



xylem
Let's Solve Water

Xylem Fourth Quarter 2020 Results

February 4, 2021

This presentation 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; 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. Additionally, many of these risks and uncertainties are, and may continue to be, amplified by the coronavirus (“COVID-19”) pandemic. 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: overall industry and economic conditions, including industrial, governmental and private sector spending and the strength of the residential and commercial real estate markets; geopolitical, regulatory, economic and other risks associated with international operations; continued uncertainty around the COVID-19 pandemic’s magnitude, duration and impacts on our business, operations, growth, and financial condition, as well as uncertainty around approved vaccines and the pace of recovery when the pandemic subsides; actual or potential other epidemics, pandemics or global health crises; manufacturing and operating cost increases due to inflation, prevailing price changes, tariffs and other factors; fluctuations in foreign currency exchange rates; disruption, competition and pricing pressures in the markets we serve; cybersecurity incidents or other disruptions of information technology systems on which we rely, or involving our products; disruptions in operations at our facilities or that of third parties upon which we rely; availability of products, parts and raw materials from our supply chain; availability, regulation and interference with radio spectrum used by some of our products; our ability to retain and attract senior management and other key talent; uncertainty related to restructuring and realignment actions and related charges and savings; our ability to continue strategic investments for growth; our ability to successfully identify, execute and integrate acquisitions; difficulty predicting our financial results, including uncertainties due to the nature of our short- and long-cycle businesses; volatility in our results due to weather conditions; risks relating to products, including defects, security, warranty and liability claims, and recalls; our ability to borrow or refinance our existing indebtedness and the availability of liquidity sufficient to meet our needs; risk of future impairments to goodwill and other intangible assets; failure to comply with laws or regulations, including those pertaining to anti-corruption, data privacy and security, export and import, competition, and the environment; changes in our effective tax rates or tax expenses; legal, governmental or regulatory claims, investigations or proceedings and associated contingent liabilities; and other factors set forth in “Part I Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, “Item 1A. Risk Factors” in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and in subsequent filings we may make with the Securities and Exchange Commission. All forward-looking statements made herein are based on information currently available to us as of the date of this presentation. 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.

2020 Performance:

\$4.88B

Revenue

16.3%

Adjusted EBITDA*

\$2.06

Adjusted EPS*

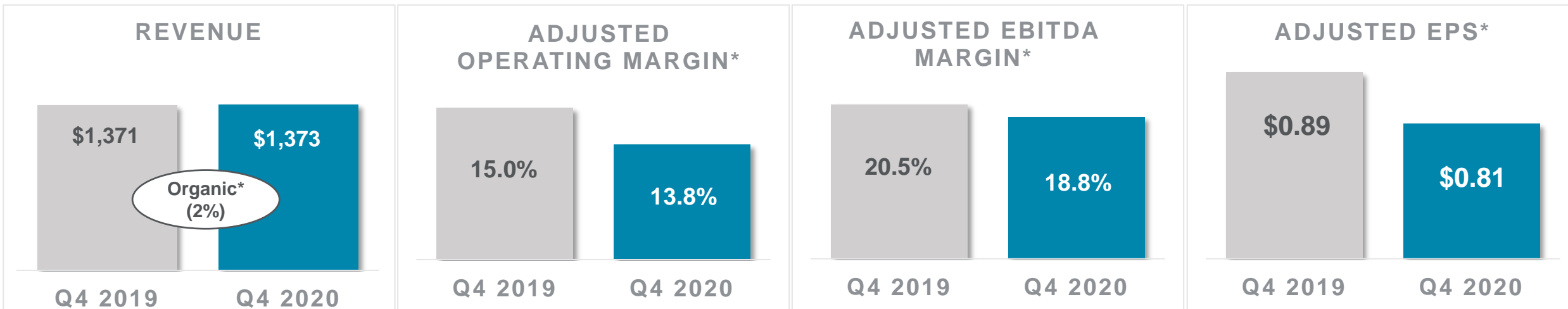
\$641 M

Free Cash Flow*

- Executed on our commitments with strength, purpose and focus ... strong finish to year
- Significant progress and acceleration in transformative technology for customers
- Positively impacted our colleagues, customers and communities through COVID-19 actions

“Our team again delivered solid operational performance, exceeding expectations across all major indicators, including revenue, margin, and EPS ... That performance gives us positive momentum entering 2021 as all of our end markets showed continuing recovery through the fourth quarter ... This clearly positions Xylem well in both the near and long term.”

