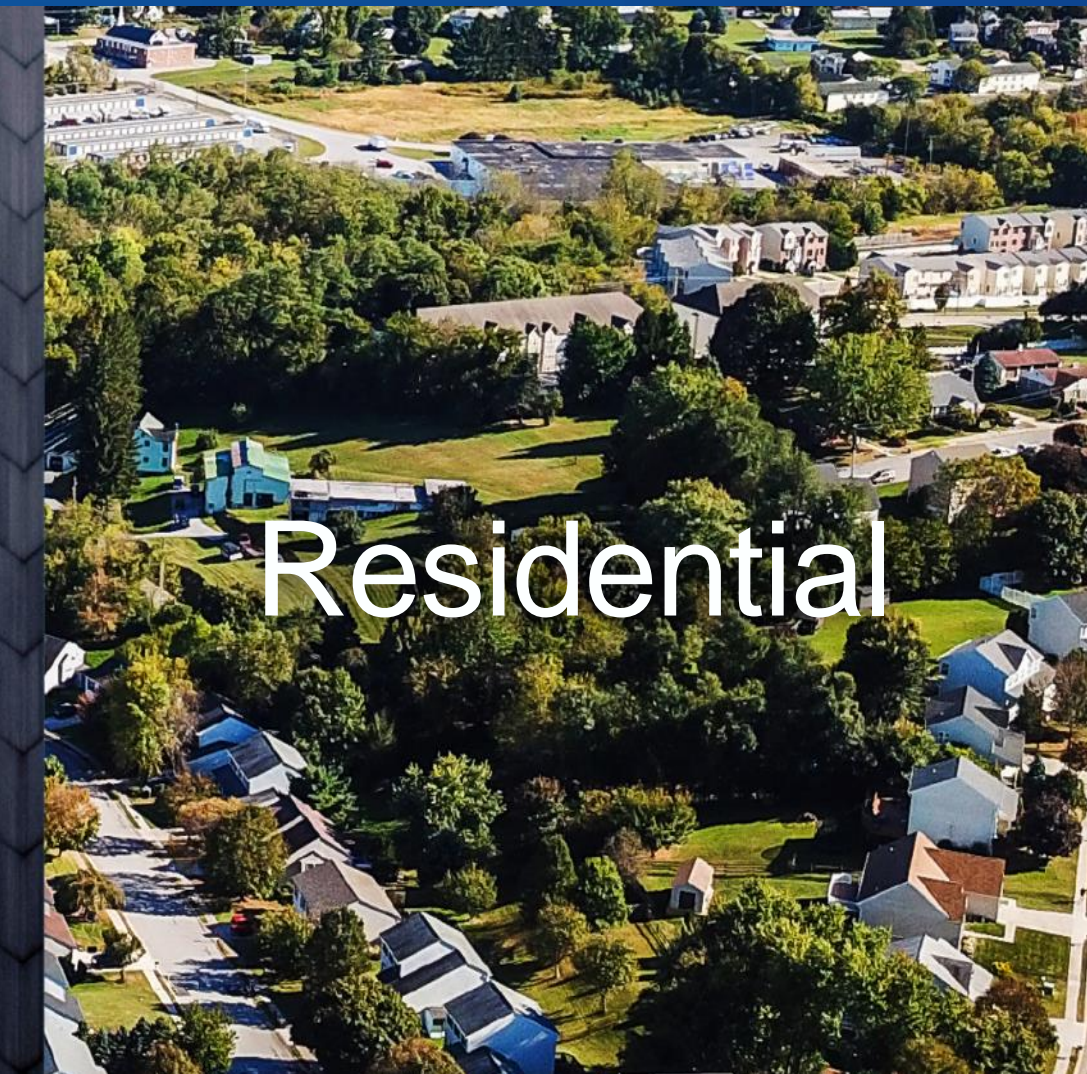
Utilities



Industrial



Commercial



Residential

Utilities (~50% of 2018 Rev.)

- 2019 Organic* Growth: **Up Mid Single Digits**
Update: (down from up mid-to-high single digits)
- U.S. water and wastewater healthy with normalizing opex activity; Smart meter and infrastructure analytics mkt growth opportunities but tough comps/proj. timing
- Softness in Europe
- Healthy investment & projects in Emerging Markets led broadly by Treatment; Strength in India; double-digit growth in China

Industrial (~35% of 2018 Rev.)

