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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

or

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

For the transition period from to

Commission file number: 1-35229

Xylem Inc.

(Exact name of registrant as specified in its charter)

Indiana	**45-2080495**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

301 Water Street SE, Washington, DC 20003
(Address of principal executive offices) (Zip code)

(202) 869-9150
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange of which registered
Common Stock, par value $0.01 per share	XYL	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

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

As of April 28, 2023, there were 180,616,578 outstanding shares of the registrant’s common stock, par value $0.01 per share.

Xylem Inc.

Table of Contents

ITEM			PAGE
		PART I – Financial Information	
Item 1	-	Financial Statements:	
		Condensed Consolidated Income Statements for the Three Months Ended March 31, 2023 and 2022 (Unaudited)	3
		Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2023 and 2022 (Unaudited)	4
		Condensed Consolidated Balance Sheets as of March 31,2023 and December 31, 2022 (Unaudited)	5
		Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2023 and 2022 (Unaudited)	6
		Notes to the Condensed Consolidated Financial Statements (Unaudited)	7
Item 2	-	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3	-	Quantitative and Qualitative Disclosures About Market Risk	45
Item 4	-	Controls and Procedures	46
		PART II – Other Information	
Item 1	-	Legal Proceedings	47
Item 1A	-	Risk Factors	47
Item 2	-	Unregistered Sales of Equity Securities and Use of Proceeds	47
Item 3	-	Defaults Upon Senior Securities	47
Item 4	-	Mine Safety Disclosures	47
Item 5	-	Other Information	47
Item 6	-	Exhibits	47
		Signatures	50

PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

XYLEM INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)
(in millions, except per share data)

For the three months ended March 31,	**2023**	2022
Revenue	**$ 1,448**	$ 1,272
Cost of revenue	**902**	805
Gross profit	**546**	467
Selling, general and administrative expenses	**354**	304
Research and development expenses	**53**	52
Restructuring and asset impairment charges	**8**	—
Operating income	**131**	111
Interest expense	**9**	13
Other non-operating income (expense), net	**4**	(1)
Gain from sale of business	**—**	1
Income before taxes	**126**	98
Income tax expense	**27**	16
Net income	**$ 99**	$ 82
Earnings per share:		
Basic	**$ 0.55**	$ 0.45
Diluted	**$ 0.54**	$ 0.45
Weighted average number of shares:		
Basic	**180.4**	180.2
Diluted	**181.3**	181.0

See accompanying notes to condensed consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(in millions)

For the three months ended March 31,	**2023**	2022
Net income	**$ 99**	$ 82
Other comprehensive income (loss), before tax:		
Foreign currency translation adjustment	**22**	(3)
Net change in derivative hedge agreements:		
Unrealized gain (loss)	**4**	(6)
Amount of loss reclassified into net income	**5**	2
Net change in post-retirement benefit plans:		
Amortization of actuarial (gain) loss into net income	**(1)**	4
Other comprehensive income (loss), before tax	**30**	(3)
Income tax (benefit) expense related to items of other comprehensive income (loss)	**(5)**	3
Other comprehensive income (loss), net of tax	**35**	(6)
Comprehensive income	**$ 134**	$ 76

See accompanying notes to condensed consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in millions, except per share amounts)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 837**	$ 944
Receivables, less allowances for discounts, returns and credit losses of $36 and $50 in 2023 and 2022, respectively	**1,123**	1,096
Inventories	**857**	799
Prepaid and other current assets	**193**	173
Total current assets	**3,010**	3,012
Property, plant and equipment, net	**631**	630
Goodwill	**2,738**	2,719
Other intangible assets, net	**915**	930
Other non-current assets	**646**	661
Total assets	**$ 7,940**	$ 7,952
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 710**	$ 723
Accrued and other current liabilities	**784**	867
Total current liabilities	**1,494**	1,590
Long-term debt	**1,881**	1,880
Accrued post-retirement benefits	**285**	286
Deferred income tax liabilities	**215**	222
Other non-current accrued liabilities	**476**	471
Total liabilities	**4,351**	4,449
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common stock – par value $0.01 per share:		
Authorized 750.0 shares, issued 196.5 shares and 196.0 shares in 2023 and 2022, respectively	**2**	2
Capital in excess of par value	**2,152**	2,134
Retained earnings	**2,331**	2,292
Treasury stock – at cost 15.9 shares and 15.8 shares in 2023 and 2022, respectively	**(716)**	(708)
Accumulated other comprehensive loss	**(191)**	(226)
Total stockholders' equity	**3,578**	3,494
Non-controlling interests	**11**	9
Total equity	**3,589**	3,503
Total liabilities and stockholders' equity	**$ 7,940**	$ 7,952

See accompanying notes to condensed consolidated financial statements.

.XYLEM INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (in millions)

For the three months ended March 31,	2023	2022
Operating Activities		
Net income	$ 99	$ 82
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28	28
Amortization	32	30
Share-based compensation	12	9
Restructuring and asset impairment charges	8	—
Gain from sale of business	—	(1)
Other, net	3	3
Payments for restructuring	(6)	(3)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	(28)	(64)
Changes in inventories	(55)	(106)
Changes in accounts payable	(14)	20
Other, net	(98)	(79)
Net Cash – Operating activities	(19)	(81)
Investing Activities		
Capital expenditures	(49)	(49)
Proceeds from sale of business	—	1
Proceeds from the sale of property, plant and equipment	—	1
Cash received from investments	2	4
Cash paid for investments	—	(6)
Cash received from cross-currency swaps	11	7
Other, net	(1)	(1)
Net Cash – Investing activities	(37)	(43)
Financing Activities		
Repurchase of common stock	(8)	(51)
Proceeds from exercise of employee stock options	7	1
Dividends paid	(60)	(55)
Other, net	(2)	(1)
Net Cash – Financing activities	(63)	(106)
Effect of exchange rate changes on cash	12	(2)
Net change in cash and cash equivalents	(107)	(232)
Cash and cash equivalents at beginning of year	944	1,349
Cash and cash equivalents at end of period	$ 837	$ 1,117
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 11	$ 23
Income taxes (net of refunds received)	$ 49	$ 15

See accompanying notes to condensed consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Background and Basis of Presentation

Background

Xylem Inc. (“Xylem” or the “Company”) is a leading equipment and service provider for water and wastewater applications with a broad portfolio of products and services addressing the full cycle of water, from collection, distribution and use to the return of water to the environment.

Xylem operates in three segments, Water Infrastructure, Applied Water and Measurement & Control Solutions. See Note 18, "Segment Information," to the condensed consolidated financial statements for further segment background information.

Except as otherwise indicated or unless the context otherwise requires, "Xylem," "we," "us," "our" and the "Company" refer to Xylem Inc. and its subsidiaries.

Basis of Presentation

The interim condensed consolidated financial statements reflect our financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany transactions between our businesses have been eliminated.

The unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) considered necessary for a fair statement of the financial position and results of operations for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such SEC rules. We believe that the disclosures made are adequate to make the information presented not misleading. We consistently applied the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report") in preparing these unaudited condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes included in our 2022 Annual Report. Certain prior year amounts have been reclassified to conform to the current year presentation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are revised as additional information becomes available. Estimates and assumptions are used for, but not limited to, post-retirement obligations and assets, revenue recognition, income taxes, valuation of intangible assets, goodwill and indefinite-lived intangible impairment testing and contingent liabilities. Actual results could differ from these estimates.

Our quarterly financial periods end on the Saturday closest to the last day of the calendar quarter, except for the fourth quarter which ends on December 31. For ease of presentation, the condensed consolidated financial statements included herein are described as ending on the last day of the calendar quarter.

Note 2. Recently Issued Accounting Pronouncements

Recently Adopted Pronouncements

In September 2022, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2022-04, "*Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations.*" This guidance requires disclosure of the key terms of outstanding supplier finance programs and a rollforward of the related obligations. The new standard does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. The ASU became effective January 1, 2023, except for the rollforward requirement, which becomes effective January 1, 2024. The disclosures related to our adoption of the standard are included below:

The Company facilitates the opportunity for suppliers to participate in voluntary supply chain financing programs with third-party financial institutions. Xylem agrees on commercial terms, including payment terms, with suppliers regardless of program participation. The company does not determine the terms or conditions of the arrangement between suppliers and the third-party financial institutions. Participating suppliers are paid directly by the third-party financial institution. Xylem pays the third-party financial institution the stated amount of confirmed invoices from its designated suppliers at the original invoice amount on the original maturity dates of the invoices, ranging from 45-180 days. Xylem does not pay fees related to these programs. Xylem or the third-party financial institutions may terminate the agreements upon at least 30 days' notice. As of March 31, 2023, the total outstanding balance under these programs is $121 million presented on our Condensed Consolidated Balance Sheet within "Accounts payable."

In October 2021, the FASB issued ASU No. 2021-08, "*Business Combinations (Topic 805) - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.*" This guidance requires an acquirer to apply the guidance in ASC 606, Revenue from Contracts with Customers, to recognize and measure contract assets and contract liabilities in a business combination, rather than using fair value. The ASU is effective for fiscal years beginning after December 15, 2022 and we adopted this guidance as of January 1, 2023. The guidance will be applied prospectively to business combinations after the adoption. The adoption of this guidance did not impact our financial condition or results of operations. We are currently evaluating the impact of the guidance in light of the proposed acquisition of Evoqua Water Technologies Corp. ("Evoqua") pursuant to the Agreement and Plan of Merger dated as of January 22, 2023.

Note 3. Revenue

Disaggregation of Revenue

The following table illustrates the sources of revenue:

	Three Months Ended March 31,	
(in millions)	**2023**	**2022**
Revenue from contracts with customers	**$ 1,383**	$ 1,222
Lease Revenue	**65**	50
Total	**$ 1,448**	$ 1,272

The following table reflects revenue from contracts with customers by application.

(in millions)	Three Months Ended March 31, 2023	2022
Water Infrastructure		
Transport	**$ 436**	$ 393
Treatment	**88**	90
Applied Water		
Commercial Building Services	**183**	161
Residential Building Services	**70**	73
Industrial Water	**200**	191
Measurement & Control Solutions		
Water	**334**	265
Energy	**72**	49
Total	**$ 1,383**	$ 1,222

The following table reflects revenue from contracts with customers by geographical region.

(in millions)	Three Months Ended March 31, 2023	2022
Water Infrastructure		
United States	**$ 176**	$ 147
Western Europe	**190**	186
Emerging Markets (a)	**105**	101
Other	**53**	49
Applied Water		
United States	**244**	221
Western Europe	**104**	94
Emerging Markets (a)	**73**	80
Other	**32**	30
Measurement & Control Solutions		
United States	**257**	181
Western Europe	**77**	69
Emerging Markets (a)	**48**	44
Other	**24**	20
Total	**$ 1,383**	$ 1,222

(a) Emerging Markets includes results from the following regions: Eastern Europe, the Middle East and Africa, Latin America and Asia Pacific (excluding Japan, Australia and New Zealand, which are presented in "Other")

Contract Balances

We receive payments from customers based on a billing schedule as established in our contracts. Contract assets relate to costs incurred to perform in advance of scheduled billings. Contract liabilities relate to payments received in advance of performance under the contracts. Changes in contract assets and liabilities are due to our performance under the contract. The table below provides contract assets, contract liabilities, and significant changes in contract assets and liabilities:

(in millions)	Contract Assets (a)	Contract Liabilities
Balance at January 1, 2023	**$ 151**	**$ 183**
Additions, net	**48**	**58**
Revenue recognized from opening balance	**—**	**(50)**
Billings transferred to accounts receivable	**(48)**	**—**
Foreign currency and other	**—**	**—**
Balance at March 31, 2023	**$ 151**	**$ 191**
Balance at January 1, 2022	$ 125	$ 164
Additions, net	34	62
Revenue recognized from opening balance	—	(50)
Billings transferred to accounts receivable	(39)	—
Foreign currency and other	(2)	(1)
Balance at March 31, 2022	$ 118	$ 175

(a) Excludes receivable balances, which are disclosed on the Condensed Consolidated Balance Sheets

Performance obligations

Delivery schedules vary from customer to customer based upon their requirements. Typically, large projects require longer lead production cycles and delays can occur from time to time. As of March 31, 2023, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied for contracts with performance obligations, amount to $447 million. We expect to recognize the majority of revenue upon the completion of satisfying these performance obligations in the following 60 months. The Company elects to apply the practical expedient to exclude from this disclosure revenue related to performance obligations that are part of a contract whose original expected duration is less than one year.

Note 4. Restructuring and Asset Impairment Charges

Restructuring

From time to time, the Company will incur costs related to restructuring actions in order to optimize our cost base and more strategically position itself. During the three months ended March 31, 2023, we incurred restructuring costs of $6 million. We incurred these charges primarily as a continuation of our efforts to reposition our European and North American businesses to optimize our cost structure, improve our operational efficiency and effectiveness, strengthen our competitive positioning and better serve our customers. The charges included the reduction of headcount across all segments.

During the three ended March 31, 2022, we incurred restructuring charges that were less than $1 million.

The following table presents the components of restructuring expense and asset impairment charges:

	Three Months Ended March 31,	
(in millions)	**2023**	2022
By component:		
Severance and other charges	**$ 6**	$ —
Total restructuring costs	**$ 6**	$ —
Asset impairment charges	**2**	—
Total restructuring and asset impairment charges	**$ 8**	$ —
By segment:		
Water Infrastructure	**$ 2**	$ —
Applied Water	**1**	—
Measurement & Control Solutions	**5**	—

The following table displays a roll-forward of the restructuring accruals, presented on our Condensed Consolidated Balance Sheets within "Accrued and other current liabilities" and "Other non-current accrued liabilities", for the three months ended March 31, 2023 and 2022:

(in millions)	**2023**	2022
Restructuring accruals - January 1	**$ 10**	$ 7
Restructuring costs, net	**6**	—
Cash payments	**(6)**	(3)
Asset impairment	**—**	—
Restructuring accruals - March 31	**$ 10**	$ 4
By segment:		
Water Infrastructure	**$ 1**	$ —
Applied Water	**—**	—
Measurement & Control Solutions	**4**	3
Regional selling locations (a)	**3**	1
Corporate and other	**2**	—

(a) Regional selling locations consist primarily of selling and marketing organizations and related support services that incurred restructuring expense that was allocated to the segments. The liabilities associated with restructuring expense were not allocated to the segments.

The following table presents expected restructuring spend in 2023 and thereafter:

(in millions)	Water Infrastructure	Applied Water	Measurement & Control Solutions	Corporate	Total
Actions Commenced in 2023:					
Total expected costs	$ 1	$ 1	$ 4	$ —	$ 6
Costs incurred during Q1 2023	1	1	3	—	5
Total expected costs remaining	**$ —**	**$ —**	**$ 1**	**$ —**	**$ 1**

During 2023, we also incurred charges of $1 million within the Water Infrastructure segment related to actions commenced in prior years.

The Water Infrastructure, Applied Water and Measurement & Control Solutions actions commenced in 2023 consist primarily of severance charges. The Water Infrastructure and Applied Water actions are complete and the Measurement & Control Solutions actions are expected to continue through the end of 2023.

Asset Impairment

During the first quarter of 2023, we determined that internally developed in-process software within our Measurement & Control Solutions segment was impaired as a result of actions taken to prioritize strategic investments and we therefore recognized an impairment charge of $2 million. Refer to Note 8, "Goodwill and Other Intangible Assets," for additional information.

Note 5. Income Taxes

Our quarterly provision for income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items within periods presented. The comparison of our effective tax rate between periods is significantly impacted by the level and mix of earnings and losses by tax jurisdiction and discrete items.

The income tax provision for the three months ended March 31, 2023 was $27 million resulting in an effective tax rate of 21.7%, compared to a $16 million expense resulting in an effective tax rate of 16.4% for the same period in 2022. The effective tax rate for the three month period ended March 31, 2023 was higher than the U.S. federal statutory rate primarily due to the impact of earnings mix and nondeductible transaction costs.

Unrecognized Tax Benefits

During 2019, Xylem’s Swedish subsidiary received a tax assessment for the 2013 tax year related to the tax treatment of an intercompany transfer of certain intellectual property that was made in connection with a reorganization of our European businesses. Xylem filed an appeal with the Administrative Court of Växjö, which rendered a decision adverse to Xylem in June 2022 for SEK800 million (approximately $77 million), consisting of the full tax assessment amount plus penalties and interest. Xylem has appealed this decision with the intermediate appellate court, the Administrative Court of Appeal (the “Court”). At this time, management, in consultation with external legal advisors, continues to believe it is more likely than not that Xylem will prevail on the proposed assessment and will continue to vigorously defend our position through the appellate process. The appeal to the Court is expected to take approximately one year; however, there can be no assurance as to the timing of the Court’s decision. Both parties will have the ability to seek appeal of the Court’s decision to the Supreme Administrative Court of Sweden. There can be no assurance that the final determination by the authorities will not be materially different than our position. As of March 31, 2023, we do not have any unrecognized tax benefits related to this uncertain tax position.

Note 6. Earnings Per Share

The following is a reconciliation of the shares used in calculating basic and diluted net earnings per share:

	Three Months Ended March 31,	
	2023	2022
Net income (in millions)	**$ 99**	$ 82
Shares (in thousands):		
Weighted average common shares outstanding	**180,371**	180,205
Add: Participating securities (a)	**25**	26
Weighted average common shares outstanding — Basic	**180,396**	180,231
Plus incremental shares from assumed conversions: (b)		
Dilutive effect of stock options	**622**	587
Dilutive effect of restricted stock units and performance share units	**301**	203
Weighted average common shares outstanding — Diluted	**181,319**	181,021
Basic earnings per share	**$ 0.55**	$ 0.45
Diluted earnings per share	**$ 0.54**	$ 0.45

(a) Restricted stock units containing rights to non-forfeitable dividends that participate in undistributed earnings with common stockholders are considered participating securities for purposes of computing earnings per share.

(b) Incremental shares from stock options, restricted stock units and performance share units are computed by the treasury stock method. The weighted average shares listed below were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented or were otherwise excluded under the treasury stock method. The treasury stock method calculates dilution assuming the exercise of all in-the-money options and vesting of restricted stock units and performance share units, reduced by the repurchase of shares with the proceeds from the assumed exercises and unrecognized compensation expense for outstanding awards. Performance share units will be included in the treasury stock calculation of diluted earnings per share upon achievement of underlying performance or market conditions at the end of the reporting period. See Note 14, "Share-Based Compensation Plans," to the condensed consolidated financial statements for further detail on the performance share units.