– Patrick Decker, President and CEO Xylem



Organic Growth*

by End Market

Utilities	(3%)
Industrial	(3%)
Commercial	Flat
Residential	15%

Organic Growth*

by Region

United States	(6%)
Emerging Markets	(2%)
Western Europe	6%

Key Performance Drivers:

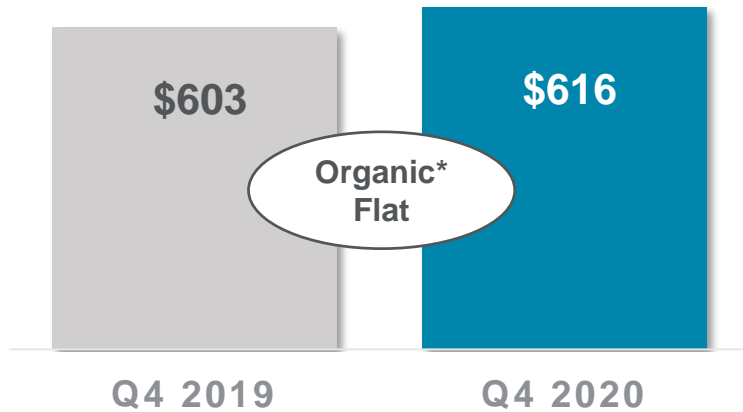
- **Organic* Revenue** decline 2%; Sequential improvement across all end markets; Strong demand in Residential; Flat performance in Commercial; modest growth in wastewater utilities; Industrial and clean water utilities soft but strong sequential improvement
- China strong growth continues (+18%); Western Europe healthy (+6%); U.S. lagging recovery (-6%) but sequential improvement
- **Organic* Orders** down 1% with strong sequential improvement; Backlog up 16% organically
- **Adj. Operating Margin* and Adj. EPS* drivers:**
 - Volume/Mix/Other reduces Op Margin by 390 bps (EPS -\$0.26)
 - Productivity drives 520 bps Op Margin expansion (EPS +\$0.34)
 - Cost Inflation reduces Op Margin by 250 bps (EPS -\$0.16)
 - Price expands Op Margin 60 bps (EPS +\$0.04)
 - Strategic investments reduces Op Margin by 60 bps (EPS -\$0.04)

Other: Tax Rate* 14.2%

Interest/Other Expense \$20M

Share Count 181.5M

REVENUE



Organic Growth*

by End Market

Utilities	1%
Industrial	(3%)

Organic Growth*

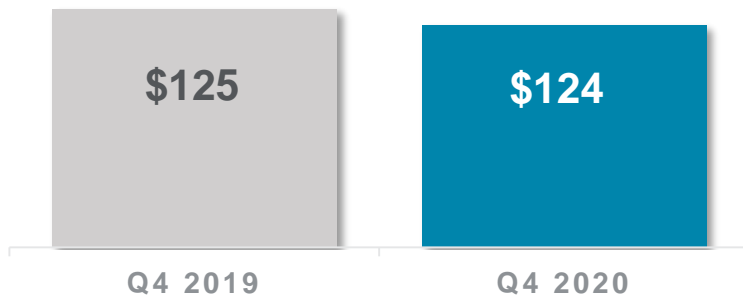
by Region

United States	(8%)
Emerging Markets	5%
Western Europe	2%

Highlights

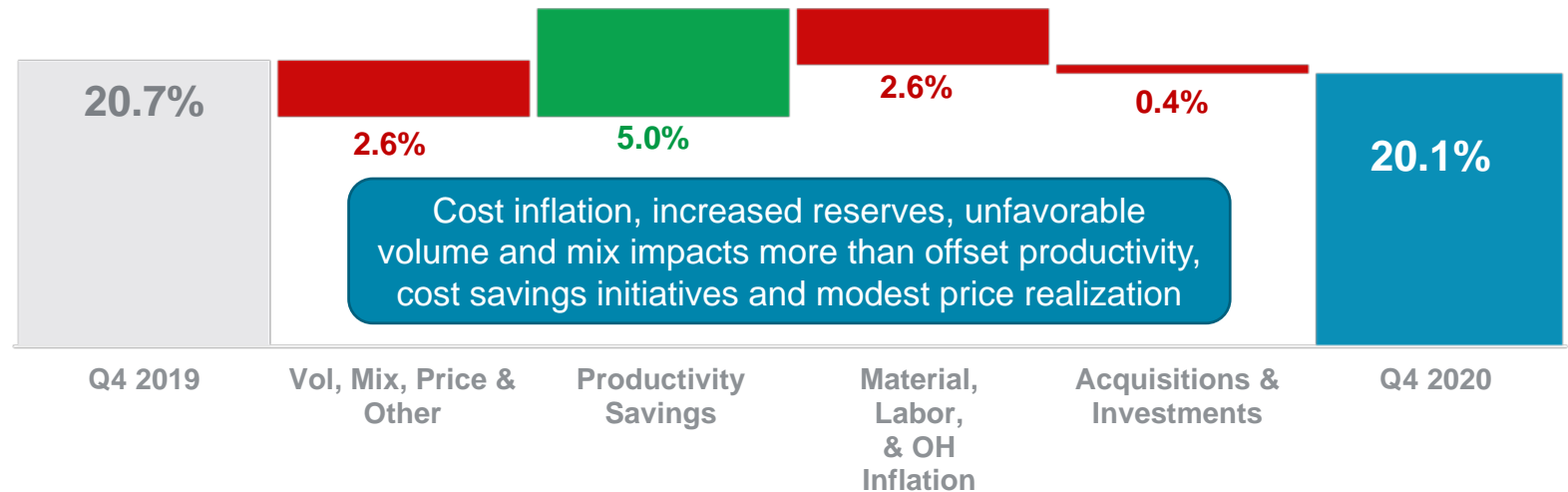
- Organic* Orders decline 16%, excluding large project scope reduction in India, orders up mid-single digits; Treatment up 10%
- Wastewater utilities up from strong opex activity in Transport business in Europe and U.S.
- Sequential improvement in Dewatering business (-9%); modest growth with utility customers offset by lagging recovery in industrial rental applications
- Shippable backlog in 2022 and beyond up 10% driven by Treatment project wins

