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 September 30, 2025

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 October 24, 2025, there were 243,469,063 outstanding shares of the registrant’s common stock, par value $0.01 per share.

Xylem Inc.

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PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months		Nine Months	
For the periods ended September 30,	**2025**	2024	**2025**	2024
Revenue from products	**$ 1,867**	$ 1,744	**$ 5,487**	$ 5,236
Revenue from services	**401**	360	**1,151**	1,070
Revenue	**2,268**	2,104	**6,638**	6,306
Cost of revenue from products	**1,109**	1,047	**3,279**	3,147
Cost of revenue from services	**276**	273	**816**	804
Cost of revenue	**1,385**	1,320	**4,095**	3,951
Gross profit	**883**	784	**2,543**	2,355
Selling, general and administrative expenses	**474**	445	**1,437**	1,404
Research and development expenses	**52**	55	**166**	172
Restructuring and asset impairment charges	**23**	4	**70**	37
Operating income	**334**	280	**870**	742
Interest expense	**(6)**	(10)	**(23)**	(35)
Other non-operating income, net	**6**	1	**13**	11
Loss on sale of businesses	**(37)**	(2)	**(47)**	(6)
Income before taxes	**297**	269	**813**	712
Income tax expense	**(71)**	(52)	**(196)**	(148)
Net income	**$ 226**	$ 217	**$ 617**	$ 564
Net loss attributable to non-controlling interests	**1**	—	**5**	—
Net income attributable to Xylem	**$ 227**	$ 217	**$ 622**	$ 564
Earnings per share:				
Basic	**$ 0.93**	$ 0.89	**$ 2.56**	$ 2.33
Diluted	**$ 0.93**	$ 0.89	**$ 2.55**	$ 2.32
Weighted average number of shares:				
Basic	**243.5**	242.9	**243.3**	242.5
Diluted	**244.1**	243.8	**243.9**	243.4

See accompanying notes to condensed consolidated financial statements.

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

	Three Months		Nine Months	
For the periods ended September 30,	**2025**	2024	**2025**	2024
Net income	**$ 226**	$ 217	**$ 617**	$ 564
Other comprehensive (loss) income, before tax:				
Foreign currency translation adjustment	**(6)**	97	**87**	38
Amount of currency translation adjustment relating to divestiture of foreign subsidiaries reclassified into net income	**—**	—	**8**	—
Net change in derivative hedge agreements:				
Unrealized gain	**1**	3	**31**	—
Amount of (gain) loss reclassified into net income	**(5)**	2	**(2)**	2
Net change in post-retirement benefit plans:				
Amortization of prior service credit	**—**	—	**—**	(1)
Amortization of net actuarial loss into net income	**—**	—	**1**	1
Foreign currency translation adjustment	**1**	(2)	**(2)**	—
Other comprehensive (loss) income, before tax	**(9)**	100	**123**	40
Income tax expense (benefit) related to items of other comprehensive (loss) income	**2**	(13)	**(79)**	3
Other comprehensive (loss) income, net of tax	**(11)**	113	**202**	37
Comprehensive income	**$ 215**	$ 330	**$ 819**	$ 601
Comprehensive loss attributable to non-controlling interest	**1**	—	**5**	—
Comprehensive income attributable to Xylem	**$ 216**	$ 330	**$ 824**	$ 601

See accompanying notes to condensed consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in millions)

	September 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,191**	$ 1,121
Receivables, less allowances for discounts, returns and credit losses of $66 and $59 in 2025 and 2024, respectively	**1,803**	1,668
Inventories	**1,035**	996
Prepaid and other current assets	**254**	236
Assets held for sale	**158**	77
Total current assets	**4,441**	4,098
Property, plant and equipment, net	**1,141**	1,152
Goodwill	**8,280**	7,980
Other intangible assets, net	**2,319**	2,379
Other non-current assets	**1,114**	884
Total assets	**$ 17,295**	$ 16,493
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 968**	$ 1,006
Accrued and other current liabilities	**1,172**	1,271
Short-term borrowings and current maturities of long-term debt	**49**	38
Liabilities held for sale	**80**	21
Total current liabilities	**2,269**	2,336
Long-term debt	**1,913**	1,978
Accrued post-retirement benefit obligations	**323**	304
Deferred income tax liabilities	**492**	497
Other non-current accrued liabilities	**853**	496
Total liabilities	**5,850**	5,611
Commitments and contingencies (Note 18)		
Redeemable non-controlling interest	**226**	235
Stockholders' equity:		
Common stock – par value $0.01 per share:		
Authorized 750.0 shares, issued 259.8 shares and 259.2 shares in 2025 and 2024, respectively	**3**	3
Capital in excess of par value	**8,735**	8,687
Retained earnings	**3,469**	3,140
Treasury stock – at cost 16.3 shares and 16.2 shares in 2025 and 2024, respectively	**(767)**	(753)
Accumulated other comprehensive loss	**(233)**	(435)
Total stockholders' equity	**11,207**	10,642
Non-controlling interests	**12**	5
Total equity	**11,219**	10,647
Total liabilities, redeemable non-controlling interest, and stockholders' equity	**$ 17,295**	$ 16,493

See accompanying notes to condensed consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES

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

For the nine months ended September 30,	2025	2024
Operating Activities		
Net income	$ 617	$ 564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	201	191
Amortization	231	229
Share-based compensation	37	43
Restructuring and asset impairment charges	70	37
Loss from sale of businesses	47	6
Other, net	3	(4)
Payments for restructuring	(48)	(24)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	(113)	(101)
Changes in inventories	(30)	(88)
Changes in accounts payable	(45)	(31)
Changes in accrued and deferred taxes	(12)	(11)
Other, net	(260)	(123)
Net Cash – Operating activities	698	688
Investing Activities		
Capital expenditures	(248)	(221)
Acquisitions of businesses, net of cash acquired	(113)	(5)
Proceeds from sale of businesses, net of cash disposed	48	11
Proceeds from the sale of property, plant and equipment	15	3
Cash received from investments	5	5
Cash paid for investments	(26)	(8)
Cash paid for equity investments	(5)	(4)
Cash paid for asset acquisition	(37)	—
Cash received from cross-currency swaps	31	25
Other, net	1	1
Net Cash – Investing activities	(329)	(193)
Financing Activities		
Short-term debt issued, net	1	—
Short-term debt repaid	—	(268)
Long-term debt repaid	(60)	(13)
Repurchase of common stock	(14)	(19)
Proceeds from exercise of employee stock options	11	66
Dividends paid	(293)	(263)
Other, net	(27)	(23)
Net Cash – Financing activities	(382)	(520)
Effect of exchange rate changes on cash	83	(5)
Increase in cash classified within assets held for sale	11	—
Decrease in cash classified within assets held for sale	(11)	—
Changes in cash classified within assets held for sale	—	—
Net change in cash and cash equivalents	70	(30)
Cash and cash equivalents at beginning of year	1,121	1,019
Cash and cash equivalents at end of period	$ 1,191	$ 989
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 43	$ 49
Income taxes (net of refunds received)	$ 208	$ 160

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 four segments, Water Infrastructure, Applied Water, Measurement and Control Solutions and Water Solutions and Services. See Note 19, "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, 2024 ("2024 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 2024 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, valuation results associated with purchase accounting, post-retirement obligations and assets, revenue recognition, income taxes, valuation of intangible assets, valuation of assets and liabilities classified as held for sale, 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

Pronouncements Not Yet Adopted

In September 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2025-06, *“Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software”*. This ASU amends the capitalization criteria for internal-use software and requires entities to make certain disclosure of costs capitalized under this subtopic. This ASU also supersedes existing guidance on web site development costs. The standard is effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods, with early adoption permitted. Prospective, retrospective, or modified transition adoption methods are all permitted under this ASU. We are currently evaluating the impact and method of adoption of this amendment.

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2025-05, *“Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets”*. This ASU provides a practical expedient for entities to assume the current conditions as of the balance sheet date do not change for the remaining life of the asset when assessing expected credit losses on current accounts receivable and current contract asset balances arising from transactions accounted for under Topic 606. The standard is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. If the practical expedient is elected, it will apply prospectively. We do not expect the adoption of the amendment and the election of the practical expedient to have a material impact on our financial statements.

In November 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2024-03, "*Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*". This ASU requires a footnote disclosure to disaggregate each relevant expense caption on the face of the income statement that includes specific natural expense categories. In addition, the standard requires disclosure of selling expenses on an annual and interim basis. The standard is effective in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The standard is required to be adopted prospectively, but retrospective adoption is permitted. The Company is currently evaluating the method of adoption and the impacts of the guidance on our disclosures in future periods.

In December 2023, the FASB issued ASU No. 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*". The ASU is intended to improve income tax disclosure requirements, primarily through additional disclosures about a reporting entity’s effective tax rate reconciliations as well as information on income taxes paid. The standard is effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025, with early adoption permitted. The amendments are required to be applied on a prospective basis, with the option to apply retrospectively to all prior periods presented in the consolidated financial statements. The Company is currently evaluating the method of adoption and the impact of the guidance on our disclosures in future periods.

Note 3. Acquisitions and Divestitures

2025 Asset Acquisition

Vacom Systems, LLC

At the beginning of the second quarter, we acquired Vacom Systems, LLC ("Vacom"), a wastewater treatment company that specializes in non-fouling, non-scaling evaporator and crystallizer systems, headquartered in Utah, U.S. The transaction has a total cash consideration of $42 million, of which $37 million was paid at closing. The remaining cash consideration will be paid over the next 12 to 18 months, subject to working capital and other customary adjustments. Additionally, the transaction consideration contained an earn out of 5% royalty on future revenue generated in connection with Vacom's proprietary technologies during the first five years following the acquisition. The earn out has a maximum pay out of $25 million.

The Vacom transaction was accounted for as an asset acquisition because substantially all of the fair value of gross assets acquired were concentrated in its developed technology. On the acquisition date, the developed technology recognized in the condensed consolidated balance sheet is $49 million. The developed technology has a useful life of 15 years and will be amortized over its useful life on a straight-line basis within the Water Solutions and Services segment.

2025 Business Combination

Simply Clean Air and Water, Inc.

On January 31, 2025, we acquired Simply Clean Air and Water, Inc. ("Simply Clean"), a water service company that specializes in high-purity water systems for life sciences and pharmaceutical markets, for the net cash acquisition price of $7 million. The company is headquartered in Connecticut, U.S. with 20 employees. Our consolidated financial statements include Simply Clean's results of operations within the Water Solutions and Services segment.

EMX Holdings, Inc.

On July 23, 2025, we acquired 100% ownership interest in EMX Holdings, Inc. and its subsidiary ("EnviroMix"). EnviroMix is headquartered in South Carolina, U.S., and provides mixing and process control products and services to municipal and industrial customers. This acquisition expands the Company's treatment offerings, and provides synergy opportunities.

The total fair value of consideration transferred was $106 million, which was paid in cash on closing date, subject to final closing working capital and other ordinary adjustments.

The operating results of EnviroMix have been included in the Company's results of operations since the acquisition date within the Water Infrastructure segment.

The following table summarizes the preliminary acquisition date fair value of net tangible and intangible assets acquired, net of liabilities assumed from EnviroMix:

(in millions)	Fair Value
Receivables	4
Contract assets	8
Goodwill	76
Other intangible assets, net	34
Other non-current assets	1
Accounts payable	(3)
Accrued and other current liabilities	(4)
Deferred income tax liabilities	(9)
Other non-current accrued liabilities	(1)
Total	**$ 106**

The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. The above fair values of assets acquired and liabilities assumed are preliminary. The fair values of the intangible assets acquired were preliminarily determined using the income and cost approaches. In many cases, the determination of the fair values required estimates about discount rates, future expected cash flows, and other future events that are judgmental and subject to change. The final determination of the fair value of certain assets and liabilities will be completed as soon as the necessary information becomes available but no later than one year from the acquisition date.

The $76 million of goodwill recognized, which is not deductible for U.S. income tax purposes, is primarily attributable to management know-how and costs and revenue synergies expected from combining the operations of EnviroMix with Xylem.

Identifiable Intangible Assets Acquired

The following table summarizes key information underlying identifiable intangible assets related to the EnviroMix acquisition:

	Useful Life[(a)]	Fair Value (in millions)
Customer Relationships	10 years	$ 25
Backlog	8 months	5
Non-compete agreements	5 years	3
Trade Name	6 years	1
Total	**8.1 years**	**$ 34**

(a) Useful life approximates weighted average useful life.

The preliminary estimates of fair value of EnviroMix's identifiable intangible assets were determined using the income approach. The fair value measurements were primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement of the fair value hierarchy as defined in ASC 820, Fair Value Measurements. Intangible assets consisting of the customer relationships, backlog, trade name, and non-compete agreements were valued using the multi-period excess earnings method ("MEEM"), the relief from royalty ("RFR") method, or the with and without method, all of which are forms of the income approach.

- The customer and backlog intangible assets were valued using the MEEM. The MEEM is an approach where the net earnings attributable to the asset being measured are isolated from other "contributory assets" over the intangible asset's remaining economic life.
- The trade name intangible asset was valued using the RFR method. The RFR method suggests that in lieu of ownership, the acquirer can obtain comparable rights to use the subject asset via a license from a hypothetical third-party owner. The asset's fair value is the present value of license fees avoided by owning it (i.e., the royalty savings).
- The non-compete agreement was valued using the with and without method. The with and without method of valuation is an approach that considers the hypothetical impact to the projected cash flows of the business if the intangible asset was not in place.

Pro Forma Financial Information

Pro forma results of operations have not been included, as the acquisition of EnviroMix was not material to our results of operations for any periods presented.

2025 Divestiture

On February 7, 2025, we completed the divestiture of our previously held for sale Evoqua Magneto business, which was part of the Water Infrastructure segment, for a cash selling price of $61 million ($48 million, net of cash transferred). As a result of the sale, we recorded an additional loss of $8 million, reflecting the impact of the final working capital adjustment. The loss is presented on the Condensed Consolidated Income Statement within "Loss on sale of businesses" in the in the nine months ended September 30, 2025.

2025 Assets Held For Sale

During the quarter ended September 30, 2025, the Company committed to a plan to sell the international metering business, a part of the Measurement and Control Solutions segment, within one year. The international metering business offers a portfolio of water and heat meters for residential, commercial, and industrial applications.

As a result, assets and liabilities of the business were reclassified as held for sale as of September 30, 2025, and loss on assets held for sale of $39 million was recorded during the nine months ended September 30, 2025, because the carrying value of the international metering business is greater than its estimated fair value less cost to sell. The loss is presented within "Loss on sale of businesses" on our Consolidated Income Statements.

2024 Business Combination

Global Omnium Idrica, S.L.

On April 26, 2023, we acquired a 25.1% equity interest in Global Omnium Idrica S.L. (“Idrica”), a global company specializing in digital transformation for the water industry, offering innovative services and technological solutions for comprehensive water cycle management for $51 million. In connection with the transaction, the Company was granted the right to purchase a majority interest in Idrica from the joint venture partner at a fixed price. The investment was accounted for as an equity method investment as the Company had significant influence but did not have control over Idrica.

On December 10, 2024, we acquired an additional 35.9% equity interest in Idrica for $154 million ($150 million, net of cash received) by exercising our call right and now hold an aggregate ownership interest in Idrica of 61.0%. This was accounted for as a step acquisition where the Company has applied the acquisition method of accounting in accordance with ASC 805, Business Combinations. The fair value of our call right was included within the fair value of previously held equity interest and recognized as part of the consideration transferred and the gain on remeasurement of our call right was also included in the gain on remeasurement of previously held equity interest (as discussed below). The Company recognized assets acquired and liabilities assumed at their fair value as of the date of acquisition, with the excess purchase consideration recorded to goodwill. As the Company finalizes the estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months from the acquisition date).

The total fair value of consideration transferred was $637 million, which includes cash paid to Idrica, the remeasurement to fair value of our previously held equity interest, the fair value of the redeemable non-controlling interest, and the settlement of a preexisting contractual relationship between the Company and Idrica. This relationship related to a distribution agreement that the Company had previously recognized in other non-current assets.