	Three Months Ended March 31,	
(in thousands)	**2023**	2022
Stock options	**1,357**	1,355
Restricted stock units	**332**	330
Performance share units	**241**	233

Note 7. Inventories

The components of total inventories are summarized as follows:

(in millions)	**March 31, 2023**	December 31, 2022
Finished goods	**$ 314**	$ 286
Work in process	**71**	58
Raw materials	**472**	455
Total inventories	**$ 857**	$ 799

Note 8. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment for the three months ended March 31, 2023 are as follows:

(in millions)	Water Infrastructure	Applied Water	Measurement & Control Solutions	Total
Balance as of January 1, 2023	$ 638	$ 502	$ 1,579	$ 2,719
Activity in 2023				
Foreign currency and other	5	4	10	19
Balance as of March 31, 2023	**$ 643**	**$ 506**	**$ 1,589**	**$ 2,738**

Other Intangible Assets

Information regarding our other intangible assets is as follows:

	March 31, 2023			December 31, 2022		
(in millions)	**Carrying Amount**	**Accumulated Amortization**	**Net Intangibles**	Carrying Amount	Accumulated Amortization	Net Intangibles
Customer and distributor relationships	**$ 788**	**$ (385)**	**$ 403**	$ 784	$ (371)	$ 413
Proprietary technology and patents	**166**	**(121)**	**45**	165	(118)	47
Trademarks	**138**	**(84)**	**54**	137	(80)	57
Software	**531**	**(285)**	**246**	514	(268)	246
Other	**5**	**(3)**	**2**	5	(3)	2
Indefinite-lived intangibles	**165**	**—**	**165**	165	—	165
Other Intangibles	**$ 1,793**	**$ (878)**	**$ 915**	$ 1,770	$ (840)	$ 930

Amortization expense related to finite-lived intangible assets was $32 million and $30 million for the three-month periods ended March 31, 2023 and 2022, respectively.

During the first quarter of 2023, we determined that internally developed in-process software within our Measurement & Control Solutions segment was impaired as a result of actions taken to prioritize strategic investments and we therefore recognized an impairment charge of $2 million.

Note 9. Derivative Financial Instruments

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions, and we principally manage our exposures to these risks through management of our core business activities. Certain of our foreign operations expose us to fluctuations of foreign interest rates and exchange rates that may impact revenue, expenses, cash receipts, cash payments, and the value of our stockholders' equity. We enter into derivative financial instruments to protect the value or fix the amount of certain cash flows in terms of the functional currency of the business unit with that exposure and also reduce the volatility in stockholders' equity.

Cash Flow Hedges of Foreign Exchange Risk

We are exposed to fluctuations in various foreign currencies against our functional currencies. We use foreign currency derivatives, including currency forward agreements, to manage our exposure to fluctuations in the various exchange rates. Currency forward agreements involve fixing the foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date.

Certain business units with exposure to foreign currency exchange risks have designated certain currency forward agreements as cash flow hedges of forecasted intercompany inventory purchases and sales. Our principal currency exposures for which we enter into cash flow hedges relate to the Euro, Swedish Krona, British Pound, Canadian Dollar, Polish Zloty and Australian Dollar. We had foreign exchange contracts with purchased notional amounts totaling $517 million and $255 million as of March 31, 2023 and December 31, 2022, respectively. As of March 31, 2023, our most significant foreign currency derivatives included contracts to sell U.S. Dollar and purchase Euro, purchase Swedish Krona and sell Euro, sell British Pound and purchase Euro, purchase U.S. Dollar and sell Canadian Dollar, purchase Polish Zloty and sell Euro, sell Canadian Dollar and purchase Euro, and sell Australian Dollar and purchase Euro. The purchased notional amounts associated with these currency derivatives are $219 million, $144 million, $58 million, $26 million, $26 million, $25 million and $19 million, respectively. As of December 31, 2022 the purchased notional amounts associated with these currency derivatives were $105 million, $73 million, $29 million, $13 million, $13 million, $13 million and $9 million, respectively.

Hedges of Net Investments in Foreign Operations

We are exposed to changes in foreign currencies impacting our net investments held in foreign subsidiaries.

Cross-Currency Swaps

Beginning in 2015, we entered into cross-currency swaps to manage our exposure to fluctuations in the Euro-U.S. Dollar exchange rate. During the second quarter of 2019, third quarter of 2020, and second quarter of 2022 we entered into additional cross-currency swaps. The total notional amount of derivative instruments designated as net investment hedges was $1,653 million and $1,616 million as of March 31, 2023 and December 31, 2022, respectively.

Foreign Currency Denominated Debt

On March 11, 2016, we issued 2.250% Senior Notes of €500 million aggregate principal amount due March 2023. On December 12th, 2022 our Senior Notes due March 2023 were settled with cash on hand for a total of $527 million.

Previously, the entirety of the outstanding balance was designated as a hedge of a net investment in certain foreign subsidiaries. On June 2, 2022, we de-designated the entirety of the outstanding balance of the €500 million 2.250% Senior Notes, or $533 million from the net investment hedge relationship.

The table below presents the effect of our derivative financial instruments on the Condensed Consolidated Income Statements and Statements of Comprehensive Income:

	Three Months Ended March 31,	
(in millions)	**2023**	2022
Cash Flow Hedges		
Foreign Exchange Contracts		
Amount of gain (loss) recognized in OCL	**$ 4**	$ (6)
Amount of loss reclassified from OCL into Revenue	**3**	2
Amount of loss reclassified from OCL into Cost of revenue	**2**	—
Net Investment Hedges		
Cross-Currency Swaps		
Amount of gain (loss) recognized in OCL	**$ (22)**	$ 1
Amount of income recognized in Interest expense	**7**	6
Foreign Currency Denominated Debt		
Amount of gain recognized in OCL	**$ —**	$ 8

As of March 31, 2023, $3 million of net gains on cash flow hedges are expected to be reclassified into earnings in the next 12 months.

As of March 31, 2023, no gains or losses on the net investment hedges are expected to be reclassified into earnings over their duration.

The fair values of our derivative assets and liabilities are measured on a recurring basis using Level 2 inputs and are determined through the use of models that consider various assumptions including yield curves, time value and other measurements.

The fair values of our derivative contracts currently included in our hedging program were as follows:

(in millions)	March 31, 2023	December 31, 2022
Derivatives designated as hedging instruments		
Assets		
Cash Flow Hedges		
Prepaid and other current assets	**$ 6**	$ —
Net Investment Hedges		
Other non-current assets	**$ 66**	$ 79
Liabilities		
Cash Flow Hedges		
Accrued and other current liabilities	**$ (2)**	$ —
Net Investment Hedges		
Other non-current accrued liabilities	**$ (14)**	$ (6)

Note 10. Accrued and Other Current Liabilities

The components of total Accrued and other current liabilities are as follows:

(in millions)	March 31, 2023	December 31, 2022
Compensation and other employee-benefits	**$ 216**	$ 285
Customer-related liabilities	**222**	210
Accrued taxes	**156**	186
Lease liabilities	**67**	69
Accrued warranty costs	**37**	37
Other accrued liabilities	**86**	80
Total accrued and other current liabilities	**$ 784**	$ 867

Note 11. Credit Facilities and Debt

Total debt outstanding is summarized as follows:

(in millions)	March 31, 2023	December 31, 2022
3.250% Senior Notes due 2026 (a)	**500**	500
1.950% Senior Notes due 2028 (a)	**500**	500
2.250% Senior Notes due 2031 (a)	**500**	500
4.375% Senior Notes due 2046 (a)	**400**	400
Debt issuance costs and unamortized discount (b)	**(19)**	(20)
Total debt	**1,881**	1,880
Less: short-term borrowings and current maturities of long-term debt	**—**	—
Total long-term debt	**$ 1,881**	$ 1,880

(a) The fair value of our Senior Notes was determined using quoted prices in active markets for identical securities, which are considered Level 1 inputs. The fair value of our Senior Notes due 2026 was $479 million and $470 million as of March 31, 2023 and December 31, 2022 respectively. The fair value of our Senior Notes due 2028 was $443 million and $430 million as of March 31, 2023 and December 31, 2022, respectively. The fair value of our Senior Notes due 2031 was $424 million and $406 million as of March 31, 2023 and December 31, 2022, respectively. The fair value of our Senior Notes due 2046 was $352 million and $333 million as of March 31, 2023 and December 31, 2022, respectively.

(b) The debt issuance costs and unamortized discount are recognized as a reduction in the carrying value of the Senior Notes in the Condensed Consolidated Balance Sheets and are being amortized to interest expense in our Condensed Consolidated Income Statements over the expected remaining terms of the Senior Notes.

Senior Notes

On June 26, 2020, we issued 1.950% Senior Notes of $500 million aggregate principal amount due January 2028 (the “Senior Notes due 2028”) and 2.250% Senior Notes of $500 million aggregate principal amount due January 2031 (the “Senior Notes due 2031" and, together with the Senior Notes due 2028, the “Green Bond”).

The Green Bond includes covenants that restrict our ability, and the ability of our restricted subsidiaries, to incur debt secured by liens on certain property above a threshold, to engage in certain sale and leaseback transactions involving certain property above a threshold, and to consolidate or merge, or convey or transfer all or substantially all of our assets. We may redeem the Green Bond at any time, at our option, subject to certain conditions, at specified redemption prices, plus accrued and unpaid interest to the redemption date.

If a change of control triggering event (as defined in the applicable Green Bond indenture) occurs, we will be required to make an offer to purchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase.

Interest on the Green Bond is payable on January 30 and July 30 of each year. As of March 31, 2023, we are in compliance with all covenants for the Green Bond.

On March 11, 2016, we issued 2.250% Senior Notes of €500 million aggregate principal amount due March 2023 (the "Senior Notes due 2023"). On October 11, 2016, we issued 3.250% Senior Notes of $500 million aggregate principal amount due October 2026 (the “Senior Notes due 2026”) and 4.375% Senior Notes of $400 million aggregate principal amount due October 2046 (the “Senior Notes due 2046” and, together with the Senior Notes due 2021, the Senior Notes due 2023 and the Senior Notes due 2026, the “Senior Notes”). On December 12th, 2022 our Senior Notes due 2023 were settled with cash on hand for a total of $527 million.

The Senior Notes include covenants that restrict our ability, and the ability of our restricted subsidiaries, to incur debt secured by liens on certain property above a threshold, to engage in certain sale and leaseback transactions involving certain property above a threshold, and to consolidate or merge, or convey or transfer all or substantially all of our assets. We may redeem the Senior Notes, as applicable, in whole or in part, at any time at a redemption price equal to the principal amount of the Senior Notes to be redeemed, plus a make-whole premium. We may also redeem the Senior Notes in certain other circumstances, as set forth in the applicable Senior Notes indenture.

If a change of control triggering event (as defined in the applicable Senior Notes indenture) occurs, we will be required to make an offer to purchase the Senior Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase.

Interest on the Senior Notes due 2026 and the Senior Notes due 2046 is payable on May 1 and November 1 of each year. As of March 31, 2023, we are in compliance with all covenants for the Senior Notes.

Credit Facilities

2019 Five-Year Revolving Credit Facility

On March 5, 2019, Xylem entered into a Five-Year Revolving Credit Facility (the “2019 Credit Facility”) with Citibank, N.A., as Administrative Agent, and a syndicate of lenders. The 2019 Credit Facility provided for an aggregate principal amount of up to $800 million (available in U.S. Dollars and in Euros), with increases of up to $200 million for a maximum aggregate principal amount of $1 billion at the request of Xylem and with the consent of the institutions providing such increased commitments. On March 1, 2023, Xylem terminated the 2019 Credit Facility among the Company, certain lenders and Citibank, N.A. as Administrative Agent as a result of signing the 2023 Five-Year Revolving Credit Facility.

2023 Five-Year Revolving Credit Facility

On March 1, 2023, Xylem entered into a five year revolving credit facility (the "2023 Credit Facility") with Citibank, N.A., as Administrative Agent, and a syndicate of lenders. The 2023 Credit Facility provides for an aggregate principal amount of up to $1 billion (available in U.S. Dollars and in Euros), with increases of up to $300 million for a maximum aggregate principal amount of $1.3 billion at the request of Xylem and with the consent of the institutions providing such increased commitments.

Interest on all loans under the 2023 Credit Facility is payable either quarterly or at the expiration of any Term SOFR or EURIBOR interest period applicable thereto. Borrowings accrue interest at a rate equal to, at Xylem's election, a base rate or an adjusted Term SOFR or EURIBOR rate plus an applicable margin. The 2023 Credit Facility includes customary provisions for implementation of replacement rates for Term SOFR-based and EURIBOR-based loans. The 2023 Credit Facility also includes a pricing grid that determines the applicable margin based on Xylem's credit rating, with a further adjustment based on Xylem's achievement of certain Environmental, Social and Governance ("ESG") key performance indicators. Xylem will also pay quarterly fees to each lender for such lender's commitment to lend accruing on such commitment at a rate based on Xylem's credit rating, whether such commitment is used or unused, as well as a quarterly letter of credit fee accruing on the letter of credit exposure of such lender during the preceding quarter at a rate based on the credit rating of Xylem with a further adjustment based on Xylem's achievement of certain ESG key performance indicators.

The 2023 Credit Facility requires that Xylem maintain a consolidated total debt to consolidated EBITDA ratio (or maximum leverage ratio), which will be based on the last four fiscal quarters. In accordance with the terms of the agreement to the 2023 Credit Facility, Xylem may not exceed a maximum leverage ratio of 4.00 to 1.00 for a period of four consecutive fiscal quarters beginning with the fiscal quarter during which a material acquisition is consummated and a maximum leverage ratio of 3.50 to 1.00 thereafter for a minimum of four fiscal quarters before another material acquisition is consummated. In addition, the 2023 Credit Facility contains a number of customary covenants, including limitations on the incurrence of secured debt and debt of subsidiaries, liens, sale and lease-back transactions, mergers, consolidations, liquidations, dissolutions and sales of assets. The 2023 Credit Facility also contains customary events of default. Finally, Xylem has the ability to designate subsidiaries that can borrow under the 2023 Credit Facility, subject to certain requirements and conditions set forth in the 2023 Credit Facility. As of March 31, 2023, the 2023 Credit Facility was undrawn and we are in compliance with all revolver covenants.

Commercial Paper

U.S. Dollar Commercial Paper Program

Our U.S. Dollar commercial paper program generally serves as a means of short-term funding with a $600 million maximum issuing balance and a combined limit of $1 billion inclusive of the 2023 Credit Facility. As of March 31, 2023 and December 31, 2022, none of the Company's $600 million U.S. Dollar commercial paper program was outstanding. We have the ability to continue borrowing under this program going forward in future periods.

Euro Commercial Paper Program

On June 3, 2019, Xylem entered into a Euro commercial paper program with ING Bank N.V., as administrative agent, and a syndicate of dealers. The Euro commercial paper program provides for a maximum issuing balance of up to €500 million (approximately $544 million) which may be denominated in a variety of currencies. The maximum issuing balance may be increased in accordance with the Dealer Agreement. As of March 31, 2023 and December 31, 2022, none of the Company's Euro commercial paper program was outstanding. We have the ability to continue borrowing under this program going forward in future periods.

Note 12. Post-retirement Benefit Plans

The components of net periodic benefit cost for our defined benefit pension plans are as follows:

	Three Months Ended March 31,	
(in millions)	**2023**	2022
Domestic defined benefit pension plans:		
Service cost	**$ 1**	$ 1
Interest cost	**1**	1
Expected return on plan assets	**(1)**	(2)
Amortization of net actuarial loss	**—**	1
Net periodic benefit cost	**$ 1**	$ 1
International defined benefit pension plans:		
Service cost	**$ 2**	$ 3
Interest cost	**4**	4
Expected return on plan assets	**(3)**	(4)
Amortization of actuarial (gain) loss	**(1)**	3
Net periodic benefit cost	**$ 2**	$ 6
Total net periodic benefit cost	**$ 3**	$ 7

The components of net periodic benefit cost, other than the service cost component are included in the line item "Other non-operating income, net" in the Condensed Consolidated Income Statements.

The total net periodic benefit cost for other post-retirement employee benefit plans was less than $1 million, including net credits recognized into "Other comprehensive income (loss)" of less than $1 million, for both the three months ended March 31, 2023 and 2022, respectively.

We contributed $5 million to our defined benefit plans for the three months ended March 31, 2023 and 2022. Additional contributions ranging between approximately $14 million and $18 million are expected to be made during the remainder of 2023.

Note 13. Equity

The following table shows the changes in stockholders' equity for the three months ended March 31, 2023:

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2023	$ 2	$ 2,134	$ 2,292	$ (226)	$ (708)	$ 9	$ 3,503
Net income	—	—	99	—	—	—	99
Other comprehensive income, net	—	—	—	35	—	—	35
Other activity	—	—	—	—	—	2	2
Dividends declared ($0.33 per share)	—	—	(60)	—	—	—	(60)
Stock incentive plan activity	—	18	—	—	(8)	—	10
Balance at March 31, 2023	$ 2	$ 2,152	$ 2,331	$ (191)	$ (716)	$ 11	$ 3,589

The following table shows the changes in stockholders' equity for the three months ended March 31, 2022:

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2022	$ 2	$ 2,089	$ 2,154	$ (371)	$ (656)	$ 8	$ 3,226
Net income	—	—	82	—	—	—	82
Other comprehensive loss, net	—	—	—	(6)	—	—	(6)
Dividends declared ($0.30 per share)	—	—	(55)	—	—	—	(55)
Stock incentive plan activity	—	10	—	—	(6)	—	4
Repurchase of common stock	—	—	—	—	(45)	—	(45)
Balance at March 31, 2022	$ 2	$ 2,099	$ 2,181	$ (377)	$ (707)	$ 8	$ 3,206

Note 14. Share-Based Compensation Plans

Share-based compensation expense was $12 million and $9 million during the three months ended March 31, 2023 and 2022, respectively. The unrecognized compensation expense related to our stock options, restricted stock units and performance share units was $10 million, $41 million and $21 million, respectively, at March 31, 2023 and is expected to be recognized over a weighted average period of 2.3, 2.3 and 2.4 years, respectively. The amount of cash received from the exercise of stock options was $7 million and $1 million for the three months ended March 31, 2023 and 2022, respectively. As of March 31, 2023, there were approximately 3 million shares of common stock available for future awards.

Stock Option Grants

The following is a summary of the changes in outstanding stock options for the three months ended March 31, 2023:

	Share units (in thousands)	Weighted Average Exercise Price / Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2023	1,935	$ 67.55	5.9	**$ 83**
Granted	227	101.09		
Exercised	(132)	48.39		
Forfeited and expired	(4)	102.22		
Other	14	73.16		
Outstanding at March 31, 2023	**2,040**	**$ 72.48**	**6.3**	**$ 66**
Options exercisable at March 31, 2023	**1,495**	**$ 65.08**	**5.3**	**$ 59**
Vested and expected to vest as of March 31, 2023	**1,962**	**$ 71.53**	**5.9**	**$ 65**

The total intrinsic value of options exercised (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) during the three months ended March 31, 2023 was $7.0 million.

Stock Option Fair Value

The fair value of each option grant was estimated on the date of grant using the binomial lattice pricing model which incorporates multiple and variable assumptions over time, including employee exercise patterns, stock price volatility and changes in dividends. The following are weighted-average assumptions for 2023 grants:

Volatility	**27.30 %**
Risk-free interest rate	**4.25 %**
Dividend yield	**1.31 %**
Expected term (in years)	**5.4**
Weighted-average fair value / share	**$ 29.06**

Expected volatility is calculated based on an analysis of historic volatility measures for Xylem. We use historical data to estimate option exercise and employee termination behavior within the valuation model. Employee groups and option characteristics are considered separately for valuation purposes. The expected term represents an estimate of the period of time options are expected to remain outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of option grant.