ADJUSTED OPERATING INCOME*

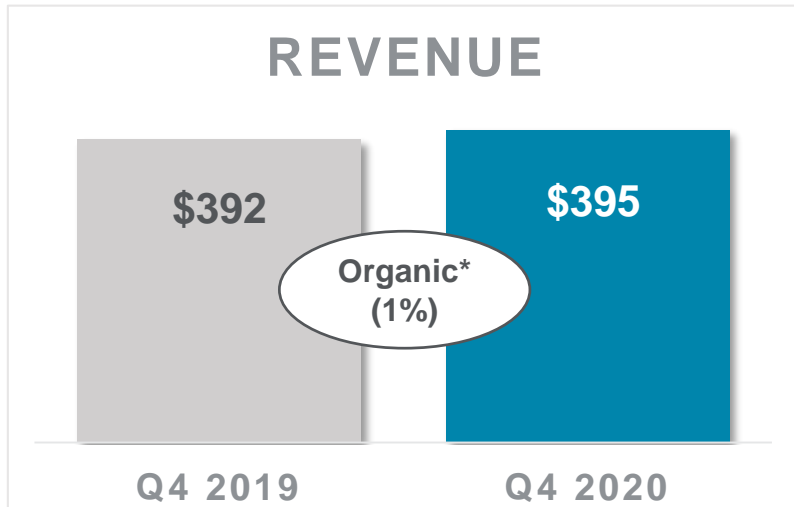


Adjusted EBITDA Margin*
 22.9% 22.2%

ADJUSTED OPERATING MARGIN*



REVENUE



Organic Growth* by End Market

Industrial	(7%)
Commercial	Flat
Residential	15%

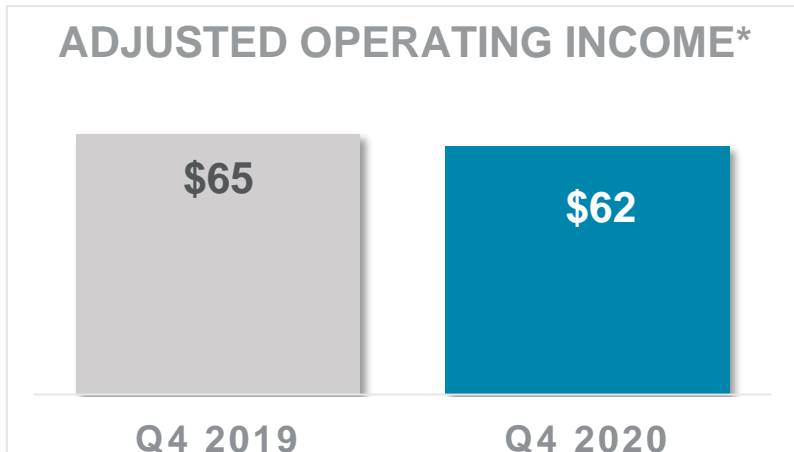
Organic Growth* by Region

United States	(6%)
Emerging Markets	(1%)
Western Europe	9%

Highlights

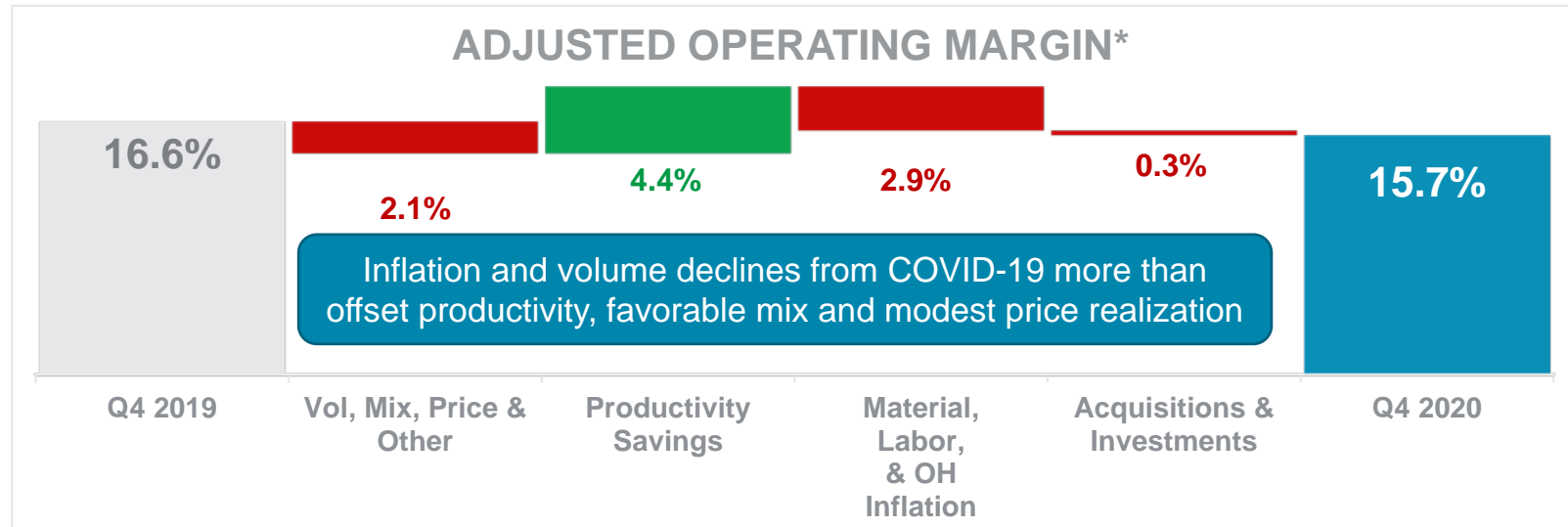
- Organic* Orders increase 4% primarily from strength in Europe Commercial building markets and in China Residential demand
- Strong Residential growth driven by robust demand in the U.S. and China markets (both up double-digits); strong Commercial demand in Europe from renovation activity offset by sluggish U.S. market
- Industrial softness persisted through 4Q, but short-cycle activity and project orders picking up momentum

ADJUSTED OPERATING INCOME*

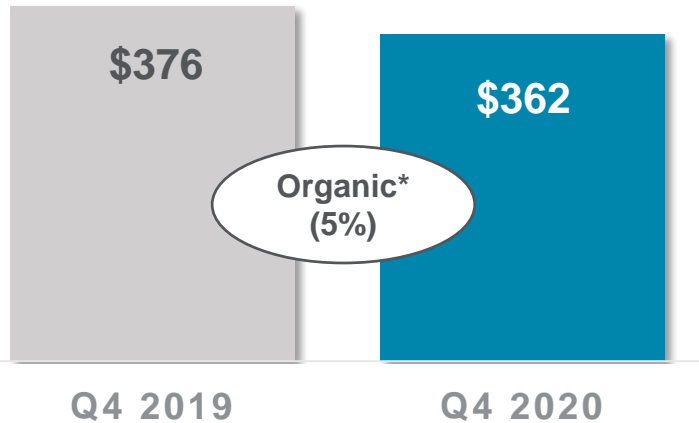


Adjusted EBITDA Margin*
 Q4 2019: 18.9%
 Q4 2020: 17.2%

ADJUSTED OPERATING MARGIN*



REVENUE



Organic Growth* by Application[^]

