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 June 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 July 25, 2025, there were 243,409,688 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		Six Months	
For the periods ended June 30,	**2025**	2024	**2025**	2024
Revenue from products	**$ 1,911**	$ 1,802	**$ 3,620**	$ 3,492
Revenue from services	**390**	367	**750**	710
Revenue	**2,301**	2,169	**4,370**	4,202
Cost of revenue from products	**1,129**	1,079	**2,170**	2,100
Cost of revenue from services	**280**	271	**540**	531
Cost of revenue	**1,409**	1,350	**2,710**	2,631
Gross profit	**892**	819	**1,660**	1,571
Selling, general and administrative expenses	**503**	485	**963**	959
Research and development expenses	**58**	58	**114**	117
Restructuring and asset impairment charges	**26**	23	**47**	33
Operating income	**305**	253	**536**	462
Interest expense	**(9)**	(11)	**(17)**	(25)
Other non-operating income, net	**3**	4	**7**	10
(Loss)/gain on sale of businesses	**—**	1	**(10)**	(4)
Income before taxes	**299**	247	**516**	443
Income tax expense	**(75)**	(53)	**(125)**	(96)
Net income	**$ 224**	$ 194	**$ 391**	$ 347
Net loss attributable to non-controlling interests	**2**	—	**4**	—
Net income attributable to Xylem	**$ 226**	$ 194	**$ 395**	$ 347
Earnings per share:				
Basic	**$ 0.93**	$ 0.80	**$ 1.62**	$ 1.43
Diluted	**$ 0.93**	$ 0.80	**$ 1.62**	$ 1.43
Weighted average number of shares:				
Basic	**243.4**	242.6	**243.3**	242.2
Diluted	**243.9**	243.5	**243.8**	243.3

See accompanying notes to condensed consolidated financial statements.

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

	Three Months		Six Months	
For the periods ended June 30,	**2025**	2024	**2025**	2024
Net income	**$ 224**	$ 194	**$ 391**	$ 347
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustment	**37**	6	**93**	(59)
Amount of currency translation adjustment relating to divestiture of foreign subsidiaries reclassified into net income	**—**	—	**8**	—
Unrealized gain (loss)	**15**	—	**30**	(3)
Amount of loss (gain) reclassified into net income	**1**	(1)	**3**	—
Net change in post-retirement benefit plans:				
Net loss	**1**	—	**1**	—
Foreign currency translation adjustment	**(2)**	—	**(3)**	2
Other comprehensive income (loss), before tax	**52**	5	**132**	(60)
Income tax (benefit) expense related to items of other comprehensive income (loss)	**(63)**	5	**(81)**	16
Other comprehensive income (loss), net of tax	**115**	—	**213**	(76)
Comprehensive income	**$ 339**	$ 194	**$ 604**	$ 271
Comprehensive loss attributable to non-controlling interest	**2**	—	**4**	—
Comprehensive income attributable to Xylem	**$ 341**	$ 194	**$ 608**	$ 271

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,170	$ 1,121
Receivables, less allowances for discounts, returns and credit losses of $61 and $59 in 2025 and 2024, respectively	1,837	1,668
Inventories	1,071	996
Prepaid and other current assets	283	236
Assets held for sale	8	77
Total current assets	4,369	4,098
Property, plant and equipment, net	1,189	1,152
Goodwill	8,237	7,980
Other intangible assets, net	2,354	2,379
Other non-current assets	1,042	884
Total assets	$ 17,191	$ 16,493
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,047	$ 1,006
Accrued and other current liabilities	1,186	1,271
Short-term borrowings and current maturities of long-term debt	68	38
Liabilities held for sale	—	21
Total current liabilities	2,301	2,336
Long-term debt	1,928	1,978
Accrued post-retirement benefit obligations	340	304
Deferred income tax liabilities	427	497
Other non-current accrued liabilities	886	496
Total liabilities	5,882	5,611
Commitments and contingencies (Note 18)		
Redeemable non-controlling interest	228	235
Stockholders' equity:		
Common stock – par value $0.01 per share:		
Authorized 750.0 shares, issued 259.7 shares and 259.2 shares in 2025 and 2024, respectively	3	3
Capital in excess of par value	8,720	8,687
Retained earnings	3,339	3,140
Treasury stock – at cost 16.3 shares and 16.2 shares in 2025 and 2024, respectively	(766)	(753)
Accumulated other comprehensive loss	(222)	(435)
Total stockholders' equity	11,074	10,642
Non-controlling interests	7	5
Total equity	11,081	10,647
Total liabilities, redeemable non-controlling interest, and stockholders' equity	$ 17,191	$ 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 six months ended June 30,	**2025**	2024
Operating Activities		
Net income	**$ 395**	$ 347
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**137**	123
Amortization	**153**	156
Share-based compensation	**25**	31
Restructuring and asset impairment charges	**47**	33
Loss from sale of business	**10**	4
Other, net	**6**	(4)
Payments for restructuring	**(36)**	(18)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	**(103)**	(84)
Changes in inventories	**(27)**	(75)
Changes in accounts payable	**6**	(2)
Changes in accrued and deferred taxes	**(50)**	(14)
Other, net	**(225)**	(120)
Net Cash – Operating activities	**338**	377
Investing Activities		
Capital expenditures	**(169)**	(147)
Acquisitions of businesses, net of cash acquired	**(7)**	(5)
Proceeds from sale of businesses, net of cash disposed	**50**	11
Proceeds from the sale of property, plant and equipment	**5**	3
Cash received from investments	**—**	4
Cash paid for investments	**—**	(7)
Cash paid for equity investments	**(3)**	(2)
Cash paid for asset acquisition	**(37)**	—
Cash received from cross-currency swaps	**21**	14
Other, net	**—**	1
Net Cash – Investing activities	**(140)**	(128)
Financing Activities		
Short-term debt issued, net	**4**	—
Short-term debt repaid	**—**	(268)
Long-term debt repaid	**(28)**	(9)
Repurchase of common stock	**(13)**	(18)
Proceeds from exercise of employee stock options	**8**	63
Dividends paid	**(196)**	(175)
Other, net	**(19)**	(12)
Net Cash – Financing activities	**(244)**	(419)
Effect of exchange rate changes on cash	**84**	(34)
Changes in cash classified within assets held for sale	**11**	—
Net change in cash and cash equivalents	**49**	(204)
Cash and cash equivalents at beginning of year	**1,121**	1,019
Cash and cash equivalents at end of period	**$ 1,170**	$ 815
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	**$ 32**	$ 36
Income taxes (net of refunds received)	**$ 175**	$ 110

See accompanying notes to condensed consolidated financial statements.

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, 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 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 impacts 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, subjected 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 5 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.

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 $10 million, presented on the Condensed Consolidated Income Statement within "Loss on sale of businesses" in the current period.

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 six months ended June 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2025**	**2024**	**2025**	**2024**
Revenue from contracts with customers	**$ 2,227**	$ 2,037	**$ 4,229**	$ 3,947
Lease Revenue	**74**	132	**141**	255
Total	**$ 2,301**	$ 2,169	**$ 4,370**	$ 4,202

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

(in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Water Infrastructure				
Transport	**$ 385**	$ 371	**$ 730**	$ 708
Treatment	**265**	260	**501**	497
Applied Water				
Building Solutions	**270**	255	**517**	495
Industrial Water	**213**	201	**401**	397
Measurement and Control Solutions				
Smart Metering and Other	**449**	393	**853**	770
Analytics	**91**	89	**177**	174
Water Solutions and Services				
Capital and Other	**299**	220	**553**	423
Services	**255**	248	**497**	483
Total	**$ 2,227**	**$ 2,037**	**$ 4,229**	**$ 3,947**

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

(in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Water Infrastructure				
United States	**$ 238**	$ 225	**$ 448**	$ 429
Western Europe	**239**	225	**450**	436
Emerging Markets (a)	**120**	122	**235**	236
Other	**53**	59	**98**	104
Applied Water				
United States	**266**	239	**505**	471
Western Europe	**107**	102	**205**	201
Emerging Markets (a)	**77**	84	**142**	157
Other	**33**	31	**66**	63
Measurement and Control Solutions				
United States	**360**	329	**682**	634
Western Europe	**89**	77	**166**	159
Emerging Markets (a)	**52**	47	**97**	91
Other	**39**	29	**85**	60
Water Solutions and Services				
United States	**406**	358	**782**	693
Western Europe	**26**	24	**50**	47
Emerging Markets (a)	**57**	41	**106**	83
Other	**65**	45	**112**	83
Total	**$ 2,227**	$ 2,037	**$ 4,229**	$ 3,947

(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	264	191
Revenue recognized from opening balance	—	(201)
Billings transferred to accounts receivable	(239)	—
Foreign currency and other	(3)	(6)
Balance at June 30, 2024	$ 285	$ 299
Balance at January 1, 2025	**$ 303**	**$ 322**
Additions, net	**230**	**214**
Revenue recognized from opening balance	**—**	**(227)**
Billings transferred to accounts receivable	**(156)**	**—**
Foreign currency and Other	**6**	**(4)**
Balance at June 30, 2025	**$ 383**	**$ 305**

(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 June 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 $1.8 billion. 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 six months ended June 30, 2025, we incurred restructuring charges of $22 million and $39 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 six months ended June 30, 2024, we incurred restructuring costs of $23 million and $32 million, respectively. We incurred these charges primarily as a result of our acquisition of Evoqua and our efforts to reposition our businesses to optimize our cost structure, improve our operational efficiency and effectiveness, strengthen our competitive positioning and better serve our customers.