Restricted Stock Unit Grants

The following is a summary of restricted stock unit activity for the three months ended March 31, 2023. The fair value of the restricted share unit awards is determined using the closing price of our common stock on date of grant:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2023	553	$ 88.88
Granted	259	101.09
Vested	(211)	101.85
Forfeited	(9)	96.03
Outstanding at March 31, 2023	**592**	**$ 94.12**

Performance Share Units

Performance share units awarded under the long-term incentive plan vest based upon performance by the Company over a three-year period against targets approved by the Leadership Development & Compensation Committee ("LDCC") of the Company's Board of Directors prior to the grant date.

For the 2023-2025 performance period, the LDCC approved granting performance share units under two plan designs: (I) on the basis of the Evoqua acquisition closing by 1/22/2024 ("Combined Company" Design) or (II) on the basis that the Evoqua acquisition does not close by 1/22/2024 ("Xylem Stand-Alone" Design).

The Xylem Stand-Alone Design makes no change to our existing grant structure in which performance share units are awarded at 100% of target with actual payout contingent upon the achievement of a pre-set, three-year adjusted Return on Invested Capital ("ROIC") performance target for ROIC performance share unit grants, a pre-set third-year revenue target for Revenue performance share unit grants and a three-year relative TSR performance for TSR performance share unit grants.

For simplicity, the performance share unit grants tied to the ROIC performance target will be referred to as the “ROIC performance share unit grants” prior to the acquisition closing.

The Combined Company Design would replace the ROIC metric with a pre-set, third-year adjusted earnings before interest, taxes, depreciation and amortization expense (“EBITDA”) performance target for the combined company.

ROIC Performance Share Unit Grants

The following is a summary of ROIC performance share unit grants for the three months ended March 31, 2023. The fair value of the ROIC performance share units is equal to the closing share price on the date of the grant:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2023	146	$ 88.78
Granted	33	101.09
Forfeited (a)	(63)	81.13
Outstanding at March 31, 2023	**116**	**$ 97.75**

(a) Includes ROIC performance share unit awards forfeited during the period as a result of the final performance condition not being achieved on vest date.

TSR Performance Share Unit Grants

The following is a summary of our Total Shareholder Return ("TSR") performance share unit grants for the three months ended March 31, 2023:

	Share units (in thousands)		Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2023	178	$	100.67
Granted	65		109.68
Adjustment for Market Condition Achieved (a)	40		102.55
Vested	(102)		102.55
Forfeited	—		—
Outstanding at March 31, 2023	**181**	**$**	**103.82**

(a) Represents an increase in the number of original TSR performance share units awarded based on the final market condition achievement at the end of the performance period of such awards.

The fair value of TSR performance share units was calculated on the date of grant using a Monte Carlo simulation model utilizing several key assumptions, including expected Company and peer company share price volatility, correlation coefficients between peers, the risk-free rate of return, the expected dividend yield and other award design features. The following are weighted-average assumptions for 2023 grants:

Volatility	**35.9** %
Risk-free interest rate	**4.66** %

Revenue Performance Share Unit Grants

The following is a summary of our Revenue performance share unit grants for the three months ended March 31, 2023:

	Share units (in thousands)		Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2023	32		86.77
Granted	33		101.09
Forfeited	—		—
Outstanding at March 31, 2023	**65**	**$**	**94.01**

The fair value of the Revenue performance share unit awards is determined using the closing price of our common stock on date of grant. The shares will vest contingent upon the achievement of a pre-set, three-year Revenue target.

Note 15. Capital Stock

For the three months ended March 31, 2023 and March 31, 2022, the Company repurchased less than 0.1 million shares of common stock for $8 million and less than 0.6 million shares of common stock for $51 million, respectively. Repurchases include share repurchase programs approved by the Board of Directors and repurchases in relation to settlement of employee tax withholding obligations due as a result of the vesting of restricted stock units. The details of repurchases by each program are as follows:

On August 24, 2015, our Board of Directors authorized the repurchase of up to $500 million in shares with no expiration date. The program's objective is to deploy our capital in a manner that benefits our stockholders and maintains our focus on growth. There were no shares repurchased under the program for the three months ended March 31, 2023. For the three months ended March 31, 2022, we repurchased approximately 0.5 million shares for $45 million. There are up to $182 million in shares that may still be purchased under this plan as of March 31, 2023.

Aside from the aforementioned repurchase program, we repurchased less than 0.1 million shares and approximately 0.1 million shares for $8 million and $6 million for the three months ended March 31, 2023 and 2022, respectively, in relation to settlement of employee tax withholding obligations due as a result of the vesting of restricted stock units.

Note 16. Accumulated Other Comprehensive Loss

The following table provides the components of AOCL for the three months ended March 31, 2023:

(in millions)	Foreign Currency Translation	Post-retirement Benefit Plans	Derivative Instruments	Total
Balance at January 1, 2023	**$ (180)**	**$ (41)**	**$ (5)**	**$ (226)**
Foreign currency translation adjustment	**22**	**—**	**—**	**22**
Tax on foreign currency translation adjustment	**5**	**—**	**—**	**5**
Amortization of actuarial gain on post-retirement benefit plans into other non-operating income, net	**—**	**(1)**	**—**	**(1)**
Income tax impact on amortization of post-retirement benefit plan items	**—**	**1**	**—**	**1**
Unrealized gain on derivative hedge agreements	**—**	**—**	**4**	**4**
Income tax benefit on unrealized gain on derivative hedge agreements	**—**	**—**	**(1)**	**(1)**
Reclassification of unrealized loss on foreign exchange agreements into revenue	**—**	**—**	**3**	**3**
Reclassification of unrealized loss on foreign exchange agreements into cost of revenue	**—**	**—**	**2**	**2**
Balance at March 31, 2023	**$ (153)**	**$ (41)**	**$ 3**	**$ (191)**

The following table provides the components of AOCL for the three months ended March 31, 2022:

(in millions)	Foreign Currency Translation	Post-retirement Benefit Plans	Derivative Instruments	Total
Balance at January 1, 2022	$ (101)	$ (268)	$ (2)	$ (371)
Foreign currency translation adjustment	(3)	—	—	(3)
Tax on foreign currency translation adjustment	(2)	—	—	(2)
Amortization of actuarial loss on post-retirement benefit plans into other non-operating income, net	—	4	—	4
Income tax impact on amortization of post-retirement benefit plan items	—	(1)	—	(1)
Unrealized loss on derivative hedge agreements	—	—	(6)	(6)
Reclassification of unrealized loss on foreign exchange agreements into revenue	—	—	2	2
Balance at March 31, 2022	$ (106)	$ (265)	$ (6)	$ (377)

Note 17. Commitments and Contingencies

Legal Proceedings

From time to time, we are involved in legal and regulatory proceedings that are incidental to the operation of our businesses (or the business operations of previously-owned entities). These proceedings may seek remedies relating to matters including environmental, tax, intellectual property, acquisitions or divestitures, product liability, property damage, personal injury, privacy, employment, labor and pension, government contract issues and commercial or contractual disputes.

See Note 5, "Income Taxes," of our condensed consolidated financial statements for a description of a pending tax litigation matter.

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including our assessment of the merits of the particular claims, we do not believe it is reasonably possible that any asserted or unasserted legal claims or proceedings, individually or in aggregate, will have a material adverse effect on our results of operations, or financial condition. We have estimated and accrued $4 million and $5 million as of March 31, 2023 and December 31, 2022, respectively, for these general legal matters.

Guarantees

We obtain certain stand-by letters of credit, bank guarantees, surety bonds and insurance letters of credit from third-party financial institutions in the ordinary course of business when required under contracts or to satisfy insurance-related requirements. As of March 31, 2023 and December 31, 2022, the amount of surety bonds, bank guarantees, insurance letters of credit, stand-by letters of credit as well as revenue and customs guarantees was $426 million and $451 million, respectively.

Environmental

In the ordinary course of business, we are subject to federal, state, local, and foreign environmental laws and regulations. We are responsible, or are alleged to be responsible, for ongoing environmental investigation and remediation of sites in various countries. These sites are in various stages of investigation and/or remediation and in many of these proceedings our liability is considered de minimis. We have received notification from the U.S. Environmental Protection Agency, and from similar state and foreign environmental agencies, that a number of sites formerly or currently owned and/or operated by Xylem or for which we are responsible, and other properties or water supplies that may be or have been impacted from those operations, contain disposed or recycled materials or wastes and require environmental investigation and/or remediation. These sites include instances where we have been identified as a potentially responsible party under federal and state environmental laws and regulations.

Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Our accrued liabilities for these environmental matters represent our best estimates related to the investigation and remediation of environmental media such as water, soil, soil vapor, air and structures, as well as related legal fees. These estimates, and related accruals, are reviewed quarterly and updated for progress of investigation and remediation efforts and changes in facts and legal circumstances. Liabilities for these environmental expenditures are recorded on an undiscounted basis. We have estimated and accrued $4 million as of March 31, 2023 and December 31, 2022 for environmental matters.

It is difficult to estimate the final costs of investigation and remediation due to various factors, including incomplete information regarding particular sites and other potentially responsible parties, uncertainty regarding the extent of investigation or remediation and our share, if any, of liability for such conditions, the selection of alternative remedial approaches, and changes in environmental standards and regulatory requirements. We believe the total amount accrued is reasonable based on existing facts and circumstances.

Warranties

We warrant numerous products, the terms of which vary widely. In general, we warrant products against defect and specific non-performance. The table below provides changes in the combined current and non-current product warranty accruals over each period:

(in millions)	**2023**	2022
Warranty accrual – January 1	**$ 54**	$ 57
Net charges for product warranties in the period	**6**	5
Settlement of warranty claims	**(6)**	(6)
Foreign currency and other	**1**	—
Warranty accrual - March 31	**$ 55**	$ 56

Note 18. Segment Information

Our business has three reportable segments: Water Infrastructure, Applied Water and Measurement & Control Solutions. The Water Infrastructure segment focuses on the transportation and treatment of water, offering a range of products including water, wastewater and storm water pumps, treatment equipment, and controls and systems. The Applied Water segment serves many of the primary uses of water and focuses on the residential, commercial and industrial markets. The Applied Water segment's major products include pumps, valves, heat exchangers, controls and dispensing equipment. The Measurement & Control Solutions segment focuses on developing advanced technology solutions that enable intelligent use and conservation of critical water and energy resources as well as analytical instrumentation used in the testing of water. The Measurement & Control Solutions segment's major products include smart metering, networked communications, measurement and control technologies, critical infrastructure technologies, software and services including cloud-based analytics, remote monitoring and data management, leak detection and pressure monitoring solutions and testing equipment.

Additionally, we have Regional selling locations, which consist primarily of selling and marketing organizations and related support services, that offer products and services across our reportable segments. Corporate and other consists of corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs, as well as charges related to certain matters, such as environmental matters, that are managed at a corporate level and are not included in the business segments in evaluating performance or allocating resources.

The accounting policies of each segment are the same as those described in the Summary of Significant Accounting Policies section of Note 1 in the 2022 Annual Report. The following table contains financial information for each reportable segment:

	Three Months Ended March 31,	
(in millions)	**2023**	2022
Revenue:		
Water Infrastructure	**$ 589**	$ 533
Applied Water	**453**	425
Measurement & Control Solutions	**406**	314
Total	**$ 1,448**	$ 1,272
Operating Income (Loss):		
Water Infrastructure	**$ 70**	$ 74
Applied Water	**83**	59
Measurement & Control Solutions	**20**	(10)
Corporate and other	**(42)**	(12)
Total operating income	**$ 131**	$ 111
Interest expense	**$ 9**	$ 13
Other non-operating income, net	**4**	(1)
Gain from sale of business	**—**	1
Income before taxes	**$ 126**	$ 98
Depreciation and Amortization:		
Water Infrastructure	**$ 14**	$ 13
Applied Water	**5**	5
Measurement & Control Solutions	**34**	34
Regional selling locations (a)	**5**	4
Corporate and other	**2**	2
Total	**$ 60**	$ 58
Capital Expenditures:		
Water Infrastructure	**$ 14**	$ 17
Applied Water	**8**	4
Measurement & Control Solutions	**18**	21
Regional selling locations (b)	**6**	5
Corporate and other	**3**	2
Total	**$ 49**	$ 49

(a) Depreciation and amortization expense incurred by the Regional selling locations was included in an overall allocation of Regional selling location costs to the segments; however, a certain portion of that expense was not specifically identified to a segment. That expense is captured in this Regional selling location line.

(b) Represents capital expenditures incurred by the Regional selling locations not allocated to the segments.

Note 19. Subsequent Events

On April 26, 2023 the Company closed the minority investment contemplated by the previously disclosed agreement with Global Omnium Idrica, S.L. ("Idrica,") a leader in water data management and analytics, and entered into an agreement to distribute Idrica's GoAigua technology globally. The investment was funded with cash on hand for approximately €100 million (approximately $110 million).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the condensed consolidated financial statements, including the notes, included elsewhere in this report on Form 10-Q (this "Report").

This Report contains "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. Generally, the words "anticipate," "estimate," "expect," "project," "intend," "plan," "contemplate," "predict," "forecast," "likely," "believe," "target," "will," "could," "would," "should," "potential," "may" and similar expressions or their negative, may, but are not necessary to, identify forward-looking statements. By their nature, forward-looking statements address uncertain matters and include any statements that: are not historical, such as statements about our strategy, financial plans, outlook, objectives, plans, intentions or goals (including those related to our social, environmental and other sustainability goals); or address possible or future results of operations or financial performance, including statements relating to orders, revenues, operating margins and earnings per share growth.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in or implied by our forward-looking statements include, among others, the following: the impact of overall industry and general economic conditions, including industrial, governmental, and public and private sector spending, inflation, interest rates and related monetary policy by governments in response to inflation, and the strength of the residential and commercial real estate markets, on economic activity and our operations; geopolitical events, including the war between Russia and Ukraine, and regulatory, economic and other risks associated with our global sales and operations, including with respect to domestic content requirements applicable to projects with governmental funding; the global impact of the COVID-19 pandemic on the macroeconomy and our business, operations, growth, and financial condition; actual or potential other epidemics, pandemics or global health crises; availability, shortage or delays in receiving electronic components (in particular, semiconductors), parts and raw materials from our supply chain; manufacturing and operating cost increases due to macroeconomic conditions, including inflation, energy supply, supply chain shortages, logistics challenges, tight labor markets, prevailing price changes, tariffs and other factors; demand for our products, disruption, competition or pricing pressures in the markets we serve; cybersecurity incidents or other disruptions of information technology systems on which we rely, or involving our products; disruptions in operations at our facilities or that of third parties upon which we rely; our ability to retain and attract senior management and other diverse and key talent, as well as competition for overall talent and labor; difficulty predicting our financial results; defects, security, warranty and liability claims, and recalls with respect to products; availability, regulation or interference with radio spectrum used by certain of our products; uncertainty related to restructuring and realignment actions and related costs and savings; our ability to continue strategic investments for growth; our ability to successfully identify, execute and integrate acquisitions; volatility in served markets or impacts on our business and operations due to weather conditions, including the effects of climate change; fluctuations in foreign currency exchange rates; our ability to borrow or refinance our existing indebtedness, and uncertainty around the availability of liquidity sufficient to meet our needs; risk of future impairments to goodwill and other intangible assets; failure to comply with, or changes in, laws or regulations, including those pertaining to anti-corruption, data privacy and security, export and import, our products, competition, and the environment and climate change; changes in our effective tax rates or tax expenses; legal, governmental or regulatory claims, investigations or proceedings and associated 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, 2022 ("2022 Annual Report") and in subsequent filings we make with the Securities and Exchange Commission ("SEC").

Additionally, risks and uncertainties relating to our plans to acquire Evoqua could cause our actual results to differ, perhaps materially, from those indicated by these forward-looking statements, including: the risk that the conditions to the closing of the transaction are not satisfied, including the risk that required approvals of the transaction from the shareholders of Xylem, stockholders of Evoqua or from regulators are not obtained; litigation relating to the transaction; uncertainties as to the timing of the consummation of the transaction and the ability of each party to consummate the transaction; risks that the proposed transaction disrupts the current plans or operations of Xylem or Evoqua; the ability of Xylem and Evoqua to retain and hire key personnel; competitive responses to the proposed transaction; the need to incur additional or unexpected costs, charges or expenses related to the transaction or integration of the combined companies; potential adverse reactions or changes to relationships with customers, suppliers, distributors and other business partners resulting from the announcement *or completion of the transaction; impacts to our share price and dilution of shareholders' ownership; the combined company's ability to achieve the synergies expected from the transaction, as well as delays, challenges and expenses associated with integrating the combined company's existing businesses.*

Forward-looking and other statements in this Report regarding our environmental and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or are required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking social, environmental and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. All forward-looking statements made herein are based on information currently available to us as of the date of this Report. We undertake 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.

Overview

Xylem is a leading global water technology company. We design, manufacture and service highly engineered products and solutions ranging across a wide variety of critical applications in utility, industrial, residential and commercial building services settings. Our broad portfolio of solutions addresses customer needs of scarcity, resilience, and affordability across the water cycle, from the delivery, measurement and use of drinking water to the collection, test, treatment and analysis of wastewater to the return of water to the environment. Our product and service offerings are organized into three reportable segments that are aligned around the critical market applications they provide: Water Infrastructure, Applied Water and Measurement & Control Solutions.

- *Water Infrastructure* serves the water infrastructure sector with pump systems that transport water from aquifers, lakes, rivers and seas; with filtration, ultraviolet and ozone systems that provide treatment, making the water fit to use; and pumping solutions that move the wastewater and storm water to treatment facilities where our mixers, biological treatment, monitoring and control systems provide the primary functions in the treatment process. We also provide sales and rental of specialty dewatering pumps and related equipment and services. Additionally, our offerings use monitoring and control, smart and connected technologies to allow for remote monitoring of performance and enable products to self-optimize pump operations maximizing energy efficiency and minimizing unplanned downtime and maintenance for our customers. In the Water Infrastructure segment, we provide the majority of our sales directly to customers along with strong applications expertise, while the remaining amount is through distribution partners.
- *Applied Water* serves the water usage applications sector with water pressure boosting systems for heating, ventilation and air conditioning, and for fire protection systems to the residential and commercial building services markets. In addition, our pumps, heat exchangers and controls provide cooling to power plants and manufacturing facilities, circulation for food and beverage processing, as well as boosting systems for agricultural irrigation. In the Applied Water segment, we provide the majority of our sales through long-standing relationships with many of the leading independent distributors in the markets we serve, with the remainder going directly to customers.
- *Measurement & Control Solutions* primarily serves the utility infrastructure solutions and services sector by delivering communications, smart metering, measurement and control capabilities and critical infrastructure technologies that allow customers to more effectively use their distribution networks for the delivery, monitoring and control of critical resources such as water, electricity and natural gas. We also provide analytical instrumentation used to measure and analyze water quality, flow and level in clean water, wastewater and outdoor water environments. Additionally, we offer software and services including cloud-based analytics, remote monitoring and data management, leak detection, condition assessment, asset management and pressure monitoring solutions. In the Measurement & Control Solutions segment, we generate our sales through a combination of long-standing relationships with leading distributors and dedicated channel partners, as well as direct sales depending on the regional availability of distribution channels and the type of product.

Evoqua Acquisition

On January 22, 2023, Xylem entered into a definitive agreement under which Xylem will acquire Evoqua, a leader in mission-critical water treatment solutions and services, in an all-stock transaction that reflects an implied enterprise value of approximately $7.5 billion. The transaction, which is anticipated to close in mid-2023, is subject to approval by shareholders of Xylem and stockholders of Evoqua, the receipt of required regulatory approvals and other customary closing conditions.