The acquisition-date fair value of the consideration consisted of the following:

(in millions)	Fair Value of Purchase Consideration
Cash paid	$ 154
Fair value of previously held equity interest	193
Fair value of redeemable non-controlling interest	237
Settlement of preexisting relationship	53
Total	**$ 637**

The Company remeasured its previously held 25.1% equity interest in Idrica immediately prior to the completion of the acquisition to its estimated fair value of approximately $193 million. This fair value was derived by using the discounted cash flow method of the income approach, which considers future cash flows that are discounted to present value at a rate of return commensurate with the business and financial risks associated with the expected achievement of the projected cash flows. As a result of the remeasurement of its previously held equity interest, the Company recognized a gain of approximately $152 million in the fourth quarter of 2024. The gain reflects the excess of the estimated fair value of $193 million for the Company’s previously held 25.1% equity interest over its carrying value of approximately $41 million.

The following table summarizes the preliminary acquisition date fair value of net tangible and intangible assets acquired, net of liabilities assumed from Idrica:

(in millions)	Fair Value
Cash and cash equivalents	$ 4
Receivables	5
Prepaid and other current assets	6
Goodwill	522
Other intangible assets, net	165
Other non-current assets	15
Accounts payable	(8)
Accrued and other current liabilities	(5)
Short term borrowings and current maturities of long-term debt	(16)
Long term debt	(7)
Deferred income tax liabilities	(41)
Other non-current accrued liabilities	(3)
Total	**$ 637**

The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. The above fair values of assets acquired and liabilities assumed are preliminary. The fair values of the intangible assets acquired were preliminarily determined using the income and cost approaches. In many cases, the determination of the fair values required estimates about discount rates, future expected cash flows, and other future events that are judgmental and subject to change. The final determination of the fair value of certain assets and liabilities will be completed as soon as the necessary information becomes available but no later than one year from the acquisition date.

Our revenue and net loss attributable to the Idrica acquisition for the year ended December 31, 2024 and nine months ended September 30, 2025 were not material. The $522 million of goodwill recognized, which is not deductible for U.S. income tax purposes, is primarily attributable to costs and revenue synergies and economies of scale expected from combining the operations of Idrica with Xylem.

Identifiable Intangible Assets Acquired

The following table summarizes key information underlying identifiable intangible assets related to the Idrica acquisition:

(in millions)	Useful Life (in years)(a)	Fair Value (in millions)
Customer Relationships	24	$ 28
Backlog	9	2
Technology	7	132
Trade Name	10	2
Intangible Assets Under Construction	N/A	1
Total	**10**	**$ 165**

(a) Useful life approximates weighted average useful life.

- The preliminary estimates of fair value of Idrica's identifiable intangible assets were determined using a combination of the income and cost approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market and thus represent a Level 3 measurement of the fair value hierarchy as defined in ASC 820, Fair Value Measurements. Intangible assets consisting of the customer relationships, backlog, and trade name were valued using the multi-period excess earnings method ("MEEM") or the relief from royalty ("RFR") method, both of which are forms of the income approach. The intangible asset related to Idrica's developed technology was valued using the replacement cost approach.

- The customer and backlog intangible assets were valued using the MEEM. The MEEM is an approach where the net earnings attributable to the asset being measured are isolated from other “contributory assets” over the intangible asset’s remaining economic life.
- The trade name intangible asset was valued using the RFR method. The RFR method suggests that in lieu of ownership, the acquirer can obtain comparable rights to use the subject asset via a license from a hypothetical third-party owner. The asset’s fair value is the present value of license fees avoided by owning it (i.e., the royalty savings).
- The developed technology intangible asset was valued using the replacement cost approach. The replacement cost approach is a valuation method that relies on estimating the replacement costs of assets based on the principle that an asset would not be purchased for a price higher than the cost to replace it with an asset of comparable utility.

Pro forma results of operations have not been included, as the acquisition of Idrica was not material to our results of operations for any periods presented.

Heusser

On December 5, 2024, we acquired all issued and outstanding shares of Heusser Water Solutions AG ("Heusser"), a leading distributor and provider of advanced pumping systems and treatment solutions in Switzerland, for $40 million ($35 million, net of cash received). Heusser, a privately-owned company headquartered in Cham, Switzerland, has approximately 90 employees. Our consolidated financial statements include Heusser's results of operations prospectively from December 5, 2024 primarily within the Water Infrastructure segment.

Note 4. Revenue

Disaggregation of Revenue

The following table illustrates the sources of revenue:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	**2024**	**2025**	**2024**
Revenue from contracts with customers	**$ 2,177**	$ 1,973	**$ 6,406**	$ 5,920
Lease Revenue	**91**	131	**232**	386
Total	**$ 2,268**	$ 2,104	**$ 6,638**	$ 6,306

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	**2024**	**2025**	**2024**
Water Infrastructure				
Transport	**$ 377**	$ 349	**$ 1,107**	$ 1,057
Treatment	**279**	273	**780**	770
Applied Water				
Building Solutions	**260**	248	**777**	743
Industrial Water	**196**	199	**597**	596
Measurement and Control Solutions				
Smart Metering and Other	**428**	372	**1,281**	1,142
Analytics	**94**	86	**271**	260
Water Solutions and Services				
Capital and Other	**288**	198	**841**	621
Services	**255**	248	**752**	731
Total	**$ 2,177**	$ 1,973	**$ 6,406**	$ 5,920

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

(in millions)	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Water Infrastructure				
United States	**$ 256**	$ 209	**$ 704**	$ 638
Western Europe	**223**	218	**673**	654
Emerging Markets (a)	**118**	136	**353**	372
Other	**59**	59	**157**	163
Applied Water				
United States	**250**	237	**755**	708
Western Europe	**102**	96	**307**	297
Emerging Markets (a)	**68**	81	**210**	238
Other	**36**	33	**102**	96
Measurement and Control Solutions				
United States	**340**	322	**1,022**	956
Western Europe	**93**	61	**259**	220
Emerging Markets (a)	**46**	47	**143**	138
Other	**43**	28	**128**	88
Water Solutions and Services				
United States	**403**	342	**1,185**	1,035
Western Europe	**23**	24	**73**	71
Emerging Markets (a)	**69**	42	**175**	125
Other	**48**	38	**160**	121
Total	**$ 2,177**	$ 1,973	**$ 6,406**	$ 5,920

(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, 2024	$ 263	$ 315
Additions, net	353	211
Revenue recognized from opening balance	—	(227)
Billings transferred to accounts receivable	(343)	—
Foreign currency and other	1	(5)
Balance at September 30, 2024	$ 274	$ 294
Balance at January 1, 2025	**$ 303**	**$ 322**
Additions, net	**316**	**205**
Revenue recognized from opening balance	**—**	**(227)**
Billings transferred to accounts receivable	**(161)**	**—**
Foreign currency and other	**10**	**(2)**
Balance at September 30, 2025	**$ 468**	**$ 298**

(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 September 30, 2025, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied for contracts with performance obligations, amount to $1,980 million. 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 5. Restructuring and Asset Impairment Charges

Restructuring

During the three and nine months ended September 30, 2025, we incurred restructuring charges of $23 million and $62 million, respectively. The incurred charges primarily related to actions taken to further streamline our organization through simplification efforts in order to strengthen our competitive positioning and ability to better serve our customers.

During the three and nine months ended September 30, 2024, we incurred restructuring costs of $4 million and $36 million, respectively. The charges incurred primarily related to strengthening our competitive positioning and the integration of Evoqua.

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

(in millions)	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
By component:				
Severance and other charges	**$ 21**	$ 4	**$ 60**	$ 21
Asset impairment	**3**	3	**4**	19
Reversal of restructuring accruals	**(1)**	(3)	**(2)**	(4)
Total restructuring costs	**$ 23**	$ 4	**$ 62**	$ 36
Asset impairment charges	**—**	—	**8**	1
Total restructuring and asset impairment charges	**$ 23**	$ 4	**$ 70**	$ 37
By segment:				
Water Infrastructure	**$ 16**	$ 3	**$ 38**	$ 9
Applied Water	**4**	1	**16**	2
Measurement and Control Solutions	**1**	(3)	**7**	(3)
Water Solutions and Services	**1**	3	**6**	27
Corporate and other	**1**	—	**3**	2

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 nine months ended September 30, 2025 and 2024:

(in millions)	2025	2024
Restructuring accruals - January 1	**$ 25**	$ 24
Restructuring costs, net	**62**	36
Cash payments	**(48)**	(24)
Asset impairment	**(4)**	(19)
Stock based compensation expense included within AOCL	**—**	(2)
Foreign currency and other	**—**	—
Restructuring accruals - September 30	**$ 35**	$ 15
By segment:		
Water Infrastructure	**$ 9**	$ 4
Applied Water	**1**	—
Measurement and Control Solutions	**1**	3
Water Solutions and Services	**3**	4
Regional selling locations (a)	**21**	3
Corporate and other	**—**	1

(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 2025 and thereafter:

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Corporate	Total
Actions Commenced in 2025:						
Total expected costs	$ 75	$ 20	$ 8	$ 6	$ 3	$ 112
Costs incurred during Q1 2025	12	2	1	1	—	16
Costs incurred during Q2 2025	8	9	3	1	—	21
Costs incurred during Q3 2025	16	4	1	2	1	24
Total expected costs remaining	$ 39	$ 5	$ 3	$ 2	$ 2	$ 51
Actions Commenced in 2024:						
Total expected costs	$ 15	$ 6	$ 1	$ 29	$ 1	$ 52
Costs incurred in 2024	14	5	1	28	1	49
Costs incurred during Q1 2025	—	1	—	—	—	1
Costs incurred during Q2 2025	1	—	—	—	—	1
Costs incurred during Q3 2025	—	—	—	(1)	—	(1)
Total expected costs remaining	$ —	$ —	$ —	$ 2	$ —	$ 2

The actions commenced in 2025 consist primarily of severance charges. The actions are expected to continue through the end of 2026.

During the third quarter of 2025, we recorded $3 million in fixed asset impairment charges due to restructuring actions within our Water Infrastructure segment.

During the second quarter of 2025, we recognized $1 million in fixed asset impairment charges due to restructuring actions within our Measurement and Control Solutions segment.

The actions commenced in 2024 consist primarily of severance and asset impairment charges. The actions are expected to continue through the end of 2025.

During the third quarter of 2024, we recognized $3 million in fixed asset impairment charges due to restructuring actions within our Water Solutions and Services segment.

Through the second quarter of 2024, we recognized $16 million in impairment charges primarily related to customer relationships and trademarks due to restructuring actions within our Water Solutions and Services segment. Refer to Note 9, "Goodwill and Other Intangible Assets," for additional information.

Asset Impairment

During the second quarter of 2025, we recognized $4 million of impairment charges for internally developed software and software assets within our Measurement and Control Solutions segment and Corporate.

During the first quarter of 2025, we recognized $4 million of impairment charges for internally developed software within our Water Solutions and Services and Water Infrastructure segments.

During the first quarter of 2024, we recognized $1 million of impairment charges for internally developed software within Corporate.

Refer to Note 9, "Goodwill and Other Intangible Assets," for additional information.

Note 6. Income Taxes

Our quarterly provision for income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items within the 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 September 30, 2025 was $71 million resulting in an effective tax rate of 23.9%, compared to a $52 million expense resulting in an effective tax rate of 19.3% for the same period in 2024. The income tax provision for the nine months ended September 30, 2025 was $196 million resulting in an effective tax rate of 24.1%, compared to a $148 million expense resulting in an effective tax rate of 20.7% for the same period in 2024. The effective tax rate for the three and nine month periods ended September 30, 2025 was higher than the U.S. federal statutory rate primarily due to the mix of earnings across different jurisdictions.

On July 4, 2025, the One Big Beautiful Bill Act (“OBBBA”) was enacted in the U.S. The OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. The impacts of the OBBBA are reflected in our results for the quarter ended September 30, 2025, and there was no material impact to our income tax expense. As of the quarter ended September 30, 2025, we expect certain provisions of the OBBBA will change the timing of cash tax payments in the current year and future periods.

Unrecognized Tax Benefits

During 2019, Xylem’s Swedish subsidiary received a tax assessment from the Swedish Tax Agency (the "STA") 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 SEK837 million (approximately $89 million), consisting of the full tax assessment amount plus penalties and interest. Xylem appealed this decision with the intermediate appellate court, the Administrative Court of Appeal, and on May 15, 2024, that court rendered a decision in favor of Xylem and also remanded an issue to the trial court for resolution. In June 2024, the STA filed a notice of appeal of this decision to the Supreme Administrative Court, which declined to hear the case and remanded one issue back to the County Administrative Court for further consideration. 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 this litigation. There can be no assurance that the final determination by the authorities will not be materially different than our position. As of September 30, 2025, we do not have any unrecognized tax benefits related to this tax position.

Note 7. Earnings Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	**2025**	2024
Net income attributable to Xylem (in millions)	**$ 227**	$ 217	**$ 622**	$ 564
Shares (in thousands):				
Weighted average common shares outstanding	**243,436**	242,911	**243,297**	242,425
Add: Participating securities (a)	**18**	21	**22**	28
Weighted average common shares outstanding — Basic	**243,454**	242,932	**243,319**	242,453
Plus incremental shares from assumed conversions: (b)				
Dilutive effect of stock options	**358**	419	**341**	574
Dilutive effect of restricted stock units and performance share units	**279**	399	**250**	410
Weighted average common shares outstanding — Diluted	**244,091**	243,750	**243,910**	243,437
Basic earnings per share	**$ 0.93**	$ 0.89	**$ 2.56**	$ 2.33
Diluted earnings per share	**$ 0.93**	$ 0.89	**$ 2.55**	$ 2.32

(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 15, "Share-Based Compensation Plans," to the condensed consolidated financial statements for further detail on the performance share units.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2025**	2024	**2025**	2024
Stock options	**903**	766	**925**	1,000
Restricted stock units	**339**	391	**373**	424
Performance share units	**97**	199	**170**	284

Note 8. Inventories

The components of total inventories are summarized as follows:

(in millions)	**September 30, 2025**	December 31, 2024
Finished goods	**$ 367**	$ 341
Work in process	**115**	100
Raw materials	**553**	555
Total inventories	**$ 1,035**	$ 996

Note 9. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment for the nine months ended September 30, 2025 are as follows:

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance as of January 1, 2025	**$ 2,098**	**$ 884**	**$ 2,163**	**$ 2,835**	**$ 7,980**
Activity in 2025					
Acquisitions	76	—	—	4	80
Reclassification to assets held for sale (a)	—	—	(23)	—	(23)
Foreign currency and other	83	20	123	17	243
Balance as of September 30, 2025	**$ 2,257**	**$ 904**	**$ 2,263**	**$ 2,856**	**$ 8,280**

(a) Relates to the reclassification of goodwill allocated for the International Metering business divestiture. Refer to Note 3 Acquisitions and Divestitures for additional information.

Other Intangible Assets

Information regarding our other intangible assets is as follows:

	September 30, 2025			December 31, 2024		
(in millions)	Carrying Amount	Accumulated Amortization	Net Intangibles	Carrying Amount	Accumulated Amortization	Net Intangibles
Customer and distributor relationships	**$ 2,190**	**$ (676)**	**$ 1,514**	$ 2,151	$ (576)	$ 1,575
Proprietary technology and patents	**432**	**(176)**	**256**	360	(138)	222
Trademarks	**178**	**(117)**	**61**	182	(107)	75
Software	**640**	**(423)**	**217**	595	(367)	228
Other	**204**	**(101)**	**103**	194	(79)	115
Indefinite-lived intangibles	**168**	**—**	**168**	164	—	164
Other Intangibles	**$ 3,812**	**$ (1,493)**	**$ 2,319**	$ 3,646	$ (1,267)	$ 2,379

Amortization expense related to finite-lived intangible assets was $78 million and $231 million for the three and nine-month periods ended September 30, 2025, respectively. Amortization expense related to finite-lived intangible assets was $73 million and $229 million for the three and nine-month periods ended September 30, 2024, respectively.

During the second quarter of 2025, we recognized a $2 million impairment charge for internally developed software within our Measurement and Control Solutions segment and a $2 million impairment charge for software within Corporate.

During the first quarter of 2025, we recognized $1 million and $3 million impairment charges for internally developed software within our Water Infrastructure and Water Solutions and Services segments, respectively.

During the second quarter of 2024, we recognized a $13 million impairment charge primarily related to customer relationships and trademarks due to restructuring actions within our Water Solutions and Services segment.

During the first quarter of 2024, we recognized a $1 million impairment charge for internally developed software within Corporate.