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

(in millions)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
By component:				
Severance and other charges	**$ 21**	$ 8	**$ 39**	$ 17
Asset impairment	**1**	15	**1**	16
Reversal of restructuring accruals	**—**	—	**(1)**	(1)
Total restructuring costs	**$ 22**	$ 23	**$ 39**	$ 32
Asset impairment charges	**4**	—	**8**	1
Total restructuring and asset impairment charges	**$ 26**	$ 23	**$ 47**	$ 33
By segment:				
Water Infrastructure	**$ 9**	$ 1	**$ 22**	$ 6
Applied Water	**9**	—	**12**	1
Measurement and Control Solutions	**5**	—	**6**	—
Water Solutions and Services	**1**	22	**5**	24
Corporate and other	**2**	—	**2**	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 six months ended June 30, 2025 and 2024:

(in millions)	2025	2024
Restructuring accruals - January 1	**$ 25**	$ 24
Restructuring costs, net	**39**	32
Cash payments	**(36)**	(18)
Asset impairment	**(1)**	(16)
Stock based compensation expense included within AOCL	**—**	(2)
Foreign currency and other	**2**	(1)
Restructuring accruals - June 30	**$ 29**	$ 19
By segment:		
Water Infrastructure	**$ 4**	$ 2
Applied Water	**2**	1
Measurement and Control Solutions	**2**	5
Water Solutions and Services	**3**	6
Regional selling locations (a)	**18**	3
Corporate and other	**—**	2

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

The following table presents expected restructuring spend in 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	$ 37	$ 23	$ 8	$ 5	$ 4	$ 77
Costs incurred during Q1 2025	12	2	1	1	—	16
Costs incurred during Q2 2025	8	9	3	1	—	21
Total expected costs remaining	$ 17	$ 12	$ 4	$ 3	$ 4	$ 40
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
Total expected costs remaining	$ —	$ —	$ —	$ 1	$ —	$ 1

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

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

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 and Corporate segments.

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 June 30, 2025 was $75 million resulting in an effective tax rate of 25.0%, compared to a $53 million expense resulting in an effective tax rate of 21.4% for the same period in 2024. The income tax provision for the six months ended June 30, 2025 was $125 million resulting in an effective tax rate of 24.2%, compared to a $96 million expense resulting in an effective tax rate of 21.6% for the same period in 2024. The effective tax rate for the three and six month periods ended June 30, 2025 was higher than the U.S. federal statutory rate primarily due to 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. We are currently assessing its impact on our consolidated financial statements.

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 $88 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 June 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 June 30,		Six Months Ended June 30,	
	2025	2024	**2025**	2024
Net income (in millions)	**$ 226**	$ 194	**$ 395**	$ 347
Shares (in thousands):				
Weighted average common shares outstanding	**243,370**	242,538	**243,227**	242,182
Add: Participating securities (a)	**27**	34	**24**	31
Weighted average common shares outstanding — Basic	**243,397**	242,572	**243,251**	242,213
Plus incremental shares from assumed conversions: (b)				
Dilutive effect of stock options	**314**	576	**333**	651
Dilutive effect of restricted stock units and performance share units	**148**	390	**236**	415
Weighted average common shares outstanding — Diluted	**243,859**	243,538	**243,820**	243,279
Basic earnings per share	**$ 0.93**	$ 0.80	**$ 1.62**	$ 1.43
Diluted earnings per share	**$ 0.93**	$ 0.80	**$ 1.62**	$ 1.43

(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 June 30,		Six Months Ended June 30,	
(in thousands)	**2025**	2024	**2025**	2024
Stock options	**1,006**	979	**936**	1,116
Restricted stock units	**442**	452	**390**	440
Performance share units	**181**	311	**207**	326

Note 8. Inventories

The components of total inventories are summarized as follows:

(in millions)	June 30, 2025	December 31, 2024
Finished goods	**$ 377**	$ 341
Work in process	**113**	100
Raw materials	**581**	555
Total inventories	**$ 1,071**	$ 996

Note 9. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying value of goodwill by reportable segment for the six months ended June 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					
Foreign currency and other	90	20	124	23	257
Balance as of June 30, 2025	**$ 2,188**	**$ 904**	**$ 2,287**	**$ 2,858**	**$ 8,237**

Other Intangible Assets

Information regarding our other intangible assets is as follows:

	June 30, 2025			December 31, 2024		
(in millions)	**Carrying Amount**	**Accumulated Amortization**	**Net Intangibles**	Carrying Amount	Accumulated Amortization	Net Intangibles
Customer and distributor relationships	**$ 2,185**	**$ (656)**	**$ 1,529**	$ 2,151	$ (576)	$ 1,575
Proprietary technology and patents	**431**	**(163)**	**268**	360	(138)	222
Trademarks	**185**	**(119)**	**66**	182	(107)	75
Software	**642**	**(420)**	**222**	595	(367)	228
Other	**196**	**(95)**	**101**	194	(79)	115
Indefinite-lived intangibles	**168**	**—**	**168**	164	—	164
Other Intangibles	**$ 3,807**	**$ (1,453)**	**$ 2,354**	$ 3,646	$ (1,267)	$ 2,379

Amortization expense related to finite-lived intangible assets was $76 million and $153 million for the three and six-month periods ended June 30, 2025, respectively. Amortization expense related to finite-lived intangible assets was $83 million and $156 million for the three and six-month periods ended June 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 our Corporate segment.

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 our Corporate segment.

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 $365 million and $657 million as of June 30, 2025 and December 31, 2024, respectively. As of June 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 $143 million, $97 million, $53 million, $24 million, $20 million, $15 million, and $13 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 $3,156 million and $2,181 million as of June 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 June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Derivatives in Cash Flow Hedges				
Foreign Exchange Contracts				
Amount of gain (loss) recognized in OCL	**$ 15**	$ —	**$ 30**	$ (3)
Amount of loss reclassified from OCL into Revenue	**2**	—	**5**	—
Amount of (gain) reclassified from OCL into Cost of revenue	**(1)**	(1)	**(2)**	—
Derivatives Net Investment Hedges				
Cross-Currency Swaps				
Amount of (loss) gain recognized in OCL	**$ (271)**	$ 21	**$ (355)**	$ 61
Amount of income recognized in Interest expense	**9**	8	**20**	16

As of June 30, 2025, $17 million of net gains on cash flow hedges are expected to be reclassified into earnings in the next 12 months.

As of June 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)	June 30, 2025	December 31, 2024
Derivatives designated as hedging instruments		
Assets		
Cash Flow Hedges		
Prepaid and other current assets	**$ 14**	$ 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	**$ (333)**	$ (30)

Note 11. Current Liabilities

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

(in millions)		June 30, 2025		December 31, 2024
Compensation and other employee-benefits	**$**	**335**	$	409
Customer-related liabilities		**385**		384
Accrued taxes		**168**		201
Lease liabilities		**128**		109
Accrued warranty costs		**45**		43
Other accrued liabilities		**125**		125
Total accrued and other current liabilities	**$**	**1,186**	$	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 $278 million and $250 million as of June 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 six months ended June 30, 2025:

(in millions)		2025
Confirmed obligations outstanding – January 1	**$**	**250**
Invoices confirmed		**523**
Confirmed invoices paid		**(500)**
Foreign currency and other		**5**
Confirmed obligations outstanding – June 30	**$**	**278**

Note 12. Credit Facilities and Debt

Total debt outstanding is summarized as follows:

(in millions)	June 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	78	106
Other	31	25
Debt issuance costs and unamortized discount (b)	(13)	(15)
Total debt	1,996	2,016
Less: short-term borrowings and current maturities of long-term debt	68	38
Total long-term debt	$ 1,928	$ 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 $492 million and $488 million as of June 30, 2025 and December 31, 2024, respectively. The fair value of our Senior Notes due 2028 was $472 million and $459 million as of June 30, 2025 and December 31, 2024, respectively. The fair value of our Senior Notes due 2031 was $443 million and $427 million as of June 30, 2025 and December 31, 2024, respectively. The fair value of our Senior Notes due 2046 was $325 million and $327 million as of June 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 June 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 June 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 June 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 June 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 June 30, 2025, the gross and net amounts of those assets are included on the Consolidated Balance Sheets as follows:

	June 30, 2025	
(in millions)	Gross	Net
Property, plant, and equipment, net	$ 60	$ 47
Receivables, net	3	3
Prepaid and other current assets	8	8
Other non-current assets	191	190
	$ 262	$ 248

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

(in millions)	Maturity
From July 1, 2025 through December 31, 2025	$ 35
2026	520
2027	17
2028	512
2029	18
Thereafter	907
Total Future Maturities	2,009
Debt issuance costs and unamortized discount (a)	(13)
Total	$ 1,996

(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 June 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 $586 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 June 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 June 30,		Six Months Ended June 30,	
(in millions)	**2025**	2024	**2025**	2024
Domestic defined benefit pension plans:				
Service cost	**$ —**	$ —	**$ 1**	$ 1
Interest cost	**1**	1	**2**	2
Expected return on plan assets	**(2)**	(2)	**(3)**	(3)
Amortization of net actuarial loss	**1**	1	**1**	1
Net periodic benefit cost	**$ —**	$ —	**$ 1**	$ 1
International defined benefit pension plans:				
Service cost	**$ 3**	$ 3	**$ 5**	$ 5
Interest cost	**4**	4	**8**	8
Expected return on plan assets	**(3)**	(3)	**(6)**	(6)
Net periodic benefit cost	**$ 4**	$ 4	**$ 7**	$ 7
Total net periodic benefit cost	**$ 4**	$ 4	**$ 8**	$ 8

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 six months ended June 30, 2025 and 2024, respectively.