Evoqua, a leader in North America water treatment, complements Xylem’s distinctive portfolio of solutions with advanced water and wastewater treatment capabilities, a powerful and extensive network of service professionals and access to a number of attractive industrial markets with resilient, recurring revenue streams.

Executive Summary

Xylem reported revenue for the first quarter of 2023 of $1,448 million, an increase of 13.8% compared to $1,272 million reported in the first quarter of 2022. On a constant currency basis, revenue increased by $221 million, or 17.4%, driven by strong organic revenue growth across all three segments and in all of our major geographic regions.

We generated operating income of $131 million (margin of 9.0%) during the first quarter of 2023, as compared to $111 million (margin of 8.7%) in 2022. Operating income in the first quarter of 2023 included an increase in special charges of $24 million and an unfavorable impact from increased restructuring and realignment costs of $7 million as compared to the first quarter of 2022. Excluding the impact of special charges and restructuring and realignment costs, adjusted operating income was $167 million (adjusted margin of 11.5%) during the first quarter of 2023 as compared to $116 million (adjusted margin of 9.1%) in 2022. The increase in adjusted operating margin was primarily due to price realization, productivity savings and favorable volume. These impacts were partially offset by inflation, unfavorable mix, increased employee related costs, increased spending on strategic investments and increased inventory management costs.

Additional financial highlights for the quarter ended March 31, 2023 include the following:

- Orders of $1,570 million, down 8.5% from $1,715 million in the prior year period, and down 5.4% on an organic basis.
- Earnings per share of $0.54, up 20% compared to prior year ($0.72, up 53% versus prior year, on an adjusted basis).
- Net income as a percent of revenue of 6.8%, up 40 basis points compared to 6.4% in the prior year. EBITDA margin of 13.0%, down 10 basis points when compared to 13.1% in the prior year (16.3% on an adjusted basis, up 210 basis points)
- Net cash flow used in operating activities of $19 million for the three months ended March 31, 2023, a decrease of $62 million during the same period of the prior year. Negative free cash flow of $35 million, an improvement of $95 million from the prior year.

Key Performance Indicators and Non-GAAP Measures

Management reviews key performance indicators including revenue, gross margins, segment operating income and operating income margins, free cash flow, 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 to be key performance indicators, 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.

- "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 or discontinuance 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.
- "adjusted net income" and "adjusted earnings per share" defined as net income and earnings per share, respectively, adjusted to exclude restructuring and realignment costs, special charges, gain or loss from sale of businesses and tax-related special items, as applicable. A reconciliation of adjusted net income and adjusted earnings per share is provided below.

	Three Months Ended March 31,			
(in millions, except for per share data)	2023		2022	
Net income & Earnings per share	**$ 99**	**$ 0.54**	$ 82	$ 0.45
Restructuring and realignment	**11**	**0.06**	4	0.02
Special charges	**25 (a)**	**0.15**	2	0.01
Tax-related special items	**—**	**—**	(1)	—
(Gain) loss from sale of business	**—**	**—**	(1)	—
Tax effects of adjustments (b)	**(5)**	**(0.03)**	(2)	(0.01)
Adjusted net income & Adjusted earnings per share	**$ 130**	**$ 0.72**	$ 84	$ 0.47

(a) The special charges in the quarter primarily relate to acquisition and integration costs related to the pending acquisition of Evoqua.

(b) The tax effects of adjustments are calculated using the statutory tax rate, taking into consideration the nature of the item and the relevant taxing jurisdiction.

- "adjusted operating expenses" and "adjusted gross profit" defined as operating expenses and gross profit, respectively, adjusted to exclude restructuring and realignment costs and special charges.
- "adjusted operating income" defined as operating income, adjusted to exclude restructuring and realignment costs and special charges, and "adjusted operating margin" defined as adjusted operating income divided by total revenue.
- “EBITDA” defined as earnings before interest, taxes, depreciation and amortization expense "EBITDA margin" defined as EBITDA divided by total revenue, "adjusted EBITDA" reflects the adjustment to EBITDA to exclude share-based compensation charges, restructuring and realignment costs, special charges and gain or loss from sale of businesses, and "adjusted EBITDA margin" defined as adjusted EBITDA divided by total revenue.
- “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 both operating and non-operating adjustments for costs related to the U.K. pension plan buy-out.
- "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.
- "free cash flow" defined as net cash from operating activities, as reported in the Condensed Consolidated Statement of Cash Flows, less capital expenditures. Our definition of "free cash flow" does not consider certain non-discretionary cash payments, such as debt. The following table provides a reconciliation of free cash flow.

	Three Months Ended March 31,	
(in millions)	**2023**	2022
Net cash used by operating activities	**$ (19)**	$ (81)
Capital expenditures	**(49)**	(49)
Cash paid in excess of tax provision for R&D law change adoption	**33**	—
Free cash flow	**$ (35)**	$ (130)
Net cash used in investing activities	**$ (37)**	$ (43)
Net cash provided (used) by financing activities	**$ (63)**	$ (106)

2023 Outlook

We are updating our total revenue growth and organic revenue growth to be in the range of 8% to 9% in 2023. The following is a summary of our organic revenue performance and the organic revenue outlook by end market.

- Utilities revenue increased by approximately 23% in the first quarter on an organic basis driven by strength across all major geographic regions. For the remainder of 2023, we now expect organic revenue growth in the low teens. On the clean water side, we continue to expect improvements in chip supply throughout 2023 allowing for large deal deployments already secured in our backlog. Additionally, we can expect continued momentum for water quality products and increased demand for pipeline assessment services due to aging infrastructure and climate challenges. We expect wastewater utilities to remain focused on mission-critical applications in wastewater. Long-term capital expenditure outlook is strong due to aging infrastructure and the emerging markets' continued advancement.
- Industrial revenue increased by approximately 13% in the first quarter on an organic basis driven by strength across all major geographic regions. For 2023, we now expect organic revenue growth in the mid-single-digits. We expect to see continued strong growth in our dewatering business, driven by healthy mining demand and strategic growth investments. We expect demand in light industrial to remain resilient in the emerging markets and to moderate in developed markets.
- In the commercial markets, organic revenue increased by approximately 16% in the first quarter on an organic basis driven by strength in the U.S. and western Europe. For the remainder of 2023, we now expect organic revenue growth in the mid-single-digits. We expect sustained demand across replacement products and energy efficient related projects, partially offset by moderation in new construction, a smaller portion of our portfolio.
- In the residential markets, organic revenue decreased by approximately 2% in the first quarter on an organic basis predominately driven by project timing in the emerging markets. This market is primarily driven by solid replacement revenue serviced through our distribution network. For 2023, we continue to expect a low-single-digit organic revenue decline due to normalizing demand in the U.S., partially offset by continued resilience in the emerging markets.

We will continue to strategically execute restructuring and realignment actions in an effort to optimize our cost structure, improve our operational efficiency and effectiveness, strengthen our competitive positioning and better serve our customers. During 2023, we expect to incur approximately $25 million and $35 million in restructuring and realignment costs.

Results of Operations

(in millions)	Three Months Ended March 31, 2023	2022	Change
Revenue	**$ 1,448**	$ 1,272	13.8 %
Gross profit	**546**	467	16.9 %
Gross margin	**37.7 %**	36.7 %	100 bp
Total operating expenses	**415**	356	16.6 %
Expense to revenue ratio	**28.7 %**	28.0 %	70 bp
Restructuring and realignment costs	**11**	4	175.0 %
Special charges	**25**	1	2,400.0 %
Adjusted operating expenses	**379**	351	8.0 %
Adjusted operating expenses to revenue ratio	**26.2 %**	27.6 %	(140) bp
Operating income	**131**	111	18.0 %
Operating margin	**9.0 %**	8.7 %	30 bp
Interest and other non-operating expense, net	**5**	14	(64.3) %
Gain from sale of business	**—**	1	(100.0) %
Income tax expense	**27**	16	68.8 %
Tax rate	**21.7 %**	16.4 %	530 bp
Net income	**$ 99**	$ 82	20.7 %

NM - Not meaningful change

Revenue

Revenue generated during the three months ended March 31, 2023 was $1,448 million, reflecting an increase of $176 million, or 13.8%, compared to the same prior year period. On a constant currency basis, revenue grew 17.4% for the three months ended March 31, 2023. The increase on a constant currency basis was driven by organic revenue growth of $221 million, reflecting strong organic growth across all three segments and in all of our major geographic regions.

The following table illustrates the impact from organic growth, recent divestitures, and foreign currency translation in relation to revenue during the three months ended March 31, 2023:

	Water Infrastructure		**Applied Water**		**Measurement & Control Solutions**		**Total Xylem**	
(in millions)	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
2022 Revenue	$ 533		$ 425		$ 314		$ 1,272	
Organic Growth	81	15.2 %	41	9.6 %	99	31.5 %	221	17.4 %
Divestitures	—	— %	—	— %	—	— %	—	— %
Constant Currency	81	15.2 %	41	9.6 %	99	31.5 %	221	17.4 %
Foreign currency translation (a)	(25)	(4.7)%	(13)	(3.1)%	(7)	(2.2)%	(45)	(3.5)%
Total change in revenue	56	10.5 %	28	6.6 %	92	29.3 %	176	13.8 %
2023 Revenue	**$ 589**		**$ 453**		**$ 406**		**$ 1,448**	

(a) Foreign currency translation impact for the year due to the weakening in value of various currencies against the U.S. Dollar, the largest being the Euro, the British Pound, the Chinese Yuan and the Canadian Dollar.

Water Infrastructure

Water Infrastructure revenue increased $56 million, or 10.5%, for the first quarter of 2023 (15.2% increase on a constant currency basis) as compared to the prior year. Revenue was negatively impacted by $25 million of foreign currency translation, with the change at constant currency coming entirely from organic growth of $81 million. Organic growth for the quarter was driven by strength in both the utility and industrial end markets. The utilities end market experienced organic growth of $46 million led by strength in the U.S. driven by strong price realization, solid backlog coming into the year and higher demand in our rental business. Western Europe also experienced strong organic growth due to robust demand in utilities' capital spending coupled with good price realization. The industrial end market had $35 million of organic growth across all major geographic regions, particularly in the emerging markets, driven by projects in both Latin America and Africa, and in western Europe and the U.S. due to good price realization.

From an application perspective, organic revenue growth was almost entirely driven from our transport applications. Transport experienced $79 million of revenue growth, across all three of our major geographic regions, particularly in the U.S. where we experienced strong price realization, had solid backlog coming into the year and experienced higher rental demand in our dewatering business. Western Europe also experienced strong price realization along with demand from utility capital projects. Transport also grew in emerging markets, driven by projects in our dewatering business, particularity in Latin America and Africa. Organic revenue for the treatment application was $2 million for the quarter.

Applied Water

Applied Water revenue increased $28 million, or 6.6%, for the first quarter of 2023 (9.6% increase on a constant currency basis) as compared to the prior year. Revenue was negatively impacted by $13 million of foreign currency translation, with the change at constant currency coming entirely from organic growth of $41 million. Organic growth was driven by strength in the commercial and industrial end markets/applications, whereas the residential end market/application was down slightly versus the comparable period. Organic revenue growth in the first quarter was led by strength in commercial building services of $26 million, particularly in the U.S. where we benefited from strong price realization and backlog execution, and in western Europe, driven by strong price realization. Industrial water had strong organic growth in the quarter of $16 million, across all three of our major geographic regions, driven primarily by western Europe due to good price realization and healthy demand. The U.S. benefited from good price realization and the emerging markets saw healthy demand for the quarter. Residential building services was down $1 million organically for the quarter.

Measurement & Control Solutions

Measurement & Control Solutions revenue increased $92 million, or 29.3%, for the first quarter of 2023 (31.5% increase on a constant currency basis) as compared to the prior year. Revenue was negatively impacted by $7 million of foreign currency translation, with the change at constant currency coming entirely from organic growth of $99 million, or 31.5%. The segment experienced organic revenue growth across all three major geographic regions and in both of the segment's end markets for the quarter, driven by $91 million of organic growth in the utility end market, primarily in the U.S., due to strong backlog execution, enabled by recovery on prior year component constraints and strong price realization. The industrial end market saw $8 million organic revenue growth driven by backlog execution in our test business.

From an application perspective, organic revenue growth during the quarter was driven by both the water and energy applications. The water application had strong organic growth of $76 million, driven by strength in the U.S. due to lapping of prior year component constraints, strong price realization, and strength in our test and pipeline assessment services businesses. Better component availability and higher demand in western Europe also contributed to the growth. The energy applications experienced growth of $23 million, driven by our metrology business in the U.S. as well as lapping of prior year electronic component shortages.

Orders / Backlog

An order represents a legally enforceable, written document that includes the scope of work or services to be performed or equipment to be supplied to a customer, the corresponding price and the expected delivery date for the applicable products or services to be provided. An order often takes the form of a customer purchase order or a signed quote from a Xylem business. Orders received during the first quarter of 2023 were $1,570 million, a decrease of $145 million, or 8.5%, over the prior year (5.4% decrease on a constant currency basis). Order intake was negatively impacted by $53 million of foreign currency translation. The decrease on a constant currency basis for the quarter primarily consisted of organic order declines of $92 million, or 5.4%, as compared to the prior year.

The following table illustrates the impact from organic growth, recent divestitures, and foreign currency translation in relation to orders during the three months ended March 31, 2023:

	Water Infrastructure		**Applied Water**		**Measurement & Control Solutions**		**Total Xylem**	
(in millions)	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
2022 Orders	$ 660		$ 505		$ 550		$ 1,715	
Organic Impact	8	1.2 %	(4)	(0.8)%	(96)	(17.5)%	(92)	(5.4)%
Acquisitions/(Divestitures)	—	— %	—	— %	—	— %	—	— %
Constant Currency	8	1.2 %	(4)	(0.8)%	(96)	(17.5)%	(92)	(5.4)%
Foreign currency translation (a)	(29)	(4.4)%	(18)	(3.6)%	(6)	(1.1)%	(53)	(3.1)%
Total change in orders	(21)	(3.2)%	(22)	(4.4)%	(102)	(18.5)%	(145)	(8.5)%
2023 Orders	**$ 639**		**$ 483**		**$ 448**		**$ 1,570**	

(a) Foreign currency translation impact for the quarter due to the weakening in value of various currencies against the U.S. Dollar, the largest being the Euro, the British Pound, the Chinese Yuan and the Canadian Dollar.

Water Infrastructure

Water Infrastructure segment orders decreased $21 million, or 3.2%, to $639 million (1.2% increase on a constant currency basis) for the first quarter of 2023 as compared to the prior year. Order intake for the quarter was negatively impacted by $29 million of foreign currency translation. Organic orders increased during the quarter primarily in the transport applications, driven by strong project orders and dewatering strength in the emerging markets, and in the U.S., partially offset by reduced order intake in western Europe. The treatment application saw a slight decrease in orders driven by western Europe where we had project orders in the prior year which did not recur and order declines in Russia.

Applied Water

Applied Water segment orders decreased $22 million, or 4.4%, to $483 million (0.8% decrease on a constant currency basis) for the first quarter of 2023 as compared to the prior year. Order intake for the quarter was negatively impacted by $18 million of foreign currency translation. Weakness in the U.S. from lapping strong demand in the prior year, partially offset by strength in the emerging markets as a result of strong project orders.

Measurement & Control Solutions

Measurement & Control Solutions segment orders decreased $102 million, or 18.5%, to $448 million (17.5% decrease on a constant currency basis) for the first quarter of 2023 as compared to the prior year. Order weakness for the quarter was negatively impacted by $6 million of foreign currency translation. The organic order declines of $96 million in the current quarter are lapping strong organic order growth of 25% in the prior year. The order weakness for the quarter was driven by the energy applications due to strong orders in the prior year to mitigate electronic component shortages and longer lead times. The water application also experienced reduced order intake driven by lapping of large project orders in the prior year.

Backlog

Backlog includes orders on hand as well as contractual customer agreements at the end of the period. Delivery schedules vary from customer to customer based on their requirements. Annual or multi-year contracts are subject to rescheduling and cancellation by customers due to the long-term nature of the contracts. As such, beginning total backlog, plus orders, minus revenues, will not equal ending total backlog due to contract adjustments, foreign currency fluctuations, and other factors. Typically, large projects require longer lead production cycles and deployment schedules and delays occur from time to time. Total backlog was $3,743 million at March 31, 2023, an increase of $191 million or 5.4%, as compared to March 31, 2022 backlog of $3,552 million, and an increase of $138 million or 3.8%, as compared to December 31, 2022 backlog of $3,605 million, driven by the order intake in the quarter outpacing revenue. We anticipate that approximately 50% of the backlog at March 31, 2023 will be recognized as revenue in the remainder of 2023. There were no significant order cancellations during the quarter.

Gross Margin

Gross margin as a percentage of revenue increased 100 basis points to 37.7% for the three months ended March 31, 2023, as compared to 36.7% for the comparative 2022 period. The gross margin increase for the quarter included favorable impacts of 880 basis points, driven by 490 basis points of price realization, 240 basis points of productivity savings and 150 basis points of favorable volume. Favorable impacts in the quarter were partially offset by 780 basis points of negative impacts, driven by 410 basis points of inflation, 150 basis points of unfavorable mix, 60 basis points of inventory management costs and 50 basis points of increased spending on strategic investments.

Operating Expenses

The following table presents operating expenses for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,		
(in millions)	**2023**	2022	Change
Selling, general and administrative expenses	**$ 354**	$ 304	16.4 %
SG&A as a % of revenue	**24.4 %**	23.9 %	50 bp
Research and development expenses	**53**	52	1.9 %
R&D as a % of revenue	**3.7 %**	4.1 %	(40) bp
Restructuring and asset impairment charges	**8**	—	NM
Operating expenses	**$ 415**	$ 356	16.6 %
Expense to revenue ratio	**28.7 %**	28.0 %	70 bp

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses increased by $50 million to $354 million, or 24.4% of revenue, in the first quarter of 2023, as compared to $304 million, or 23.9% of revenue, in the comparable 2022 period. Increases in SG&A primarily consisted of $23 million related to acquisition and integration costs, $14 million of inflation and $12 million of investments in strategic growth initiatives.

Research and Development ("R&D") Expenses

R&D expense was $53 million, or 3.7% of revenue, in the first quarter of 2023, as compared to $52 million, or 4.1% of revenue in the comparable 2022 period. The R&D spend has remained fairly consistent year over year.

Restructuring and Asset Impairment Charges

Restructuring

During the three months ended March 31, 2023, we incurred restructuring costs of $6 million. We incurred these charges primarily as a continuation of our efforts to reposition our European and North American businesses to optimize our cost structure, improve our operational efficiency and effectiveness, strengthen our competitive positioning and better serve our customers. The charges included the reduction of headcount across all segments.

During the three months ended March 31, 2022, we did not incur any restructuring charges.