- 2019 Organic* Growth: **Flattish**
Update: (down from up low single digits)
- Expect softer than previously anticipated growth in North America general/light industry
- O&G/Mining markets expected to now decline after strong recovery in 2018 and 1H 2019
- Mixed Market conditions outside U.S. with strength in Australia and India offset by slowing growth in China
- Softer than anticipated Europe & Latin America

Commercial (~10% of 2018 Rev.)

- 2019 Organic* Growth: **Up Low to Mid-Single Digits**
Update: (down from up mid-single-digits)
- Expect market overall to moderate after very strong 2017 & 2018
- Expect healthy U.S. market, moderating in second half of 2019 against tough 2018 compare & project delays
- Softer market conditions in Europe
- Emerging Market building construction solid driven by China (recent infrastructure stimulus plan) and Smart City initiatives in India

Residential (~5% of 2018 Rev.)

- 2019 Organic* Growth: **Flat-to-up Low Single Digits**
(No update)
- U.S. housing market flattening; Competitive replacement market dynamics
- Soft European performance from weaker economic conditions
- Mixed growth in Emerging Markets from modest share gains and continued opportunities in China and other Asia countries for second water supply

* See appendix for definitions of non-GAAP measures and non-GAAP reconciliations

2019 Outlook

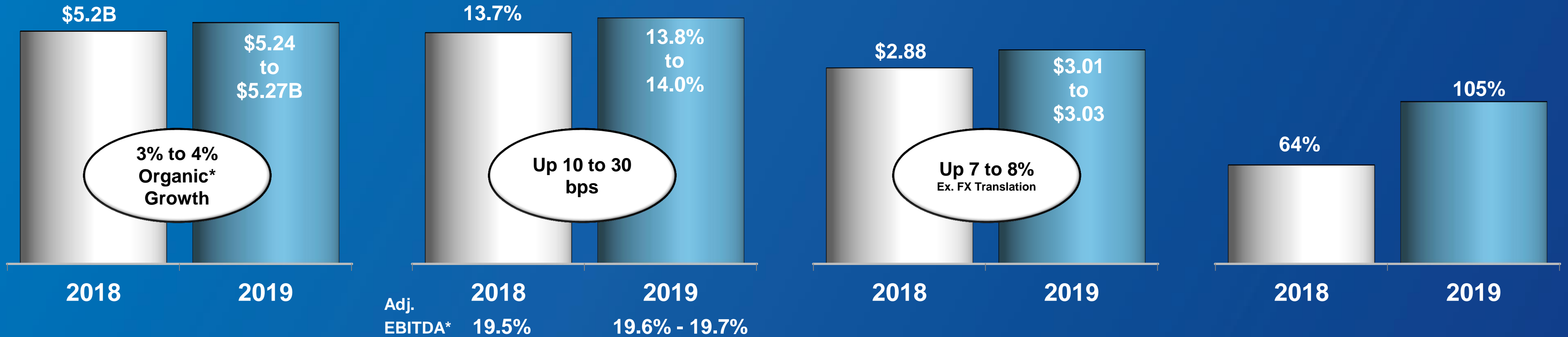
(Dollars, In Millions, except EPS)