Note 10. 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 $193 million and $657 million as of September 30, 2025 and December 31, 2024, respectively. As of September 30, 2025, 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, sell Canadian Dollar and purchase Euro, sell Canadian Dollar and purchase U.S. Dollar, purchase Polish Zloty and sell Euro, and sell Australian Dollar and purchase Euro. The purchased notional amounts associated with these currency derivatives are $74 million, $53 million, $29 million, $13 million, $11 million, $7 million, and $6 million, respectively. As of December 31, 2024, 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, sell Canadian Dollar and purchase Euro, sell Canadian Dollar and purchase U.S. Dollar, purchase Polish Zloty and sell Euro, and sell Australian Dollar and purchase Euro. The purchased notional amounts associated with these currency derivatives are $258 million, $169 million, $90 million, $42 million, $40 million, $34 million, and $24 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 $3,160 million and $2,181 million as of September 30, 2025 and December 31, 2024, respectively.

In May 2025, we completed a transaction to effectively amend and extend the cross-currency swaps maturing in July 2031. The liability position of the existing cross-currency swaps was blended into a new cross-currency swap agreement with a notional amount of $1,200 million maturing in January 2032.

In February 2025, we completed a transaction to effectively amend and extend the cross-currency swaps maturing in January 2028. The liability position of the existing cross-currency swaps was blended into a new cross-currency swap agreement with a notional amount of $509 million maturing in July 2028.

The table below presents the effect of our derivative financial instruments on the Condensed Consolidated Income Statements and Statements of Comprehensive Income. Items in the table below reflect changes in "Other comprehensive income (loss)" ("OCI/L") within the Statements of Comprehensive Income:

(in millions)	Three Months Ended September 30, 2025	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2025	Nine Months Ended September 30, 2024
Derivatives in Cash Flow Hedges				
Foreign Exchange Contracts				
Amount of gain recognized in OCI/L	**$ 1**	$ 3	**$ 31**	$ —
Amount of (gain) loss reclassified from OCI/L into Revenue	**(3)**	1	**2**	1
Amount of (gain) loss reclassified from OCI/L into Cost of revenue	**(2)**	1	**(4)**	1
Derivatives Net Investment Hedges				
Cross-Currency Swaps				
Amount of gain (loss) recognized in OCI/L	**$ 14**	$ (56)	**$ (341)**	$ 5
Amount of income recognized in Interest expense	**11**	7	**31**	23

As of September 30, 2025, $13 million of net gains on cash flow hedges are expected to be reclassified into earnings in the next 12 months.

As of September 30, 2025, 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)	September 30, 2025	December 31, 2024
Derivatives designated as hedging instruments		
Assets		
Cash Flow Hedges		
Prepaid and other current assets	**$ 8**	$ 3
Net Investment Hedges		
Other non-current assets	**$ —**	$ 50
Liabilities		
Cash Flow Hedges		
Accrued and other current liabilities	**$ —**	$ (15)
Net Investment Hedges		
Other non-current accrued liabilities	**$ (317)**	$ (30)

Note 11. Current Liabilities

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

(in millions)		September 30, 2025		December 31, 2024
Compensation and other employee-benefits	**$**	**335**	$	409
Customer-related liabilities		**382**		384
Accrued taxes		**155**		201
Lease liabilities		**127**		109
Accrued warranty costs		**42**		43
Other accrued liabilities		**131**		125
Total accrued and other current liabilities	**$**	**1,172**	$	1,271

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 to 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. The total outstanding balance presented within "Accounts payable" on our Condensed Consolidated Balance Sheets under these programs is $255 million and $250 million as of September 30, 2025 and December 31, 2024, respectively.

The table below provides changes in the confirmed obligations outstanding related to our supplier financing programs over the nine months ended September 30, 2025:

(in millions)		2025
Confirmed obligations outstanding – January 1	**$**	**250**
Invoices confirmed		**782**
Confirmed invoices paid		**(782)**
Foreign currency and other		**5**
Confirmed obligations outstanding – September 30	**$**	**255**

Note 12. Credit Facilities and Debt

Total debt outstanding is summarized as follows:

(in millions)	September 30, 2025	December 31, 2024
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
Equipment Financing due 2025 to 2032	**46**	106
Other	**29**	25
Debt issuance costs and unamortized discount (b)	**(13)**	(15)
Total debt	**1,962**	2,016
Less: short-term borrowings and current maturities of long-term debt	**49**	38
Total long-term debt	**$ 1,913**	$ 1,978

(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 $495 million and $488 million as of September 30, 2025 and December 31, 2024, respectively. The fair value of our Senior Notes due 2028 was $477 million and $459 million as of September 30, 2025 and December 31, 2024, respectively. The fair value of our Senior Notes due 2031 was $449 million and $427 million as of September 30, 2025 and December 31, 2024, respectively. The fair value of our Senior Notes due 2046 was $338 million and $327 million as of September 30, 2025 and December 31, 2024, 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 September 30, 2025, we are in compliance with all covenants for the Green Bond.

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 2026, the “Senior Notes”).

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 September 30, 2025, we are in compliance with all covenants for the Senior Notes.

Credit Facilities

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 September 30, 2025, the 2023 Credit Facility was undrawn, and we are in compliance with all revolver covenants. The 2023 Credit Facility has availability of $1 billion, comprised of the $1 billion aggregate principal as of September 30, 2025.

Equipment Financing

The Company has secured financing agreements that require providing a security interest in specified equipment and, in some cases, the underlying contract and related receivables. As of September 30, 2025, the gross and net amounts of those assets are included on the Consolidated Balance Sheets as follows:

	September 30, 2025	
(in millions)	**Gross**	**Net**
Property, plant, and equipment, net	$ 34	$ 25
Receivables, net	1	1
Prepaid and other current assets	1	1
Other non-current assets	10	10
	$ 46	$ 37

As of September 30, 2025 the future maturities of our debt were as follows:

(in millions)		Maturity
From October 1, 2025 through December 31, 2025	$	28
2026		515
2027		12
2028		507
2029		3
Thereafter		910
Total Future Maturities		1,975
Debt issuance costs and unamortized discount (a)		(13)
Total	$	1,962

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

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 September 30, 2025 and December 31, 2024, none of the Company's $600 million U.S. Dollar commercial paper program was outstanding, respectively.

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 $587 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 September 30, 2025 and December 31, 2024, 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 13. Post-retirement Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2025**	2024	**2025**	2024
Domestic defined benefit pension plans:				
Service cost	**$ 1**	$ 1	**$ 2**	$ 2
Interest cost	**2**	1	**4**	3
Expected return on plan assets	**(1)**	(1)	**(4)**	(4)
Amortization of net actuarial loss	**—**	—	**1**	1
Net periodic benefit cost	**$ 2**	$ 1	**$ 3**	$ 2
International defined benefit pension plans:				
Service cost	**$ 2**	$ 2	**$ 7**	$ 7
Interest cost	**4**	4	**12**	12
Expected return on plan assets	**(3)**	(4)	**(9)**	(10)
Net periodic benefit cost	**$ 3**	$ 2	**$ 10**	$ 9
Total net periodic benefit cost	**$ 5**	$ 3	**$ 13**	$ 11

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 each of the three and nine months ended September 30, 2025 and 2024, respectively.

We contributed $18 million and $16 million to our defined benefit plans for the nine months ended September 30, 2025 and 2024, respectively. Additional contributions ranging between approximately $2 million and $6 million are expected to be made during the remainder of 2025.

Note 14. Equity

The following table shows the changes in stockholders' equity for the nine months ended September 30, 2025:

(in millions)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2025	$ 3	$ 8,687	$ 3,140	$ (435)	$ (753)	$ 5	$ 10,647
Net income attributable to Xylem	—	—	169	—	—	—	169
Other comprehensive income (loss), net	—	—	—	98	—	—	98
Dividends declared ($0.40 per share)	—	—	(98)	—	—	—	(98)
Net income attributable to non-controlling interests	—	—	—	—	—	1	1
Stock incentive plan activity	—	18	—	—	(13)	—	5
Balance at March 31, 2025	$ 3	$ 8,705	$ 3,211	$ (337)	$ (766)	$ 6	$ 10,822
Net income attributable to Xylem	—	—	226	—	—	—	226
Other comprehensive income (loss), net	—	—	—	115	—	—	115
Other activity	—	—	—	—	—	1	1
Dividends declared ($0.40 per share)	—	—	(98)	—	—	—	(98)
Distribution to minority shareholders	—	—	—	—	—	(2)	(2)
Net income attributable to non-controlling interests	—	—	—	—	—	2	2
Stock incentive plan activity	—	15	—	—	—	—	15
Balance at June 30, 2025	$ 3	$ 8,720	$ 3,339	$ (222)	$ (766)	$ 7	$ 11,081
Net income attributable to Xylem	—	—	227	—	—	—	227
Other comprehensive (loss) income, net	—	—	—	(11)	—	—	(11)
Other activity	—	—	—	—	—	4	4
Dividends declared ($0.40 per share)	—	—	(97)	—	—	—	(97)
Net income attributable to non-controlling interests	—	—	—	—	—	1	1
Stock incentive plan activity	—	15	—	—	(1)	—	14
Balance at September 30, 2025	$ 3	$ 8,735	$ 3,469	$ (233)	$ (767)	$ 12	$ 11,219

The following table shows the changes in stockholders' equity for the nine months ended September 30, 2024:

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-Controlling Interest	Total
Balance at January 1, 2024	$ 3	$ 8,564	$ 2,601	$ (269)	$ (733)	$ 10	$ 10,176
Net income attributable to Xylem	—	—	153	—	—	—	153
Other comprehensive (loss) income, net	—	—	—	(76)	—	—	(76)
Other activity	—	—	—	—	—	(2)	(2)
Dividends declared ($0.36 per share)	—	—	(87)	—	—	—	(87)
Stock incentive plan activity	—	54	—	—	(15)	—	39
Balance at March 31, 2024	$ 3	$ 8,618	$ 2,667	$ (345)	$ (748)	$ 8	$ 10,203
Net income attributable to Xylem	—	—	194	—	—	—	194
Other comprehensive (loss) income, net	—	—	—	—	—	—	—
Other activity	—	—	—	—	—	(1)	(1)
Dividends declared ($0.36 per share)	—	—	(87)	—	—	—	(87)
Stock incentive plan activity	—	42	—	—	(3)	—	39
Balance at June 30, 2024	$ 3	$ 8,660	$ 2,774	$ (345)	$ (751)	$ 7	$ 10,348
Net income attributable to Xylem	—	—	217	—	—	—	217
Other comprehensive income (loss), net	—	—	—	113	—	—	113
Other activity	—	—	—	—	—	1	1
Dividends declared ($0.36 per share)	—	—	(89)	—	—	—	(89)
Stock incentive plan activity	—	15	—	—	(2)	—	13
Distribution to minority shareholders	—	—	—	—	—	(1)	(1)
Acquisition activity	—	(2)	—	—	—	—	(2)
Balance at September 30, 2024	$ 3	$ 8,673	$ 2,902	$ (232)	$ (753)	$ 7	$ 10,600

Note 15. Share-Based Compensation Plans

Share-based compensation expense was $12 million and $37 million during the three and nine months ended September 30, 2025, respectively, and $12 million and $43 million during the three and nine months ended September 30, 2024, respectively. The unrecognized compensation expense related to our stock options, restricted stock units and performance share units was $10 million, $40 million and $18 million, respectively, at September 30, 2025 and is expected to be recognized over a weighted average period of 2.0, 1.9 and 1.9 years, respectively. The amount of cash received from the exercise of stock options was $11 million and $66 million for the nine months ended September 30, 2025 and 2024, respectively.

As of September 30, 2025, there were 4.7 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 nine months ended September 30, 2025:

	Share units (in thousands)	Weighted Average Exercise Price / Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2025	1,182	$ 84.76	6.3	**$ 40**
Granted	255	129.75		
Exercised	(166)	64.74		
Forfeited and expired	(32)	111.85		
Outstanding at September 30, 2025	**1,239**	**$ 96.01**	**6.2**	**$ 58**
Options exercisable at September 30, 2025	**815**	**$ 80.02**	**4.7**	**$ 51**
Vested and expected to vest as of September 30, 2025	**1,190**	**$ 94.68**	**6.1**	**$ 58**

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 nine months ended September 30, 2025 was $11 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 2025 grants:

Volatility	**26.70 %**
Risk-free interest rate	**4.10 %**
Dividend yield	**1.23 %**
Expected term (in years)	**5.5**
Weighted-average fair value / share	**$ 36.94**

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 nine months ended September 30, 2025. 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, 2025	632	$ 111.33
Granted	253	130.14
Vested	(317)	105.95
Forfeited	(40)	119.06
Outstanding at September 30, 2025	**528**	**$ 122.84**

ROIC and Adjusted EBITDA Performance Share Unit Grants

The following is a summary of our return on invested capital ("ROIC") and adjusted EBITDA grants for the nine months ended September 30, 2025. The fair value of the ROIC and adjusted EBITDA performance share units is determined using 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, 2025	77	$ 105.02
Adjustment for Performance Condition Achieved (a)	19	86.77
Vested	(44)	86.77
Forfeited	(5)	113.87
Outstanding at September 30, 2025	**47**	**$ 113.89**

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

TSR Performance Share Unit Grants

The following is a summary of our Total Shareholder Return ("TSR") performance share unit grants for the nine months ended September 30, 2025:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2025	155	$ 125.42
Granted	54	180.70
Adjustment for Market Condition Achieved (a)	(14)	71.15
Vested	(37)	71.15
Forfeited	(12)	150.24
Outstanding at September 30, 2025	**146**	**$ 157.41**

(a) Represents a decrease 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 2025 grants:

Volatility	**25.80** %
Risk-free interest rate	**4.01** %

Revenue Performance Share Unit Grants

The following is a summary of our Revenue performance share unit grants for the nine months ended September 30, 2025 The fair value of the revenue performance 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, 2025	77	$ 105.06
Adjustment for Performance Condition Achieved (a)	19	86.77
Vested	(44)	86.77
Forfeited	(5)	113.87
Outstanding at September 30, 2025	**47**	**$ 113.89**

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

EPS Performance Share Unit Grants

The following is a summary of our earnings per share ("EPS") performance share unit grants for the nine months ended September 30, 2025 The fair value of the EPS performance 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, 2025	—	$ —
Granted	54	129.81
Forfeited	(2)	129.67
Outstanding at September 30, 2025	**52**	**$ 129.82**

The performance share units were each awarded at a target of 100% with actual payout for each type of grant contingent upon the achievement of performance targets as follows:

- ROIC performance share units — a pre-set, three-year adjusted ROIC performance target
- EBITDA performance share units — a third-year adjusted EBITDA performance target
- TSR performance share units — a relative TSR performance target
- Revenue performance share units — a pre-set third year revenue target
- EPS performance share units — a cumulative three-year EPS performance target

Note 16. Capital Stock

For the three and nine months ended September 30, 2025 the Company repurchased less than 0.1 million shares of common stock for $1 million and 0.1 million shares of common stock for $14 million, respectively. For the three and nine months ended September 30, 2024 the Company repurchased less than 0.1 million shares of common stock for approximately $1 million and 0.2 million shares of common stock for $19 million, respectively. Repurchases may 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 and nine months ended September 30, 2025 and September 30, 2024. There are up to $182 million in shares that may still be purchased under this plan as of September 30, 2025.

Aside from the aforementioned repurchase programs, we repurchased less than 0.1 million shares and 0.1 million shares for $1 million and $14 million for the three and nine months ended September 30, 2025, and less than 0.1 million shares and 0.2 million shares for $1 million and $19 million for the three and nine months ended September 30, 2024, respectively, in relation to settlement of employee tax withholding obligations due as a result of the vesting of restricted stock units.