The following is a roll-forward for the three months ended March 31, 2023 and 2022 of employee position eliminations associated with restructuring activities:

	2023	2022
Planned reductions - January 1	**102**	60
Additional planned reductions	**73**	—
Actual reductions and reversals	**(82)**	(25)
Planned reductions - March 31	**93**	35

The following table presents expected restructuring spend in 2023 and thereafter relating to actions commenced in 2023:

(in millions)	**Water Infrastructure**	**Applied Water**	**Measurement & Control Solutions**	**Corporate**	**Total**
Actions Commenced in 2023:					
Total expected costs	$ 1	$ 1	$ 4	$ —	$ 6
Costs incurred during Q1 2023	1	1	3	—	5
Total expected costs remaining	**$ —**	**$ —**	**$ 1**	**$ —**	**$ 1**

During 2023, we also incurred charges of $1 million within the Water Infrastructure segment, related to actions commenced in prior years.

The Water Infrastructure, Applied Water and Measurement & Control Solutions actions commenced in 2023 consist primarily of severance charges. The Water Infrastructure and Applied Water actions are complete and the Measurement & Control Solutions actions are expected to continue through the end of 2023.

We currently expect to incur between $6 million and $10 million in restructuring costs for the full year. These restructuring costs are primarily related to efforts to optimize our cost structure, improve our operational efficiency and effectiveness, strengthen our competitive positioning and better serve our customers.

Asset Impairment

During the first quarter of 2023, we determined that internally developed in-process software within our Measurement & Control Solutions segment was impaired as a result of actions taken to prioritize strategic investments and recognized an impairment charge of $2 million. Refer to Note 8, "Goodwill and Other Intangible Assets," for additional information.

Operating Income and Adjusted EBITDA

Operating income was $131 million (operating margin of 9.0%) during the first quarter of 2023, an increase of $20 million, or 18.0%, when compared to operating income of $111 million (operating margin of 8.7%) during the prior year. Operating margin included unfavorable impacts of 210 basis points from increases in special charges and restructuring and realignment costs as compared to the prior year. Additionally, operating margin included 1,380 basis points of expansion from favorable operating impacts, consisting of a 700 basis point increase from price realization, 340 basis points from productivity savings and 340 basis points from favorable volume. Margin expansion was offset by 1,140 basis points of unfavorable impacts driven by 520 basis points of inflation, 160 basis points of increased employee related costs, 150 basis points of unfavorable mix, 140 basis points of increased spending on strategic investments and 80 basis points of increased inventory management costs. Excluding special charges and restructuring and realignment costs, adjusted operating income was $167 million (adjusted operating margin of 11.5%) for the first quarter of 2023 as compared to adjusted operating income of $116 million (adjusted operating margin of 9.1%) during the comparable quarter in the prior year.

Adjusted EBITDA was $236 million (adjusted EBITDA margin of 16.3%) during the first quarter of 2023, an increase of $55 million, or 30%, when compared to adjusted EBITDA of $181 million (adjusted EBITDA margin of 14.2%) during the comparable quarter in the prior year. The increase in adjusted EBITDA margin was primarily due to the same factors impacting adjusted operating margin noted above; however, adjusted EBITDA margin excludes the impact of depreciation and amortization expense, which had a favorable impact on adjusted operating margin year over year.

The table below provides a reconciliation of the total and each segment's operating income to adjusted operating income, and a calculation of the corresponding adjusted operating margin:

	Three Months Ended March 31,		
(in millions)	**2023**	2022	Change
Water Infrastructure			
Operating income	**$ 70**	$ 74	(5.4) %
Operating margin	***11.9 %***	*13.9 %*	*(200) bp*
Restructuring and realignment costs	**3**	1	200.0 %
Special charges	**—**	—	NM
Adjusted operating income	**$ 73**	$ 75	(2.7) %
Adjusted operating margin	***12.4 %***	*14.1 %*	*(170) bp*
Applied Water			
Operating income	**$ 83**	$ 59	40.7 %
Operating margin	***18.3 %***	*13.9 %*	*440 bp*
Restructuring and realignment costs	**3**	1	200.0 %
Special charges	**—**	—	NM
Adjusted operating income	**$ 86**	$ 60	43.3 %
Adjusted operating margin	***19.0 %***	*14.1 %*	*490 bp*
Measurement & Control Solutions			
Operating income (loss)	**$ 20**	$ (10)	300.0 %
Operating margin	***4.9 %***	*(3.2)%*	*810 bp*
Restructuring and realignment costs	**5**	2	150.0 %
Special charges	**2**	—	NM
Adjusted operating income	**$ 27**	$ (8)	437.5 %
Adjusted operating margin	***6.7 %***	*(2.5)%*	*920 bp*
Corporate and other			
Operating loss	**$ (42)**	$ (12)	(250.0) %
Special charges	**23**	1	2,200.0 %
Adjusted operating loss	**$ (19)**	$ (11)	72.7 %
Total Xylem			
Operating income	**$ 131**	$ 111	18.0 %
Operating margin	***9.0 %***	*8.7 %*	*30 bp*
Restructuring and realignment costs	**11**	4	175.0 %
Special charges	**25**	1	2,400.0 %
Adjusted operating income	**$ 167**	$ 116	44.0 %
Adjusted operating margin	***11.5 %***	*9.1 %*	*240 bp*

NM - Not meaningful percentage change

The table below provides a reconciliation of net income to consolidated EBITDA and adjusted EBITDA:

(in millions)	Three Months Ended March 31, 2023		
	2023	2022	Change
Net Income	**$ 99**	$ 82	21 %
Net Income margin	**6.8 %**	6.4 %	40 *bp*
Depreciation	**28**	28	— %
Amortization	**32**	30	7 %
Interest expense, net	**2**	11	(82) %
Income tax expense	**27**	16	69 %
EBITDA	**$ 188**	$ 167	13 %
Share-based compensation	**12**	9	33 %
Restructuring & realignment	**11**	4	175 %
Special charges	**25**	2	1150 %
Gain from sale of business	**—**	(1)	(100) %
Adjusted EBITDA	**$ 236**	$ 181	30 %
Adjusted EBITDA margin	**16.3 %**	14.2 %	210 *bp*

The tables below provide a reconciliation of each segment's operating income (loss) to EBITDA and adjusted EBITDA:

(in millions)	Three Months Ended March 31, 2023		
	Water Infrastructure	**Applied Water Systems**	**Measurement & Control Solutions**
Operating Income	**$ 70**	**$ 83**	**$ 20**
Operating margin	**11.9 %**	**18.3 %**	**4.9 %**
Gain from sale of business	**—**	**—**	**—**
Depreciation	**12**	**5**	**7**
Amortization	**2**	**—**	**27**
Other non-operating expense	**—**	**(1)**	**—**
EBITDA	**$ 84**	**$ 87**	**$ 54**
Share-based compensation	**2**	**1**	**2**
Restructuring & realignment	**3**	**3**	**5**
Special charges	**—**	**—**	**2**
Gain from sale of business	**—**	**—**	**—**
Adjusted EBITDA	**$ 89**	**$ 91**	**$ 63**
Adjusted EBITDA margin	***15.1 %***	***20.1 %***	***15.5 %***

(in millions)	Three Months Ended March 31, 2022 Water Infrastructure	Applied Water Systems	Measurement & Control Solutions
Operating Income	**$ 74**	**$ 59**	**$ (10)**
Operating margin	**13.9 %**	**13.9 %**	**(3.2)%**
Gain from sale of business	—	—	1
Depreciation	11	5	9
Amortization	2	—	25
Other non-operating expense	(4)	(1)	—
EBITDA	**$ 83**	**$ 63**	**$ 25**
Share-based compensation	1	1	1
Restructuring & realignment	1	1	2
Gain from sale of business	**$ —**	**$ —**	**$ (1)**
Adjusted EBITDA	**$ 85**	**$ 65**	**$ 27**
Adjusted EBITDA margin	***15.9 %***	***15.3 %***	***8.6 %***

(in millions)	2023 versus 2022 Water Infrastructure	Applied Water Systems	Measurement & Control Solutions
Operating Income (Loss)	**$ (4)**	**$ 24**	**$ 30**
Operating margin	**(2.0)%**	**4.4 %**	**8.1 %**
Gain from sale of business	—	—	(1)
Depreciation	1	—	(2)
Amortization	—	—	2
Other non-operating expense	4	—	—
EBITDA	**$ 1**	**$ 24**	**$ 29**
Share-based compensation	1	—	1
Restructuring & realignment	2	2	3
Special charges	—	—	2
Gain from sale of business	—	—	1
Adjusted EBITDA	**$ 4**	**$ 26**	**$ 36**
Adjusted EBITDA margin	***(0.8)%***	***4.8 %***	***6.9 %***

Water Infrastructure

Operating income for our Water Infrastructure segment was $70 million (operating margin of 11.9%) during the first quarter of 2023, a decrease of $4 million, or 5.4%, when compared to operating income of $74 million (operating margin of 13.9%) during the prior year, or a total decrease of 200 basis points. Operating margin declines included unfavorable impacts of 30 basis points from increases in restructuring and realignment costs as compared to the prior year. Additionally, operating margin declines included 1,350 basis points of unfavorable operating impacts, driven by 510 basis points of inflation, 280 basis points of unfavorable mix, 180 basis points of increased spending on strategic investments, 120 basis points of employee related costs, 110 basis points of unfavorable foreign currency impacts, and 60 basis points due to inventory management costs. Margin declines were offset by 1,180 basis points from favorable operating impacts consisting of 760 basis points of price realization, 240 basis points of productivity savings and 180 basis points of favorable volume. Excluding restructuring and realignment costs, adjusted operating income was $73 million (adjusted operating margin of 12.4%) for the first quarter of 2023 as compared to adjusted operating income of $75 million (adjusted operating margin of 14.1%) for the first quarter of 2022.

Adjusted EBITDA was $89 million (adjusted EBITDA margin of 15.1%) for the first quarter of 2023, an increase of $4 million, or (0.8)%, when compared to adjusted EBITDA of $85 million (adjusted EBITDA margin of 15.9%) during the prior year. The adjusted EBITDA margin was impacted by the same offsetting factors impacting the adjusted operating margin; however, adjusted EBITDA margin expansion includes a benefit from a year over year reduction in other non-operating expense.

Applied Water

Operating income for our Applied Water segment was $83 million (operating margin of 18.3%) during the first quarter of 2023, an increase of $24 million, or 40.7%, when compared to operating income of $59 million (operating margin of 13.9%) during the prior year, or a total increase of 440 basis points. Operating margin expansion included unfavorable impacts of 50 basis points from increases in restructuring and realignment costs as compared to the prior year. Additionally, operating margin expansion included 1,320 basis points from favorable operating impacts, driven by 790 basis points from price realization, 380 basis points from productivity savings and 120 basis points of favorable mix. Margin expansion was offset by negative operating impacts of 830 basis points consisting of 570 basis points of inflation, 130 basis points of increased inventory management costs, 70 basis points of increased spending on strategic investments and 60 basis points of unfavorable volume. Excluding restructuring and realignment costs, adjusted operating income was $86 million (adjusted operating margin of 19.0%) for the first quarter of 2023 as compared to adjusted operating income of $60 million (adjusted operating margin of 14.1%) for the first quarter of 2022.

Adjusted EBITDA was $91 million (adjusted EBITDA margin of 20.1%) for the first quarter of 2023, an increase of $26 million, or 4.8%, when compared to adjusted EBITDA of $65 million (adjusted EBITDA margin of 15.3%) during the prior year. The increase in adjusted EBITDA margin was primarily due to the same factors impacting the increase in adjusted operating margin.

Measurement & Control Solutions

Operating income for our Measurement & Control Solutions segment was $20 million (operating margin of 4.9%) during the first quarter of 2023, an increase of $30 million, or 300.0%, when compared to operating loss of $10 million (operating margin of (3.2)%) during the prior year, or a total increase of 810 basis points. Operating margin expansion included unfavorable impacts of 110 basis points from increases in special charges and restructuring and realignment costs as compared to the prior year. Additionally, operating margin expansion included 2,000 basis points of favorable operating impacts, driven by 1,220 basis points of favorable volume, 460 basis points of price realization and 320 basis points of productivity savings. Margin expansion was offset by negative operating impacts of 1080 basis points driven by 430 basis points of inflation, 260 basis points of unfavorable mix, 110 basis points of increased spending on strategic investments and 120 basis points of increased employee related costs. Excluding special charges and restructuring and realignment costs, adjusted operating income was $27 million (adjusted operating margin of 6.7%) for the first quarter of 2023 as compared to adjusted operating loss of $8 million (adjusted operating margin of (2.5)%) for the first quarter of 2022.

Adjusted EBITDA was $63 million (adjusted EBITDA margin of 15.5%) for the first quarter of 2023, an increase of $36 million, or 6.9%, when compared to adjusted EBITDA of $27 million (adjusted EBITDA margin of 8.6%) during the prior year. The increase in adjusted EBITDA margin was due to the same factors as those impacting the increase in adjusted operating margin; however, adjusted EBITDA margin did not benefit from the relative impact of depreciation and amortization expense.

Corporate and Other

Operating loss for corporate and other increased $30 million, or (250.0)%, during the first quarter of 2023 compared to the prior year period. The increase in operating loss for the three months ended March 31, 2023 was primarily due to acquisition and integration costs related to the pending acquisition of Evoqua. The timing of corporate initiatives, higher employee benefit costs and increased strategic investments also contributed to the higher operating loss. Excluding acquisition and integration costs and other special charges, the operating loss for corporate and other increased $8 million.

Interest Expense

Interest expense was $9 million and $13 million for the three months ended March 31, 2023 and 2022, respectively. The decrease in interest expense was primarily driven by interest expense incurred during 2022 related to our 2.250% Senior Notes due 2022 that were paid off in December 2022 and interest income related to additional net investment hedges executed in during 2023. See Note 9, “Derivative Financial Instruments” and Note 11, "Credit Facilities and Debt," of our condensed consolidated financial statements for a description of our net investment hedges and credit facilities and long-term debt, respectively.

Income Tax Expense

The income tax provision for the three months ended March 31, 2023 was $27 million resulting in an effective tax rate of 21.7%, compared to a $16 million expense resulting in an effective tax rate of 16.4% for the same period in 2022. The effective tax rate for the three months ended March 31, 2023 differs from the same period in 2022 due to the impact of earnings mix and nondeductible transaction costs recorded in the current period.

Liquidity and Capital Resources

The following table summarizes our sources and (uses) of cash:

	Three Months Ended March 31,		
(in millions)	**2023**	2022	Change
Operating activities	**$ (19)**	$ (81)	$ 62
Investing activities	**(37)**	(43)	6
Financing activities	**(63)**	(106)	43
Foreign exchange (a)	**12**	(2)	14
Total	**$ (107)**	$ (232)	$ 125

(a) The impact is primarily due to strengthening of the Euro and Polish Zloty partially offset by weakening of the Canadian Dollar.

Sources and Uses of Liquidity

Operating Activities

Cash used by operating activities was $19 million for the three months ended March 31, 2023 as compared to $81 million in the comparable prior year period. The reduction in cash used was primarily driven by reduced purchases of inventory, reflecting lower safety stock, lower build up of accounts receivable reflecting improved collections, higher cash earnings and lower interest payments. Reductions in trade payables, reflecting reduced investments in inventory balances and higher income tax payments partially offset these items.

Investing Activities

Cash used in investing activities was $37 million for the three months ended March 31, 2023 as compared to $43 million in the comparable prior year period. The reduction in spending was driven by cash paid for investments in the first quarter of 2022 that did repeat during the current year and increased cash received from cross-currency swaps. Reduced cash received from investments partially offset these items.

Financing Activities

Cash used by financing activities was $63 million for the three months ended March 31, 2023 as compared to cash used of $106 million in the comparable prior year period. The reduction in cash used was primarily driven by the lower repurchases of common stock.

Funding and Liquidity Strategy

Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations and access to bank financing and the capital markets. We continually evaluate aspects of our spending, including capital expenditures, strategic investments and dividends.

If our cash flows from operations are less than we expect, we may need to incur debt or issue equity. From time to time, we may need to access the long-term and short-term capital markets to obtain financing. Our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including: (i) our credit ratings or absence of a credit rating, (ii) the liquidity of the overall capital markets, and (iii) the current state of the economy. There can be no assurance that such financing will be available to us on acceptable terms or that such financing will be available at all. Our securities are rated investment grade. A significant change in credit rating could impact our ability to borrow at favorable rates. Refer to Note 11, "Credit Facilities and Debt", of our condensed consolidated financial statements for a description of limitations on obtaining additional funding.

We monitor our global funding requirements and seek to meet our liquidity needs on a cost-effective basis. In addition, our existing committed credit facilities and access to the public debt markets would provide further liquidity if required.

Based on our current global cash positions, cash flows from operations and access to the capital markets, we believe there is sufficient liquidity to meet our funding requirements and service debt and other obligations in both the U.S. and outside of the U.S. during the year. Currently, we have available liquidity of approximately $1.8 billion, consisting of $800 million of cash and $1 billion of available credit facilities as disclosed in Note 11, "Credit Facilities and Debt", of our condensed consolidated financial statements.

Risks related to these items are described in our risk factor disclosures referenced under “Item 1A. Risk Factors" in our 2022 Annual Report.

Credit Facilities & Long-Term Contractual Commitments

See Note 11, "Credit Facilities and Debt," of our condensed consolidated financial statements for a description of our credit facilities and long-term debt.

Non-U.S. Operations

We generated approximately 51% and 55% of our revenue from non-U.S. operations for the three months ended March 31, 2023 and 2022, respectively. As we continue to grow our operations in the emerging markets and elsewhere outside of the U.S., we expect to continue to generate significant revenue from non-U.S. operations and expect that a substantial portion of our cash will be held by our foreign subsidiaries. We expect to manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. We may transfer cash from certain international subsidiaries to the U.S. and other international subsidiaries when we believe it is cost-effective to do so. We continually review our domestic and foreign cash profile and our, expected future cash generation and investment opportunities, and reassess whether there is a need to repatriate funds held internationally to support our U.S. operations. As of March 31, 2023, we have provided a deferred tax liability of $6 million for net foreign withholding taxes and state income taxes on $478 million of earnings expected to be repatriated to the U.S. parent as deemed necessary in the future.

Critical Accounting Estimates

Our discussion and analysis of our results of operations and capital resources are based on our condensed consolidated financial statements, which have been prepared in conformity with GAAP. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. We believe the most complex and sensitive judgments, because of their significance to the condensed consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management’s Discussion and Analysis of Financial Condition and Results of Operations in the 2022 Annual Report describes the critical accounting estimates used in preparation of the condensed consolidated financial statements. Actual results in these areas could differ from management’s estimates. There have been no significant changes in the information concerning our critical accounting estimates as stated in our 2022 Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in the information concerning market risk as stated in our 2022 Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the 1934 Act) during the fiscal quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in legal and regulatory proceedings that are incidental to the operation of our businesses (or the business operations of previously-owned entities). These proceedings may seek remedies relating to matters including environmental, tax, intellectual property, acquisitions or divestitures, product liability, property damage, personal injury, privacy, employment, labor and pension, government contract issues and commercial or contractual disputes. See Note 17, "Commitments and Contingencies," to the condensed consolidated financial statements for further information and any updates.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in "Item 1A. Risk Factors" of our 2022 Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents information with respect to purchases of the Company's common stock by the Company during the three months ended March 31, 2023:

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS) PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE (a)	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS (b)	APPROXIMATE DOLLAR VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (b)
1/1/23 - 1/31/23	—	—	—	**$182**
2/1/23 - 2/28/23	—	—	—	**$182**
3/1/23 - 3/31/23	—	—	—	**$182**

This table does not include shares tendered to satisfy the exercise price in connection with cashless exercises of employee stock options or shares tendered to satisfy tax withholding obligations in connection with employee equity awards.