We contributed $9 million and $7 million to our defined benefit plans for the six months ended June 30, 2025 and 2024, respectively. Additional contributions ranging between approximately $11 million and $15 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 six months ended June 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	—	—	169	—	—	—	169
Other comprehensive income, 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	—	—	226	—	—	—	226
Other comprehensive income, 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

The following table shows the changes in stockholders' equity for the six months ended June 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	—	—	153	—	—	—	153
Other comprehensive loss, 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	—	—	194	—	—	—	194
Other comprehensive loss, 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

Note 15. Share-Based Compensation Plans

Share-based compensation expense was $13 million and $25 million during the three and six months ended June 30, 2025, respectively, and $13 million and $31 million during the three and six months ended June 30, 2024, respectively. The unrecognized compensation expense related to our stock options, restricted stock units and performance share units was $12 million, $45 million and $20 million, respectively, at June 30, 2025 and is expected to be recognized over a weighted average period of 2.2, 2.0 and 2.1 years, respectively. The amount of cash received from the exercise of stock options was $8 million and $63 million for the six months ended June 30, 2025 and 2024, respectively.

As of June 30, 2025, there were approximately 4.8 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 six months ended June 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	253	129.64		
Exercised	(118)	63.65		
Forfeited and expired	(30)	110.86		
Outstanding at June 30, 2025	**1,287**	**$ 94.87**	**6.4**	**$ 43**
Options exercisable at June 30, 2025	**863**	**$ 79.28**	**5.0**	**$ 42**
Vested and expected to vest as of June 30, 2025	**1,229**	**$ 93.30**	**6.2**	**$ 43**

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 six months ended June 30, 2025 was $7 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 six months ended June 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	235	129.39
Vested	(301)	106.27
Forfeited	(33)	118.19
Outstanding at June 30, 2025	**533**	**$ 121.72**

ROIC and Adjusted EBITDA Performance Share Unit Grants

The following is a summary of our ROIC and EBITDA grants for the six months ended June 30, 2025. The fair value of the adjusted EBITDA performance share units is equal to the closing share price on the date of the grant:

	Share units (in thousands)	**Weighted Average Grant Date Fair Value / Share**
Outstanding at January 1, 2025	77	$ 105.02
Adjustment for Performance Condition Achieved (a)	19	86.77
Vested	(44)	86.77
Forfeited	(5)	113.55
Outstanding at June 30, 2025	**47**	**$ 113.92**

(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 six months ended June 30, 2025:

	Share units (in thousands)	**Weighted Average Grant Date Fair Value / Share**
Outstanding at January 1, 2025	155	$ 125.42
Granted	53	180.50
Adjustment for Market Condition Achieved (a)	(14)	71.15
Vested	(37)	71.15
Forfeited	(11)	149.29
Outstanding at June 30, 2025	**146**	**$ 157.27**

(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 six months ended June 30, 2025:

	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)	113.56
Outstanding at June 30, 2025	**47**	**$ 113.92**

(a) Represents an increase in the number of original REV 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 EPS performance share unit grants for the six months ended June 30, 2025:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2025	—	$ —
Granted	53	129.67
Forfeited	(2)	129.67
Outstanding at June 30, 2025	**51**	**$ 129.67**

The fair value of the EPS performance share unit awards is determined using the closing price of our common stock on date of grant.

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
- 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 six months ended June 30, 2025 the Company repurchased less than 0.1 million shares of common stock for less than $1 million and 0.1 million shares of common stock for $13 million, respectively. For the three and six months ended June 30, 2024 the Company repurchased less than 0.1 million shares of common stock for $3 million and 0.1 million shares of common stock for $18 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 six months ended June 30, 2025 and June 30, 2024. There are up to $182 million in shares that may still be purchased under this plan as of June 30, 2025.

Aside from the aforementioned repurchase programs, we repurchased less than 0.1 million shares and 0.1 million shares for approximately less than $1 million and $13 million for the three and six months ended June 30, 2025, and less than 0.1 million shares and 0.1 million shares for $3 million and $18 million for the three and six months ended June 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 six months ended June 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 prior service credit and 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)

The following table provides the components of AOCL for the six months ended June 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)

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 $7 million and $4 million as of June 30, 2025 and December 31, 2024, respectively, for these general legal matters.

Guarantees

We obtain certain stand-by letters of credit, bank guarantees, surety bonds and insurance letters of credit from third-party financial institutions in the ordinary course of business when required under contracts or to satisfy insurance-related requirements. As of June 30, 2025 and December 31, 2024, the amount of surety bonds, bank guarantees, insurance letters of credit, and stand-by letters of credit was $798 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 June 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 judgement. 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	**18**	17
Settlement of warranty claims	**(15)**	(18)
Foreign currency and other	**1**	—
Warranty accrual – June 30	**$ 61**	$ 62

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 June 30, 2025					
Revenue	$ 650	$ 483	$ 540	$ 628	**$ 2,301**
Less:					
Adjusted cost of revenue (a)	365	299	324	403	
Adjusted operating expenses (a)	158	90	118	119	
Other segment items (b)	24	10	30	28	
Segment operating income	$ 103	$ 84	$ 68	$ 78	**$ 333**
Reconciliation of segment operating income					
Corporate and other (loss)					**(28)**
Interest expense					**(9)**
Other non-operating income, net					**3**
Income before income taxes					**$ 299**

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for three months ended June 30, 2024					
Revenue	$ 631	$ 456	$ 482	$ 600	$ 2,169
Less:					
Adjusted cost of revenue (a)	365	295	282	385	
Adjusted operating expenses (a)	165	88	104	116	
Other segment items (b)	23	2	17	52	
Segment operating income	$ 78	$ 71	$ 79	$ 47	$ 275
Reconciliation of segment operating income					
Corporate and other (loss)					(22)
Interest expense					(11)
Other non-operating income, net					4
Gain/(loss) on sale of businesses					1
Income before income taxes					$ 247

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for six months ended June 30, 2025					
Revenue	$ 1,231	$ 918	$ 1,030	$ 1,191	**$ 4,370**
Less:					
Adjusted cost of revenue (a)	694	577	627	774	
Adjusted operating expenses (a)	303	170	223	233	
Other segment items (b)	51	15	56	62	
Segment operating income	$ 183	$ 156	$ 124	$ 122	**$ 585**
Reconciliation of segment operating income					
Corporate and other (loss)					**(49)**
Interest expense					**(17)**
Other non-operating income, net					**7**
Gain/(loss) on sale of businesses					**(10)**
Income before income taxes					**$ 516**

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for six months ended June 30, 2024					
Revenue	$ 1,205	$ 892	$ 944	$ 1,161	$ 4,202
Less:					
Adjusted cost of revenue (a)	692	583	557	752	
Adjusted operating expenses (a)	324	173	205	227	
Other segment items (b)	51	4	33	85	
Segment operating income	$ 138	$ 132	$ 149	$ 97	$ 516
Reconciliation of segment operating income					
Corporate and other (loss)					(54)
Interest expense					(25)
Other non-operating income, net					10
Gain/(loss) on sale of businesses					(4)
Income before income taxes					$ 443

(a) Adjusted costs of revenue and adjusted operating expenses represent segment-level information that are regularly provided to the CODM. These balances represent costs 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 June 30,		Six Months Ended June 30,	
(in millions)	**2025**	2024	**2025**	2024
Depreciation and Amortization:				
Water Infrastructure	**$ 24**	$ 37	**$ 47**	$ 68
Applied Water	**9**	7	**17**	14
Measurement and Control Solutions	**44**	32	**83**	65
Water Solutions and Services	**71**	66	**139**	126
Corporate and other	**(3)**	3	**4**	6
Total	**$ 145**	$ 145	**$ 290**	$ 279
Capital Expenditures:				
Water Infrastructure	**$ 11**	$ 9	**$ 22**	$ 17
Applied Water	**5**	3	**14**	8
Measurement and Control Solutions	**20**	19	**36**	37
Water Solutions and Services	**43**	33	**63**	66
Regional selling locations (a)	**10**	5	**17**	11
Corporate and other	**9**	4	**17**	8
Total	**$ 98**	$ 73	**$ 169**	$ 147

(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 June 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 six months ended June 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**

Note 21. Subsequent Events

EMX Holdings, Inc.

On July 23, 2025, we completed the acquisition of 100% ownership 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. The transaction had a purchase price of $108 million in cash, subject to working capital and other ordinary adjustments. EnviroMix will be included in the Water Infrastructure segment. We are currently in the process of finalizing the initial accounting for the transaction, which will be reflected in the financial results of the third quarter of 2025.