Note 17. Accumulated Other Comprehensive Loss

The following table provides the components of accumulated other comprehensive loss ("AOCL") for the nine months ended September 30, 2025:

(in millions)	Foreign Currency Translation	Post-retirement Benefit Plans	Derivative Instruments	Total
Balance at January 1, 2025	$ (368)	$ (53)	$ (14)	$ (435)
Foreign currency translation adjustment	56	—	—	56
Amount of currency translation adjustment relating to divestiture of foreign subsidiaries reclassified into net income	8	—	—	8
Tax on foreign currency translation adjustment	20	—	—	20
Foreign currency translation adjustment for post-retirement benefit plans	—	(1)	—	(1)
Unrealized gain on derivative hedge agreements	—	—	15	15
Income tax benefit on unrealized gain on derivative hedge agreements	—	—	(2)	(2)
Reclassification of unrealized loss on foreign exchange agreements into revenue	—	—	3	3
Reclassification of unrealized gain on foreign exchange agreements into cost of revenue	—	—	(1)	(1)
Balance at March 31, 2025	$ (284)	$ (54)	$ 1	$ (337)
Foreign currency translation adjustment	37	—	—	37
Tax on foreign currency translation adjustment	65	—	—	65
Amortization of actuarial loss on post-retirement benefit plans into other non-operating income, net	—	1	—	1
Foreign currency translation adjustment for post-retirement benefit plans	—	(2)	—	(2)
Unrealized gain on derivative hedge agreements	—	—	15	15
Income tax benefit on unrealized gain on derivative hedge agreements	—	—	(2)	(2)
Reclassification of unrealized loss on foreign exchange agreements into revenue	—	—	2	2
Reclassification of unrealized gain on foreign exchange agreements into cost of revenue	—	—	(1)	(1)
Balance at June 30, 2025	$ (182)	$ (55)	$ 15	$ (222)
Foreign currency translation adjustment	(6)	—	—	(6)
Tax on foreign currency translation adjustment	(3)	—	—	(3)
Foreign currency translation adjustment for post-retirement benefit plans	—	1	—	1
Unrealized gain on derivative hedge agreements	—	—	1	1
Income tax impact on unrealized gain on derivative hedge agreements	—	—	1	1
Reclassification of unrealized gain on foreign exchange agreements into revenue	—	—	(3)	(3)
Reclassification of unrealized gain on foreign exchange agreements into cost of revenue	—	—	(2)	(2)
Balance at September 30, 2025	$ (191)	$ (54)	$ 12	$ (233)

The following table provides the components of AOCL for the nine months ended September 30, 2024:

(in millions)	Foreign Currency Translation	Post-retirement Benefit Plans	Derivative Instruments	Total
Balance at January 1, 2024	$ (196)	$ (72)	$ (1)	$ (269)
Foreign currency translation adjustment	(65)	—	—	(65)
Tax on foreign currency translation adjustment	(10)	—	—	(10)
Income tax impact on amortization of post-retirement benefit plan items	—	(1)	—	(1)
Foreign currency translation adjustment for post-retirement benefit plans	—	2	—	2
Unrealized loss on derivative hedge agreements	—	—	(3)	(3)
Reclassification of unrealized loss on foreign exchange agreements into cost of revenue	—	—	1	1
Balance at March 31, 2024	$ (271)	$ (71)	$ (3)	$ (345)
Foreign currency translation adjustment	6	—	—	6
Tax on foreign currency translation adjustment	(5)	—	—	(5)
Reclassification of unrealized gain on foreign exchange agreements into revenue	—	—	(1)	(1)
Balance at June 30, 2024	$ (270)	$ (71)	$ (4)	$ (345)
Foreign currency translation adjustment	97	—	—	97
Tax on foreign currency translation adjustment	14	—	—	14
Foreign currency translation adjustment for post-retirement benefit plans	—	(2)	—	(2)
Unrealized gain on derivative hedge agreements	—	—	3	3
Income tax impact on unrealized gain on derivative hedge agreements	—	—	(1)	(1)
Reclassification of unrealized loss on foreign exchange agreements into revenue	—	—	1	1
Reclassification of unrealized loss on foreign exchange agreements into cost of revenue	—	—	1	1
Balance at September 30, 2024	$ (159)	$ (73)	$ —	$ (232)

Note 18. 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 investigations or contract issues and commercial or contractual disputes.

See Note 6, "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 as of September 30, 2025 and December 31, 2024 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 September 30, 2025 and December 31, 2024, the amount of surety bonds, bank guarantees, insurance letters of credit, and stand-by letters of credit was $821 million and $758 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. Our accrued environmental liabilities represent our best estimates related to the investigation and remediation of environmental media such as water, soil, soil vapor, air and structures at these sites, as well as related legal fees. Liabilities for these environmental expenditures are recorded on an undiscounted basis. We have estimated and accrued $4 million as of September 30, 2025 and December 31, 2024 for environmental matters.

Given the complexities and uncertainties involved in on-going and future investigation and remediation projects, the process to estimate environmental remediation liabilities requires judgment. 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 defects and specific non-performance. The table below provides changes in the combined current and non-current product warranty accruals over each period:

(in millions)	**2025**	2024
Warranty accrual – January 1	**$ 57**	$ 63
Net charges for product warranties in the period	**28**	27
Settlement of warranty claims	**(25)**	(26)
Foreign currency and other	**(9)**	—
Warranty accrual – September 30	**$ 51**	$ 64

Note 19. Segment Information

Our business has four reportable segments: Water Infrastructure, Applied Water, Measurement and Control Solutions and Water Solutions and Services. The Water Infrastructure segment focuses on the transportation and treatment of water, offering a range of products including water, wastewater and storm water pumps, controls and systems; treatment equipment: filtration and separation, disinfection, wastewater solutions for municipal and industrial applications. 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 and 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 and 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, and remote monitoring and data management. The Water Solutions and Services segment provides tailored services and solutions, in collaboration with customers and backed by life-cycle services, including on-demand water, outsourced water, recycle / reuse, specialty dewatering and emergency response service alternatives to improve operational reliability, performance and environmental compliance. Key offerings within this segment also include equipment systems for industrial needs (influent water, boiler feed water, ultrahigh purity, process water, wastewater treatment, and recycle / reuse), full-scale outsourcing of operations and maintenance, and municipal services, including odor and corrosion control services, as well as leak detection, condition assessment and asset management and pressure monitoring solutions.

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.

Disaggregated asset information by segment is not provided to the chief operating decision maker ("CODM") for review, therefore, such information is not presented. The following tables contain financial information provided to the CODM for each reportable segment:

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for three months ended September 30, 2025					
Revenue	$ 656	$ 456	$ 522	$ 634	**$ 2,268**
Less:					
Adjusted cost of revenue (a)	357	291	322	396	
Adjusted operating expenses (a)	154	76	110	111	
Other segment items (b)	32	4	26	29	
Segment operating income	$ 113	$ 85	$ 64	$ 98	**$ 360**
Reconciliation of segment operating income					
Corporate and other operating (loss)					**(26)**
Interest expense					**(6)**
Other non-operating income, net					**6**
Loss on sale of businesses					**(37)**
Income before income taxes					**$ 297**

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for three months ended September 30, 2024					
Revenue	$ 623	$ 447	$ 458	$ 576	$ 2,104
Less:					
Adjusted cost of revenue (a)	360	291	278	375	
Adjusted operating expenses (a)	152	83	98	107	
Other segment items (b)	15	2	16	31	
Segment operating income	$ 96	$ 71	$ 66	$ 63	$ 296
Reconciliation of segment operating income					
Corporate and other operating (loss)					(16)
Interest expense					(10)
Other non-operating income, net					1
Loss on sale of businesses					(2)
Income before income taxes					$ 269

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for nine months ended September 30, 2025					
Revenue	$ 1,887	$ 1,374	$ 1,552	$ 1,825	**$ 6,638**
Less:					
Adjusted cost of revenue (a)	1,051	868	949	1,170	
Adjusted operating expenses (a)	457	246	333	344	
Other segment items (b)	83	19	82	91	
Segment operating income	$ 296	$ 241	$ 188	$ 220	**$ 945**
Reconciliation of segment operating income					
Corporate and other operating (loss)					**(75)**
Interest expense					**(23)**
Other non-operating income, net					**13**
Loss on sale of businesses					**(47)**
Income before income taxes					**$ 813**

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for nine months ended September 30, 2024					
Revenue	$ 1,828	$ 1,339	$ 1,402	$ 1,737	**$ 6,306**
Less:					
Adjusted cost of revenue (a)	1,052	874	835	1,128	
Adjusted operating expenses (a)	476	256	303	333	
Other segment items (b)	66	6	49	116	
Segment operating income	$ 234	$ 203	$ 215	$ 160	**$ 812**
Reconciliation of segment operating income					
Corporate and other operating (loss)					**(70)**
Interest expense					**(35)**
Other non-operating income, net					**11**
Loss on sale of businesses					**(6)**
Income before income taxes					**$ 712**

(a) Adjusted cost of revenue and adjusted operating expenses represent segment-level information that are regularly provided to the CODM. These balances represent cost of revenue and operating expenses, respectively, adjusted to exclude purchase accounting intangible amortization, restructuring and realignment expenses and special charges.

(b) Other segment items for each segment represents purchase accounting intangible amortization, restructuring and realignment expenses and special charges, which are excluded from the above significant expense categories regularly provided to the CODM in line with our adjusted measures as outlined in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

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 Annual Report. The following table contains financial information for each reportable segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2025**	2024	**2025**	2024
Depreciation and Amortization:				
Water Infrastructure	**$ 24**	$ 25	**$ 71**	$ 93
Applied Water	**8**	7	**25**	21
Measurement and Control Solutions	**43**	33	**126**	98
Water Solutions and Services	**64**	73	**203**	199
Corporate and other	**3**	3	**7**	9
Total	**$ 142**	$ 141	**$ 432**	$ 420
Capital Expenditures:				
Water Infrastructure	**$ 7**	$ 7	**$ 29**	$ 24
Applied Water	**9**	5	**23**	13
Measurement and Control Solutions	**20**	14	**56**	51
Water Solutions and Services	**30**	37	**93**	103
Regional selling locations (a)	**6**	5	**23**	16
Corporate and other	**7**	6	**24**	14
Total	**$ 79**	$ 74	**$ 248**	$ 221

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

Note 20. Redeemable Non-Controlling Interest

The holder of the non-controlling interest in Idrica, which is a consolidated subsidiary of the Company, has a right to sell the remaining equity interest in Idrica to the Company for cash (the “Put Right”). The Put Right is exercisable after December 10, 2027 and has a fixed strike price of €168 million during the first two years after it is exercisable. Beginning in the third year of exercisability, the Put Right is exercisable at the fair market value of underlying equity interests. Redeemable non-controlling interest is reflected in the consolidated balance sheets at the greater of the carrying value or the redemption value. As of September 30, 2025, the redeemable non-controlling interest is reflected in the consolidated balance sheet at its carrying value.

The following table shows the changes in the redeemable non-controlling interest for the nine months ended September 30, 2025:

(in millions)		
Balance at January 1, 2025	**$**	**235**
Net loss attributable to non-controlling interest		(3)
Balance at March 31, 2025	**$**	**232**
Net loss attributable to non-controlling interest		(4)
Balance at June 30, 2025	**$**	**228**
Net loss attributable to non-controlling interest	$	(2)
Balance at September 30, 2025	**$**	**226**

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, interest rates, inflation 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 ongoing, possible escalation or outbreak of international conflicts, as well as regulatory, economic and other risks associated with our global sales and operations, including those related to domestic content requirements applicable to projects receiving governmental funding; 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, trade policies or agreements 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 connected products and services; lack of availability or delays in receiving parts and raw materials from our supply chain, including electronic components (in particular, semiconductors); disruptions in operations at our facilities or that of third parties upon which we rely; safe and compliant treatment and handling of water, wastewater and hazardous materials; failure to successfully execute large projects, including with respect to meeting performance guarantees and customers’ budgets, timelines and safety requirements; our ability to retain and attract leadership and other key talent, as well as competition for overall talent and labor; defects, security, warranty and liability claims, and recalls related to our products; uncertainty around restructuring and realignment actions and related costs and savings; our ability to execute strategic investments for growth, including acquisitions and divestitures; availability, regulation or interference with radio spectrum used by certain of our products; volatility in served markets or impacts on our business and operations due to weather conditions, including the effects of climate change; risks related to our sustainability commitments and related disclosures; fluctuations in foreign currency exchange rates; difficulty predicting our financial results; risk of future impairments to goodwill and other intangible assets; changes in our effective tax rates or tax expenses; financial market risks related to our pension and other defined benefit plans; failure to comply with, or changes in, laws or regulations, pertaining to our business conduct, operations, products and services, including anti-corruption, artificial intelligence, data privacy and security, trade, competition, the environment, climate change and health and safety; legal, governmental or regulatory claims, investigations or proceedings and associated contingent liabilities; matters related to intellectual property infringement or expiration of rights; and other factors set forth under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2024 ("2024 Annual Report") and in subsequent filings we make with the Securities and Exchange Commission (“SEC”).

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, to our business, operating results, financial condition, outlook, or strategy, to our impacts on sustainability matters or other parties, 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 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 four reportable segments that are aligned around the critical market applications they provide: Water Infrastructure, Applied Water, Measurement and Control Solutions and Water Solutions and Services.

- *Water Infrastructure* serves the water infrastructure sector with transportation and treatment of water, offering a range of products including water, wastewater and storm water pumps, controls and systems; treatment equipment: filtration and separation, disinfection, wastewater solutions for municipal and industrial applications.
- *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 solutions markets.
- *Measurement and 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.
- *Water Solutions and Services* provides tailored services and solutions, in collaboration with customers, including on-demand water, outsourced water, recycle/reuse, pipeline assessment services, specialty dewatering and emergency response service alternatives to improve operational reliability, performance and environmental compliance.

Executive Summary

Xylem reported revenue for the third quarter of 2025 of $2,268 million, an increase of 7.8% compared to $2,104 million reported in the third quarter of 2024. The revenue increase consisted primarily of organic growth of 6.9% across all of our segments, led by double digit organic growth in our Measurement and Control Solutions and Water Solutions and Services segments.

Additional financial highlights for the quarter ended September 30, 2025 include the following:

- Orders of $2,181 million, down 0.9% from $2,201 million in the prior year period, and down 2.0% on an organic basis.
- Earnings per share of $0.93, up 4.5% compared to prior year ($1.37, up 23.4% versus prior year, on an adjusted basis).
- Net income attributable to Xylem as a percent of revenue of 10.0%, down 30 basis points compared to 10.3% in the prior year. Adjusted EBITDA margin of 23.2%, up 200 basis points when compared to 21.2% in the prior year.

Key Performance Indicators and Non-GAAP Measures

Management reviews key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, working capital and backlog, among others. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and to provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including, but not limited to, dividends, acquisitions, share repurchases and debt repayment. Excluding revenue, Xylem provides guidance only on a non-GAAP basis due to the inherent difficulty in forecasting certain amounts that would be included in GAAP earnings, such as discrete tax items, without unreasonable effort. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures 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 attributable to Xylem and corresponding earnings per share, respectively, adjusted to exclude restructuring and realignment costs, amortization of acquired intangible assets, gain or loss from sale of businesses, special charges and tax-related special items, as applicable. A reconciliation of adjusted net income and adjusted earnings per share is provided below.

	Three Months Ended September 30,				**Nine Months Ended September 30,**			
(in millions, except for per share data)	**2025**		2024		**2025**		2024	
Net income attributable to Xylem & Earnings per share	**$ 227**	**$ 0.93**	$ 217	$ 0.89	**$ 622**	**$ 2.55**	$ 564	$ 2.32
Restructuring and realignment	**31**	**0.13**	11	0.05	**87**	**0.36**	55	0.23
Acquired intangible amortization	**55**	**0.23**	52	0.21	**165**	**0.68**	163	0.67
Special charges	**9**	**0.04**	7	0.03	**34**	**0.14**	36	0.15
Tax-related special items	**1**	**—**	(3)	(0.01)	**6**	**0.02**	(11)	(0.05)
Loss from sale of business	**37**	**0.15**	2	0.01	**47**	**0.19**	6	0.02
Tax effects of adjustments (a)	**(27)**	**(0.11)**	(17)	(0.07)	**(69)**	**(0.28)**	(59)	(0.24)
Adjusted net income & Adjusted earnings per share	**$ 333**	**$ 1.37**	$ 269	$ 1.11	**$ 892**	**$ 3.66**	$ 754	$ 3.10
Weighted average number of shares - diluted	**244.1**		243.8		**243.9**		243.4	

(a) 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" defined as operating expenses adjusted to exclude amortization of acquired intangible assets, restructuring and realignment costs and special charges, as applicable.
- "adjusted operating income" defined as operating income, adjusted to exclude restructuring and realignment costs, amortization of acquired intangible assets, gain or loss from sale of businesses, gain on remeasurement of previously held equity interest, special charges and tax-related special items, as applicable, 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 adjustments to EBITDA to exclude share-based compensation charges, restructuring and realignment costs, gain or loss from sale of businesses and special charges, 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 non-recurring costs incurred by the Company, such as those related to acquisitions and integrations, divestitures and non-cash impairment charges.
- "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 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.