(a) Average price paid per share is calculated on a settlement basis.

(b) On August 24, 2015, our Board of Directors authorized the repurchase of up to $500 million in shares with no expiration date. The program's objective is to deploy our capital in a manner that benefits our stockholders and maintains our focus on growth. There were no shares repurchased under this program for the three months ended March 31, 2023. There are up to $182 million in shares that may still be purchased under this plan as of March 31, 2023.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Exhibit Index for a list of exhibits filed as part of this report and incorporated herein by reference.

XYLEM INC.
EXHIBIT INDEX

Exhibit Number	Description	Location
2.1	Agreement and Plan of Merger, dated as of January 22, 2023, among Xylem Inc., Fore Merger Sub, Inc. and Evoqua Water Technologies Corp.	Incorporated by reference to Exhibit 2.1 of Xylem Inc.'s Form 8-K filed on January 23, 2023 (CIK No. 1524472, File No. 1-24339)
3.1	Fourth Amended and Restated Articles of Incorporation of Xylem Inc.	Incorporated by reference to Exhibit 3.1 of Xylem Inc.'s Form 8-K filed on May 15, 2017 (CIK No. 1524472, File No. 1-35229).
3.2	Fifth Amended and Restated By-laws of Xylem Inc.	Incorporated by reference to Exhibit 3.1 of Xylem Inc.'s Form 8-K filed on November 15, 2022 (CIK No. 1524472, File No. 1-35229).
10.1	Letter Agreement between Xylem Inc. and Dorothy Capers	Filed herewith.
10.2	Letter Agreement between Xylem Inc. and Matthew Pine	Filed herewith.
10.3	Form of 2011 Omnibus Incentive Plan Non-Qualified Stock Option Award Agreement (2023)	Filed herewith.
10.4	Form of 2011 Omnibus Incentive Plan Performance Share Unit Agreement (2023)	Filed herewith.
10.5	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Agreement (2023)	Filed herewith.
10.6	Five-Year Revolving Credit Facility Agreement, dated as of March 1, 2023 among Xylem Inc. and the Lenders party thereto.	Incorporated by reference to Exhibit 10.1 of Xylem Inc.'s Form 8-K filed on March 2, 2023 (CIK No. 1524472, File No. 1-35229)
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference.

Exhibit Number	Description	Location
101.0	The following materials from Xylem Inc.’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023, formatted in Inline Extensible Business Reporting Language (Inline XBRL): (i) Condensed Consolidated Income Statements, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
104.0	The cover page from Xylem Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2023 formatted in Inline XBRL and contained in Exhibit 101.0.	
	# Management contract or compensatory plan or arrangement	

SIGNATURES

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.

XYLEM INC.
(Registrant)

/s/ Geri McShane

Geri McShane
Vice President, Controller and Chief Accounting Officer

May 4, 2023

Exhibit 10.1

Xylem 1 International Drive
Rye Brook, NY 10573

December 6, 2022

Dorothy Capers
[Address]

Dear Dorothy,

We are pleased to present you with this offer of employment with Xylem for the position of SVP, General Counsel & Corporate Secretary reporting directly to Patrick Decker, Xylem's President & Chief Executive Officer. This position is based in Washington, DC. We are anticipating your start date to be on or about February 1, 2022.

Base Salary: You will be compensated on a bi-weekly basis in the amount of $20,192.31, which is equivalent to $525,000 annually. Annual merit increases are normally scheduled for March of each year and are at the discretion of the Leadership Development and Compensation Committee (LDCC) of Xylem's Board of Directors. You will be able to participate in the merit increase program beginning in 2023.

Incentive Plan: You will be eligible for participation in the Xylem Executive Annual Incentive Plan (AIP) beginning with performance year 2022 according to the approved parameters of the plan and provided targets are met. Your bonus target is 65% of base salary. For 2022, you will be eligible for the full year incentive (i.e., not prorated). Approved AIP awards are typically paid in March for performance from the previous calendar year.

Sign-on Bonus: To help offset the compensation impact resulting from your transition, you will receive a one-time sign-on bonus in the amount of $600,000 payable within the first 30 days of your start date. The sign-on bonus is taxable, and all applicable taxes will be withheld.

Annual Long-Term Incentive Plan: You will be eligible to participate in the Xylem Long-Term Incentive Plan (LTIP) and will have an annual target award of $625,000 to be provided as 50% Performance Share Units (PSUs), 25% Restricted Stock Units (RSUs) and 25% Stock Options. RSUs and Stock Options vest one-third after each year and the PSUs vest 100% after three years and payable based on the Company's performance. Subsequent annual grants may vary due to management discretion with regard to individual performance and market competitiveness and are subject to approval by the LDCC. Your first annual LTIP award will be made effective on March 1, 2022.

Special ESG PSU Grant: As part of the senior executive team, you will be eligible for a one-time special Environmental, Social and Governance ("ESG") PSU award of $125,000. This award vests 100% after four years and payable based on the Company's performance. As a new hire, this award will be granted on March 1, 2022 and have the same vesting consistent with the March 1, 2021 grants to all other participants.

Sign-on RSU Grant: You will also be eligible for a special new hire RSU award of $200,000 in recognition of equity award you have forfeited upon accepting Xylem's offer of employment. This award will be granted on March 1, 2022 and vest one-third after each year subject to your continued employment.

Relocation: You (and your family) will be relocated to the Washington, DC area as per the terms of the Xylem U.S. Domestic Relocation Policy.

Benefit Plans: A complete benefits package will be made available to you and your eligible dependents, which includes immediate enrollment in medical plans and subject to any enrollment waiting periods as defined by certain life insurance coverage plans. A benefits summary is attached for your reference and is consistent with the one that has already been emailed to your as part of the recruiting process. You will be scheduled for a comprehensive benefit orientation during your first week of employment.

Paid Time Off (PTO): Xylem provides PTO to benefits-eligible employees to enable time off from work for rest and relaxation and to balance their lives. PTO provides a single bank of hours employees can use for sick, vacation and/or other personal reasons. You will accrue paid time off at the bi-weekly accrual rate of 7.08

hours per pay period (equivalent to 23 days annually) beginning on your date of hire and is based on total eligible hours worked and/or utilized during each pay period.

Holidays: Xylem recognizes twelve paid holidays per calendar year for eligible employees. Some of these are floating holidays, which may be assigned and are pro-rated based upon date of hire.

This offer is contingent on the verification of credentials and other reference check information, including the completion of a criminal history check and, if applicable a credit history check. Your employment is also dependent upon a satisfactory pre-employment drug screening and satisfactory completion of our Section 16 officer & director questionnaire which is typical for U.S. public listed companies. We also ask that you complete our standard employment application which is standard practice for us. We will coordinate these remaining processes upon your written acceptance of our offer. We also require presentation of documentation verifying your identity and legal ability to work in the United States (I-9). A form describing the verification requirements and information needed for documentation is enclosed. The information must be provided before your start date.

Additionally, we understand that you have not entered into a signed agreement with a previous employer that contains a non-competition clause that might affect your ability to accept employment with Xylem and your acceptance of this offer constitutes a representation to that effect. Our employment and compensation with Xylem are "at will" in that they can be terminated with or without cause, and with or without notice, at any time, at the option of either the Company or yourself. This offer does not constitute a contract of employment or an agreement for a definite or specified period of employment.

Enclosed with this offer is our Business Proprietary Information Agreement. Please review this document carefully and return a signed copy with your signed offer letter.

At Xylem, our corporate compass is our Code of Conduct. We are committed to conducting business according to the highest ethical standards, treating all stakeholders with respect, creating fair workplaces, and ensuring that our co-workers help us strengthen and protect our reputation as a great employer, business partner and community member. Our Code of Conduct sets the rules that outline the appropriate business conduct and expected behaviors of all our employees. Each employee will take a required training within 3 days of their start date.

Dorothy, we are confident you have a great deal to contribute to our organization and I look forward very much to working with you. Please acknowledge your acceptance of our offer by signing a copy of this letter and send back to Claudia at Claudia.Toussaint@xylem.com no later than December 8th, 2021.

Warm regards,

/s/ Patrick Decker

Patrick Decker
President & Chief Executive Officer

The above offer is accepted subject to the foregoing conditions.

/s/ Dorothy Capers	December 6, 2022
Dorothy Capers	Date

Cc: Claudia Toussaint, SVP, Chief Human Resources and Sustainability Officer

Exhibit 10.2

Xylem 1 International Drive
Rye Brook, NY 10573

December 19, 2022

Matthew Pine
[Address]

Dear Matthew:

We are pleased to present you with this offer of employment with Xylem Inc. for the position of Chief Operating Officer effective January 1, 2023. You will continue to report directly to Patrick Decker, Xylem's President and Chief Executive Officer.

Base Salary: You will be compensated on a bi-weekly basis in the amount of $25,000.00 which is equivalent to $650,000 annually. Annual merit increases are normally scheduled for March of each year and are at the discretion of management. This salary is inclusive of your 2023 merit increase. You will be eligible to participate in the merit increase program beginning in 2024. This position is considered Exempt and not entitled to overtime compensation as provided by Federal Law.

Incentive Plan: You will continue to be eligible for participation in the Executive Annual Incentive Plan (EAIP) according to the approved parameters of the plan and provided targets are met. Your 2023 bonus target is 80% of base salary. Approved bonus awards are typically paid in March based on the Company's performance against EAIP targets for the previous calendar year.

Annual Long-Term Incentive Plan: You will continue to be eligible to participate in the Xylem Long-Term Incentive Plan (LTIP). Your 2023 target award will be $2,000,000 to be provided as 50% Performance Share Units (PSUs), 25% Restricted Stock Units (RSUs) and 25% Stock Options. RSUs and Stock Options vest one-third per year. The PSUs vest 100% after three years and will be payable based on the Company's performance against the PSU targets. Subsequent annual grant amounts may vary based on the discretion of the Leadership Development & Compensation Committee (LDCC) with regard to individual performance and market competitiveness, and are subject to approval by the LDCC.

Your next annual LTIP award will be granted effective on March 1, 2023 subject to LDCC approval of the 2023 LTIP program and performance criteria in February 2023.

Benefit Plans: There will be no changes to your benefits as part of this new position.

Matthew, congratulations on your new role. We look forward to your continued contributions to our organization.

Sincerely,

/s/ Claudia Toussaint

Claudia Toussaint
SVP, Chief People & Sustainability Officer

The above offer is accepted subject to the foregoing conditions.

/s/ Matthew Pine	December 19, 2022
Matthew Pine	Date

Cc: Patrick Decker

Exhibit 10.3

XYLEM
2011 OMNIBUS INCENTIVE PLAN

2023 NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

This Agreement (the "**Agreement**") between Xylem Inc. (the "**Company**") and **###PARTICIPANT_NAME###** (the "**Participant**") is effective as of **###GRANT_DATE###**. Terms used in this Agreement that are not defined in this Agreement are defined in the Company's 2011 Omnibus Incentive Plan (Amended and Restated February 24, 2016) (the "**Plan**"). This Agreement is only being provided in English. The Participant is an employee of the Company or an Affiliate. In recognition of the Participant's valued services, the Company, through the Leadership Development and Compensation Committee of its Board of Directors (the "**Committee**"), is providing the Participant an inducement to remain employed and an incentive for increased efforts while employed. In consideration of the terms and conditions in this Agreement, the parties agree as follows:

1. **Grant of Non-Qualified Stock Options**. The Company confirms the grant on **###GRANT_DATE###,** (the "**Grant Date**") to the Participant of the option to purchase from the Company all or any part of an aggregate of **###TOTAL_AWARDS###** Shares (the "**Options**"), at the purchase price of **###GRANT_PRICE###** per Share (the "**Exercise Price**").

Nature of the Grant:

(a) The grant of Options is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options, even if Options have been granted in the past. All decisions with respect to future grants will be at the sole discretion of the Company;

(b) The Participant is voluntarily participating in the Plan;

(c) The Options are not part of normal or expected compensation for any purpose, including for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, pension or retirement or welfare benefits or similar payments;

(d) Future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(e) No claim or entitlement to compensation or damages will arise from forfeiture of the Options resulting from the termination of the Participant's employment; and

(f) The Company will not be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Options or of any amounts due to the Participant on exercise of the Options or on the subsequent sale of any Shares acquired on exercise.

2. **Terms and Conditions**. The Options are subject to the following additional terms and conditions:

(a) **Expiration Date**. The Options will expire on **###EXPIRY_DATE###**, or, if the Participant's employment terminates before that date, on the date specified in subsection 2(e) below.

(b) **Exercise of Options**. The Options cannot be exercised until vested.

(c) **Vesting**. Options will vest if the Participant has been actively employed by the Company or an Affiliate from the Grant Date through the vesting date. Active employment does not include any potential severance period or an approved leave of absence greater than 6 months.

Subject to subsections 2(a), 2(d), and 2(e), the Options will vest in 3 installments as follows:

###VEST_SCHEDULE_TABLE###

(d) **Effect of Change in Control**. In the event of a Change in Control prior to the vesting date, if the acquiring or surviving company in the transaction assumes or continues any then-outstanding Options, then the unvested Options will continue to vest based on the Options' service-based vesting criteria until the vesting date. If the Participant's active employment with the Company or an Affiliate is terminated by the Company or an Affiliate without Cause or by the Participant (for applicable Participants only) for Good Reason within 2 years of a Change in Control, any unvested and any converted Options will become 100% vested on the termination date. Any vested Options will expire on the earlier of **###EXPIRY_DATE###**, or the date **3 months** after the Participant's termination of active employment. If the participant is Retirement Eligible as specified in subsection 2(e) below, any vested Options will expire on the earlier of **###EXPIRY_DATE###,** or the date **3 years** after the Participant's termination of active employment.

"**Cause**" means (i) the Participant's willful and continued failure to substantially perform his, her or their duties with the Company or an Affiliate (other than any such failure resulting from the Participant's incapacity due to physical or mental illness) or (ii) the Participant willfully engaging in conduct that demonstrably and materially injures the Company or its Affiliates, monetarily or otherwise. "Willful" means the action is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

"**Good Reason**" means (i) a reduction in annual target total cash compensation (base salary and target bonus), (ii) the assignment of any duties inconsistent in any material adverse respect with the Participant's position, authority, duties or responsibilities, (iii) any other action by the Company or an Affiliate which results in a material diminution in such position, authority, duties or responsibilities; or (iv) the Company or an Affiliate requiring the Participant to relocate to a work location 50 miles or more from the location where the Participant was principally working immediately prior to the Change in Control. The Participant must give notice within 90 days of any Good Reason event.

Good Reason only applies to Company or Affiliate employees who are, at the time of termination of employment, covered by the Xylem Special Senior Executive Severance Pay Plan or the Xylem Enhanced Severance Pay Plan and will exclude an isolated, insubstantial and inadvertent action not taken in bad faith that is resolved by the Company or an Affiliate within 30 days of receiving notice.

(e) **Effect of Termination of Employment**. Options will only vest while the Participant is actively employed by the Company or an Affiliate. If the Participant's active employment with the Company or an Affiliate is terminated for any reason prior to the vesting date, and such termination constitutes a "separation from service" within the meaning of Section 409A of the Code and any related regulations or other effective guidance promulgated thereunder ("**Section 409A**"), subject to subsection 2(d), the following would apply to any outstanding Options:

(i) Termination due to Death or Disability. Any unvested Options will immediately become 100% vested on the Participant's termination of employment. Any vested Options will expire on the earlier of **###EXPIRY_DATE###**, or the date **3 years** after the Participant's termination of employment.

(ii) Termination due to Retirement or while Retirement Eligible. A prorated portion (as described below) of the unvested Options with a vesting date within 12 months of termination will immediately vest on the Participant's termination of employment. All other unvested Options will automatically be forfeited. Any vested Options will expire on the earlier of **###EXPIRY_DATE###,** or the date **3 years** after the Participant's termination of employment.

(iii) Termination other than for Death, Disability and Retirement. Any unvested Options will automatically forfeit on the date of the Participant's termination of employment. Any vested portion of the Options will expire on the earlier of **###EXPIRY_DATE###**, or the date **3 months** after the Participant's termination of employment.

"**Disability**" means the complete and permanent inability of the Participant to perform all duties under the terms of his, her or their employment, as determined by the Company based on evidence, including independent medical reports and data, as deemed appropriate or necessary.

"**Retirement**" means the termination of the Participant's employment (either by the Company or an Affiliate, or the Participant), if, at the time of such termination, the Participant is at least age 55 and has completed 10 years of service with the Company or an Affiliate, or the Participant is age 65 or older.

Prorated Vesting Upon Retirement. The prorated portion of the Options that vests on the Participant's termination of employment due to the Participant's Retirement will be determined by multiplying the total number of unvested Options with a vesting date within 12 months of termination by a fraction, of which the numerator is the number of full months (not to exceed 12) the Participant has been continually employed since the Vest Period Start Date, and the denominator is 12. For this purpose, full months of employment will be based on monthly anniversaries of the Grant Date, not calendar months.

(f) **Payment of Exercise Price**. Permissible methods for payment of the Exercise Price on exercise of the Options are described in Section 6.6 of the Plan, or, if the Plan is amended, successor provisions. In addition to the methods of exercise permitted by Section 6.6 of the Plan, the Participant may exercise all or part of the Options by way of (i) broker-assisted cashless exercise in a manner consistent with the Federal Reserve Board's Regulation T, unless the Committee determines that this is prohibited by law, or (ii) net-settlement, where the Participant directs the Company to withhold Shares that otherwise would be issued upon exercise of the Options having an aggregate Fair Market Value on the date of the exercise equal to the Exercise Price, or the portion being exercised by way of net-settlement (rounding up to the nearest whole Share).

(g) **Tax Withholding**. The Company will have the power and the right to deduct or withhold, or require the Participant to remit to the Company, all applicable federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to the exercise of the Options. The Participant may elect to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares that otherwise would be issued upon exercise of the Options, with the number of Shares withheld having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that could be imposed on the transaction (or such other amount that will not cause an adverse accounting consequence or cost) (rounding up to the nearest whole Share). Any election will be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

(h) **Automatic Exercise in Certain Circumstances.** Subject to subsection 2(i) of this Agreement, at close of business on the expiration date (or the preceding trading day if the expiration date is not a trading day), if the Exercise Spread Test (defined below) is met, the Option will be automatically exercised using the "net exercise" method described below, without regard to the notice requirement and with additional Shares retained for purposes of satisfying the applicable tax withholdings (the "Automatic Exercise"). The Option satisfies the "Exercise Spread Test" if the per Share spread between the closing price of the Company's common stock and the Grant Price (the "Exercise Spread") on the expiration date is at least one dollar. If the Exercise Spread Test is not satisfied, the unexercised portions of the Option will expire as of close of business on the expiration date.

An Automatic Exercise will not occur if the Participant (and, if applicable, the Participant's authorized legal representative) waives this subsection 2(h) in writing.

The Automatic Exercise procedure is provided as a convenience and as a protection against inadvertent expiration of an Option. Because any exercise of an Option is normally your responsibility, you hereby waive any claims against the Company or any of its employees or agents if an Automatic Exercise does not occur for any reason and the Option expires.