Water	(2%)
Energy	(23%)
Test	7%
SaaS/Other	4%

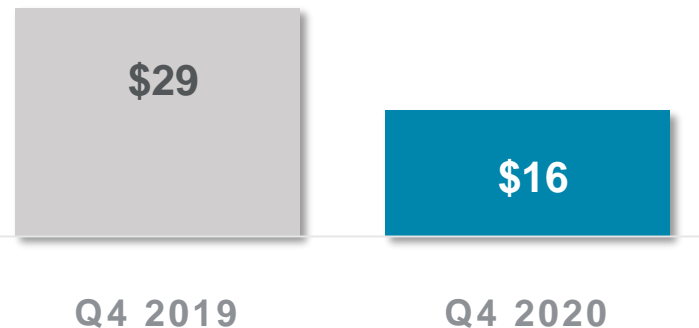
Organic Growth* by Region

United States	(5%)
Emerging Markets	(18%)
Western Europe	17%

Highlights

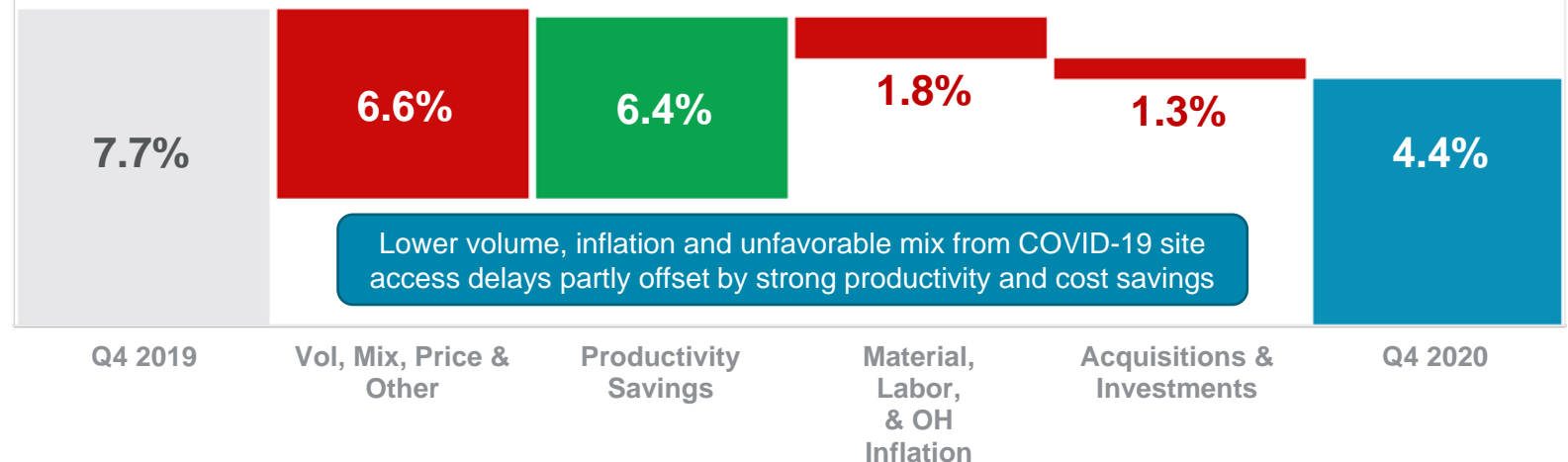
- Strong Organic* Orders growth 13% across Sensus (large energy and water projects), Advanced Infrastructure Analytics (robust demand for pipeline assessment services and digital software) and Test businesses (demand in Europe and U.S.)