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 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; uncertainty related to the realization of the benefits and synergies from our acquisition of Evoqua Water Technologies Corp.; 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 diverse and 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 related to 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, including those pertaining to our business conduct, operations, products and services, including anti-corruption, 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 second quarter of 2025 of $2,301 million, an increase of 6.1% compared to $2,169 million reported in the second quarter of 2024. The revenue increase consisted primarily of organic growth of 5.5% across all of our segments, led by strong volume in our Measurement and Control Solutions segment.

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

- Orders of $2,174 million, up 4.1% from $2,087 million in the prior year period, and up 3.7% on an organic basis.
- Earnings per share of $0.93, up 16.3% compared to prior year ($1.26, up 15.6% versus prior year, on an adjusted basis).
- Net income attributable to Xylem as a percent of revenue of 9.8%, up 90 basis points compared to 8.9% in the prior year. Adjusted EBITDA margin of 21.8%, up 100 basis points when compared to 20.8% 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 June 30,				Six Months Ended June 30,			
(in millions, except for per share data)	2025		2024		2025		2024	
Net income attributable to Xylem & Earnings per share	**$ 226**	**$ 0.93**	$ 194	$ 0.80	**$ 395**	**$ 1.62**	$ 347	$ 1.43
Restructuring and realignment	**29**	**0.12**	29	0.12	**56**	**0.23**	44	0.18
Acquired intangible amortization	**54**	**0.22**	57	0.23	**110**	**0.45**	111	0.45
Special charges	**13**	**0.05**	13	0.04	**25**	**0.10**	29	0.11
Tax-related special items	**5**	**0.02**	(6)	(0.02)	**5**	**0.02**	(8)	(0.03)
Loss/(gain) from sale of business	**—**	**—**	(1)	—	**10**	**0.04**	4	0.02
Tax effects of adjustments (a)	**(20)**	**(0.08)**	(20)	(0.08)	**(42)**	**(0.17)**	(42)	(0.17)
Adjusted net income & Adjusted earnings per share	**$ 307**	**$ 1.26**	$ 266	$ 1.09	**$ 559**	**$ 2.29**	$ 485	$ 1.99
Weighted average number of shares - diluted	**243.9**		243.5		**243.8**		243.3	

(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 adjustment 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.

	Six Months Ended June 30,	
(in millions)	**2025**	2024
Net cash provided by operating activities	**$ 338**	$ 377
Capital expenditures	**(169)**	(147)
Free cash flow	**$ 169**	$ 230
Net cash used in investing activities	**$ (140)**	$ (128)
Net cash used by financing activities	**$ (244)**	$ (419)

Results of Operations

(in millions)	Three Months Ended June 30, 2025	2024	Change	Six Months Ended June 30, 2025	2024	Change
Revenue	**$ 2,301**	$ 2,169	6.1 %	**$ 4,370**	$ 4,202	4.0 %
Gross profit	**892**	819	8.9 %	**1,660**	1,571	5.7 %
Gross margin	**38.8 %**	37.8 %	100 bp	**38.0 %**	37.4 %	60 bp
Total operating expenses	**587**	566	3.7 %	**1,124**	1,109	1.4 %
Expense to revenue ratio	**25.5 %**	26.1 %	(60) bp	**25.7 %**	26.4 %	(70) bp
Operating income	**305**	253	20.6 %	**536**	462	16.0 %
Operating margin	**13.3 %**	11.7 %	160 bp	**12.3 %**	11.0 %	130 bp
Interest and other non-operating expense, net	**(6)**	(7)	(14.3) %	**(10)**	(15)	(33.3) %
(Loss)/gain on sale of businesses	**—**	1	(100.0) %	**(10)**	(4)	150.0 %
Income tax expense	**(75)**	(53)	41.5 %	**(125)**	(96)	30.2 %
Tax rate	**25.0 %**	21.4 %	360 bp	**24.2 %**	21.6 %	260 bp
Net income	**$ 224**	$ 194	15.5 %	**$ 391**	$ 347	12.7 %
Net loss attributable to non-controlling interest	**2**	—	NM	**4**	—	NM
Net income attributable to Xylem	**$ 226**	$ 194	16.5 %	**$ 395**	$ 347	13.8 bp

NM - Not meaningful change

Revenue

Revenue generated during the three and six months ended June 30, 2025 was $2,301 million and $4,370 million, respectively, reflecting an increase of $132 million, or 6.1%, and an increase of $168 million, or 4.0% compared to the prior year. Organic revenue increased $120 million, or 5.5%, and $187 million, or 4.5% for the three and six months ended June 30, 2025, respectively. Foreign currency translation had a favorable impact on revenue of $23 million for the three months ended June 30, 2025, and an unfavorable impact on revenue of $3 million for the six months ended June 30, 2025. Revenue growth was negatively impacted by $11 million, and $16 million due to acquisitions and divestitures, net, for the three and six months ended June 30, 2025, respectively. The increase in organic revenue primarily reflects strength in the U.S. and Canada, driven by price realization and increased volume for the three months ended June 30, 2025 and increased volume and backlog execution for the six months ended June 30, 2025.

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 six months ended June 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	$ 631		$ 456		$ 482		$ 600		$ 2,169	
Organic Growth	26	4.1 %	21	4.7 %	46	9.4 %	27	4.6 %	120	5.5 %
Acquisitions/(Divestitures)	(19)	(3.0)%	—	— %	8	1.5 %	—	— %	(11)	(0.5)%
Constant Currency	7	1.1 %	21	4.7 %	54	10.9 %	27	4.6 %	109	5.0 %
Foreign currency translation (a)	12	2.0 %	6	1.1 %	4	1.0 %	1	0.1 %	23	1.1 %
Total change in revenue	19	3.1 %	27	5.8 %	58	11.9 %	28	4.7 %	132	6.1 %
2025 Revenue	**$ 650**		**$ 483**		**$ 540**		**$ 628**		**$ 2,301**	

(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	$ 1,205		$ 892		$ 944		$ 1,161		$ 4,202	
Organic Growth	54	4.5 %	26	2.9 %	73	7.7 %	34	3.0 %	187	4.5 %
Acquisitions/(Divestitures)	(29)	(2.4)%	—	— %	13	1.4 %	—	— %	(16)	(0.4)%
Constant Currency	25	2.1 %	26	2.9 %	86	9.1 %	34	3.0 %	171	4.1 %
Foreign currency translation (a)	1	0.1 %	—	— %	—	— %	(4)	(0.4)%	(3)	(0.1)%
Total change in revenue	26	2.2 %	26	2.9 %	86	9.1 %	30	2.6 %	168	4.0 %
2025 Revenue	**$ 1,231**		**$ 918**		**$ 1,030**		**$ 1,191**		**$ 4,370**	

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

Water Infrastructure

Water Infrastructure revenue increased $19 million, or 3.1%, for the second quarter of 2025 as compared to the prior year. Revenue growth for the quarter included organic revenue growth of $26 million, or 4.1% and $12 million of favorable impacts from foreign currency translation partially offset by a loss of $19 million of revenue from divestitures. The treatment application contributed $19 million of organic revenue growth, driven by backlog execution and capital projects in the emerging markets and price realization in the U.S. Organic growth for the transport applications was $7 million, led by increased sales volume in the U.S.

Water Infrastructure revenue increased $26 million, or 2.2%, for the six months ended June 30, 2025 as compared to the prior year. Revenue growth included organic revenue growth of $54 million, or 4.5% and $1 million of favorable impacts from foreign currency translation partially offset by a loss of $29 million of revenue from divestitures. The treatment application contributed $31 million of organic revenue growth, led by strong volume and backlog execution in the emerging markets and the U.S. Organic growth for the transport application was $23 million, led by strong backlog execution and order intake in western Europe and emerging markets, and higher volume in the U.S.

Applied Water

Applied Water revenue increased $27 million, or 5.8%, for the second quarter of 2025 as compared to the prior year. Revenue growth for the quarter included organic revenue growth of $21 million, or 4.7% and $6 million of favorable foreign currency translation. Organic growth was driven by growth in the building solutions applications of $13 million, led by price and increased sales volume in the U.S, partially offset by lapping of project orders in western Europe. The industrial application had organic growth of $9 million primarily due to price realization in the U.S and western Europe.

Applied Water revenue increased $26 million, or 2.9%, for the six months ended June 30, 2025 as compared to the prior year, consisting entirely of organic growth. Organic growth was driven by growth in the building solutions applications of $23 million, led by price and increased sales volume in the U.S., partially offset by order softness in the emerging markets. The industrial application had organic growth of $3 million due to price and volume in north America and western Europe, partially offset by order softness in the emerging markets.

Measurement and Control Solutions

Measurement and Control Solutions revenue increased $58 million, or 11.9%, for the second quarter of 2025 as compared to the prior year. The revenue growth was primarily driven by organic growth of $46 million, or 9.4%, with an additional increase from acquisitions of $8 million, and $4 million of favorable foreign currency translation. Organic revenue growth during the quarter was driven by $45 million from the smart metering and other applications, due primarily to backlog execution from energy in north America, partially offset by declines in water, in the U.S.

Measurement and Control Solutions revenue increased $86 million, or 9.1%, for the six months ended June 30, 2025 as compared to the prior year. The revenue increase was primarily driven by organic growth of $73 million, or 7.7%, with an additional increase from acquisitions of $13 million. Organic revenue increased by $70 million in the smart metering and other applications, due primarily to backlog execution from energy in north America and water project deliveries in the emerging markets. These increases were partially offset by organic declines in water due to lower demand in the U.S. following strong prior year backlog execution. The analytics application was up $3 million organically, driven by increased demand in the U.S.