Revenue

Adj. Op. Margin*

Adj. EPS*

FCF* Conversion



Financial Highlights

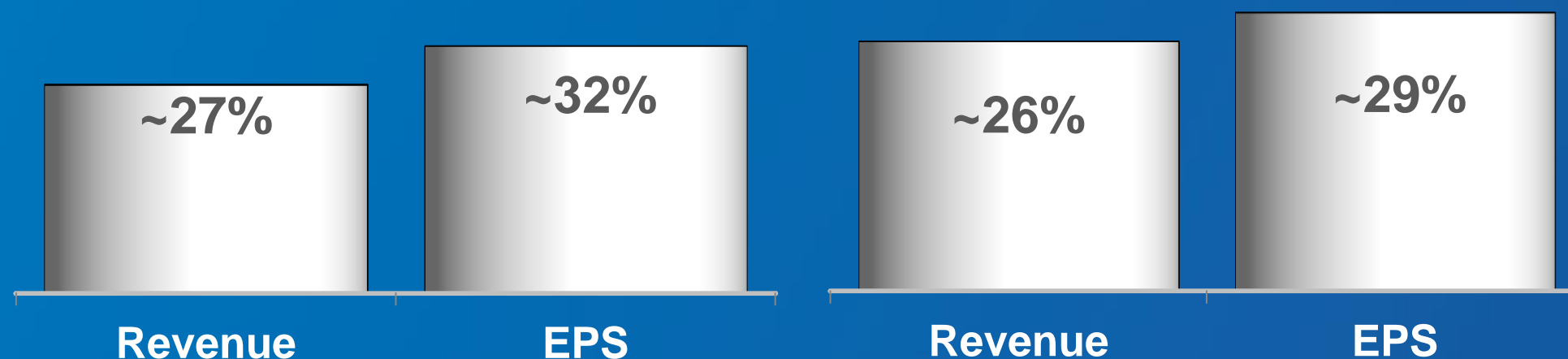
- Lowering Organic* Growth to 3% to 4% (from 5% to 6%) reflecting further slowing of Industrial and Commercial end markets in 2H
- Updating Adjusted Operating Margin* expectation to 13.8% to 14.0% (from 14.3% to 14.5%)
- Updating Adjusted EPS* expectation to \$3.01 to \$3.03 (from \$3.12 to \$3.22); Now reflects an increase of 8 to 9% ex. FX Translation
- Expect Free Cash Flow* conversion of 105%

2019 Outlook

QUARTERLY PROFILE

4Q Revenue & EPS as a % of Full Year
(Xylem 2012 - 2018)

4Q Revenue & EPS as a % of Full Year
(Xylem 2019)



Updated 4Q Midpoint Guidance

	Organic* Rev.	Op. Margin	EPS
Previous Implied Guidance	~5%	+180 bps	\$1.02
Softer than expected volume (@35% incremental)	-3%	-90 bps	-\$0.09
Lower Margin Mix (Less Dewatering Rental / AIA)		-60 bps	-\$0.04
FX headwind offset by Interest tailwind			\$0.00
New 4Q Midpoint Guidance	~2%	+30 bps	\$0.89

FY 2019 PLANNING ASSUMPTIONS

Xylem Organic* Growth	+3% to 4%
Water Infrastructure	+2% to 3%
Applied Water	+2% to 3%
Measurement & Control Solutions	+5% to 6%
FX Euro Rate	1.11
Adjusted Operating Margin*	13.8% to 14.0%
Adjusted EBITDA Margin*	19.6% to 19.7%
Corporate Expense	~\$53M
Restructuring and Realignment Costs	~\$75 to 85M
Dividends	~\$175M
Capex	~\$235M to \$240M
Interest Expense	~\$68
Estimated Tax Rate:	~19.0%
Share Count:	~181.2M
Adjusted EPS*	\$3.01 to \$3.03

Q4 2019 PLANNING ASSUMPTIONS

Xylem Organic* Growth	~+2%
Adjusted Operating Margin*	15.3% to 15.5%
Adjusted EBITDA*	21.1% to 21.2%
Adjusted EPS*	\$0.88 to \$0.90

Summary

- **Organic Revenue growth +3% from solid Utilities performance moderated by sudden softening in short-cycle Industrial and Commercial markets**
- **Organic Orders +1% on tough prior year compare of +8%**
- **Adj. Operating Margin expansion +50 bps ... at high end of guidance**
- **Adj. EPS \$0.82 (up 10% excluding FX Translation)**
- **Free Cash Flow up 57% in 3Q ... on-track for FY conversion of 105%**
- **Lowering FY 2019 Guidance based on latest market outlook**
- **SAVE THE DATE ...**
 - **Xylem's 2020 Investor Day to be held on March 31, 2020 in Atlanta, GA**

Appendix

FOREIGN EXCHANGE TRANSLATION SENSITIVITY

Foreign Exchange Translation

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

Currency	2019 Guidance Rate	Rates assuming 5% decrease in Guidance Rate	Revenue Impact on 4Q 2019 of 5% Decrease in Rate	EPS Impact on 4Q 2019 of 5% Decrease in Rate
Euro	1.11	1.06	(\$12M)	(\$0.03)
GBP	1.29	1.23	(\$4M)	\$0.00
SEK	0.10	0.10	(\$2M)	\$0.01
RMB	0.14	0.13	(\$4M)	\$0.00
CAD	0.76	0.72	(\$3M)	\$0.00
All Other			(\$12M)	\$0.00
Total			(\$35M)	(\$0.03)

* 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 non-GAAP measures, which 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.