- Strong sequential improvement in revenue but declines driven by the Energy business lapping prior year large project deployments (+14% in 4Q19) and lower international water demand
- Healthy demand for water quality applications in Test business in Europe and Emerging Markets
- Total Backlog up 22% from large contracts and order conversion reflecting momentum for smart water solutions

ADJUSTED OPERATING INCOME*

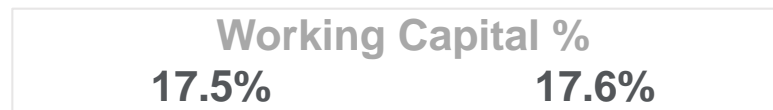
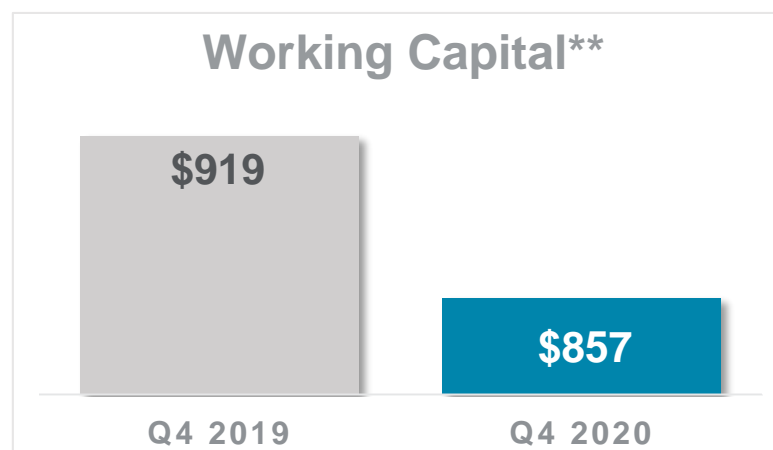
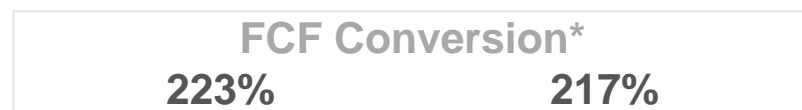
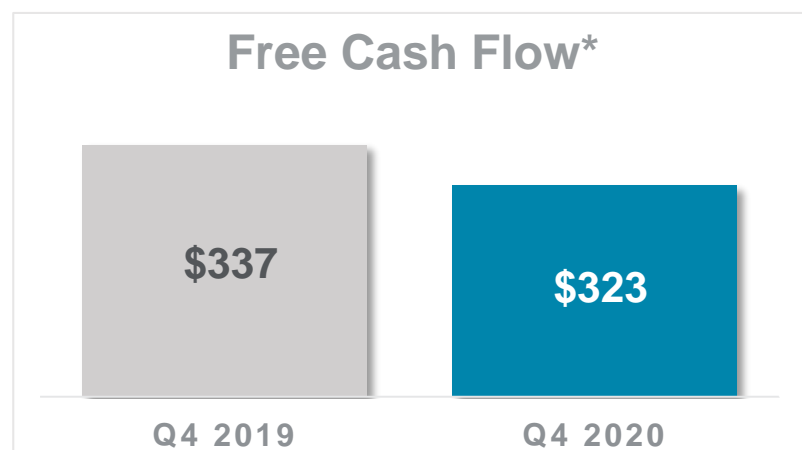
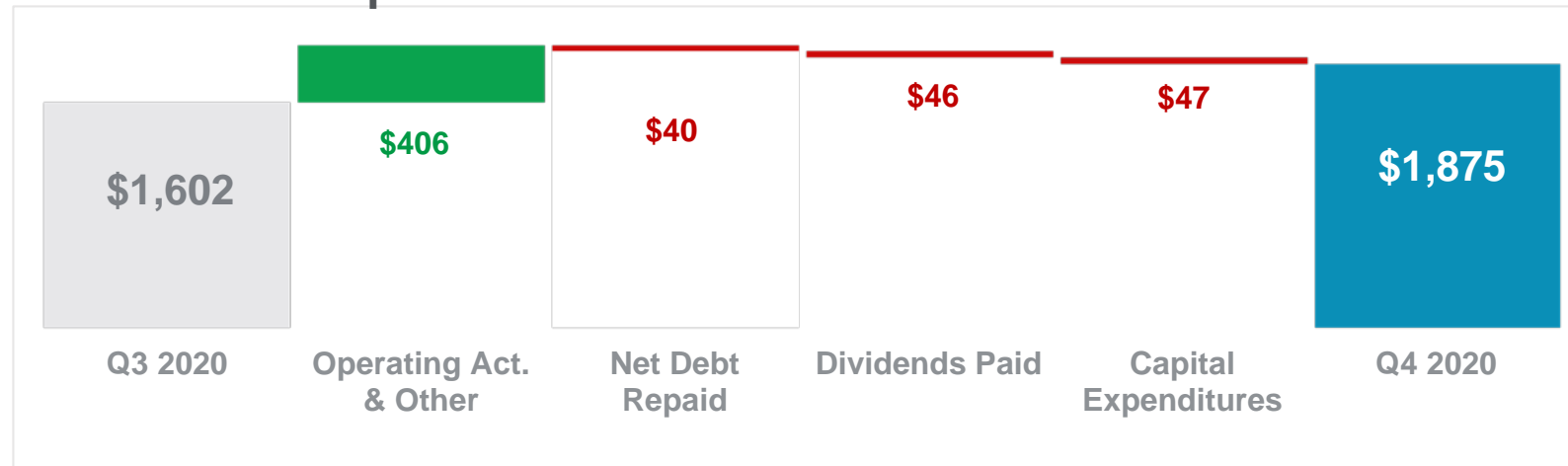