	Nine Months Ended September 30,	
(in millions)	**2025**	2024
Net cash provided by operating activities	**$ 698**	$ 688
Capital expenditures	**(248)**	(221)
Free cash flow	**$ 450**	$ 467
Net cash used in investing activities	**$ (329)**	$ (193)
Net cash used by financing activities	**$ (382)**	$ (520)

Results of Operations

(in millions)	Three Months Ended September 30, 2025	2024	Change	Nine Months Ended September 30, 2025	2024	Change
Revenue	**$ 2,268**	$ 2,104	7.8 %	**$ 6,638**	$ 6,306	5.3 %
Gross profit	**883**	784	12.6 %	**2,543**	2,355	8.0 %
Gross margin	**38.9 %**	37.3 %	160 bp	**38.3 %**	37.3 %	100 bp
Total operating expenses	**549**	504	8.9 %	**1,673**	1,613	3.7 %
Expense to revenue ratio	**24.2 %**	24.0 %	20 bp	**25.2 %**	25.6 %	(40) bp
Operating income	**334**	280	19.3 %	**870**	742	17.3 %
Operating margin	**14.7 %**	13.3 %	140 bp	**13.1 %**	11.8 %	130 bp
Interest and other non-operating expense, net	**—**	(9)	(100.0) %	**(10)**	(24)	(58.3) %
Loss on sale of businesses	**(37)**	(2)	1,750.0 %	**(47)**	(6)	683.3 %
Income tax expense	**(71)**	(52)	36.5 %	**(196)**	(148)	32.4 %
Tax rate	**23.9 %**	19.3 %	460 bp	**24.1 %**	20.7 %	340 bp
Net income	**$ 226**	$ 217	4.1 %	**$ 617**	$ 564	9.4 %
Net loss attributable to non-controlling interest	**1**	—	NM	**5**	—	NM
Net income attributable to Xylem	**$ 227**	$ 217	4.6 %	**$ 622**	$ 564	10.3 %

NM - Not meaningful change

Revenue

Revenue generated during the three and nine months ended September 30, 2025 was $2,268 million and $6,638 million, respectively, reflecting an increase of $164 million, or 7.8%, and an increase of $332 million, or 5.3%, compared to the prior year. Organic revenue increased $145 million, or 6.9%, and $332 million, or 5.3%, for the three and nine months ended September 30, 2025, respectively. Foreign currency translation had a favorable impact on revenue of $26 million for the three months ended September 30, 2025, and a favorable impact on revenue of $23 million for the nine months ended September 30, 2025. Revenue growth was negatively impacted by $7 million and $23 million due to acquisitions and divestitures, net, for the three and nine months ended September 30, 2025, respectively. The increase in organic revenue for the three months ended September 30, 2025 is driven by strength in the U.S. and Canada mostly due to price realization and increased volume. For the nine months ended September 30, 2025, organic growth is driven by price realization, increased volume, and backlog execution in the U.S. and Canada

The following table illustrates the impact from organic growth, recent acquisitions and divestitures, and foreign currency translation in relation to revenue during the three and nine months ended September 30, 2025:

	Water Infrastructure		Applied Water		Measurement and Control Solutions		Water Solutions and Services		Total Xylem	
(in millions)	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
2024 Revenue	$ 623		$ 447		$ 458		$ 576		$ 2,104	
Organic Growth	34	5.5 %	4	0.9 %	50	10.9 %	57	9.9 %	145	6.9 %
Acquisitions/(Divestitures)	(15)	(2.5)%	—	— %	8	1.8 %	—	— %	(7)	(0.3)%
Constant Currency	19	3.0 %	4	0.9 %	58	12.7 %	57	9.9 %	138	6.6 %
Foreign currency translation (a)	14	2.3 %	5	1.1 %	6	1.3 %	1	0.2 %	26	1.2 %
Total change in revenue	33	5.3 %	9	2.0 %	64	14.0 %	58	10.1 %	164	7.8 %
2025 Revenue	**$ 656**		**$ 456**		**$ 522**		**$ 634**		**$ 2,268**	

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

	Water Infrastructure		Applied Water		Measurement and Control Solutions		Water Solutions and Services		Total Xylem	
(in millions)	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
2024 Revenue	$ 1,828		$ 1,339		$ 1,402		$ 1,737		$ 6,306	
Organic Growth	88	4.8 %	30	2.2 %	123	8.8 %	91	5.2 %	332	5.3 %
Acquisitions/(Divestitures)	(44)	(2.4)%	—	— %	21	1.5 %	—	— %	(23)	(0.4)%
Constant Currency	44	2.4 %	30	2.2 %	144	10.3 %	91	5.2 %	309	4.9 %
Foreign currency translation (a)	15	0.8 %	5	0.4 %	6	0.4 %	(3)	(0.1)%	23	0.4 %
Total change in revenue	59	3.2 %	35	2.6 %	150	10.7 %	88	5.1 %	332	5.3 %
2025 Revenue	**$ 1,887**		**$ 1,374**		**$ 1,552**		**$ 1,825**		**$ 6,638**	

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

Water Infrastructure

Water Infrastructure revenue increased $33 million, or 5.3%, for the third quarter of 2025 as compared to the prior year. Revenue growth for the quarter included organic revenue growth of $34 million, or 5.5%, and $14 million of favorable impacts from foreign currency translation partially offset by a loss of $15 million of revenue from net divestiture and acquisition activity. The transport applications contributed $19 million of organic revenue growth, driven by increased sales volume and price realization in the U.S. and timing of projects in western Europe, partially offset by reduced backlog execution due to softness in the emerging markets. Organic growth for the treatment application was $15 million, driven by backlog execution in the U.S., partially offset by timing of project revenue in western Europe and reduced volume due to softness in the emerging markets.

Water Infrastructure revenue increased $59 million, or 3.2%, for the nine months ended September 30, 2025 as compared to the prior year. Revenue growth included organic revenue growth of $88 million, or 4.8% and $15 million of favorable impacts from foreign currency translation partially offset by a loss of $44 million of revenue from net divestiture and acquisition activity. The treatment application contributed $46 million of organic revenue growth, led by strong backlog execution in the U.S. and the emerging markets. Organic growth for the transport application was $42 million, led by higher volume in the U.S., and strong backlog execution and order intake in western Europe.

Applied Water

Applied Water revenue increased $9 million, or 2.0%, for the third quarter of 2025 as compared to the prior year. Revenue growth for the quarter included organic revenue growth of $4 million, or 0.9%, and $5 million of favorable foreign currency translation. Organic growth was driven by growth in the building solutions applications of $10 million, led by backlog execution and price realization in the U.S, partially offset by order softness in the emerging markets. These increases were partially offset by organic declines of $6 million in the industrial application, primarily due to order softness in the emerging markets.

Applied Water revenue increased $35 million, or 2.6%, for the nine months ended September 30, 2025 as compared to the prior year. Revenue growth included organic revenue growth of $30 million, or 2.2%, and $5 million of favorable foreign currency translation. Organic growth was driven by growth in the building solutions applications of $33 million, led by price and backlog execution in the U.S., partially offset by order softness in the emerging markets. These industrial application saw organic declines of $3 million due to order softness in the emerging markets, partially offset by backlog execution in Canada and increased sales volume in western Europe.

Measurement and Control Solutions

Measurement and Control Solutions revenue increased $64 million, or 14.0%, for the third quarter of 2025 as compared to the prior year. The revenue growth was primarily driven by organic growth of $50 million, or 10.9%, with an additional increase from acquisitions of $8 million, and $6 million of favorable foreign currency translation. Organic revenue growth during the quarter was driven by $45 million from the smart metering and other applications, driven by increased volumes and price realization primarily in energy for north America, and increased backlog execution in western Europe in water. The analytics application was up $5 million due to increased project revenue and price realization in western Europe.

Measurement and Control Solutions revenue increased $150 million, or 10.7%, for the nine months ended September 30, 2025 as compared to the prior year. The revenue increase was primarily driven by organic growth of $123 million, or 8.8%, with an additional increase from acquisitions of $21 million. Organic revenue increased by $116 million in the smart metering and other applications, due primarily to backlog execution from energy in North America and water project deliveries in the western Europe. These increases were partially offset by organic declines in water in the U.S. due to lower demand, following strong prior year backlog execution. The analytics application was up $7 million organically, driven by price realization in western Europe and the U.S., partially offset by lower sales volume due to market softness in the emerging markets.

Water Solutions and Services

Water Solutions and Services revenue increased $58 million, or 10.1%, for the third quarter of 2025 as compared to the prior year. The revenue growth was primarily driven by organic revenue growth of $57 million, or 9.9%, and $1 million of favorable impacts from foreign currency translation. Organic revenue growth was led by growth in the capital and other applications of $38 million, primarily due to increased project execution and price realization in the U.S. and sales volume in the emerging markets. Organic revenue from the service application increased by $19 million due to increased volume and price realization in the U.S.

Water Solutions and Services revenue increased $88 million, or 5.1%, for the nine months ended September 30, 2025 as compared to the prior year. The revenue growth was primarily driven by organic revenue growth of $91 million, or 5.2%, partially offset by $3 million of unfavorable impacts from foreign currency translation. Organic revenue growth was led by service growth of $52 million, primarily due to increased volume and price realization in the U.S. and increased volume in the emerging markets. Organic revenue from the capital and other applications increased by $39 million due to increased project revenue in the U.S. and increased volume in the emerging markets.

Orders / Backlog

Orders

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.

The following tables illustrate the impact from organic decline/growth, recent acquisitions and divestitures, and foreign currency translation in relation to orders during the three and nine months ended September 30, 2025:

	Water Infrastructure		Applied Water		Measurement and Control Solutions		Water Solutions and Services		Total Xylem	
(in millions)	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
2024 Orders	**$ 700**		**$ 437**		**$ 386**		**$ 678**		**$ 2,201**	
Organic Impact	**(15)**	(2.1)%	**2**	0.5 %	**42**	10.9 %	**(74)**	(10.9)%	**(45)**	(2.0)%
Acquisitions/(Divestitures)	**(15)**	(2.1)%	**—**	— %	**13**	3.3 %	**—**	— %	**(2)**	(0.1)%
Constant Currency	**(30)**	(4.2)%	**2**	0.5 %	**55**	14.2 %	**(74)**	(10.9)%	**(47)**	(2.1)%
Foreign currency translation (a)	**13**	1.8 %	**6**	1.3 %	**5**	1.3 %	**3**	0.4 %	**27**	1.2 %
Total change in orders	**(17)**	(2.4)%	**8**	1.8 %	**60**	15.5 %	**(71)**	(10.5)%	**(20)**	(0.9)%
2025 Orders	**$ 683**		**$ 445**		**$ 446**		**$ 607**		**$ 2,181**	

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

	Water Infrastructure		Applied Water		Measurement and Control Solutions		Water Solutions and Services		Total Xylem	
(in millions)	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change	$ Change	% Change
2024 Orders	**$ 2,036**		**$ 1,382**		**$ 1,199**		**$ 1,917**		**$ 6,534**	
Organic Impact	**(23)**	(1.1)%	**32**	2.3 %	**54**	4.5 %	**(84)**	(4.4)%	**(21)**	(0.3)%
Acquisitions/(Divestitures)	**(45)**	(2.2)%	**—**	— %	**25**	2.1 %	**—**	— %	**(20)**	(0.3)%
Constant Currency	**(68)**	(3.3)%	**32**	2.3 %	**79**	6.6 %	**(84)**	(4.4)%	**(41)**	(0.6)%
Foreign currency translation (a)	**13**	0.6 %	**5**	0.4 %	**7**	0.6 %	**(5)**	(0.2)%	**20**	0.3 %
Total change in orders	**(55)**	(2.7)%	**37**	2.7 %	**86**	7.2 %	**(89)**	(4.6)%	**(21)**	(0.3)%
2025 Orders	**$ 1,981**		**$ 1,419**		**$ 1,285**		**$ 1,828**		**$ 6,513**	

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

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, capital projects require longer lead production cycles and deployment schedules and delays occur from time to time. Total backlog was $4,819 million at September 30, 2025, a decrease of $434 million, or 8.3%, as compared to September 30, 2024 backlog of $5,253 million. The decrease in backlog was driven by increased revenue outpacing order intake and contract wins in the current period, partially offset by favorable impacts from foreign currency translation. The backlog decrease was led by the Measurement and Control Solutions and Water Solutions and Services segments due to strong backlog execution and improved lead times. These backlog declines were partially offset by backlog growth in the Water Infrastructure and Applied Water segments primarily due to orders and contract wins outpacing revenue, and favorable foreign currency impacts. Backlog decreased $251 million, or 5.0%, at September 30, 2025, as compared to December 31, 2024 backlog of $5,070 million. We anticipate that approximately 30% of the backlog as of September 30, 2025 will be recognized as revenue in the remainder of 2025. There were no significant order cancellations during the quarter.

Gross Margin

Gross margin as a percentage of revenue increased 160 basis points to 38.9% for the three months ended September 30, 2025, as compared to 37.3% for the three months ended September 30, 2024. The gross margin increase was partially offset by unfavorable impacts of 20 basis points from increases in acquired intangible amortization and restructuring and realignment costs as compared to the prior year. Gross margin expansion was driven by 430 basis points of favorable operational impacts, led by 230 basis points of productivity savings and 140 basis points of price realization. These increases in gross margin were partially offset by 250 basis points of unfavorable operational impacts driven by 200 basis points of inflation and 40 basis points of unfavorable mix.

Gross margin as a percentage of revenue increased 100 basis points to 38.3% for the nine months ended September 30, 2025, as compared to 37.3% for the nine months ended September 30, 2024. The gross margin increase included favorable impacts of 20 basis points from decreases in acquired intangible amortization and special charges, partially offset by increased restructuring and realignment charges as compared to the prior year. Gross margin expansion included favorable operational impacts of 360 basis points, driven almost entirely by 220 basis points of productivity savings and 130 basis points of price realization. These increases in gross margin were offset by 280 basis points of unfavorable operational impacts driven by 190 basis points of inflation and 70 basis points of unfavorable mix.

Operating Expenses

The following table presents operating expenses for the three and nine months ended September 30, 2025 and 2024:

(in millions)	Three Months Ended September 30, 2025	2024	Change	Nine Months Ended September 30, 2025	2024	Change
Selling, general and administrative expenses	**$ 474**	$ 445	6.5 %	**$ 1,437**	$ 1,404	2.4 %
SG&A as a % of revenue	**20.9 %**	21.2 %	(30) bp	**21.6 %**	22.3 %	(70) bp
Research and development expenses	**52**	55	(5.5) %	**166**	172	(3.5) %
R&D as a % of revenue	**2.3 %**	2.6 %	(30) bp	**2.5 %**	2.7 %	(20) bp
Restructuring and asset impairment charges	**23**	4	475.0 %	**70**	37	89.2 %
Operating expenses	**$ 549**	$ 504	8.9 %	**$ 1,673**	$ 1,613	3.7 %
Expense to revenue ratio	**24.2 %**	24.0 %	20 bp	**25.2 %**	25.6 %	(40) bp

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

SG&A expenses increased by $29 million to $474 million, or 20.9% of revenue, in the third quarter of 2025, as compared to $445 million, or 21.2% of revenue, in the comparable 2024 period, and increased $33 million to $1,437 million, or 21.6% of revenue, in the nine month period ended September 30, 2025. The increase in SG&A in the third quarter of 2025 as compared to the prior year was driven by $15 million of increased spending on strategic investments and $13 million of inflation. The increase in SG&A in the nine month period ended September 30, 2025 as compared to the prior year was primarily driven by $42 million of inflation with increased spending on strategic initiatives being more than offset by productivity savings.

Research and Development ("R&D") Expenses

R&D expense was $52 million, or 2.3% of revenue, in the third quarter of 2025, as compared to $55 million, or 2.6% of revenue, in the third quarter of 2024, and was $166 million, or 2.5% of revenue, in the nine months ended September 30, 2025, as compared to $172 million, or 2.7% of revenue, in the nine months ended September 30, 2024. R&D expense was fairly consistent year over year and in line with planned spending in this area.

Restructuring and Asset Impairment Charges

Restructuring

During the three and nine months ended September 30, 2025, we incurred restructuring charges of $23 million and $62 million, respectively. During the three and nine months ended September 30, 2024, we incurred restructuring charges of $4 million and $36 million, respectively, For the three and nine months ended September 30, 2025, the incurred charges primarily related to actions taken to further streamline our organization through simplification efforts in order to strengthen our competitive positioning and ability to better serve our customers.