"Free Cash Flow" defined as net cash from operating activities, as reported in the Statement of Cash Flow, less capital expenditures as well as adjustments for other significant items that impact current results which management believes are not related to our ongoing operations and performance. Our definition of "free cash flow" 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.

"Sensus Acquisition Related Costs" defined as costs incurred by the Company associated with the acquisition of Sensus that are being reported within operating income. These costs include integration costs, acquisition costs, costs related to the recognition of the backlog intangible asset amortization recorded in purchase accounting.

"Special charges" defined as costs incurred by the Company, such as acquisition and integration related costs not included in "Sensus Acquisition 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, significant reserves for cash repatriation, 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
	2019 Orders	2018 Orders	Change 2019 v. 2018	% Change 2019 v. 2018	Acquisitions / Divestitures	FX Impact	Change Adj. 2019 v. 2018	% Change Adj. 2019 v. 2018	
<u>Nine Months Ended September 30</u>									
Xylem Inc.	4,053	4,054	(1)	0%	13	113	125	3%	3%
Water Infrastructure	1,704	1,671	33	2%	-	64	97	6%	6%
Applied Water	1,169	1,162	7	1%	-	26	33	3%	3%
Measurement & Control Solutions	1,180	1,221	(41)	-3%	13	23	(5)	0%	-1%
<u>Quarter Ended September 30</u>									
Xylem Inc.	1,346	1,356	(10)	-1%	4	24	18	1%	1%
Water Infrastructure	586	537	49	9%	-	13	62	12%	12%
Applied Water	376	377	(1)	0%	-	6	5	1%	1%
Measurement & Control Solutions	384	442	(58)	-13%	4	5	(49)	-11%	-12%
<u>Quarter Ended June 30</u>									
Xylem Inc.	1,392	1,378	14	1%	7	33	54	4%	3%
Water Infrastructure	586	580	6	1%	-	16	22	4%	4%
Applied Water	399	401	(2)	0%	-	8	6	1%	1%
Measurement & Control Solutions	407	397	10	3%	7	9	26	7%	5%
<u>Quarter Ended March 31</u>									
Xylem Inc.	1,315	1,320	(5)	0%	2	56	53	4%	4%
Water Infrastructure	532	554	(22)	-4%	-	35	13	2%	2%
Applied Water	394	384	10	3%	-	12	22	6%	6%
Measurement & Control Solutions	389	382	7	2%	2	9	18	5%	4%

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
	2019 Revenue	2018 Revenue	Change 2019 v. 2018	% Change 2019 v. 2018	Acquisitions / Divestitures	FX Impact	Adj. 2019 v. 2018	Change	Adj. 2019 v. 2018	% Change	
<u>Nine Months Ended September 30</u>											
Xylem Inc.	3,878	3,821	57	1%	18	107	182		5%		4%
Water Infrastructure	1,574	1,567	7	0%	0	59	66		4%		4%
Applied Water	1,149	1,132	17	2%	0	26	43		4%		4%
Measurement & Control Solutions	1,155	1,122	33	3%	18	22	73		7%		5%
<u>Quarter Ended September 30</u>											
Xylem Inc.	1,296	1,287	9	1%	4	24	37		3%		3%
Water Infrastructure	531	541	-10	-2%	0	13	3		1%		1%
Applied Water	376	378	-2	-1%	0	6	4		1%		1%
Measurement & Control Solutions	389	368	21	6%	4	5	30		8%		7%
<u>Quarter Ended June 30</u>											
Xylem Inc.	1,345	1,317	28	2%	9	32	69		5%		5%
Water Infrastructure	561	546	15	3%	0	16	31		6%		6%
Applied Water	394	388	6	2%	0	8	14		4%		4%
Measurement & Control Solutions	390	383	7	2%	9	8	24		6%		4%
<u>Quarter Ended March 31</u>											
Xylem Inc.	1,237	1,217	20	2%	5	51	76		6%		6%
Water Infrastructure	482	480	2	0%	0	30	32		7%		7%
Applied Water	379	366	13	4%	0	12	25		7%		7%
Measurement & Control Solutions	376	371	5	1%	5	9	19		5%		4%