Adjusted EBITDA Margin*
18.1% **14.6%**

ADJUSTED OPERATING MARGIN*



Cash & Cash Equivalents Drivers



Capital Summary

December 31, 2020	
Cash & Cash Equivalents	\$ 1,875
Debt	\$ 3,084
Net Debt	\$ 1,209
Shareholders' Equity	\$ 2,968
Net Capital	\$ 4,177
Net Debt to Net Capital	29%

Financial Highlights

- **Free Cash Flow*** conversion of 181% for FY 2020 driven by lower capex spend, strong collections and timing of payments
- **Strong financial position**
 - Available liquidity of ~\$2.7B including Cash & Cash Equivalents and available credit facilities
 - Committed to BBB/Baa2 investment grade credit rating
 - Net Debt / Adjusted EBITDA (TTM) as of 12/31: 1.5x
- **\$600M Senior Note Maturity in 4Q 2021**

1. Maintain operational discipline and execution

- Costs
- Working capital
- Free cash flow

2. Capitalize on sustainable growth platforms

- Advanced digital solutions for network transformation
- High-growth geographies
- Capital deployment to support organic and inorganic growth

3. Extend leadership in sustainability and in ESG

- Progress 2025 signature sustainability goals across company, customers and communities

Wastewater Utilities

Key Facts**:

- **Revenue:** ~50% of Xylem Utilities Revenue
- **Opex/Capex Split:** ~65% / ~35%
- **XYL Businesses:** Primarily Water Infrastructure segment
- **Geographic Split:** US ~35% / W. Europe ~35% / Em. Mkts & Other ~30%
- **U.S. Utility Wastewater capex:** ~4% of total Xylem Revenue
- **US & W. Europe leading installed base & strong recurring revenue through Opex**
- **Emerging Markets mostly greenfield & currently skewed to Capex**

Current Trends:

- **Focus on opex needs and mission-critical applications in developed markets of Europe and North America (operation & maint. of wastewater networks and treatment sites); expect modest growth to continue similar to 2H 2020 return to low growth**
- **Customers leveraging service/repairs especially with COVID impacts to utility workforce (case counts/quarantines and accelerated retirements)**
- **Long-term China and India capital project spending outlook and bid activity remains robust; China with very strong recovery**
- **U.S. Utility Budgets: Analysis & customer discussions indicate modest capex spending reduction (some projects postponed but not cancelled); Opex remains steady**