Water Solutions and Services

Water Solutions and Services revenue increased $28 million, or 4.7%, for the second quarter of 2025 as compared to the prior year. The revenue growth was primarily driven by organic revenue growth of $27 million, or 4.6% and $1 million of favorable impacts from foreign currency translation. Organic revenue growth was led by service growth of $16 million, primarily due to increased volume and price realization in the U.S. Organic revenue from the capital and other applications increased by $11 million due to increased capital project revenue in the U.S. and volume in the emerging markets.

Water Solutions and Services revenue increased $30 million, or 2.6%, for the six months ended June 30, 2025 as compared to the prior year. The revenue growth was primarily driven by organic revenue growth of $34 million, or 3.0%, partially offset by $4 million of unfavorable impacts from foreign currency translation. Organic revenue growth was led by service growth of $24 million, primarily due to increased volume and price realization in the U.S. and emerging markets. Organic revenue from the capital and other applications increased by $10 million due to increased project revenue in the U.S., partially offset by lapping of capital project revenue 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 six months ended June 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	**$ 690**		**$ 465**		**$ 384**		**$ 548**		**$ 2,087**	
Organic Impact	**(14)**	(1.9)%	**18**	3.9 %	**45**	11.7 %	**28**	4.9 %	**77**	3.7 %
Acquisitions/(Divestitures)	**(16)**	(2.3)%	**—**	— %	**3**	0.8 %	**—**	— %	**(13)**	(0.7)%
Constant Currency	**(30)**	(4.2)%	**18**	3.9 %	**48**	12.5 %	**28**	4.9 %	**64**	3.0 %
Foreign currency translation (a)	**12**	1.7 %	**5**	1.0 %	**5**	1.2 %	**1**	0.2 %	**23**	1.1 %
Total change in orders	**(18)**	(2.5)%	**23**	4.9 %	**53**	13.7 %	**29**	5.1 %	**87**	4.1 %
2025 Orders	**$ 672**		**$ 488**		**$ 437**		**$ 577**		**$ 2,174**	

(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	**$ 1,336**		**$ 945**		**$ 813**		**$ 1,239**		**$ 4,333**	
Organic Impact	**(8)**	(0.6)%	**30**	3.2 %	**12**	1.5 %	**(10)**	(0.8)%	**24**	0.6 %
Acquisitions/(Divestitures)	**(30)**	(2.2)%	**—**	— %	**12**	1.5 %	**—**	— %	**(18)**	(0.4)%
Constant Currency	**(38)**	(2.8)%	**30**	3.2 %	**24**	3.0 %	**(10)**	(0.8)%	**6**	0.2 %
Foreign currency translation (a)	**—**	— %	**(1)**	(0.1)%	**2**	0.2 %	**(8)**	(0.7)%	**(7)**	(0.2)%
Total change in orders	**(38)**	(2.8)%	**29**	3.1 %	**26**	3.2 %	**(18)**	(1.5)%	**(1)**	— %
2025 Orders	**$ 1,298**		**$ 974**		**$ 839**		**$ 1,221**		**$ 4,332**	

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

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 $5,018 million at June 30, 2025, a decrease of $138 million or 2.7%, as compared to June 30, 2024 backlog of $5,156 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. Backlog decreased in the Measurement and Control Solutions segment due to strong backlog execution and improved lead times, partially offset by backlog growth in the Water Infrastructure, Water Solutions and Services, and Applied Water segments primarily due to orders and contract wins outpacing revenue. Backlog decreased $52 million or 1.0% at June 30, 2025, as compared to December 31, 2024 backlog of $5,070 million. We anticipate that approximately 40% of the backlog as of June 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 100 basis points to 38.8% for the three months ended June 30, 2025, as compared to 37.8% for the three months ended June 30, 2024. The gross margin increase included favorable impacts of 30 basis points from decreases in acquired intangible amortization and special charges as compared to the prior year, and 360 basis points of favorable operational impacts, driven almost entirely by 210 basis points of productivity savings and 130 basis points of price realization. These increases in gross margin were offset by 330 basis points of unfavorable operational impacts driven by 180 basis points of inflation and 60 basis points of unfavorable mix.

Gross margin as a percentage of revenue increased 60 basis points to 38.0% for the six months ended June 30, 2025, as compared to 37.4% for the six months ended June 30, 2024. The gross margin increase included favorable impacts of 20 basis points from decreases in acquired intangible amortization and special charges as compared to the prior year and favorable operational impacts of 380 basis points, driven almost entirely by 240 basis points of productivity savings and 130 basis points of price realization. These increases in gross margin were offset by 340 basis points of unfavorable operational impacts driven by 170 basis points of inflation and 80 basis points of unfavorable mix.

Operating Expenses

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

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2025**	2024	Change	**2025**	2024	Change
Selling, general and administrative expenses	**$ 503**	$ 485	3.7 %	**$ 963**	$ 959	0.4 %
SG&A as a % of revenue	**21.9 %**	22.4 %	(50) bp	**22.0 %**	22.8 %	(80) bp
Research and development expenses	**58**	58	— %	**114**	117	(2.6) %
R&D as a % of revenue	**2.5 %**	2.7 %	(20) bp	**2.6 %**	2.8 %	(20) bp
Restructuring and asset impairment charges	**26**	23	13.0 %	**47**	33	42.4 %
Operating expenses	**$ 587**	$ 566	3.7 %	**$ 1,124**	$ 1,109	1.4 %
Expense to revenue ratio	**25.5 %**	26.1 %	(60) bp	**25.7 %**	26.4 %	(70) bp

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

SG&A expenses increased by $18 million to $503 million, or 21.9% of revenue, in the second quarter of 2025, as compared to $485 million, or 22.4% of revenue, in the comparable 2024 period and increased $4 million to $963 million, or 22.0% of revenue, in the six-month period ended June 30, 2025. The increase in SG&A in the second quarter of 2025 as compared to the prior year primarily consisted of $16 million of inflation, $10 million in increased spending on strategic investments, and $7 million in unfavorable foreign exchange, partially offset by $20 million in productivity savings. The increase in SG&A in the six-month period ended June 30, 2025 as compared to the prior year primarily consisted of $29 million of inflation, $12 million of increased spending on strategic investments, $6 million of acquired intangible amortization, partially offset by of $44 million of productivity savings.

Research and Development ("R&D") Expenses

R&D expense was $58 million, or 2.5% of revenue, in the second quarter of 2025, as compared to $58 million, or 2.7% of revenue in the second quarter of 2024, and was $114 million, or 2.6% of revenue, in the six months ended June 30, 2025, as compared to $117 million, or 2.8% of revenue, in the six months ended June 30, 2024. R&D expense was fairly consistent year over year.

Restructuring and Asset Impairment Charges

Restructuring

During the three and six months ended June 30, 2025, we incurred restructuring charges of $22 million and $39 million, respectively. During the three and six months ended June 30, 2024, we incurred restructuring charges of $23 million and $32 million, respectively For the three and six months ended June 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 $60 and $70 million in restructuring costs for the full year related to these actions.

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

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

	2025	2024
Planned reductions - January 1	**382**	113
Additional planned reductions	**500**	62
Actual reductions and reversals	**(530)**	(69)
Planned reductions - June 30	**352**	106

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 June 30, 2025.

Operating Income, Net Income, and Adjusted EBITDA

Operating income was $305 million (operating margin of 13.3%) during the second quarter of 2025, an increase of $52 million, or 20.6%, when compared to operating income of $253 million (operating margin of 11.7%) during the prior year. Operating margin increased 160 basis points, which included 30 basis points of favorable impacts from decreased acquired intangible amortization and flat restructuring, realignment and special charges relative to increasing revenue. Additionally, operating margin expansion included 560 basis points of favorable operational impacts driven by 330 basis points of productivity savings, 180 basis points of price realization, and 40 basis points of increased volume. These favorable impacts were partially offset by 430 basis points of unfavorable operational impacts, driven by 240 basis points of inflation, 60 basis points of unfavorable mix, and 50 basis points of increased spending on strategic investments. Excluding acquired intangible asset amortization, restructuring and realignment costs, and special charges, adjusted operating income was $402 million (adjusted operating margin of 17.5%) for the second quarter of 2025 as compared to adjusted operating income of $352 million (adjusted operating margin of 16.2%) during the comparable quarter in the prior year.

Net income attributable to Xylem for the second quarter was $226 million (net income margin of 9.8%), an increase of $32 million as compared to net income attributable to Xylem in the prior year of $194 million (net income margin of 8.9%). The increase in net income attributable to Xylem was driven by increased operating income of $52 million, decreased interest expense of $2 million, and the net loss attributable to non-controlling interest of $2 million, partially offset by increased income tax expense of $22 million, decreased non-operating income of $1 million and decreased gain from sale of businesses of $1 million.

Adjusted EBITDA was $502 million (adjusted EBITDA margin of 21.8%) during the second quarter of 2025, an increase of $50 million, or 11.1%, when compared to adjusted EBITDA of $452 million (adjusted EBITDA margin of 20.8%) during the comparable quarter in the prior year, an increase to adjusted EBITDA margin of 100 basis points. The increase in adjusted EBITDA margin was primarily driven by the same factors impacting the adjusted operating margin increase.