Actions commenced in 2025 and 2024 consist primarily of severance charges. We currently expect to incur between $90 and $100 million in restructuring costs for the full year.

Refer to Note 5, "Restructuring and Asset Impairment Charges" for more information.

The following is a roll-forward for the nine months ended September 30, 2025 and 2024 of employee position eliminations associated with restructuring activities:

	2025	2024
Planned reductions - January 1	**382**	113
Additional planned reductions	**858**	276
Actual reductions and reversals	**(711)**	(190)
Planned reductions - September 30	**529**	199

Asset Impairment

Refer to Note 9, "Goodwill and Other Intangible Assets" for more information on intangible asset impairment charges incurred during the three months ended September 30, 2025.

Operating Income, Net Income, and Adjusted EBITDA

Operating income was $334 million (operating margin of 14.7%) during the third quarter of 2025, an increase of $54 million, or 19.3%, when compared to operating income of $280 million (operating margin of 13.3%) during the prior year. Operating margin increased 140 basis points. Operating margin expansion was partially offset by 90 basis points of unfavorable impacts from increased restructuring and realignment costs, acquired intangible amortization, and special charges relative to the prior year period. Additionally, operating margin expansion included 560 basis points of favorable operational impacts driven by 320 basis points of productivity savings and 190 basis points of price realization. These favorable impacts were partially offset by 330 basis points of unfavorable operational impacts, driven by 230 basis points of inflation, 40 basis points of increased spending on strategic investments, and 40 basis points of unfavorable mix. Excluding acquired intangible asset amortization, restructuring and realignment costs, and special charges, adjusted operating income was $429 million (adjusted operating margin of 18.9%) for the third quarter of 2025 as compared to adjusted operating income of $350 million (adjusted operating margin of 16.6%) during the comparable quarter in the prior year.

Net income attributable to Xylem for the third quarter was $227 million (net income margin of 10.0%), an increase of $10 million as compared to net income attributable to Xylem in the prior year of $217 million (net income margin of 10.3%). The increase in net income attributable to Xylem was driven by increased operating income of $54 million, increased non-operating income of $5 million, decreased interest expense of $4 million, and the net loss attributable to non-controlling interest of $1 million, partially offset by increased loss from sale of businesses of $35 million and increased income tax expense of $19 million.

Adjusted EBITDA was $527 million (adjusted EBITDA margin of 23.2%) during the third quarter of 2025, an increase of $80 million, or 18.0%, when compared to adjusted EBITDA of $447 million (adjusted EBITDA margin of 21.2%) during the comparable quarter in the prior year, an increase to adjusted EBITDA margin of 200 basis points. The increase in adjusted EBITDA margin was primarily driven by the same factors impacting the adjusted operating margin increase.

Operating income was $870 million (operating margin of 13.1%) during the nine months ended September 30, 2025, an increase of $128 million, or 17.3%, when compared to operating income of $742 million (operating margin of 11.8%) during the prior year. Operating margin increased 130 basis points, which included net unfavorable impacts of 30 basis points from increased restructuring and realignment costs and acquired intangible amortization, slightly offset by decreased special charges compared to the prior year. Additionally, operating margin expansion included 560 basis points of favorable operational impacts driven by 350 basis points of productivity savings and 170 basis points of price realization. These favorable impacts were partially offset by 400 basis points of unfavorable operational impacts, driven by 240 basis points of inflation, 70 basis points of unfavorable mix, and 40 basis points of increased spending on strategic investments. Excluding acquired intangible asset amortization, restructuring and realignment costs, and special charges, adjusted operating income was $1,156 million (adjusted operating margin of 17.4%) for the nine months ended September 30, 2025 as compared to adjusted operating income of $996 million (adjusted operating margin of 15.8%) during the comparable period in the prior year.

Net income attributable to Xylem for the nine months ended September 30, 2025 was $622 million (net income margin of 9.4%), an increase of $58 million as compared to net income attributable to Xylem in the prior year of $564 million (net income margin of 8.9%). The increase in net income attributable to Xylem was driven by increased operating income of $128 million, decreased interest expense of $12 million, increased non-operating income of $2 million, and the net loss attributable to non-controlling interest of $5 million offset by increased loss from sale of businesses of $41 million, and increased income tax expense of $48 million.

Adjusted EBITDA was $1,452 million (adjusted EBITDA margin of 21.9%) during the nine months ended September 30, 2025, an increase of $162 million, or 12.6%, when compared to adjusted EBITDA of $1,290 million (adjusted EBITDA margin of 20.5%) during the comparable prior year period, an increase in adjusted EBITDA margin of 140 basis points. Adjusted EBITDA margin was impacted by the same offsetting factors impacting the adjusted operating margin.

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:

(in millions)	Three Months Ended September 30, 2025	2024	Change	Nine Months Ended September 30, 2025	2024	Change
Water Infrastructure						
Operating income	**$ 113**	$ 96	17.7 %	**$ 296**	$ 234	26.5 %
Operating margin	***17.2 %***	*15.4 %*	*180 bp*	***15.7 %***	*12.8 %*	*290 bp*
Restructuring and realignment costs	**22**	6	266.7 %	**49**	15	226.7 %
Purchase accounting intangible amortization	**10**	11	(9.1) %	**30**	47	(36.2) %
Special charges	**—**	(2)	(100.0) %	**4**	4	— %
Adjusted operating income	**$ 145**	$ 111	30.6 %	**$ 379**	$ 300	26.3 %
Adjusted operating margin	***22.1 %***	*17.8 %*	*430 bp*	***20.1 %***	*16.4 %*	*370 bp*
Applied Water						
Operating income	**$ 85**	$ 71	19.7 %	**$ 241**	$ 203	18.7 %
Operating margin	***18.6 %***	*15.9 %*	*270 bp*	***17.5 %***	*15.2 %*	*230 bp*
Restructuring and realignment costs	**4**	2	100.0 %	**19**	6	216.7 %
Adjusted operating income	**$ 89**	$ 73	21.9 %	**$ 260**	$ 209	24.4 %
Adjusted operating margin	***19.5 %***	*16.3 %*	*320 bp*	***18.9 %***	*15.6 %*	*330 bp*
Measurement and Control Solutions						
Operating income	**$ 64**	$ 66	(3.0) %	**$ 188**	$ 215	(12.6) %
Operating margin	***12.3 %***	*14.4 %*	*(210) bp*	***12.1 %***	*15.3 %*	*(320) bp*
Restructuring and realignment costs	**1**	(1)	(200.0) %	**9**	3	200.0 %
Purchase accounting intangible amortization	**20**	15	33.3 %	**58**	43	34.9 %
Special charges	**5**	2	150.0 %	**15**	3	400.0 %
Adjusted operating income	**$ 90**	$ 82	9.8 %	**$ 270**	$ 264	2.3 %
Adjusted operating margin	***17.2 %***	*17.9 %*	*(70) bp*	***17.4 %***	*18.8 %*	*(140) bp*
Water Solutions and Services						
Operating income	**$ 98**	$ 63	55.6 %	**$ 220**	$ 160	37.5 %
Operating margin	***15.5 %***	*10.9 %*	*460 bp*	***12.1 %***	*9.2 %*	*290 bp*
Restructuring and realignment costs	**3**	4	(25.0) %	**9**	30	(70.0) %
Purchase accounting intangible amortization	**25**	26	(3.8) %	**76**	73	4.1 %
Special charges	**1**	1	— %	**6**	13	(53.8) %
Adjusted operating income	**$ 127**	$ 94	35.1 %	**$ 311**	$ 276	12.7 %
Adjusted operating margin	***20.0 %***	*16.3 %*	*370 bp*	***17.0 %***	*15.9 %*	*110 bp*
Corporate and other						
Operating loss	**$ (26)**	$ (16)	62.5 %	**$ (75)**	$ (70)	7.1 %
Restructuring and realignment costs	**1**	—	NM	**1**	1	— %
Purchase accounting intangible amortization	**—**	—	NM	**1**	—	NM
Special charges	**3**	6	(50.0) %	**9**	16	(43.8) %
Adjusted operating loss	**$ (22)**	$ (10)	120.0 %	**$ (64)**	$ (53)	20.8 %
Total Xylem						
Operating income	**$ 334**	$ 280	19.3 %	**$ 870**	$ 742	17.3 %
Operating margin	***14.7 %***	*13.3 %*	*140 bp*	***13.1 %***	*11.8 %*	*130 bp*
Restructuring and realignment costs	**31**	11	181.8 %	**87**	55	58.2 %
Purchase accounting intangible amortization	**55**	52	5.8 %	**165**	163	1.2 %
Special charges	**9**	7	28.6 %	**34**	36	(5.6) %
Adjusted operating income	**$ 429**	$ 350	22.6 %	**$ 1,156**	$ 996	16.1 %
Adjusted operating margin	***18.9 %***	*16.6 %*	*230 bp*	***17.4 %***	*15.8 %*	*160 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 September 30			Nine Months Ended September 30		
	2025	2024	Change	**2025**	2024	Change
Net Income attributable to Xylem	$ 227	$ 217	5 %	$ 622	$ 564	10 %
Net Income margin	10.0 %	10.3 %	(30) *bp*	9.4 %	8.9 %	50 *bp*
Depreciation	64	68	(6) %	201	191	5 %
Amortization	78	73	7 %	231	229	1 %
Interest expense, net	—	5	(100) %	3	18	(83) %
Income tax expense	71	52	37 %	196	148	32 %
EBITDA	**$ 440**	$ 415	6 %	**$ 1,253**	$ 1,150	9 %
Share-based compensation	12	12	— %	37	43	(14) %
Restructuring & realignment	30	11	173 %	86	55	56 %
Special charges	9	7	29 %	34	36	(6) %
Loss on sale of businesses	37	2	1750 %	47	6	683 %
Loss attributable to non-controlling interests	(1)	—	NM	(5)	—	NM
Adjusted EBITDA	**$ 527**	$ 447	18 %	**$ 1,452**	$ 1,290	13 %
Adjusted EBITDA margin	**23.2 %**	21.2 %	200 *bp*	**21.9 %**	20.5 %	140 *bp*

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

	Three Months Ended September 30, 2025			
(in millions)	**Water Infrastructure**	**Applied Water**	**Measurement and Control Solutions**	**Water Solutions and Services**
Operating Income	**$ 113**	**$ 85**	**$ 64**	**$ 98**
Operating margin	**17.2 %**	**18.6 %**	**12.3 %**	**15.5 %**
Loss (gain) attributable to non-controlling interests	**—**	**—**	**2**	**(1)**
Gain (loss) on sale of businesses	**2**	**—**	**(39)**	**—**
Depreciation	**11**	**6**	**8**	**38**
Amortization	**13**	**2**	**35**	**26**
EBITDA	**$ 139**	**$ 93**	**$ 70**	**$ 161**
Share-based compensation	**2**	**2**	**1**	**1**
Restructuring & realignment	**21**	**4**	**1**	**3**
Special charges	**—**	**—**	**5**	**1**
(Gain) loss on sale of businesses	**(2)**	**—**	**39**	**—**
(Loss) gain attributable to non-controlling interests	**—**	**—**	**(2)**	**1**
Adjusted EBITDA	**$ 160**	**$ 99**	**$ 114**	**$ 167**
Adjusted EBITDA margin	***24.4 %***	***21.7 %***	***21.8 %***	***26.3 %***

(in millions)	Three Months Ended September 30, 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income	**$ 96**	**$ 71**	**$ 66**	**$ 63**
Operating margin	**15.4 %**	**15.9 %**	**14.4 %**	**10.9 %**
Loss from sale of businesses	—	—	—	(2)
Depreciation	12	6	7	43
Amortization	13	1	26	30
Other non-operating (expense) income, excluding interest	(1)	1	(4)	(1)
EBITDA	**$ 120**	**$ 79**	**$ 95**	**$ 133**
Share-based compensation	3	2	1	2
Restructuring & realignment	6	2	(1)	4
Special Charges	(2)	—	2	1
Loss from sale of businesses	—	—	—	2
Adjusted EBITDA	**$ 127**	**$ 83**	**$ 97**	**$ 142**
Adjusted EBITDA margin	***20.4 %***	***18.6 %***	***21.2 %***	***24.7 %***

(in millions)	Three Months Ended 2025 versus 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income (Loss)	**$ 17**	**$ 14**	**$ (2)**	**$ 35**
Operating margin	**180 bps**	**270 bps**	**(210) bps**	**460 bps**
Loss (gain) attributable to non-controlling interests	—	—	2	(1)
Gain (loss) on sale of businesses	2	—	(39)	2
Depreciation	(1)	—	1	(5)
Amortization	—	1	9	(4)
Other non-operating income (expense), excluding interest	1	(1)	4	1
EBITDA	**$ 19**	**$ 14**	**$ (25)**	**$ 28**
Share-based compensation	(1)	—	—	(1)
Restructuring & realignment	15	2	2	(1)
Special charges	2	—	3	—
(Gain) loss from sale of businesses	(2)	—	39	(2)
(Loss) gain attributable to non-controlling interests	—	—	(2)	1
Adjusted EBITDA	**$ 33**	**$ 16**	**$ 17**	**$ 25**
Adjusted EBITDA margin	**400 bps**	**310 bps**	**60 bps**	**160 bps**

(in millions)	Nine Months Ended September 30, 2025 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income	**$ 296**	**$ 241**	**$ 188**	**$ 220**
Operating margin	**15.7 %**	**17.5 %**	**12.1 %**	**12.1 %**
Loss (gain) attributable to non-controlling interests	**—**	**—**	**6**	**(1)**
Loss from sale of businesses	**(8)**	**—**	**(39)**	**—**
Depreciation	**32**	**21**	**25**	**122**
Amortization	**39**	**4**	**101**	**81**
Other non-operating expense, excluding interest	**(4)**	**—**	**(1)**	**(1)**
EBITDA	**$ 355**	**$ 266**	**$ 280**	**$ 421**
Share-based compensation	**7**	**4**	**5**	**5**
Restructuring & realignment	**48**	**19**	**9**	**9**
Special Charges	**4**	**—**	**15**	**6**
Loss from sale of businesses	**8**	**—**	**39**	**—**
(Loss) gain attributable to non-controlling interests	**—**	**—**	**(6)**	**1**
Adjusted EBITDA	**$ 422**	**$ 289**	**$ 342**	**$ 442**
Adjusted EBITDA margin	***22.4 %***	***21.0 %***	***22.0 %***	***24.2 %***

(in millions)	Nine Months Ended September 30, 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income	**$ 234**	**$ 203**	**$ 215**	**$ 160**
Operating margin	**12.8 %**	**15.2 %**	**15.3 %**	**9.2 %**
Loss from sale of businesses	—	—	—	(6)
Depreciation	32	19	20	119
Amortization	61	2	78	80
Other non-operating expense, excluding interest	(2)	—	(7)	—
EBITDA	**$ 325**	**$ 224**	**$ 306**	**$ 353**
Share-based compensation	10	5	3	8
Restructuring & realignment	15	6	3	30
Special Charges	4	—	3	13
Loss from sale of businesses	—	—	—	6
Adjusted EBITDA	**$ 354**	**$ 235**	**$ 315**	**$ 410**
Adjusted EBITDA margin	***19.4 %***	***17.6 %***	***22.5 %***	***23.6 %***

(in millions)	Nine Months Ended 2025 versus 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income (Loss)	**$ 62**	**$ 38**	**$ (27)**	**$ 60**
Operating margin	**290 bps**	**230 bps**	**(320) bps**	**290 bps**
Loss (gain) attributable to non-controlling interests	—	—	6	(1)
(Gain) loss on sale of businesses	(8)	—	(39)	6
Depreciation	—	2	5	3
Amortization	(22)	2	23	1
Other non-operating (expense) income, excluding interest	(2)	—	6	(1)
EBITDA	**$ 30**	**$ 42**	**$ (26)**	**$ 68**
Share-based compensation	(3)	(1)	2	(3)
Restructuring & realignment	33	13	6	(21)
Special charges	—	—	12	(7)
Gain (loss) on sale of businesses	8	—	39	(6)
(Loss) gain attributable to non-controlling interests	—	—	(6)	1
Adjusted EBITDA	**$ 68**	**$ 54**	**$ 27**	**$ 32**
Adjusted EBITDA margin	**300 bps**	**340 bps**	**(50) bps**	**60 bps**

Water Infrastructure

Operating income for our Water Infrastructure segment was $113 million (operating margin of 17.2%) during the third quarter of 2025, an increase of $17 million, or 17.7%, when compared to operating income of $96 million (operating margin of 15.4%) during the prior year, or a total increase in operating margin of 180 basis points. Operating margin expansion was partially offset by net unfavorable impacts of 250 basis points from increased restructuring and realignment costs and special charges, partially offset by decreased acquired intangible asset amortization as compared to the prior year. Additionally, operating margin expansion included 850 basis points of favorable operating impacts driven by 430 basis points of productivity and restructuring savings, 260 basis points of price realization, and 70 basis points of favorable mix. Margin expansion was partially offset by 420 basis points of unfavorable operational impacts, driven by 200 basis points of inflation, 120 basis points of decreased volume, and 50 basis points of increased spending on strategic investments. Excluding amortization of acquired intangibles, restructuring and realignment costs and special charges, adjusted operating income was $145 million (adjusted operating margin of 22.1%) for the third quarter of 2025 as compared to adjusted operating income of $111 million (adjusted operating margin of 17.8%) for the third quarter of 2024.