Clean Water Utilities

Key Facts**:

- **Revenue:** ~50% of Xylem Utilities Revenue
- **Opex/Capex Split:** ~70% / ~30%
- **XYL Businesses:** Primarily MCS segment
- **Geographic Split:** US ~70% / W. Europe ~15% / Em. Mkts & Other ~15%
- **U.S. Utility Clean Water capex:** ~4% of total Xylem Revenue
- **Adoption of AMI & digital technologies to address non-revenue water & remote capabilities expected to be long-term secular trend globally**
- **Under-penetrated international presence, but opportunities increasing**

Current Trends:

- **Large Sensus project deployments expected to begin to ramp late in 2Q 2021 and accelerate in 2nd half of 2021; working closely with customers and channel partners on project deployment timing as site access restrictions ease**
- **Strong momentum behind key multi-year wins during 2020; setting up for healthy growth in 2021 and beyond**
- **Increased demand for smart water solutions and strong finish to 2020 with digital offerings reinforces continued desire to push up technology curve by utilities**
- **Healthy activity in test business for water quality products in outdoor water and process (Treatment) markets**



Industrial (~30% Revenue)

Key Facts**:

- **Oil & Gas Revenue:** <2% of total Xylem
- **Mining Revenue:** ~4% of total Xylem
- **“Light” Industrial Revenue:** ~30% of total Xylem
- **XYL Businesses:** All 3 segments (~40% of WI, ~45% of AWS, 15% of MCS)
- **Equipment is generally not tied to output; keeps facilities ‘up-and-running’**

Current Trends:

- Positive sequential growth trends, but activity still limited near term from pandemic
- North America Dewatering business soft across most applications; expect stable performance in 2021 and acceleration through the year
- Short-cycle orders and project activity beginning to pick up in North America in 4Q 2020; Seeing positive signs in select European markets

Commercial (~10% Revenue)

Key Facts**:

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

Current Trends:

- U.S. market conditions for replacement (book and ship) products modestly soft
- Expect new build construction in North America to be slow at least in 1H 2021
- Healthy activity in Europe (double-digit growth in 4Q) from renovation/maintenance market; recovery expected to continue into 1H 2021

Residential (~5% Revenue)

Key Facts**:

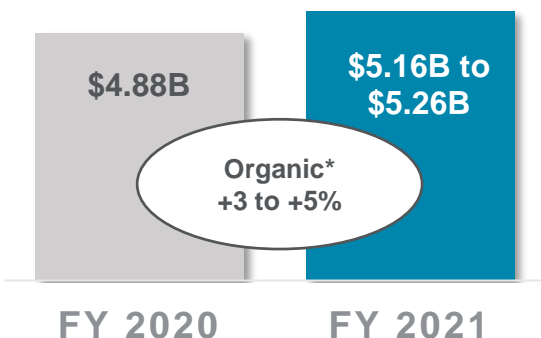
- **XYL Businesses:** Applied Water Systems
- **New build / Replacement:** 10% New / 90% Replacement
- **Geographic Split:** N. America ~70% / W. Europe ~10% / Em Mkts & Other ~20%
- **Sales almost exclusively via channel partners**

Current Trends:

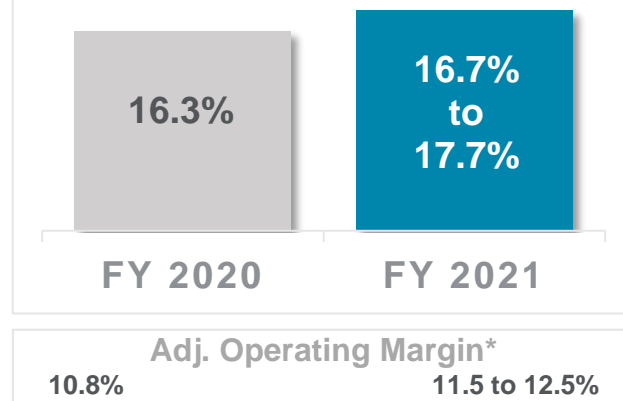
- Pent-up demand and activity from increased residential users / work-from-home in U.S. & Europe
- Primarily replacement revenue serviced through long-standing distributor / dealer network
- Strong demand for secondary water supply products in China