Operating income was $536 million (operating margin of 12.3%) during the six months ended June 30, 2025, an increase of $74 million, or 16.0%, when compared to operating income of $462 million (operating margin of 11.0%) during the prior year. Operating margin increased 130 basis points, which included net favorable impacts of 10 basis points from increasing revenue more than offsetting the impact of increased restructuring and realignment costs, as well as decreases in acquired intangible amortization and in special charges compared to the prior year. Additionally, operating margin expansion included 530 basis points of favorable operational impacts driven by 340 basis points of productivity savings and 160 basis points of price realization. These favorable impacts were partially offset by 410 basis points of unfavorable operational impacts, driven by 240 basis points of inflation, 80 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 $727 million (adjusted operating margin of 16.6%) for the six months ended June 30, 2025 as compared to adjusted operating income of $646 million (adjusted operating margin of 15.4%) during the comparable period in the prior year.

Net income attributable to Xylem for the six months ended June 30, 2025 was $395 million (net income margin of 9.0%), an increase of $48 million as compared to net income attributable to Xylem in the prior year of $347 million (net income margin of 8.3%). The increase in net income attributable to Xylem was driven by increased operating income of $74 million and decreased interest expense of $8 million partially offset by decreased non-operating income of $3 million, increased loss from sale of businesses of $6 million, and increased income tax expense of $29 million.

Adjusted EBITDA was $925 million (adjusted EBITDA margin of 21.2%) during the six months ended June 30, 2025, an increase of $82 million, or 9.7%, when compared to adjusted EBITDA of $843 million (adjusted EBITDA margin of 20.1%) during the comparable prior year period, an increase in adjusted EBITDA margin of 110 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 June 30, 2025	2024	Change	Six Months Ended June 30, 2025	2024	Change
Water Infrastructure						
Operating income	**$ 103**	$ 78	32.1 %	**$ 183**	$ 138	32.6 %
Operating margin	***15.8 %***	*12.4 %*	*340 bp*	***14.9 %***	*11.5 %*	*340 bp*
Restructuring and realignment costs	**12**	2	500.0 %	**27**	9	200.0 %
Purchase accounting intangible amortization	**10**	17	(41.2) %	**20**	36	(44.4) %
Special charges	**2**	4	(50.0) %	**4**	6	(33.3) %
Adjusted operating income	**$ 127**	$ 101	25.7 %	**$ 234**	$ 189	23.8 %
Adjusted operating margin	***19.5 %***	*16.0 %*	*350 bp*	***19.0 %***	*15.7 %*	*330 bp*
Applied Water						
Operating income	**$ 84**	$ 71	18.3 %	**$ 156**	$ 132	18.2 %
Operating margin	***17.4 %***	*15.6 %*	*180 bp*	***17.0 %***	*14.8 %*	*220 bp*
Restructuring and realignment costs	**10**	2	400.0 %	**15**	4	275.0 %
Adjusted operating income	**$ 94**	$ 73	28.8 %	**$ 171**	$ 136	25.7 %
Adjusted operating margin	***19.5 %***	*16.0 %*	*350 bp*	***18.6 %***	*15.2 %*	*340 bp*
Measurement and Control Solutions						
Operating income	**$ 68**	$ 79	(13.9) %	**$ 124**	$ 149	(16.8) %
Operating margin	***12.6 %***	*16.4 %*	*(380) bp*	***12.0 %***	*15.8 %*	*(380) bp*
Restructuring and realignment costs	**5**	2	150.0 %	**8**	4	100.0 %
Purchase accounting intangible amortization	**19**	14	35.7 %	**38**	28	35.7 %
Special charges	**6**	1	500.0 %	**10**	1	900.0 %
Adjusted operating income	**$ 98**	$ 96	2.1 %	**$ 180**	$ 182	(1.1) %
Adjusted operating margin	***18.1 %***	*19.9 %*	*(180) bp*	***17.5 %***	*19.3 %*	*(180) bp*
Water Solutions and Services						
Operating income	**$ 78**	$ 47	66.0 %	**$ 122**	$ 97	25.8 %
Operating margin	***12.4 %***	*7.8 %*	*460 bp*	***10.2 %***	*8.4 %*	*180 bp*
Restructuring and realignment costs	**2**	23	(91.3) %	**6**	26	(76.9) %
Purchase accounting intangible amortization	**25**	26	(3.8) %	**51**	47	8.5 %
Special charges	**1**	3	(66.7) %	**5**	12	(58.3) %
Adjusted operating income	**$ 106**	$ 99	7.1 %	**$ 184**	$ 182	1.1 %
Adjusted operating margin	***16.9 %***	*16.5 %*	*40 bp*	***15.4 %***	*15.7 %*	*(30) bp*
Corporate and other						
Operating loss	**$ (28)**	$ (22)	27.3 %	**$ (49)**	$ (54)	(9.3) %
Restructuring and realignment costs	**—**	—	NM	**—**	1	— %
Purchase accounting intangible amortization	**1**	—	NM	**1**	—	NM
Special charges	**4**	5	(20.0) %	**6**	10	(40.0) %
Adjusted operating loss	**$ (23)**	$ (17)	35.3 %	**$ (42)**	$ (43)	(2.3) %
Total Xylem						
Operating income	**$ 305**	$ 253	20.6 %	**$ 536**	$ 462	16.0 %
Operating margin	***13.3 %***	*11.7 %*	*160 bp*	***12.3 %***	*11.0 %*	*130 bp*
Restructuring and realignment costs	**29**	29	— %	**56**	44	27.3 %
Purchase accounting intangible amortization	**55**	57	(3.5) %	**110**	111	(0.9) %
Special charges	**13**	13	— %	**25**	29	(13.8) %
Adjusted operating income	**$ 402**	$ 352	14.2 %	**$ 727**	$ 646	12.5 %
Adjusted operating margin	***17.5 %***	*16.2 %*	*130 bp*	***16.6 %***	*15.4 %*	*120 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 June 30			Six Months Ended June 30		
	2025	2024	Change	**2025**	2024	Change
Net Income attributable to Xylem	$ 226	$ 194	16 %	$ 395	$ 347	14 %
Net Income margin	9.8 %	8.9 %	90 *bp*	9.0 %	8.3 %	70 *bp*
Depreciation	69	62	11 %	137	123	11 %
Amortization	76	83	(8) %	153	156	(2) %
Interest expense, net	3	6	(50) %	3	13	(77) %
Income tax expense	75	53	42 %	125	96	30 %
EBITDA	**$ 449**	$ 398	13 %	**$ 813**	$ 735	11 %
Share-based compensation	13	13	— %	25	31	(19) %
Restructuring & realignment	29	29	— %	56	44	27 %
Special charges	13	13	— %	25	29	(14) %
Loss/(gain) on sale of businesses	—	(1)	(100) %	10	4	150 %
Loss attributable to non-controlling interest	(2)	—	NM	(4)	—	NM
Adjusted EBITDA	**$ 502**	$ 452	11 %	**$ 925**	$ 843	10 %
Adjusted EBITDA margin	**21.8 %**	20.8 %	100 *bp*	**21.2 %**	20.1 %	110 *bp*

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

(in millions)	Three Months Ended June 30, 2025			
	Water Infrastructure	**Applied Water**	**Measurement and Control Solutions**	**Water Solutions and Services**
Operating Income	**$ 103**	**$ 84**	**$ 68**	**$ 78**
Operating margin	**15.8 %**	**17.4 %**	**12.6 %**	**12.4 %**
Loss attributable to non-controlling interest	**—**	**—**	**4**	**—**
Depreciation	**11**	**8**	**10**	**43**
Amortization	**13**	**1**	**34**	**28**
Other non-operating (expense) income, excluding interest	**(2)**	**1**	**(1)**	**(1)**
EBITDA	**$ 125**	**$ 94**	**$ 115**	**$ 148**
Share-based compensation	**3**	**1**	**3**	**2**
Restructuring & realignment	**12**	**10**	**5**	**2**
Special charges	**2**	**—**	**6**	**1**
Loss attributable to non-controlling interest	**—**	**—**	**(4)**	**—**
Adjusted EBITDA	**$ 142**	**$ 105**	**$ 125**	**$ 153**
Adjusted EBITDA margin	***21.8 %***	***21.7 %***	***23.1 %***	***24.4 %***

(in millions)	Three Months Ended June 30, 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income	**$ 78**	**$ 71**	**$ 79**	**$ 47**
Operating margin	**12.4 %**	**15.6 %**	**16.4 %**	**7.8 %**
Gain from sale of business	—	—	—	1
Depreciation	10	7	7	38
Amortization	27	—	25	28
Other non-operating (expense) income, excluding interest	—	(1)	(2)	1
EBITDA	**$ 115**	**$ 77**	**$ 109**	**$ 115**
Share-based compensation	4	1	1	3
Restructuring & realignment	2	2	2	23
Special Charges	4	—	1	3
Gain from sale of business	—	—	—	(1)
Adjusted EBITDA	**$ 125**	**$ 80**	**$ 113**	**$ 143**
Adjusted EBITDA margin	***19.8 %***	***17.5 %***	***23.4 %***	***23.8 %***