Adjusted EBITDA was $160 million (adjusted EBITDA margin of 24.4%) for the third quarter of 2025, an increase of $33 million, or 26.0%, when compared to adjusted EBITDA of $127 million (adjusted EBITDA margin of 20.4%) during the prior year. The increase in adjusted EBITDA margin was primarily driven by the same factors impacting the increase in adjusted operating margin.

Operating income for our Water Infrastructure segment was $296 million (operating margin of 15.7%) during the nine months ended September 30, 2025, an increase of $62 million, or 26.5%, when compared to operating income of $234 million (operating margin of 12.8%) during the prior year, or a total increase in operating margin of 290 basis points. Operating margin growth included unfavorable impacts of 80 basis points from increases in restructuring and realignment costs partially offset by declines in acquired intangible amortization compared to the prior year. Operating margin expansion included 740 basis points of favorable operational impacts, driven by 420 basis points of productivity and restructuring savings and 210 basis points of price realization. Margin expansion was partially offset by 370 basis points of unfavorable operating impacts driven by 230 basis points of inflation, 40 basis points of decreased volume and 30 basis points of increased spending on strategic investments. Excluding amortization of acquired intangibles, restructuring and realignment costs, and special charges, adjusted operating income was $379 million (adjusted operating margin of 20.1%) for the nine months ended September 30, 2025 as compared to adjusted operating income of $300 million (adjusted operating margin of 16.4%) for the nine months ended September 30, 2024.

Adjusted EBITDA was $422 million (adjusted EBITDA margin of 22.4%) for the nine months ended September 30, 2025, an increase of $68 million, or 19.2%, when compared to adjusted EBITDA of $354 million (adjusted EBITDA margin of 19.4%) during the prior year. Adjusted EBITDA margin was impacted by the same offsetting factors impacting the adjusted operating margin; however, adjusted EBITDA margin did not benefit from the relative impact of decreased depreciation and software amortization.

Applied Water

Operating income for our Applied Water segment was $85 million (operating margin of 18.6%) during the third quarter of 2025, an increase of $14 million, or 19.7%, when compared to operating income of $71 million (operating margin of 15.9%) during the prior year, or a total increase in operating margin of 270 basis points. Operating margin expansion was negatively impacted by 50 basis points from increases in restructuring and realignment costs as compared to the prior year. Operating margin expansion included 750 basis points of favorable operational impacts, driven by 550 basis points of productivity savings, 90 basis points of favorable mix, and 70 basis points of price realization. Operating margin expansion was offset by 430 basis points of unfavorable operational impacts driven primarily by 270 basis points of inflation, 60 basis points of inventory management costs, 50 basis points of increased spending on strategic investments, and 50 basis points of decreased volume. Excluding restructuring and realignment costs, adjusted operating income was $89 million (adjusted operating margin of 19.5%) for the third quarter of 2025 as compared to adjusted operating income of $73 million (adjusted operating margin of 16.3%) for the third quarter of 2024.

Adjusted EBITDA was $99 million (adjusted EBITDA margin of 21.7%) for the third quarter of 2025, an increase of $16 million, or 19%, when compared to adjusted EBITDA of $83 million (adjusted EBITDA margin of 18.6%) during the prior year. The increase in adjusted EBITDA margin was primarily due to the same factors impacting the increase in adjusted operating margin.

Operating income for our Applied Water segment was $241 million (operating margin of 17.5%) during the nine months ended September 30, 2025, an increase of $38 million, or 18.7%, when compared to operating income of $203 million (operating margin of 15.2%) during the prior year, or a total increase in operating margin of 230 basis points. Operating margin expansion was negatively impacted by 100 basis points from an increase in restructuring and realignment costs as compared to the prior year. Operating margin expansion included 750 basis points of favorable operational impacts driven by 570 basis points of productivity savings, 110 basis points of price realization, and 50 basis points of favorable mix. Margin expansion was partially offset by 420 basis points of unfavorable operational impacts driven by 270 basis points of inflation and 50 basis points of increased spending on strategic investments. Excluding restructuring and realignment costs, adjusted operating income was $260 million (adjusted operating margin of 18.9%) for the nine months ended September 30, 2025 as compared to adjusted operating income of $209 million (adjusted operating margin of 15.6%) for the nine months ended September 30, 2024.

Adjusted EBITDA was $289 million (adjusted EBITDA margin of 21.0%) for the nine months ended September 30, 2025, an increase of $54 million, or 23.0%, when compared to adjusted EBITDA of $235 million (adjusted EBITDA margin of 17.6%) 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 and Control Solutions

Operating income for our Measurement and Control Solutions segment was $64 million (operating margin of 12.3%) during the third quarter of 2025, a decrease of $2 million, or 3.0%, when compared to operating income of $66 million (operating margin of 14.4%) during the prior year, or a total decrease in operating margin of 210 basis points. The operating margin decline included unfavorable impacts of 140 basis points from an increase in acquired intangible asset amortization, special charges, and restructuring and realignment costs as compared to the prior year. Additionally, operating margin declines included 640 basis points of unfavorable operational impacts, primarily consisting of 290 basis points of unfavorable mix, 240 basis points of inflation, 70 basis points of increased spending on strategic investments, and 70 basis points of inventory management costs. The decline in margin was partially offset by positive operational impacts of 570 basis points consisting of 340 basis points of productivity savings, 150 basis points of price realization, and 80 basis points of increased volume. Excluding acquired intangible asset amortization, restructuring and realignment costs and special charges, adjusted operating income was $90 million (adjusted operating margin of 17.2%) for the third quarter of 2025 as compared to adjusted operating income of $82 million (adjusted operating margin of 17.9%) for the third quarter of 2024.

Adjusted EBITDA was $114 million (adjusted EBITDA margin of 21.8%) for the third quarter of 2025, an increase of $17 million, or 18%, when compared to adjusted EBITDA of $97 million (adjusted EBITDA margin of 21.2%) during the prior year. The increase in adjusted EBITDA margin was due to the same factors as those impacting the decrease in adjusted operating margin; however, adjusted EBITDA benefitted from decreased non-operating expenses and was not negatively impacted by the relative impact of increases in depreciation and software amortization expense.

Operating income for our Measurement and Control Solutions segment was $188 million (operating margin of 12.1%) during the nine months ended September 30, 2025, a decrease of $27 million, or 12.6%, when compared to operating income of $215 million (operating margin of 15.3%) during the prior year, or a total decrease in operating margin of 320 basis points. Operating margin declines included unfavorable impacts of 180 basis points from increased acquired intangible amortization, special charges, and restructuring and realignment costs as compared to the prior year. Additionally, operating margin declines included 710 basis points of unfavorable operational impacts including 260 basis points of unfavorable mix, 230 basis points of inflation, 60 basis points from increased spending on strategic investments, and 50 basis points of negative operating impact from acquisitions. Margin declines were partially offset by favorable operational impacts of 570 basis points consisting of 350 basis points of productivity savings, 130 basis points of price realization, and 90 basis points of increased volume. Excluding acquired intangible asset amortization, restructuring and realignment costs, and special charges, adjusted operating income was $270 million (adjusted operating margin of 17.4%) for the nine months ended September 30, 2025 as compared to adjusted operating income of $264 million (adjusted operating margin of 18.8%) for the nine months ended September 30, 2024.

Adjusted EBITDA was $342 million (adjusted EBITDA margin of 22.0%) for the nine months ended September 30, 2025, an increase of $27 million, or 9%, when compared to adjusted EBITDA of $315 million (adjusted EBITDA margin of 22.5%) during the prior year. The decrease in adjusted EBITDA margin was primarily due to the same factors as those impacting the decrease in adjusted operating margin; however, adjusted EBITDA benefitted from decreased non-operating expenses and was not negatively impacted by the relative impact of increases in depreciation and software amortization expense.

Water Solutions and Services

Operating income for our Water Solutions and Services segment was $98 million (operating margin of 15.5%) during the third quarter of 2025, an increase of $35 million, or 55.6%, when compared to operating income of $63 million (operating margin of 10.9%) during the prior year, or a total increase in operating margin of 460 basis points. The operating margin expansion included favorable impacts of 90 basis points from slightly decreased restructuring and realignment costs and acquired intangible asset amortization, and flat special charges against increasing revenues over the prior year period. Additionally, operating margin expansion included 690 basis points of favorable operational impacts including 240 basis points of price realization, 160 basis points of increased volume, 110 basis points of decreased investment spending, 80 basis points of productivity savings and 60 basis points of favorable foreign currency impacts. Margin expansion was partially offset by unfavorable operational impacts of 320 basis points driven by 190 basis points of inflation and 50 basis points of unfavorable mix. Excluding acquired intangible asset amortization, restructuring and realignment costs, and special charges, adjusted operating income was $127 million (adjusted operating margin of 20.0%) for the third quarter of 2025 as compared to adjusted operating income of $94 million (adjusted operating margin of 16.3%) for the third quarter of 2024.

Adjusted EBITDA was $167 million (adjusted EBITDA margin of 26.3%) for the third quarter of 2025, an increase of $25 million, or 18%, when compared to adjusted EBITDA of $142 million (adjusted EBITDA margin of 24.7%) during the prior year. The increase in adjusted EBITDA margin was primarily 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 decrease in depreciation and software amortization.

Operating income for our Water Solutions and Services segment was $220 million (operating margin of 12.1%) during the nine months ended September 30, 2025, an increase of $60 million, or 37.5%, when compared to operating income of $160 million (operating margin of 9.2%) during the prior year, or a total increase in operating margin of 290 basis points. Operating margin expansion included net favorable impacts of 180 basis points due to decreases in restructuring and realignment costs and special charges, partially offset by increases in acquired intangible asset amortization as compared to the prior year. Additionally, operating margin expansion included 440 basis points of favorable operational impacts, driven by 210 basis points of price realization, 120 basis points of productivity savings, and 40 basis points of increased volume. Margin expansion was offset by negative operational impacts of 330 basis points driven by 170 basis points of inflation, 60 basis points of unfavorable mix, and 30 basis points of inventory management costs. Excluding acquired intangible asset amortization, special charges, and restructuring and realignment costs, adjusted operating income was $311 million (adjusted operating margin of 17.0%) for the nine months ended September 30, 2025 as compared to adjusted operating income of $276 million (adjusted operating margin of 15.9%) for the nine months ended September 30, 2024.

Adjusted EBITDA was $442 million (adjusted EBITDA margin of 24.2%) for the nine months ended September 30, 2025, an increase of $32 million, or 8%, when compared to adjusted EBITDA of $410 million (adjusted EBITDA margin of 23.6%) during the prior year. Adjusted EBITDA margin increased due to the same factors as those impacting the increase in adjusted operating margin; however, adjusted EBITDA margin did not benefit from the impact of essentially flat depreciation and software amortization expense relative to increased revenue.

Corporate and Other

Operating loss for corporate and other increased $10 million, or 62.5%, during the third quarter of 2025 compared to the prior year period. Operating loss increased primarily due to increased spending on and timing of strategic investments and inflation. Excluding special charges and restructuring and realignment costs, adjusted operating loss for corporate and other increased $12 million, or 120.0%, for the three months ended September 30, 2025, driven by the same factors as those driving the increase in operating loss.

Operating loss for corporate and other increased $5 million, or 7.1%, during nine months ended September 30, 2025 compared to the prior year period. The increased operating loss was primarily due to increased spending on strategic investments and inflation, partially offset by lower special charges. Excluding special charges and restructuring and realignment costs, adjusted operating loss for corporate and other increased $11 million, or 20.8%, for the nine months ended September 30, 2025.

Interest Expense

Interest expense was $6 million for the three months ended September 30, 2025, compared to $10 million for the comparable prior year period. The decrease in interest expense was primarily driven by increased interest income generated on cross currency swaps offsetting interest expense.

Interest expense was $23 million for the nine months ended September 30, 2025, compared to $35 million for the nine months ended September 30, 2024. The decrease in interest expense was primarily driven by increased interest income generated on cross currency swaps offsetting interest expense, and lower debt due to the repayment of the term loan entered into in May 2023 for use in funding the acquisition of Evoqua, which was repaid on April 19, 2024.

See Note 10, “Derivative Financial Instruments” and Note 12, "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 September 30, 2025 was $71 million resulting in an effective tax rate of 23.9%, compared to $52 million of expense resulting in an effective tax rate of 19.3% for the same period in 2024. The income tax provision for the nine months ended September 30, 2025 was $196 million resulting in an effective tax rate of 24.1%, compared to $148 million of expense resulting in an effective tax rate of 20.7% for the same period in 2024. The effective tax rate for the three and nine month period ended September 30, 2025 was higher than the effective tax rate for the same period in 2024, primarily due to the mix of earnings and the impact of discrete tax benefits recognized in the prior period.

Liquidity and Capital Resources

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

(in millions)	Nine Months Ended September 30, 2025	2024	Change
Operating activities	**$ 698**	$ 688	$ 10
Investing activities	**(329)**	(193)	(136)
Financing activities	**(382)**	(520)	138
Foreign exchange (a)	**83**	(5)	88
Increase in cash classified within assets held for sale	**11**	—	11
Decrease in cash classified within assets held for sale	**(11)**	—	(11)
Total	**$ 70**	$ (30)	$ 100

(a) The impact is primarily due to strengthening of the Euro and the Canadian Dollar against the U.S. Dollar.

Sources and Uses of Liquidity

Operating Activities

Cash generated by operating activities was $698 million for the nine months ended September 30, 2025 as compared to cash generated by operating activities of $688 million in the comparable prior year period. The increase in cash provided was primarily driven by higher cash earnings, and reduced investment in working capital, reflecting inventory management initiatives. The recognition of receivables on long term contracts, increased payments for infrastructure costs and higher tax payments, partially offset these items.

Investing Activities

Cash used in investing activities was $329 million for the nine months ended September 30, 2025 as compared to $193 million used in the comparable prior year period. The increase in cash used primarily reflects cash paid for an acquisitions, including an asset acquisition, higher capital expenditures and increased cash paid for investments. Increased proceeds from the sale of businesses, including the sale of the former Evoqua Magneto business, and cash received from the sale of property plant and equipment partially offset these items.

Financing Activities

Cash used in financing activities was $382 million for the nine months ended September 30, 2025 as compared to cash used of $520 million in the comparable prior year period. The decrease in cash used reflects the repayment of a term loan in 2024, partially offset by lower proceeds from employee stock option exercises, increased repayments of equipment financing debt, and higher dividend payments.

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 12, "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 $2.2 billion, consisting of $1.2 billion of cash and $1 billion of available credit facilities as disclosed in Note 12, "Credit Facilities and Debt", of our condensed consolidated financial statements.

Credit Facilities & Long-Term Contractual Commitments

See Note 12, "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

As we continue to grow our operations 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, 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.

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 2024 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 2024 Annual Report.

2025 Outlook

We are raising our total revenue growth outlook to 5% to 6%, and organic revenue growth to 4% to 5% in 2025. Our outlook is being provided in the context of the current volatility, including due to geopolitical, trade, macroeconomic and regulatory uncertainty. Our ability to meet our expectations is subject to a number of risks, including, but not limited to, those described in "Item 1A. Risk Factors" in our 2024 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 2024 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 investigations or contract issues and commercial or contractual disputes.