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

	Q1		Q2		Q3		YTD	
	2019	2018	2019	2018	2019	2018	2019	2018
Total Revenue								
• Total Xylem	1237	1217	1345	1317	1296	1287	3878	3821
• Water Infrastructure	482	480	561	546	531	541	1574	1567
• Applied Water	379	366	394	388	376	378	1149	1132
• Measurement & Control Solutions	376	371	390	383	389	368	1155	1122
Operating Income								
• Total Xylem	109	113	171	171	11	176	291	460
• Water Infrastructure	51	49	98	92	97	99	246	240
• Applied Water	56	50	62	61	61	59	179	170
• Measurement & Control Solutions	16	33	26	31	-136	31	-94	95
• Total Segments	123	132	186	184	22	189	331	505
Operating Margin								
• Total Xylem	8.8%	9.3%	12.7%	13.0%	0.8%	13.7%	7.5%	12.0%
• Water Infrastructure	10.6%	10.2%	17.5%	16.8%	18.3%	18.3%	15.6%	15.3%
• Applied Water	14.8%	13.7%	15.7%	15.7%	16.2%	15.6%	15.6%	15.0%
• Measurement & Control Solutions	4.3%	8.9%	6.7%	8.1%	-35.0%	8.4%	-8.1%	8.5%
• Total Segments	9.9%	10.8%	13.8%	14.0%	1.7%	14.7%	8.5%	13.2%
Special Charges								
• Total Xylem	4	6	0	1	155	1	159	8
• Water Infrastructure	0	0	0	0	0	0	0	0
• Applied Water	0	0	0	0	0	0	0	0
• Measurement & Control Solutions	4	2	0	1	155	0	159	3
• Total Segments	4	2	0	1	155	0	159	3
Restructuring & Realignment Costs								
• Total Xylem	20	16	21	10	30	11	71	37
• Water Infrastructure	9	5	9	5	7	5	25	15
• Applied Water	3	3	4	2	3	2	10	7
• Measurement & Control Solutions	8	8	8	3	20	4	36	15
• Total Segments	20	16	21	10	30	11	71	37
Adjusted Operating Income								
• Total Xylem	133	135	192	182	196	188	521	505
• Water Infrastructure	60	54	107	97	104	104	271	255
• Applied Water	59	53	66	63	64	61	189	177
• Measurement & Control Solutions	28	43	34	35	39	35	101	113
• Total Segments	147	150	207	195	207	200	561	545
Adjusted Operating Margin								
• Total Xylem	10.8%	11.1%	14.3%	13.8%	15.1%	14.6%	13.4%	13.2%
• Water Infrastructure	12.4%	11.3%	19.1%	17.8%	19.6%	19.2%	17.2%	16.3%
• Applied Water	15.6%	14.5%	16.8%	16.2%	17.0%	16.1%	16.4%	15.6%
• Measurement & Control Solutions	7.4%	11.6%	8.7%	9.1%	10.0%	9.5%	8.7%	10.1%
• Total Segments	11.9%	12.3%	15.4%	14.8%	16.0%	15.5%	14.5%	14.3%

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

	Q1		Q2		Q3		Year-to-Date	
	2019	2018	2019	2018	2019	2018	2019	2018
Net Cash - Operating Activities	\$ 83	\$ 63	\$ 123	\$ 138	\$ 245	\$ 187	\$ 451	\$ 388
Capital Expenditures	(69)	(61)	(60)	(50)	(46)	(60)	(175)	(171)
Free Cash Flow	<u>\$ 14</u>	<u>\$ 2</u>	<u>\$ 63</u>	<u>\$ 88</u>	<u>\$ 199</u>	<u>\$ 127</u>	<u>\$ 276</u>	<u>\$ 217</u>
Cash paid for Sensus acquisition related costs	-	(1)	-	-	-	-	-	(1)
Free Cash Flow, excluding Sensus Acquisition Related Costs	<u>\$ 14</u>	<u>\$ 3</u>	<u>\$ 63</u>	<u>\$ 88</u>	<u>\$ 199</u>	<u>\$ 127</u>	<u>\$ 276</u>	<u>\$ 218</u>
Net Income	79	79	139	115	65	130	283	324
Gain/(Loss) from sale of businesses	1	-	-	(2)	-	2	1	-
Special Charges - non-cash impairment	(3)	-	-	-	(155)	-	(158)	-
Significant deferred tax benefit/(charge)	-	-	-	-	97	-	97	-
Net Income, excluding gain on sale of businesses and non-cash impairment charges	<u>\$ 81</u>	<u>\$ 79</u>	<u>\$ 139</u>	<u>\$ 117</u>	<u>\$ 123</u>	<u>\$ 128</u>	<u>\$ 343</u>	<u>\$ 324</u>
Free Cash Flow Conversion	<u>17%</u>	<u>4%</u>	<u>45%</u>	<u>75%</u>	<u>162%</u>	<u>99%</u>	<u>80%</u>	<u>67%</u>