(in millions)	Three Months Ended 2025 versus 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income (Loss)	**$ 25**	**$ 13**	**$ (11)**	**$ 31**
Operating margin	**340 bps**	**180 bps**	**(380) bps**	**460 bps**
Loss attributable to non-controlling interest	—	—	4	—
Gain on sale of businesses	—	—	—	(1)
Depreciation	1	1	3	5
Amortization	(14)	1	9	—
Other non-operating (expense) income, excluding interest	(2)	2	1	(2)
EBITDA	**$ 10**	**$ 17**	**$ 6**	**$ 33**
Share-based compensation	(1)	—	2	(1)
Restructuring & realignment	10	8	3	(21)
Special charges	(2)	—	5	(2)
Loss attributable to non-controlling interest	—	—	(4)	—
Gain from sale of businesses	—	—	—	1
Adjusted EBITDA	**$ 17**	**$ 25**	**$ 12**	**$ 10**
Adjusted EBITDA margin	**200 bps**	**420 bps**	**(30) bps**	**60 bps**

(in millions)	Six Months Ended June 30, 2025 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income	**$ 183**	**$ 156**	**$ 124**	**$ 122**
Operating margin	**14.9 %**	**17.0 %**	**12.0 %**	**10.2 %**
Loss attributable to non-controlling interest	**—**	**—**	**4**	**—**
Loss from sale of business	**(10)**	**—**	**—**	**—**
Depreciation	**21**	**15**	**17**	**84**
Amortization	**26**	**2**	**66**	**55**
Other non-operating (expense) income, excluding interest	**(4)**	**—**	**(1)**	**(1)**
EBITDA	**$ 216**	**$ 173**	**$ 210**	**$ 260**
Share-based compensation	**5**	**2**	**4**	**4**
Restructuring & realignment	**27**	**15**	**8**	**6**
Special Charges	**4**	**—**	**10**	**5**
Loss attributable to non-controlling interest	**—**	**—**	**(4)**	**—**
Loss from sale of business	**10**	**—**	**—**	**—**
Adjusted EBITDA	**$ 262**	**$ 190**	**$ 228**	**$ 275**
Adjusted EBITDA margin	***21.3 %***	***20.7 %***	***22.1 %***	***23.1 %***

(in millions)	Six Months Ended June 30, 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income	**$ 138**	**$ 132**	**$ 149**	**$ 97**
Operating margin	**11.5 %**	**14.8 %**	**15.8 %**	**8.4 %**
Loss from sale of business	—	—	—	(4)
Depreciation	20	13	13	76
Amortization	48	1	52	50
Other non-operating income (expense), excluding interest	(1)	(1)	(3)	1
EBITDA	**$ 205**	**$ 145**	**$ 211**	**$ 220**
Share-based compensation	7	3	2	6
Restructuring & realignment	9	4	4	26
Special Charges	6	—	1	12
Loss from sale of business	—	—	—	4
Adjusted EBITDA	**$ 227**	**$ 152**	**$ 218**	**$ 268**
Adjusted EBITDA margin	***18.8 %***	***17.0 %***	***23.1 %***	***23.1 %***

(in millions)	Six Months Ended 2025 versus 2024 Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services
Operating Income (Loss)	**$ 45**	**$ 24**	**$ (25)**	**$ 25**
Operating margin	**340 bps**	**220 bps**	**(380) bps**	**180 bps**
Loss attributable to non-controlling interest	—	—	4	—
Loss on sale of businesses	(10)	—	—	4
Depreciation	1	2	4	8
Amortization	(22)	1	14	5
Other non-operating income (expense), excluding interest	(3)	1	2	(2)
EBITDA	**$ 11**	**$ 28**	**$ (1)**	**$ 40**
Share-based compensation	(2)	(1)	2	(2)
Restructuring & realignment	18	11	4	(20)
Special charges	(2)	—	9	(7)
Loss attributable to non-controlling interest	—	—	(4)	—
Loss on sale of businesses	10	—	—	(4)
Adjusted EBITDA	**$ 35**	**$ 38**	**$ 10**	**$ 7**
Adjusted EBITDA margin	**250 bps**	**370 bps**	**(100) bps**	**0 bps**

Water Infrastructure

Operating income for our Water Infrastructure segment was $103 million (operating margin of 15.8%) during the second quarter of 2025, an increase of $25 million, or 32.1%, when compared to operating income of $78 million (operating margin of 12.4%) during the prior year, or a total increase in operating margin of 340 basis points. Operating margin expansion was slightly offset by net unfavorable impacts of 10 basis points from increased restructuring and realignment costs and decreased acquired intangible asset amortization and special charges as compared to the prior year. Additionally, operating margin expansion included 790 basis points driven by favorable operating impacts driven by 350 basis points of productivity savings and 220 basis points of price realization. Margin expansion was partially offset by 440 basis points of unfavorable operational impacts, driven by 240 basis points of inflation, 90 basis points of inventory management costs, and 80 basis points of unfavorable foreign currency impacts. Excluding amortization of acquired intangibles, restructuring and realignment costs and special charges, adjusted operating income was $127 million (adjusted operating margin of 19.5%) for the second quarter of 2025 as compared to adjusted operating income of $101 million (adjusted operating margin of 16.0%) for the second quarter of 2024.

Adjusted EBITDA was $142 million (adjusted EBITDA margin of 21.8%) for the second quarter of 2025, an increase of $17 million, or 14%, when compared to adjusted EBITDA of $125 million (adjusted EBITDA margin of 19.8%) during the prior year. The increase in adjusted EBITDA margin was primarily driven by the same factors impacting the increase in adjusted operating margin; however, adjusted EBITDA margin did not benefit from the decreases in depreciation and software amortization expense and share-based compensation.

Operating income for our Water Infrastructure segment was $183 million (operating margin of 14.9%) during the six months ended June 30, 2025, an increase of $45 million, or 32.6%, when compared to operating income of $138 million (operating margin of 11.5%) during the prior year, or a total increase in operating margin of 340 basis points. Operating margin expansion included net favorable impacts of 10 basis points from decreases in acquired intangible amortization and special charges as increases, largely offset by increases in restructuring and realignment costs as compared to the prior year. Additionally, operating margin expansion included 740 basis points of favorable operational impacts, driven by 420 basis points of productivity savings and 190 basis points of price realization. Margin expansion was partially offset by 410 basis points of unfavorable operating impacts driven by 270 basis points of inflation and 50 basis points of unfavorable mix. Excluding amortization of acquired intangibles, restructuring and realignment cost and special charges, adjusted operating income was $234 million (adjusted operating margin of 19.0%) for the six months ended June 30, 2025 as compared to adjusted operating income of $189 million (adjusted operating margin of 15.7%) for the six months ended June 30, 2024.

Adjusted EBITDA was $262 million (adjusted EBITDA margin of 21.3%) for the six months ended June 30, 2025, an increase of $35 million, or 15.4%, when compared to adjusted EBITDA of $227 million (adjusted EBITDA margin of 18.8%) 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 and share-based compensation.

Applied Water

Operating income for our Applied Water segment was $84 million (operating margin of 17.4%) during the second quarter of 2025, an increase of $13 million, or 18.3%, when compared to operating income of $71 million (operating margin of 15.6%) during the prior year, or a total increase in operating margin of 180 basis points. Operating margin expansion was negatively impacted by 170 basis points from increases in restructuring and realignment costs as compared to the prior year. Operating margin expansion included 830 basis points of favorable operational impacts, driven by 600 basis points of productivity savings and 140 basis points of price realization. Operating margin expansion was offset by 480 basis points of unfavorable operational impacts driven primarily by 280 basis points of inflation, 40 basis points of increased spending on strategic investments, and 30 basis points of inventory management costs. Excluding restructuring and realignment costs, adjusted operating income was $94 million (adjusted operating margin of 19.5%) for the second quarter of 2025 as compared to adjusted operating income of $73 million (adjusted operating margin of 16.0%) for the second quarter of 2024.

Adjusted EBITDA was $105 million (adjusted EBITDA margin of 21.7%) for the second quarter of 2025, an increase of $25 million, or 31%, when compared to adjusted EBITDA of $80 million (adjusted EBITDA margin of 17.5%) during the prior year. The increase in adjusted EBITDA margin was primarily due to the same factors impacting the increase in adjusted operating margin; however, adjusted EBITDA margin was not negatively impacted by the relative impact of depreciation and software amortization expense and was favorably impacted by increased other non-operating income versus prior year.

Operating income for our Applied Water segment was $156 million (operating margin of 17.0%) during the six months ended June 30, 2025, an increase of $24 million, or 18.2%, when compared to operating income of $132 million (operating margin of 14.8%) during the prior year, or a total increase in operating margin of 220 basis points. Operating margin expansion was negatively impacted by 120 basis points from an increase in restructuring and realignment costs as compared to the prior year. Operating margin expansion included 830 basis points of favorable operational impacts driven by 590 basis points of productivity savings and 130 basis points of price realization. Margin expansion was partially offset by 490 basis points of unfavorable operational impacts driven by 310 basis points of inflation and 50 basis points of increased spending on strategic investments. Excluding restructuring and realignment costs, adjusted operating income was $171 million (adjusted operating margin of 18.6%) for the six months ended June 30, 2025 as compared to adjusted operating income of $136 million (adjusted operating margin of 15.2%) for the six months ended June 30, 2024.