(i) **Compliance with Laws and Regulations.** Notwithstanding anything to the contrary in this Agreement, the Company will not be obligated to issue any Shares under this Agreement, or allow the exercise of the Options by the Participant if doing so violates or is not in compliance with any laws, rules or regulations of the United States or any state or country. The Participant understands that, if applicable, the laws of the country where the Participant is working at the time of grant, vesting, and/or exercise of the Options (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent exercise of the Options or may subject the Participant to additional procedural or regulatory requirements that the Participant is solely responsible for and that the Participant will have to independently fulfill. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, awards under the Plan, and any Shares acquired under the Plan, if the Company determines the requirement is necessary or advisable to comply with applicable law or facilitate the administration of the Plan.

(j) **Participant Acknowledgements.** The Participant acknowledges and agrees that:

(i) Participant Obligations. In partial consideration for the award of these Options, if at any time during the period between the Grant Date and the 12-month period following the Participant's termination of Employment (the "Obligation Period"), the Participant: (i) directly or indirectly, hires or solicits or arranges for the hiring or solicitation of any employee or customer of the Company or its Affiliates, or encourages any employee to leave the Company or an Affiliate; (ii) uses, discloses, misappropriates or transfers confidential or proprietary information concerning the Company or its Affiliates (except as required by the Participant's work responsibilities with the Company or its Affiliates); or (iii) engages in any activity in violation of Company policies, including the Company's Code of Conduct, or engages in conduct adverse to the best interests of the Company or its Affiliates; then the Options, whether previously vested or not, will be cancelled in full, and the Participant will be required to return to the Company any Shares received on exercise of vested Options or the pre-tax income derived from any disposition of any Shares received upon exercise of vested Options, unless the Company, in its sole discretion, elects not to cancel the Options.

The obligations in this subsection are in addition to any other agreements related to non-solicitation and preservation of Company confidential and proprietary information entered into between the Participant and the Company, or otherwise applicable to the Participant, and nothing in this Agreement is intended to waive, modify, alter or amend the terms of any such other agreement. THE PARTICIPANT UNDERSTANDS THAT THIS SUBSECTION IS NOT INTENDED TO AND DOES NOT PROHIBIT THE CONDUCT DESCRIBED, BUT PROVIDES FOR THE CANCELLATION OF THE AWARD IN FULL AND A RETURN TO THE COMPANY OF ANY SHARES RECEIVED UPON SETTLEMENT OF EXERCISED OPTIONS OR THE GROSS TAXABLE PROCEEDS FROM THE DISPOSITION OF ANY SHARES RECEIVED UPON SETTLEMENT OF EXERCISED OPTIONS IF THE PARTICIPANT SHOULD CHOOSE TO VIOLATE THIS PARAGRAPH DURING THE OBLIGATION PERIOD. Nothing in this Agreement prohibits the Participant from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

(ii) Electronic Delivery and Acceptance. The Participant consents to electronic delivery of any Plan documents. The Participant consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan related documents. The Participant agrees that his, her or their electronic signature is the same as, and will have the same force and effect as, his, her or their manual signature. Participant agrees that these procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

(iii) Right of Set-Off. If the Company in its reasonable judgment determines that the Participant owes the Company or an Affiliate any amount due to any loan, obligation or indebtedness, including amounts owed under the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and if the Participant has not satisfied such obligation(s), then the Company may instruct the plan administrator to withhold and/or sell Shares acquired by the Participant on exercise of the Options (to the extent such Shares are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of the obligation from other funds due to the Participant from the Company to the maximum extent permitted by Code Section 409A.

(iv) Data Privacy. Participant acknowledges and consents to the collection, use, processing and transfer of personal data. Participant is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect Participant's ability to participate in the Plan. The Company holds certain personal information about Participant, that may include his/her name, home address and telephone number, date of birth, social security number or other employee identification number, salary grade, hire data, salary, nationality, job title, or details of all options or performance stock units or any other entitlement to Shares of stock awarded, canceled, purchased, vested, or unvested, for the purpose of managing and administering the Plan ("**Data**"). The Company and its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan, and the Company or its Affiliates may each further transfer Data to any third parties assisting the Company with the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. The Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan, including any transfer of Data that may be required for the administration of the Plan and/or the subsequent holding of Shares of stock on Participant's behalf to a broker or other third party with whom Participant may elect to deposit any Shares of stock acquired pursuant to the Plan. Participant may, at any time, review Data, require any necessary amendments to it or withdraw this consent in writing by contacting Participant's designated Human Resources professional; however, withdrawing consent may affect Participant's ability to participate in the Plan. All Data will be managed in compliance with the Company's Data Privacy Guidelines and applicable employee notifications, which may contain more stringent requirements, but in any case will not be less stringent than subsection 2(j)(iv).

(k) **Governing Law**. This Agreement is issued, and the Options are granted, in Washington, DC and will be governed and construed in accordance with the laws of the District of Columbia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

By signing a copy of this Agreement, the Participant acknowledges that s/he has received a copy of the Plan and that s/he has read and understands the Plan and this Agreement and agrees to their terms and conditions. The Participant also acknowledges that the Options awarded under to this Agreement must be exercised prior to the expiration date, that it is the Participant's responsibility to exercise the Options, and that the Company has no further responsibility to notify the Participant of the expiration of the Options.

Agreed to: **XYLEM INC.**

/s/ Patrick Decker

______________________________ ______________________________

Participant Patrick K Decker, President and CEO

(Online Acceptance Constitutes Agreement)

Dated: ___________________ Dated: ###GRANT_DATE###

Enclosures

Exhibit 10.4

XYLEM
2011 OMNIBUS INCENTIVE PLAN

2023 PERFORMANCE SHARE UNIT AGREEMENT

This Agreement (the "**Agreement**") between Xylem Inc. (the "**Company**") and **###PARTICIPANT_NAME###** (the "**Participant**") is effective as of **###GRANT_DATE###**. Capitalized terms that are not defined in this Agreement are defined in the Company's 2011 Omnibus Incentive Plan (Amended and Restated on February 24, 2016) (the "**Plan**"). This Agreement is only being provided in English. The Participant is an employee of the Company or an Affiliate. In recognition of the Participant's valued services, the Company, through the Leadership Development and Compensation Committee of its Board of Directors (the "**Committee**"), is providing the Participant an inducement to remain employed and an incentive for increased efforts while employed. In consideration of the terms and conditions in this Agreement, the parties agree as follows:

1. **Grant of Performance Share Units**. The Company confirms the grant on **###GRANT_DATE###** (the "**Grant Date**") to the Participant, the target number of **###TOTAL_AWARDS###** Performance Share Units ("**PSUs**"). All PSUs granted under this Agreement are intended to be Performance Based Awards. The PSUs are notional units of measurement denominated in Shares of common stock (*i.e.*, one PSU is equivalent in value to one Share of common stock of the Company).

The PSUs represent an unfunded, unsecured right to receive Shares and dividend equivalent payments in the future if the conditions in the Plan and this Agreement are satisfied.

Nature of the Grant:

(a) The grant of the PSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of PSUs, or benefits in lieu of PSUs, even if PSUs have been granted in the past. All decisions with respect to future PSUs or other grants, if any, will be at the sole discretion of the Company;

(b) The Participant is voluntarily participating in the Plan;

(c) The PSUs and the Shares subject to the PSUs, are not part of normal or expected compensation for any purpose, including for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, pension or retirement or welfare benefits or similar payments;

(d) Future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(e) No claim or entitlement to compensation or damages will arise from forfeiture of the PSUs resulting from the termination of the Participant's employment; and

(f) The Company will not be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the PSUs or of any amounts due to the Participant pursuant to the settlement of the PSUs or the subsequent sale of any Shares acquired upon settlement.

2. **Terms and Conditions.** The PSUs are subject to the following additional terms and conditions:

(a) **Restrictions**. Except as otherwise provided in the Plan and this Agreement, the PSUs cannot be sold, assigned, pledged, exchanged, transferred, hypothecated or encumbered, other than to the Company as a result of forfeiture.

(b) **Voting and Dividend Equivalent Rights**. The Participant will not have any privileges of a shareholder of the Company with respect to the PSUs, including without limitation any right to vote such Shares or to receive dividends, unless and until Shares are delivered to the Participant on the vesting of the PSUs. Dividend equivalents will be earned for each PSU that vests and the amount will equal the total dividends declared on a Share, where the record date of the dividend is between the Grant Date of this Award and the date a Share is issued on vesting of the PSU. Any dividend equivalents earned will be paid in cash to the Participant as and when the Shares subject to the vested PSUs are issued. No dividend equivalents will be earned or paid with respect to any portion of the PSUs that are not earned and/or do not vest. Dividend equivalents will not accrue interest.

(c) **Earning of PSUs.** The Participant can earn between 0% and 175% of the target number of PSUs granted under this Agreement, with vesting to be based on the achievement of a 3-year average Xylem adjusted operational Return on Invested Capital ("**ROIC**") performance target, a 3rd-year Xylem Revenue performance target, and a 3-year Xylem Total Shareholder Return ("**TSR**") relative to companies in the S&P 500 index (excluding Financial Services companies) pursuant to the performance scales set forth on Exhibit A, by the end of the 3-year performance period covering fiscal years 2023-2025 (the **"Performance Period"**). The Committee will determine and certify the results of the level of achievement against such targets and the associated number of PSUs earned as described in Exhibit A.

Vesting and Payment. Any earned PSUs will vest on **March 1, 2026** (the **"Vesting Date"**) so long as the Participant has been actively employed by the Company or an Affiliate from the Grant Date through the Vesting Date. Active employment does not include any potential severance period or an approved leave of absence greater than 6 months.

Except as provided in subsection 2(h), on vesting of the PSUs, including vesting pursuant to subsections 2(d) or 2(e), the Company will deliver to the Participant (i) one Share for each vested PSU, with any fractional Shares resulting from proration pursuant to subsection 2(d) and 2(e) to be rounded to the nearest whole Share, and (ii) an amount in cash attributable to dividend equivalents earned in accordance with subsection 2(b), less Shares withheld in accordance with subsection 2(f).

(d) **Effect of Change in Control.** In the event of a Change in Control prior to the end of the Performance Period, if the acquiring or surviving company in the transaction assumes or continues any then-outstanding PSUs, any unvested PSUs will be deemed to have satisfied all applicable performance targets at the target level (i.e. 100%), and will be converted to service-based restricted stock units, which will continue to vest based on the PSUs' service-based vesting criteria until the Vesting Date.

If the Participant's active employment with the Company or an Affiliate is terminated by the Company or an Affiliate without Cause or by the Participant for Good Reason (for applicable Participants only) within 2 years of a Change in Control, any converted and any unvested PSUs will become 100% vested on the termination date.

If the acquiring or surviving company in the transaction does not assume or continue outstanding awards under the Plan, immediately prior to the Change in Control, any unvested PSUs will become 100% vested based on deemed performance at the target level (i.e. 100%).

"**Cause**" means (i) the Participant's willful and continued failure to substantially perform his, her or their duties with the Company or an Affiliate (other than any such failure resulting from the Participant's incapacity due to physical or mental illness) or (ii) the Participant willfully engaging in conduct that demonstrably and materially injures the Company or its Affiliates, monetarily or otherwise. "Willful" means the action is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

"**Good Reason**" means, without the Participant's express written consent (i) a reduction in annual target total cash compensation (base salary and target bonus), (ii) the assignment of any duties inconsistent in any material adverse respect with the Participant's position, authority, duties or responsibilities, (iii) any other action by the Company or an Affiliate which results in a material diminution in such position, authority, duties or responsibilities; or (iv) the Company or an Affiliate requiring the Participant to relocate to a work location 50 miles or more from the location where the Participant was principally working immediately prior to the Change in Control. The Participant must give notice within 90 days of any Good Reason event.

Good Reason only applies to Company or Affiliate employees who are at the time of termination of employment, or were at any time during the 2 year period immediately preceding the Change in Control, covered by the Xylem Special Senior Executive Severance Pay Plan or the Xylem Enhanced Severance Pay Plan and will exclude an isolated, insubstantial and inadvertent action not taken in bad faith that is resolved by the Company or an Affiliate within 30 days of receiving notice.

(e) **Effect of Termination of Employment.** Earned PSUs will only vest if the Participant is actively employed by the Company or an Affiliate through the Vesting Date. If the Participant's active employment is terminated for any reason prior to the Vesting Date, and the termination constitutes a "separation from service" within the meaning of Section 409A of the Code and any related regulations or other effective guidance promulgated thereunder ("**Section 409A**"), subject to subsection 2(d), the following would apply to any unvested PSUs:

(i) <u>Termination due to Death, Disability, or Retirement</u>. A prorated portion (as described below) of the unvested PSUs will remain outstanding and therefore continue to be eligible to vest based on actual Company performance during the Performance Period. A prorated portion (as described below) of the earned PSUs will be paid out on the Vesting Date.

(ii) <u>Termination other than for Death, Disability, or Retirement</u>. All PSUs will automatically be forfeited.

"**Disability**" means the complete and permanent inability of the Participant to perform all duties under the terms of his, her or their employment, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

"**Retirement**" means the termination of the Participant's employment (either by the Company or an Affiliate, or the Participant), if, at the time of such termination, the Participant is at least age 55 and has completed 10 years of service with the Company or an Affiliate, or the Participant is age 65 or older.

Prorated Vesting. The prorated portion of the PSUs that vests on the Vesting Date following the Participant's Death, Disability or Retirement (or while Retirement Eligible) will be determined by multiplying the total number of PSUs the Participant would have earned based on actual performance by a fraction, of which the numerator is the number of months (not to exceed 36) the Participant had been continually employed since the beginning of the Performance Period until his, her or their Death, Disability or Retirement and the denominator is 36.

(f) **Tax Withholding.** The Company may make such provisions and take such actions as it may deem necessary for the withholding of all applicable taxes attributable to the PSUs and any related dividend equivalents. Unless the Committee determines otherwise, the minimum statutory tax withholding required to be withheld on delivery of the Shares (or such other amount that will not cause an adverse accounting consequence or cost) and payment of dividend equivalents will be satisfied by withholding a number of Shares having an aggregate Fair Market Value equal to the minimum statutory tax required to be withheld (or such other amount that will not cause an adverse accounting consequence or cost). If this withholding would result in a fractional Share being withheld, the number of Shares withheld will be rounded up to the nearest whole Share. If FICA taxes are required to be withheld while the PSUs are outstanding, the withholding will be made in a manner determined by the Company.

(g) **Participant Acknowledgements.** The Participant acknowledges and agrees that:

(i) Participant Obligations. In partial consideration for the award of these PSUs, if at any time during the period between the Grant Date and the 12-month period following the Participant's termination of Employment (the "Obligation Period"), the Participant: (i) directly or indirectly, hires or solicits or arranges for the hiring or solicitation of any employee of the Company or its Affiliates, or encourages any employee to leave the Company or an Affiliate; (ii) directly or indirectly, assist in soliciting in competition with the Company the business of any current customer, distributor or dealer or other sales or distribution channel partners of the Company; (iii) uses, discloses, misappropriates or transfers confidential or proprietary information concerning the Company or its Affiliates (except as required by the Participant's work responsibilities with the Company or its Affiliates); or (iv) engages in any activity in violation of Company policies, including the Company's Code of Conduct, or engages in conduct materially adverse to the best interests of the Company or its Affiliates; the PSUs, whether previously vested or not, may be cancelled in full, and the Participant may be required to return to the Company any Shares received on settlement of vested PSUs or the net after-tax income from any disposition of any Shares received upon settlement of vested PSUs, unless the Committee, in its sole discretion, elects not to cancel the PSUs and/or elects not to recover any income from settled and vested PSUs or unless applicable law prohibits such action.

The obligations in this subsection are in addition to any other agreements related to non-solicitation and preservation of Company confidential and proprietary information entered into between the Participant and the Company, or otherwise applicable to the Participant, and nothing in this Agreement is intended to waive, modify, alter or amend the terms of any such other agreement. THE PARTICIPANT UNDERSTANDS THAT THIS SUBSECTION IS NOT INTENDED TO AND DOES NOT PROHIBIT THE CONDUCT DESCRIBED, BUT PROVIDES FOR THE CANCELLATION OF THE AWARD IN FULL AND A RETURN TO THE COMPANY OF ANY SHARES RECEIVED ON SETTLEMENT OF VESTED PSUS OR THE NET AFTER-TAX INCOME FROM THE DISPOSITION OF ANY SHARES RECEIVED UPON SETTLEMENT OF VESTED PSUS IF THE PARTICIPANT SHOULD CHOOSE TO VIOLATE THIS PARAGRAPH DURING THE OBLIGATION PERIOD. Nothing in this Agreement prohibits the Participant from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

(ii) Electronic Delivery and Acceptance. The Participant consents to electronic delivery of any Plan documents. The Participant consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan related documents. The Participant agrees that his, her or their electronic signature is the same as, and will have the same force and effect as, his, her or their manual signature. Participant agrees that these procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

(iii) Right of Set-Off. If the Company in its reasonable judgment determines that the Participant owes the Company or an Affiliate any amount due to any loan, obligation or indebtedness, including amounts owed under the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and the Participant has not satisfied these obligation(s), the Company may instruct the plan administrator to withhold and/or sell Shares acquired by the Participant on settlement of the PSUs (to the extent such PSUs are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of the obligation from other funds due to the Participant from the Company to the maximum extent permitted by Code Section 409A.

(iv) Data Privacy. Participant acknowledges and consents to the collection, use, processing and transfer of personal data. Participant is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect Participant's ability to participate in the Plan. The Company holds certain personal information about Participant, that may include his/her name, home address and telephone number, date of birth, social security number or other employee identification number, salary grade, hire data, salary, nationality, job title, or details of all options or performance stock units or any other entitlement to Shares of stock awarded, canceled, purchased, vested, or unvested, for the purpose of managing and administering the Plan ("**Data**"). The Company and its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan, and the Company or its Affiliates may each further transfer Data to any third parties assisting the Company with the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. The Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan, including any transfer of Data that may be required for the administration of the Plan and/or the subsequent holding of Shares of stock on Participant's behalf to a broker or other third party with whom Participant may elect to deposit any Shares of stock acquired pursuant to the Plan. Participant may, at any time, review Data, require any necessary amendments to it or withdraw consent in writing by contacting Participant's designated Human Resources professional; however, withdrawing consent may affect Participant's ability to participate in the Plan. All Data will be managed in compliance with the Company's Data Privacy Guidelines and applicable employee notifications, which may contain more stringent requirements, but in any case will not be less stringent than subsection 2(g)(iv).

(v) Stock Ownership Guidelines. If the Participant is or becomes subject to the Company's Stock Ownership Guidelines and applicable retention requirements, the Participant may be limited in selling Shares obtained upon settlement of the PSUs.

(vi) Clawback Policy. If the Participant is covered by the Company's Clawback Policy, the Participant agrees that the PSUs are subject to the Policy and may be subject to recovery (in whole or in part) by the Company. The Participant agrees that the Clawback Policy may be amended from time to time by the Committee, including amendments to comply with applicable laws, regulations or stock exchange listing requirements.

(h) **Section 409A Compliance.** It is intended that the Plan and this Agreement comply with the requirements of Section 409A to the extent applicable and the Plan and this Agreement will be interpreted accordingly.