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

	Q3 2019			Q3 2018		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,296	-	1,296	1,287	-	1,287
Operating Income	11	185 a	196	176	12 a	188
Operating Margin	0.8%		15.1%	13.7%		14.6%
Interest Expense	(16)	-	(16)	(21)	-	(21)
Other Non-Operating Income (Expense)	(7)	11 b	4	4	-	4
Gain/(Loss) From Sale of Businesses	-	-	-	2	(2)	-
Income before Taxes	(12)	196	184	161	10	171
Provision for Income Taxes	77	(112) c	(35)	(31)	(1) c	(32)
Net Income Attributable to Xylem	65	84	149	130	9	139
Diluted Shares	181.2		181.2	181.1		181.1
Diluted EPS	\$ 0.36	\$ 0.46	\$ 0.82	\$ 0.72	\$ 0.05	\$ 0.77
Year-over-year currency translation impact on current year diluted EPS	\$ (0.02)	\$ (0.01)	\$ (0.03)			
Diluted EPS at Constant Currency	\$ 0.38	\$ 0.47	\$ 0.85			

	Q3 YTD 2019			Q3 YTD 2018		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	3,878	-	3,878	3,821		3,821
Operating Income	291	230 a	521	460	45 a	505
Operating Margin	7.5%		13.4%	12.0%		13.2%
Interest Expense	(52)	-	(52)	(63)	-	(63)
Other Non-Operating Income (Expense)	(2)	11 b	9	9	-	9
Gain/(Loss) From Sale of Businesses	1	(1)	-	-	-	-
Income before Taxes	238	240	478	406	45	451
Provision for Income Taxes	45	(137) c	(92)	(82)	(6) c	(88)
Net Income Attributable to Xylem	283	103	386	324	39	363
Diluted Shares	181.2		181.2	181.2		181.2
Diluted EPS	\$ 1.56	\$ 0.57	\$ 2.13	\$ 1.79	\$ 0.21	\$ 2.00
Year-over-year currency translation impact on current year diluted EPS	\$ (0.07)	\$ (0.02)	\$ (0.09)			
Diluted EPS at Constant Currency	\$ 1.63	\$ 0.59	\$ 2.22			

- a Quarter: Restructuring & realignment costs of \$30 million and \$11 million in 2019 and 2018, respectively; special charges of \$155 million of intangible asset and goodwill impairment in 2019 \$1 million of acquisition related costs in 2018.
Year-to-date: Restructuring & realignment costs of \$71 million and \$37 million in 2019 and 2018, respectively; special charges of \$155 million of intangible asset and goodwill impairment and \$4 million of acquisition related costs in 2019 and \$8 million of acquisition related costs in 2018.
- b Special charges related to incremental pension costs as a result of the planned buyout of our UK pension plan.
- c Quarter: Net tax impact on restructuring & realignment costs of \$9 million and \$3 million in 2019 and 2018, respectively; \$2 million of tax impact on special charges in 2019 and tax-related special items of \$101 million negative impact from benefit adjustments in 2019 and and \$2 million positive impact from expense adjustments in 2018.
Year-to-date: Net tax impact on restructuring & realignment costs of \$17 million and \$10 million in 2019 and 2018, respectively; \$2 million and \$1 million of tax impact on special charges in 2019 and 2018, respectively and tax-related special items of \$118 million negative impact from benefit adjustments in 2019 and and \$5 million positive impact from expense adjustments in 2018.