Adjusted EBITDA was $190 million (adjusted EBITDA margin of 20.7%) for the six months ended June 30, 2025, an increase of $38 million, or 25%, when compared to adjusted EBITDA of $152 million (adjusted EBITDA margin of 17.0%) during the prior year. The increase in adjusted EBITDA margin was primarily due to the same factors impacting the decrease in adjusted operating margin.

Measurement and Control Solutions

Operating income for our Measurement and Control Solutions segment was $68 million (operating margin of 12.6%) during the second quarter of 2025, a decrease of $11 million, or 13.9%, when compared to operating income of $79 million (operating margin of 16.4%) during the prior year, or a total decrease in operating margin of 380 basis points. The operating margin decline included unfavorable impacts of 200 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 810 basis points of unfavorable operational impacts, primarily consisting of 260 basis points of inflation, 190 basis points of unfavorable mix, 80 basis points of negative operating impact from acquisitions, 60 basis points of increased spending on strategic investments and 60 basis points of inventory management costs. The decline in margin was partially offset by positive operational impacts of 630 basis points consisting of 390 basis points of productivity savings, 130 basis points of increased volume, and 110 basis points of price realization. Excluding acquired intangible asset amortization, restructuring and realignment costs and special charges, adjusted operating income was $98 million (adjusted operating margin of 18.1%) for the second quarter of 2025 as compared to adjusted operating income of $96 million (adjusted operating margin of 19.9%) for the second quarter of 2024.

Adjusted EBITDA was $125 million (adjusted EBITDA margin of 23.1%) for the second quarter of 2025, a decrease of $12 million, or 11%, when compared to adjusted EBITDA of $113 million (adjusted EBITDA margin of 23.4%) during the prior year. The decrease in adjusted EBITDA margin was due to the same factors as those impacting the decrease in adjusted operating margin; however, adjusted EBITDA margin was not negatively impacted by the relative impact of increases in depreciation and software amortization expense and share-based compensation.

Operating income for our Measurement and Control Solutions segment was $124 million (operating margin of 12.0%) during the six months ended June 30, 2025, a decrease of $25 million, or 16.8%, when compared to operating income of $149 million (operating margin of 15.8%) during the prior year, or a total decrease in operating margin of 380 basis points. Operating margin declines included unfavorable impacts of 200 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 740 basis points of unfavorable operational impacts including 240 basis points of unfavorable mix, 210 basis points of inflation, 80 basis points of negative operating impact from acquisitions, and 50 basis points of increased spending on strategic investments. Margin declines were partially offset by favorable operational impacts of 560 basis points consisting of 360 basis points of productivity savings, 110 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 $180 million (adjusted operating margin of 17.5%) for the six months ended June 30, 2025 as compared to adjusted operating income of $182 million (adjusted operating margin of 19.3%) for the six months ended June 30, 2024.

Adjusted EBITDA was $228 million (adjusted EBITDA margin of 22.1%) for the six months ended June 30, 2025, an increase of $10 million, or 5%, when compared to adjusted EBITDA of $218 million (adjusted EBITDA margin of 23.1%) during the prior year. The decrease in adjusted EBITDA margin was due to the same factors as those impacting the decrease in adjusted operating margin; however, adjusted EBITDA margin was not negatively impacted by the relative impact of increases in depreciation and software amortization expense and share-based compensation.

Water Solutions and Services

Operating income for our Water Solutions and Services segment was $78 million (operating margin of 12.4%) during the second quarter of 2025, an increase of $31 million, or 66.0%, when compared to operating income of $47 million (operating margin of 7.8%) during the prior year, or a total increase in operating margin of 460 basis points. The operating margin expansion included favorable impacts of 420 basis points from decreased restructuring and realignment costs, special charges, and acquired intangible asset amortization as compared to the prior year. Additionally, operating margin expansion included 350 basis points of favorable operational impacts, including 220 basis points of price realization and 70 basis points of productivity savings. Margin expansion was partially offset by unfavorable operational impacts of 310 basis points driven by 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 $106 million (adjusted operating margin of 16.9%) for the second quarter of 2025 as compared to adjusted operating income of $99 million (adjusted operating margin of 16.5%) for the second quarter of 2024.

Adjusted EBITDA was $153 million (adjusted EBITDA margin of 24.4%) for the second quarter of 2025, an increase of $10 million, or 7%, when compared to adjusted EBITDA of $143 million (adjusted EBITDA margin of 23.8%) 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.

Operating income for our Water Solutions and Services segment was $122 million (operating margin of 10.2%) during the six months ended June 30, 2025, an increase of $25 million, or 25.8%, when compared to operating income of $97 million (operating margin of 8.4%) during the prior year, or a total increase in operating margin of 180 basis points. Operating margin expansion included net favorable impacts of 210 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 380 basis points of favorable operational impacts, driven by 190 basis points of price realization and 140 basis points of productivity savings. Margin expansion was offset by negative operational impacts of 410 basis points driven by 160 basis points of inflation, 70 basis points of unfavorable mix, 40 basis points of inventory management costs, and 30 basis points of increased spending on strategic investments. Excluding acquired intangible asset amortization, special charges, and restructuring and realignment costs, adjusted operating income was $184 million (adjusted operating margin of 15.4%) for the six months ended June 30, 2025 as compared to adjusted operating income of $182 million (adjusted operating margin of 15.7%) for the six months ended June 30, 2024.

Adjusted EBITDA was $275 million (adjusted EBITDA margin of 23.1%) for the six months ended June 30, 2025, an increase of $7 million, or 3%, when compared to adjusted EBITDA of $268 million (adjusted EBITDA margin of 23.1%) during the prior year. Adjusted EBITDA margin remained flat due to the same factors as those impacting the decrease in adjusted operating margin; however, adjusted EBITDA margin was not negatively impacted by the relative impact of increased depreciation and software amortization expense.

Corporate and Other

Operating loss for corporate and other increased $6 million, or 27%, during the second quarter of 2025 compared to the prior year period. The increase in operating loss was primarily due to increased spending on strategic investments and inflation. Excluding special charges and restructuring and realignment costs, adjusted operating loss for corporate and other increased $6 million, or 35.3%, for the three months ended June 30, 2025, driven by the same factors as those driving the increase in operating loss.

Operating loss for corporate and other decreased $5 million, or 9%, during six months ended June 30, 2025 compared to the prior year period. The decrease in operating loss was primarily due to decreased special charges. Excluding special charges and restructuring and realignment costs, adjusted operating loss for corporate and other decreased $1 million, or 2.3%, for the six months ended June 30, 2025.

Interest Expense

Interest expense was $9 million for the three months ended June 30, 2025, compared to $11 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 $17 million for the six months ended June 30, 2025, compared to $25 million for the six months ended June 30, 2024. The decrease in interest expense was primarily driven by 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, as well as increased interest income generated on cross currency swaps offsetting interest expense.

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 June 30, 2025 was $75 million resulting in an effective tax rate of 25.0%, compared to $53 million of expense resulting in an effective tax rate of 21.4% for the same period in 2024. The income tax provision for the six months ended June 30, 2025 was $125 million resulting in an effective tax rate of 24.2%, compared to $96 million of expense resulting in an effective tax rate of 21.6% for the same period in 2024. The effective tax rate for the three and six month period ended June 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:

	Six Months Ended June 30,		
(in millions)	**2025**	2024	Change
Operating activities	**$ 338**	$ 377	$ (39)
Investing activities	**(140)**	(128)	(12)
Financing activities	**(244)**	(419)	175
Foreign exchange (a)	**84**	(34)	118
Changes in cash classified within assets held for sale	**11**	—	11
Total	**$ 49**	$ (204)	$ 253

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

Sources and Uses of Liquidity

Operating Activities

Cash generated by operating activities was $338 million for the six months ended June 30, 2025 as compared to cash generated by operating activities of $377 million in the comparable prior year period. The decrease in cash provided was primarily driven by the recognition of receivables on long term contracts, increased payments for infrastructure costs and higher tax payments. Increased cash earnings and lower working capital, reflecting inventory management initiatives, partially offset these items.

Investing Activities

Cash used in investing activities was $140 million for the six months ended June 30, 2025 as compared to $128 million used in the comparable prior year period. The increase in cash used primarily reflects cash paid for an asset acquisition and higher capital expenditures as compared to the prior year. Increased proceeds from the sale of businesses, including the sale of the former Evoqua Magneto business, and cash received from cross currency swaps partially offset these items.

Financing Activities

Cash used in financing activities was $244 million for the six months ended June 30, 2025 as compared to cash used of $419 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, higher dividend payments and increased repayments of equipment financing debt.

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 4% to 5%, and organic revenue growth to approximately 4% 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 June 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)
4/1/25 - 4/30/25	—	—	—	**$182**
5/1/25 - 5/31/25	—	—	—	**$182**
6/1/25 - 6/30/25	—	—	—	**$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 June 30, 2025. There are up to $182 million in shares that may still be purchased under this plan as of June 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 June 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).
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 June 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 June 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, Controller and Chief Accounting Officer

July 31, 2025

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 June 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: July 31, 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 June 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
Senior Vice President, Chief Financial Officer

Date: July 31, 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 June 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
July 31, 2025

/s/ William K. Grogan
William K. Grogan
Senior Vice President, Chief Financial Officer
July 31, 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.