(i) If it is determined that all or a portion of the Award constitutes deferred compensation for the purposes of Section 409A, and if the Participant is a "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Code, at the time of the Participant's separation from service, then, to the extent required under Section 409A, any Shares that would otherwise be distributed (along with the cash value of all dividend equivalents that would be payable) on the Participant's separation from service, will instead be delivered (and, in the case of the dividend equivalents, paid) on the earlier of (x) the first business day of the seventh month following the date of the Participant's separation from service or (y) the Participant's death.

(ii) If it is determined that all or a portion of the Award constitutes deferred compensation for the purposes of Section 409A, upon an Change in Control that does not constitute a "change in the ownership" or a "change in the effective control" of the Company or a "change in the ownership of a substantial portion of a corporation's assets" (as those terms are used in Section 409A), the PSUs will vest at the time of the Change in Control, but distribution of any PSUs (or related dividend equivalents) that constitute deferred compensation for the purposes of Section 409A will not be accelerated (i.e., distribution will occur when it would have occurred absent the Change in Control).

(i) **Governing Law.** This Agreement is issued, and the PSUs are granted, in Washington, DC and will be governed and construed in accordance with the laws of the District of Columbia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

By signing a copy of this Agreement, the Participant acknowledges that s/he has received a copy of the Plan and that s/he has read and understands the Plan and this Agreement and agrees to their terms and conditions.

Agreed to: **XYLEM INC.**

/s/ Patrick Decker

______________________________ ______________________________

Participant Patrick Decker, President and CEO

(Online Acceptance Constitutes Agreement)

Dated: __________________ Dated: **###GRANT_DATE###**

Enclosures

Performance Share Units

For the 2023-2025 performance period, with the pending Evoqua transaction, the LDCC has decided that the PSUs will be granted at Target (100%) as set forth below, with two plan designs in respect to (I) the combined company (closing by 1/22/2024) and (II) Xylem stand-alone (no closing by 1/22/2024). Actual payout (0%-175% of target) is contingent upon the achievement of the following:

Design I: Combined Company (replacing ROIC with EBITDA)

- **25% based on a pre-set, third-year Revenue target for the combined company.**
- **25% based on a pre-set, third-year adjusted Earnings Before Interest Tax Depreciation and Amortization ("EBITDA") performance target for the combined company.**
- **50% based on three-year relative Total Shareholder Return ("TSR").**

Design II: Xylem Stand-Alone (no change versus prior year)

- **25% based on a pre-set, third-year Revenue target for Xylem only.**
- **25% based on a pre-set, third-year adjusted operational Return on Invested Capital ("ROIC") performance target for Xylem only.**
- **50% based on three-year relative Total Shareholder Return ("TSR").**

2023-2025 Performance Targets and Payout Scale*

The payout scales for performance metrics below provide for PSUs to be earned above 100% for above target performance and below 100% for below target performance.

	Revenue (Combined Company)		Revenue (Xylem Only)		Adjusted EBITDA (Combined Company)		Adjusted Operational ROIC (Xylem Only)		Relative TSR	
	3rd Year % of Plan	Payout %	3rd Year % of Plan	Payout %	3rd Year % of Plan	Payout %	3-Year Average%	Payout %	3-Year %ile Rank	Payout %
Maximum Payout	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
Above Plan	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
Plan/Target	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
Below Plan	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
Threshold	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%
Below Threshold	X%	X%	X%	X%	X%	X%	X%	X%	xth	X%

**Results are interpolated between threshold to target and target to maximum. For Relative TSR, Payout is capped at target if Xylem's 3-year TSR is negative.*

Exhibit 10.5

XYLEM
2011 OMNIBUS INCENTIVE PLAN

2023 RESTRICTED STOCK UNIT AGREEMENT

This Agreement (the "**Agreement**") between Xylem Inc. (the "**Company**") and **###PARTICIPANT_NAME###** (the "**Participant**") is effective as of **###GRANT_DATE###**. Capitalized terms that are not defined in this Agreement are defined in the Company's 2011 Omnibus Incentive Plan (Amended and Restated February 24, 2016) (the "**Plan**"). This Agreement is only being provided in English. The Participant is an employee of the Company or an Affiliate. In recognition of the Participant's valued services, the Company, through the Leadership Development and Compensation Committee of its Board of Directors (the "**Committee**"), is providing the Participant an inducement to remain employed and an incentive for increased efforts while employed. In consideration of the terms and conditions in this Agreement, the parties agree as follows:

1. **Grant of Restricted Stock Units**. The Company hereby confirms the grant on **###GRANT_DATE###** (the "**Grant Date**") to the Participant of **###TOTAL_AWARDS###** Restricted Stock Units ("**RSUs**"). The RSUs are notional units of measurement denominated in Shares of common stock (*i.e.*, one RSU is equivalent in value to one Share of common stock of the Company).

The RSUs represent an unfunded, unsecured right to receive Shares and dividend equivalent payments in the future if the conditions in the Plan and this Agreement are satisfied.

Nature of the Grant:

(a) The grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past. All decisions with respect to future RSUs or other grants, if any, will be at the sole discretion of the Company;

(b) The Participant is voluntarily participating in the Plan;

(c) The RSUs and the Shares subject to the RSUs, are not part of normal or expected compensation for any purpose, including for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, pension or retirement or welfare benefits or similar payments;

(d) Future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(e) No claim or entitlement to compensation or damages will arise from forfeiture of the RSUs resulting from the termination of the Participant's employment; and

(f) The Company will not be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to the Participant pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

2. **Terms and Conditions**. It is understood and agreed that the RSUs are subject to the following terms and conditions:

(a) **Restrictions**. Except as otherwise provided in the Plan and this Agreement, neither this Award nor any RSUs subject to this Award may be sold, assigned, pledged, exchanged, transferred, hypothecated or encumbered, other than to the Company as a result of forfeiture of the RSUs.

(b) **Voting and Dividend Equivalent Rights.** The Participant will not have any privileges of a shareholder of the Company with respect to the RSUs or any Shares that may be delivered under this Agreement, including without limitation any right to vote the Shares or to receive dividends, unless and until the Shares are delivered on vesting of the RSUs. Dividend equivalents will be earned with respect to each RSU that vests and the amount will be equal to the total dividends declared on a Share, where the record date of the dividend is between the Grant Date of this Award and the date a Share is issued on vesting of the RSU. Any dividend equivalents earned will be paid in cash to the Participant when the Shares subject to the vested RSUs are issued. No dividend equivalents will be earned or paid with respect to any portion of the RSUs that do not vest. Dividend equivalents will not accrue interest.

(c) **Vesting and Payment**. RSUs will vest as long as the Participant has been actively employed by the Company or an Affiliate from the Grant Date through the vesting date. Active employment does not include any potential severance period or an approved leave of absence greater than 6 months. The RSUs will vest in 3 installments as follows:

###VEST_SCHEDULE_TABLE###

Except as provided in subsection 2(i), on vesting of the RSUs, including vesting pursuant to subsections 2(d) or 2(e), the Company will deliver to the Participant (i) one Share for each vested RSU, with any fractional Shares resulting from proration pursuant to subsection 2(e), if applicable, to be rounded to the nearest whole Share, and (ii) an amount in cash attributable to dividend equivalents earned in accordance with subsection 2(b), less Shares withheld in accordance with subsection 2(f).

(d) **Effect of Change in control.** In the event of a Change in Control prior to the end of the vesting date, if the acquiring or surviving company in the transaction assumes or continues any then-outstanding RSUs under the Plan, any unvested RSUs will continue to vest based on the RSUs' service-based vesting criteria until the vesting date.

If the Participant's active employment with the Company or an Affiliate is terminated by the Company or an Affiliate without Cause or by the Participant for Good Reason (for applicable Participants only) within 2 years of a Change in Control, any assumed unvested RSUs will become 100% vested on the termination date.

If the acquiring or surviving company in the transaction does not assume or continue outstanding awards under the Plan, immediately prior to the Change in Control any unvested RSUs will become 100% vested.

"**Cause**" means (i) the Participant's willful and continued failure to substantially perform his, her or their duties with the Company or an Affiliate (other than any such failure resulting from the Participant's incapacity due to physical or mental illness) or (ii) the Participant willfully engaging in conduct that demonstrably and materially injures the Company or its Affiliates, monetarily or otherwise. "Willful" means the action is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company.

"**Good Reason**" means, without the Participant's express written consent (i) a reduction in annual target total cash compensation (base salary and target bonus), (ii) the assignment of any duties inconsistent in any material adverse respect with the Participant's position, authority, duties or responsibilities, (iii) any other action by the Company or an Affiliate which results in a material diminution in such position, authority, duties or responsibilities; or (iv) the Company or an Affiliate requiring the Participant to relocate to a work location 50 miles or more from the location where the Participant was principally working immediately prior to the Change in Control. The Participant must give notice within 90 days of any Good Reason event.

Good Reason only applies to Company or Affiliate employees who are at the time of termination of employment, or were at any time during the 2 year period immediately preceding the Change in Control, covered by the Xylem Special Senior Executive Severance Pay Plan or the Xylem Enhanced Severance Pay Plan and will exclude an isolated, insubstantial and inadvertent action not taken in bad faith that is resolved by the Company or an Affiliate within 30 days of receiving notice.

(e) **Effect of Termination of Employment.** RSUs will only vest if the Participant is actively employed by the Company or an Affiliate prior to the vesting date. If the Participant's active employment with the Company or an Affiliate is terminated for any reason prior to the vesting date, and the termination constitutes a "separation from service" within the meaning of Section 409A of the Code and any related regulations or other effective guidance promulgated thereunder ("**Section 409A**"), subject to subsection 2(d), the following would apply to any unvested RSUs on the date of the Participant's termination of employment:

(i) <u>Termination due to Death or Disability</u>. Any unvested RSUs will immediately become 100% vested.

(ii) <u>Termination due to Retirement or while Retirement Eligible</u>. A prorated portion (as described below) of unvested RSUs with a vesting date within 12 months of termination shall immediately vest on the Participant's termination of employment. All other unvested RSUs will automatically be forfeited.

(iii) <u>Termination other than for Death, Disability and Retirement</u>. All unvested RSUs will automatically be forfeited.

"**Disability**" means the complete and permanent inability of the Participant to perform all duties under the terms of his, her or their employment, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

"**Retirement**" means the termination of the Participant's employment (either by the Company or an Affiliate, or the Participant), if, at the time of such termination, the Participant is at least age 55 and has completed 10 years of service with the Company or an Affiliate, or the Participant is age 65 or older.

Prorated Vesting Upon Retirement. The prorated portion of the RSUs that vests upon the Participant's termination of employment due to the Participant's Retirement will be determined by multiplying the total number of unvested RSUs with vesting date within 12 months of termination by a fraction, of which the numerator is the number of full months (not to exceed 12) the Participant has been continually employed since the most recent Vest Period Start Date, and the denominator is 12. For this purpose, full months of employment shall be based on monthly anniversaries of the Vest Period Start Date, not calendar months.

(f) **Tax Withholding.** The Company may make such provisions and take such actions as it may deem necessary for the withholding of all applicable taxes attributable to the RSUs and any related dividend equivalents. Unless the Committee determines otherwise, the minimum statutory tax withholding required to be withheld upon delivery of the Shares (or such other amount that will not cause an adverse accounting consequence or cost) and payment of dividend equivalents will be satisfied by withholding a number of Shares having an aggregate Fair Market Value equal to the minimum statutory tax required to be withheld (or such other amount that will not cause an adverse accounting consequence or cost). If this withholding would result in a fractional Share being withheld, the number of Shares withheld will be rounded up to the nearest whole Share. If FICA taxes are required to be withheld while the RSUs are outstanding, the withholding will be made in a manner determined by the Company.

(g) **Participant Acknowledgements.** The Participant acknowledges and agrees that:

(i) <u>Participant Obligations</u>. In partial consideration for the award of these RSUs, if at any time during the period between the Grant Date and the 12-month period following the Participant's termination of Employment (the "Obligation Period"), the Participant: (i) directly or indirectly, hires or solicits or arranges for the hiring or solicitation of any employee or customer of the Company or its Affiliates, or encourages any employee to leave the Company or an Affiliate; (ii) directly or indirectly, assist in soliciting in competition with the Company the business of any current customer, distributor or dealer or other sales or distribution channel partners of the Company; (iii) uses, discloses, misappropriates or transfers confidential or proprietary information concerning the Company or its Affiliates (except as required by the Participant's work responsibilities with the Company or its Affiliates); or (iv) engages in any activity in violation of Company policies, including the Company's Code of Conduct, or engages in conduct materially adverse to the best interests of the Company or its Affiliates; the RSUs, whether previously vested or not, may be cancelled in full, and the Participant may be required to return to the Company any Shares received on settlement of vested RSUs or the net after-tax income from the disposition of any Shares received upon settlement of vested RSUs, unless the Committee, in its sole discretion, elects not to cancel the RSUs and/or elects not to recover any income from settled RSUs or unless applicable law prohibits such action.

The obligations in this subsection are in addition to any other agreements related to non-solicitation and preservation of Company confidential and proprietary information entered into between the Participant and the Company, or otherwise applicable to the Participant, and nothing in this Agreement is intended to waive, modify, alter or amend the terms of any such other agreement. THE PARTICIPANT UNDERSTANDS THAT THIS SUBSECTION IS NOT INTENDED TO AND DOES NOT PROHIBIT THE CONDUCT DESCRIBED, BUT PROVIDES FOR THE CANCELLATION OF THE AWARDS IN FULL AND A RETURN TO THE COMPANY OF ANY SHARES RECEIVED UPON SETTLEMENT OF VESTED RSUS OR THE NET AFTER-TAX INCOME FROM THE DISPOSITION OF ANY SHARES RECEIVED UPON SETTLEMENT OF VESTED RSUS IF THE PARTICIPANT SHOULD CHOOSE TO VIOLATE THIS SUBSECTION DURING THE OBLIGATION PERIOD. Nothing in this Agreement prohibits the Participant from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

(ii) <u>Electronic Delivery and Acceptance</u>. The Participant consents to electronic delivery of any Plan documents. The Participant consents to any and all procedures that the Company has established or may establish for an electronic signature system for delivery and acceptance of Plan related documents. The Participant agrees that his, her or their electronic signature is the same as, and will have the same force and effect as, his, her or their manual signature. Participant agrees that these procedures and delivery may be effected by a third party engaged by the Company to provide administrative services related to the Plan.

(iii) <u>Right of Set-Off</u>. If the Company in its reasonable judgment determines that the Participant owes the Company or an Affiliate any amount due to any loan, obligation or indebtedness, including amounts owed under the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and the Participant has not satisfied these obligation(s), the Company may instruct the plan administrator to withhold and/or sell Shares acquired by the Participant on settlement of the RSUs (to the extent such RSUs are not subject to Code Section 409A), or the Company may deduct funds equal to the amount of the obligation from other funds due to the Participant from the Company to the maximum extent permitted by Code Section 409A.

(iv) Data Privacy. Participant acknowledges and consents to the collection, use, processing and transfer of personal data. Participant is not obliged to consent to such collection, use, processing and transfer of personal data. However, failure to provide the consent may affect Participant's ability to participate in the Plan. The Company holds certain personal information about Participant, that may include his/her name, home address and telephone number, date of birth, social security number or other employee identification number, salary grade, hire data, salary, nationality, job title, or details of all options or performance stock units or any other entitlement to Shares of stock awarded, canceled, purchased, vested, or unvested, for the purpose of managing and administering the Plan ("**Data**"). The Company and its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan, and the Company or its Affiliates may each further transfer Data to any third parties assisting the Company with the implementation, administration and management of the Plan. These recipients may be located throughout the world, including the United States. The Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan, including any transfer of Data that may be required for the administration of the Plan and/or the subsequent holding of Shares of stock on Participant's behalf to a broker or other third party with whom Participant may elect to deposit any Shares of stock acquired pursuant to the Plan. Participant may, at any time, review Data, require any necessary amendments to it or withdraw this consent in writing by contacting Participant's designated Human Resources professional; however, withdrawing consent may affect Participant's ability to participate in the Plan. All Data will be managed in compliance with the Company's Data Privacy Guidelines and applicable employee notifications, which may contain more stringent requirements, but in any case will not be less stringent than subsection 2(g)(iv).

(v) Stock Ownership Guidelines. If the Participant is or becomes subject to the Company's Stock Ownership Guidelines and applicable retention requirements, the Participant may be limited in selling Shares obtained upon settlement of the RSUs.

(vi) Clawback Policy. If the Participant is covered by the Company's Clawback Policy, the Participant agrees that the RSUs are subject to the Policy and may be subject to recovery (in whole or in part) by the Company. The Participant agrees that the Clawback Policy may be amended from time to time by the Committee, including amendments to comply with applicable laws, regulations or stock exchange listing requirements.

(h) **Section 409A Compliance.** It is intended that the Plan and this Agreement comply with the requirements of Section 409A to the extent applicable, and the Plan and this Agreement shall be interpreted accordingly.

(i) If it is determined that all or a portion of the Award constitutes deferred compensation for the purposes of Section 409A, and if the Participant is a "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Code, at the time of the Participant 's separation from service, then, to the extent required under Section 409A, any Shares that would otherwise be distributed (along with the cash value of all dividend equivalents that would be payable) upon the Participant 's separation from service, shall instead be delivered (and, in the case of the dividend equivalents, paid) on the earlier of (x) the first business day of the seventh month following the date of the Participant 's separation from service or (y) the Participant 's death.

(ii) If it is determined that all or a portion of the Award constitutes deferred compensation for the purposes of Section 409A, upon an Change in Control that does not constitute a "change in the ownership" or a "change in the effective control" of the Company or a "change in the ownership of a substantial portion of a corporation's assets" (as those terms are used in Section 409A), the RSUs will vest at the time of the Change in Control, but distribution of any RSUs (or related dividend equivalents) that constitute deferred compensation for the purposes of Section 409A will not be accelerated (*i.e.*, distribution will occur when it would have occurred absent the Change in Control).

(i) **Governing Law.** This Agreement is issued, and the RSUs are granted, in Washington, DC and will be governed and construed in accordance with the laws of the District of Columbia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

By signing a copy of this Agreement, the Participant acknowledges that s/he has received a copy of the Plan and that s/he has read and understands the Plan and this Agreement and agrees to their terms and conditions.

Agreed to: **XYLEM INC.**

______________________________ __/s/ Patrick Decker____________

Participant Patrick K Decker, President and CEO

(Online Acceptance Constitutes Agreement)

Dated: __________________ Dated: ###GRANT_DATE###

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick K. Decker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xylem Inc. for the period ended March 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Patrick K. Decker
Patrick K. Decker
President and Chief Executive Officer

Date: May 4, 2023

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sandra E. Rowland, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xylem Inc. for the period ended March 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Sandra E. Rowland
Sandra E. Rowland
Senior Vice President and Chief Financial Officer

Date: May 4, 2023

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Xylem Inc. (the “Company”) for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patrick K. Decker, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrick K. Decker
Patrick K. Decker
President and Chief Executive Officer
May 4, 2023

A signed original of this written statement required by Section 906 has been provided to Xylem Inc. and will be retained by Xylem Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Xylem Inc. (the “Company”) for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sandra E. Rowland, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sandra E. Rowland

Sandra E. Rowland
Senior Vice President and Chief Financial Officer
May 4, 2023

A signed original of this written statement required by Section 906 has been provided to Xylem Inc. and will be retained by Xylem Inc. and furnished to the Securities and Exchange Commission or its staff upon request.