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

	2019				
	Q1	Q2	Q3	Q4	Total
Net Income	79	139	65		283
Income Tax Expense	15	17	(77)		(45)
Interest Expense (Income), net	17	18	14		49
Depreciation	29	29	30		88
Amortization	35	34	35		104
EBITDA	175	237	67	-	479
Share-based Compensation	9	7	7		23
Restructuring & Realignment	20	21	30		71
Loss/(Gain) from sale of business	(1)	-	-		(1)
Special Charges	4	-	166		170
Adjusted EBITDA	207	265	270	-	742
Revenue	1,237	1,345	1,296		3,878
Adjusted EBITDA Margin	16.7%	19.7%	20.8%		19.1%

	2018				
	Q1	Q2	Q3	Q4	Total
Net Income	79	115	130	225	549
Income Tax Expense	16	35	31	(46)	36
Interest Expense (Income), net	20	20	20	18	78
Depreciation	29	29	29	30	117
Amortization	38	36	34	36	144
EBITDA	182	235	244	263	924
Share-based Compensation	9	7	7	7	30
Restructuring & Realignment	16	9	11	11	47
Loss/(Gain) from sale of business	-	2	(2)	-	-
Special Charges	6	1	1	4	12
Adjusted EBITDA	213	254	261	285	1,013
Revenue	1,217	1,317	1,287	1,386	5,207
Adjusted EBITDA Margin	17.5%	19.3%	20.3%	20.6%	19.5%

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

	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	50	96	97		243
Interest Expense (Income), net	(1)	1	(1)		(1)
Depreciation	11	12	11		34
Amortization	4	4	4		12
EBITDA	64	113	111	-	288
Share-based Compensation	1	-	-		1
Restructuring & Realignment	9	9	7		25
Adjusted EBITDA	74	122	118	-	314
Revenue	482	561	531		1,574
Adjusted EBITDA Margin	15.4%	21.7%	22.2%		19.9%

	2018				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	47	90	98	117	352
Interest Expense (Income), net	-	(1)	(1)	-	(2)
Depreciation	12	11	12	11	46
Amortization	5	5	5	5	20
EBITDA	64	105	114	133	416
Share-based Compensation	1	-	1	-	2
Restructuring & Realignment	5	5	5	5	20
Special Charges	-	-	-	2	2
Adjusted EBITDA	70	110	120	140	440
Revenue	480	546	541	609	2,176
Adjusted EBITDA Margin	14.6%	20.1%	22.2%	23.0%	20.2%

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

	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	57	62	62		181
Interest Expense (Income), net	-	-	-		-
Depreciation	5	5	5		15
Amortization	1	1	-		2
EBITDA	63	68	67	-	198
Share-based Compensation	1	-	1		2
Restructuring & Realignment	3	4	3		10
Adjusted EBITDA	67	72	71	-	210
Revenue	379	394	376		1,149
Adjusted EBITDA Margin	17.7%	18.3%	18.9%		18.3%
	2018				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	50	61	60	66	237
Interest Expense (Income), net	-	-	-	-	-
Depreciation	5	5	5	5	20
Amortization	-	1	1	-	2
EBITDA	55	67	66	71	259
Share-based Compensation	1	1	-	1	3
Restructuring & Realignment	3	2	2	3	10
Adjusted EBITDA	59	70	68	75	272
Revenue	366	388	378	402	1,534
Adjusted EBITDA Margin	16.1%	18.0%	18.0%	18.7%	17.7%

**Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Measurement & Control Solutions
(\$ Millions)**

	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	16	26	(137)		(95)
Interest Expense (Income), net	-	-	-		-
Depreciation	9	9	9		27
Amortization	27	26	27		80
EBITDA	52	61	(101)	-	12
Share-based Compensation	1	2	1		4
Restructuring & Realignment	8	8	20		36
Loss/(Gain) from sale of business	(1)	-	-		(1)
Special Charges	4	-	155		159
Adjusted EBITDA	64	71	75	-	210
Revenue	376	390	389		1,155
Adjusted EBITDA Margin	17.0%	18.2%	19.3%		18.2%
	2018				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	33	28	33	23	117
Interest Expense (Income), net	-	-	-	(1)	(1)
Depreciation	8	9	8	10	35
Amortization	29	27	26	27	109
EBITDA	70	64	67	59	260
Share-based Compensation	1	1	1	1	4
Restructuring & Realignment	8	3	4	3	18
Loss/(Gain) from sale of business	-	2	(2)	-	-
Special Charges	2	1	-	2	5
Adjusted EBITDA	81	71	70	65	287
Revenue	371	383	368	375	1,497
Adjusted EBITDA Margin	21.8%	18.5%	19.0%	17.3%	19.2%

Let's Solve Water

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