See Note 18, "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 2024 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 September 30, 2025:

(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)
7/1/25 - 7/30/25	—	—	—	**$182**
8/1/25 - 8/31/25	—	—	—	**$182**
9/1/25 - 9/30/25	—	—	—	**$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 September 30, 2025. There are up to $182 million in shares that may still be purchased under this plan as of September 30, 2025.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(c) Trading Plans

During the quarter ended September 30, 2025, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

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
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	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Agreement (2025)	Filed herewith.
10.2	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Agreement for Senior Leadership Team (2025)	Filed herewith.
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.
101.0	The following materials from Xylem Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025, 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 September 30, 2025 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-Michelle McShane

Geri-Michelle McShane
Vice President, Chief Accounting Officer

October 28, 2025

Exhibit 10.1

2011 OMNIBUS INCENTIVE PLAN

<u>"[YEAR]" RESTRICTED STOCK UNIT GRANT AGREEMENT</u>

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. **<u>Grant of Restricted Stock Units</u>**. 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. **<u>Terms and Conditions</u>**. 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 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).

For China-based Participants, the Company will provide a cash payment equivalent to the Fair Market Value of the shares vested as soon as practicable following the Vesting Date.

(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) Termination due to Death or Disability. Any unvested RSUs will immediately become 100% vested.

(ii) Termination due to Retirement or while Retirement Eligible. 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) Termination other than for Death, Disability and Retirement. 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 Covenants and Forfeiture and Clawback Provisions.** The Participant acknowledges and agrees that 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, or the pre-tax value to the extent required by applicable law and/or the Company's Recoupment of Incentive-Based Compensation Policy 40-05, from the disposition of any Shares received upon settlement of vested RSUs, to the extent required by applicable law and/or the Company Policy 40-05, or if the Committee, in its sole discretion, determines that the Participant:

(i) Has engaged in any activity in violation of Company policies, including the Company's Code of Conduct;

(ii) Has engaged in conduct materially adverse to the best interests of the Company or its Affiliates; or

(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) 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 any time during the Participant's employment and for 12 months after termination of his or her employment (subject to applicable restrictions included in Exhibit 1 attached hereto).

The Participant agrees, understands and acknowledges that the scope and duration of the Participant obligations contained in this Agreement are reasonable and necessary to protect a legitimate, protectable interest of the Company and its Affiliates, and that the Committee, in its sole discretion, may require the Participant, as a condition to lapsing any restrictions on the RSUs, to acknowledge in writing that the Participant has not engaged, and is not in the process of engaging, in any of the activities described in this subsection.

The obligations in this subsection are in addition to any other agreements related to non-competition, 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.

(h) **Injunctive Action**. The Participant acknowledges that if the Participant violates the terms of subsection 2(g), the injury that would be suffered by the Company and/or an Affiliate as a result of a breach of the provisions of this Agreement (including any covenant described in subsection 2(g)) would be irreparable and that an award of monetary damages to the Company and/or an Affiliate for such a breach would be an inadequate remedy. Consequently, the Company and/or an Affiliate shall have the right, in addition to any other rights it may have, including the right to forfeiture and clawback under this Agreement, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Company and/or an Affiliate will not be obligated to post bond or other security in seeking such relief. Without limiting the Company's or Affiliate's rights under subsection 2(g) or any other remedies of the Company or an Affiliate, if the Participant breaches any covenant described in subsection 2(g), the Company will have the right to cancel this Agreement.

(i) **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. The Participant understands and agrees that if this Agreement is not accepted within 90 days of the Grant Date, the award is forfeited in full. 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.

(j) **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 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.

(k) **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 this subsection 2(k).

(l) **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.

(m) **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.

(n) **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).

(o) **Governing Law.** This Agreement is governed and construed in accordance with the laws of the State of Indiana, 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.

(p) **Consent to Jurisdiction**. Each party hereby submits and consents to the exclusive jurisdiction of the state or federal courts in the State of Indiana, and, in each case, appellate courts therefrom, with respect to any suit, action or proceeding brought by any party arising under or relating to this Agreement.

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.**

______________________________ ______________________________

Participant Matthew Pine, President and CEO

(Online Acceptance Constitutes Agreement)

Dated: _________________ Dated: ###GRANT_DATE###

EXHIBIT 1

STATE AND OTHER SPECIFIC REQUIREMENTS ADDENDUM

CALIFORNIA

For employees residing in California at the time of execution of this Agreement, Paragraphs 2(g)(iv) and Paragraph 2(o) will not apply.

COLORADO

Paragraph 2(g)(iv) does not apply unless the employee who, when the covenant not to solicit is entered and when it is enforced, earns at least $76,254 as of 2025 (adjusted on a yearly basis).

GEORGIA

For employees residing in Georgia, Paragraph 2(g)(iv) shall apply in the United States, which the employee agrees is a reasonable geographic territory in which the Company does business.

ILLINOIS

Paragraph 2(g)(iv) does not apply unless the employee’s actual or expected rate of earnings exceeds $45,000 per year (which statutorily increases every five years).

LOUISIANA

For employees who perform work in Louisiana, Paragraph 2(g)(iv) shall only apply in the St Tammany Parish.

NORTH DAKOTA

For employees residing in North Dakota at the time of execution of this Agreement, Paragraph 2(g)(iv) will not apply.

OKLAHOMA

For employees residing in Oklahoma at the time of execution of this Agreement, Paragraph 2(g)(iv) will only apply to the extent it prohibits the Employee from directly soliciting the sale of goods, services or a combination of goods and services from the established customers of the Company.

OREGON

For employees residing in Oregon at the time of execution of this Agreement, the Company shall provide a copy of this Agreement to the employees at least two weeks before the employees begin work and must sign this Agreement as a condition of employment. The Company also must provide the employee a signed, written copy of the Agreement within 30 days after the date of termination of the employee’s employment with the Company.

Exhibit 10.2

XYLEM
2011 OMNIBUS INCENTIVE PLAN

"[YEAR]" RESTRICTED STOCK UNIT GRANT AGREEMENT FOR SENIOR LEADERSHIP TEAM

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 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).

For China-based Participants, the Company will provide a cash payment equivalent to the Fair Market Value of the shares vested as soon as practicable following the Vesting Date.

(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) Termination due to Death or Disability. Any unvested RSUs will immediately become 100% vested.

(ii) Termination due to Retirement or while Retirement Eligible. 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) Termination other than for Death, Disability and Retirement. 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 Covenants and Forfeiture and Clawback Provisions.** The Participant acknowledges and agrees that 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, or the pre-tax value to the extent required by applicable law and/or the Company’s Recoupment of Incentive-Based Compensation Policy 40-05, from the disposition of any Shares received upon settlement of vested RSUs, to the extent required by applicable law and/or the Company Policy 40-05, or if the Committee, in its sole discretion, determines that the Participant:

(i) Has engaged in any activity in violation of Company policies, including the Company's Code of Conduct;

(ii) Has engaged in conduct materially adverse to the best interests of the Company or its Affiliates; or

(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);

(iv) 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 any time during the Participant's employment and for 12 months after termination of his or her employment (subject to applicable restrictions included in Exhibit 1 attached hereto); or

(v) Violates the non-competition covenant set forth in Appendix A of this Agreement (the "**Non-Competition Covenant**") at any time during the Participant's employment and for 12 months after termination of his or her employment.

The Participant agrees, understands and acknowledges that the scope and duration of the Participant obligations contained in this Agreement are reasonable and necessary to protect a legitimate, protectable interest of the Company and its Affiliates, and that the Committee, in its sole discretion, may require the Participant, as a condition to lapsing any restrictions on the RSUs, to acknowledge in writing that the Participant has not engaged, and is not in the process of engaging, in any of the activities described in this subsection.

The obligations in this subsection are in addition to any other agreements related to non-competition, 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.

(h) **Injunctive Action**. The Participant acknowledges that if the Participant violates the terms of subsection 2(g), the injury that would be suffered by the Company and/or an Affiliate as a result of a breach of the provisions of this Agreement (including any covenant described in subsection 2(g)) would be irreparable and that an award of monetary damages to the Company and/or an Affiliate for such a breach would be an inadequate remedy. Consequently, the Company and/or an Affiliate shall have the right, in addition to any other rights it may have, including the right to forfeiture and clawback under this Agreement, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Company and/or an Affiliate will not be obligated to post bond or other security in seeking such relief. Without limiting the Company's or Affiliate's rights under subsection 2(g) or any other remedies of the Company or an Affiliate, if the Participant breaches any covenant described in subsection 2(g), the Company will have the right to cancel this Agreement.

(i) **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. The Participant understands and agrees that if this Agreement is not accepted within 90 days of the Grant Date, the award is forfeited in full. 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.

(j) **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 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.

(k) **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 this subsection 2(k).

(l) **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.

(m) **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.

(n) **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).

(o) **Governing Law.** This Agreement is governed and construed in accordance with the laws of the State of Indiana, 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.

(p) **Consent to Jurisdiction**. Each party hereby submits and consents to the exclusive jurisdiction of the state or federal courts in the State of Indiana, and, in each case, appellate courts therefrom, with respect to any suit, action or proceeding brought by any party arising under or relating to this Agreement.

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.**

______________________________ ______________________________

Participant Matthew Pine, President and CEO

(Online Acceptance Constitutes Agreement)

Dated: _________________ Dated: ###GRANT_DATE###

Appendix A
Non-Competition Covenant

1. Definitions.

    (i) "**Competing Products**" means products or services sold by the Company and/or its Affiliates[1], or any prospective product or service the Company and/or its Affiliates took steps to develop, and for which the Participant had any responsibility during the 24 months preceding the termination of the Participant's employment;

    (ii) "**Restricted Territory**" means the geographic territory over which the Participant had responsibility during the 24 months preceding the termination of the Participant's employment.

2. Non-Competition.

   During the Participant's employment and for 12 months after termination of the Participant's employment, the Participant will not directly or indirectly, on behalf of the Participant or in conjunction with any other person or entity:

    (i) own, invest in, or provide financing to any business that sells Competing Products in the Restricted Territory;

    (ii) work in the Restricted Territory for any person or entity that sells Competing Products, in any role: (1) that is similar to any position the Participant held with the Company and its Affiliates during the 24 months preceding the termination of the Participant's employment, (2) that is executive, leadership, managerial, or strategic in nature, or (3) that may cause the Participant to inevitably rely upon or disclose the Company's and/or its Affiliates' confidential or proprietary information or trade secrets.

3. Jurisdiction-and Other Specific Requirements. A Participant residing in a jurisdiction identified on Exhibit 1, will be subject to the jurisdiction-specific and other applicable requirements set forth on Exhibit 1.

4. Subsequent Employment Protocol. During the Participant's employment and for 12 months after termination of the Participant's employment, prior to accepting employment with any person or entity, the Participant will provide the Participant's prospective employer with a copy of this Agreement, which includes the Participant Obligations. Additionally, at least 7 days before accepting subsequent employment, the Participant will notify the Company of the Participant's prospective employer's name, address and telephone number, and a description of the job duties and geographic location for which the Participant is being considered.

5. Certifications. By executing this Agreement, which includes the Participant Obligations set forth above, the Participant certifies that the Participant: (a) has not and will not use or disclose to the Company or its Affiliates any confidential information and/or trade secrets belonging to others, including the Participant's prior employers; (b) will not use any prior inventions made by the Participant and which the Company and its Affiliates is not legally entitled to learn of or use; and (c) is not subject to any prior agreements that would prevent the Participant from fully performing the Participant's duties for the Company and its Affiliates.

[1] This term carries the same meaning as how it is defined in Xylem's Omnibus Incentive Plan.

<u>Exhibit 1</u>
<u>State and Other Specific Requirements</u>

COLORADO

Paragraph 2(g)(v) does not apply unless the employee who, when the covenant not to compete is signed and when it is enforced, earns at least $127,091 as of 2025 (adjusted on a yearly basis). Paragraph 2(g)(iv) does not apply unless the employee who, when the covenant not to solicit is entered and when it is enforced, earns at least $76,254 as of 2025 (adjusted on a yearly basis).

DISTRICT OF COLUMBIA

Paragraph 2(g)(v) does not apply to employees earning less than $154,200 in 2024. This amount may increase each calendar year according to the Consumer Price Index for All Urban Consumers in the Washington Metropolitan Statistical Area.

GEORGIA

For employees residing in Georgia, Paragraph 2(g)(iv) shall apply in the United States, which the employee agrees is a reasonable geographic territory in which the Company and/or an Affiliate does business.

ILLINOIS

Paragraph 2(g)(v) does not apply unless the employee’s annual compensation exceeds $75,000 per year (which statutorily increases every five years). Paragraph 2(g)(iv) does not apply unless the employee’s annual compensation exceeds $45,000 per year (which statutorily increases every 5 years).

LOUISIANA

For employees who perform work in Louisiana, Paragraphs 2(g)(iv) and 2(g)(v) shall only apply in the St Tammany Parish.

MAINE

For employees residing in Maine when this Agreement is signed, Paragraphs 2(g)(iv) and 2(g)(v) do not take effect until 6 months after the Agreement is signed, or 12 months after the employee’s start of employment with the Company and/or an Affiliate for 12 months, whichever is later.

MARYLAND

Paragraph 2(g)(v) does not apply if the employee earns equal to or less than (a) $22.50 per hour; or (b) $46,800 annually, in 2025.

MASSACHUSETTS

For employees working in Massachusetts, Paragraph 2(o) of the Agreement will not apply. Further, if the Company chooses to enforce the non-competition provisions set forth in Paragraph 2(g)(v) of the Agreement, then the Company will continue to pay the employee at least 50% of the employee’s highest base salary that the employee earned at the Company or an Affiliate (as applicable) in the 2 years before the end of employee's employment. The Company will pay this amount for 12 months following the employee's termination. The restriction set forth in Paragraph 2(g)(v) of the Agreement will not apply if the employee is involuntarily terminated without cause.

NEVADA

Paragraph 2(g)(v) does not apply if the employee is paid solely on an hourly wage basis, exclusive of any tips or gratuities.

NEW HAMPSHIRE

Paragraph 2(g)(v) does not apply if the employee earns an hourly rate less than or equal to 200 percent of the federal minimum wage.

NORTH DAKOTA

For employees residing in North Dakota at the time of execution of this Agreement (including the Participant Obligations incorporated herein), Paragraphs 2(g)(iv) and 2(g)(v) will not apply.

OKLAHOMA

For employees residing in Oklahoma at the time of execution of this Agreement (including the Participant Obligations incorporated herein), Paragraph 2(g)(v) will not apply and Paragraph 2(g)(iv) will only apply to the extent that Paragraph prohibits the employee from directly soliciting the sale of goods, services or a combination of goods and services from the established customers of the Company and/or its Affiliates.

OREGON

For employees residing in Oregon when they sign this Agreement (including the Participant Obligations incorporated herein), the Company shall provide a copy of a signed, written copy of the Agreement (including the Participant Obligations incorporated herein) within 30 days after the date of termination of the employee's employment with the Company or its Affiliate, as applicable. Paragraph 2(g)(v) shall only apply if the total amount of the employee's annual compensation, at the time of the employee's termination, exceeds $116,427 in 2025, adjusted annually for inflation pursuant to the Consumer Price Index for All Urban Consumers, West Region (All Items).

VIRGINIA

Paragraph 2(g)(v) does not apply if an employee's average weekly earnings are less than the average weekly wage of the Commonwealth as determined pursuant to subsection B of § 65.2-500.

WASHINGTON

For employees residing in Washington, Paragraph 2(o) will not apply. Further, if an employee is terminated as the result of a layoff, and the Company chooses to enforce the non-competition provisions set forth in Paragraph 2(g)(v) of the Agreement, then the Company or its Affiliate, as applicable, will continue to pay the Employee's base salary for twelve months following the layoff , less any earnings the employee has received from the employee's then-current employer. Paragraph 2(g)(v) shall only apply if the employee's earnings, when annualized, exceed $123,394 per year in 2025, to be adjusted for inflation.

EXHIBIT 31.1

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

I, Matthew F. Pine, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xylem Inc. for the period ended September 30, 2025;
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/ Matthew F. Pine
Matthew F. Pine
President and Chief Executive Officer

Date: October 28, 2025

EXHIBIT 31.2

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

I, William K. Grogan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xylem Inc. for the period ended September 30, 2025;
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/ William K. Grogan

William K. Grogan
Executive Vice President, Chief Financial Officer

Date: October 28, 2025

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 September 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to his 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/ Matthew F. Pine
Matthew F. Pine
President and Chief Executive Officer
October 28, 2025

/s/ William K. Grogan
William K. Grogan
Executive Vice President, Chief Financial Officer
October 28, 2025

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.