FY 2021 Guidance & Key Assumptions

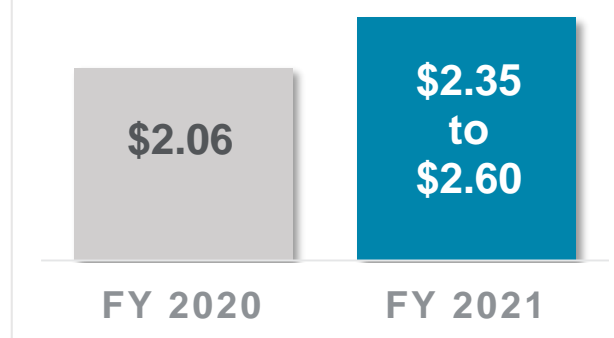
REVENUE



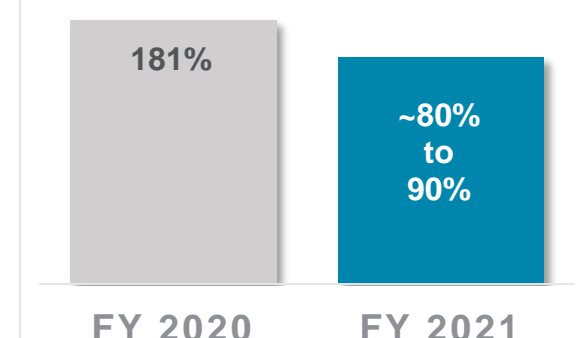
ADJUSTED EBITDA MARGIN*



ADJUSTED EPS*



FREE CASH FLOW* CONVERSION



Key Assumptions:

- **Organic Revenue up 3 to 5%; FX Euro Rate 1.22**
 - Water Infrastructure up low-to-mid single digits
 - Applied Water Systems up low single digits
 - Measurement & Control Solutions up mid-single digits
- **Adjusted EBITDA ... up 40 bps to 140 bps**
 - Cost savings benefits with favorable volume/price/mix balanced with rising inflation and prioritized growth investments
- **Free Cash Flow ... Conversion of ~80% to 90%**
 - 2021 reflects working capital increase and timing of payments
 - No structural change – expect 100% conversion long-term
 - 2019 – 2021 Projected FCF conversion of ~130%

FY 2021 Planning Assumptions

Corporate Expense	~\$50M
Restructuring & Realignment Costs*	~\$50 to \$60M
Dividends	~\$200M
Capex	~\$220M
Interest / Other Expense	~\$80M
Estimated Tax Rate	~18%
Share Count	~181M

Q1 2021 Planning Assumptions

Organic Revenue	+1% to +3%
WI	Up Low to Mid Single Digits
AWS	Up Low Single Digits
M&CS	Down Low to Mid Single Digits
Adjusted EBITDA	14% to 15%

- ***Our team is executing well, creating momentum in a difficult environment***
- ***Poised to emerge from pandemic in strengthened competitive position***
- ***Durable business model with vital products and differentiated technology offering a multi-year runway of attractive, sustainable growth***
- ***Robust underlying investment thesis, creating economic and social value***

Virtual Investor Day in 2021... Details and invitations forthcoming



Appendix

Q4 & FY 2020 Performance Summary

(\$ in millions, unless otherwise noted)

2020	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Xylem Consolidated				
Revenue	\$1,373	\$1,373	\$4,876	\$4,876
Overall Growth	0%	0%	(7%)	(7%)
Constant Currency Growth		(2%)		(7%)
Organic Growth		(2%)		(7%)
Operating Income	\$179	\$189	\$367	\$525
Operating Margin	13.0%	13.8%	7.5%	10.8%
EBITDA	240	258	606	795
EBITDA Margin	17.4%	18.8%	12.4%	16.3%
Earnings per Share	\$0.82	\$0.81	\$1.40	\$2.06

2020	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Applied Water				
Revenue	\$395	\$395	\$1,434	\$1,434
Overall Growth	1%	1%	(7%)	(7%)
Constant Currency Growth		(1%)		(7%)
Organic Growth		(1%)		(7%)
Operating Income	\$61	\$62	\$205	\$214
Operating Margin	15.4%	15.7%	14.3%	14.9%
EBITDA	\$66	\$68	\$228	\$240
EBITDA Margin	16.7%	17.2%	15.9%	16.7%

2020	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Water Infrastructure				
Revenue	\$616	\$616	\$2,079	\$2,079
Overall Growth	2%	2%	(5%)	(5%)
Constant Currency Growth		0%		(4%)
Organic Growth		0%		(4%)
Operating Income	\$117	\$124	\$318	\$346
Operating Margin	19.0%	20.1%	15.3%	16.6%
EBITDA	\$129	\$137	\$365	\$395
EBITDA Margin	20.9%	22.2%	17.6%	19.0%

2020	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Measurement & Control Solutions				
Revenue	\$362	\$362	\$1,363	\$1,363
Overall Growth	(4%)	(4%)	(11%)	(11%)
Constant Currency Growth		(5%)		(11%)
Organic Growth		(5%)		(11%)
Operating Income	\$14	\$16	(\$106)	\$13
Operating Margin	3.9%	4.4%	(7.8%)	1.0%
EBITDA	\$50	\$53	\$35	\$159
EBITDA Margin	13.8%	14.6%	2.6%	11.7%

Foreign Exchange Translation

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

Currency	FY 2021 Guidance Rate	Revenue Impact on FY 2021 of 5% Decrease in Rate	EPS Impact on FY 2021 of 5% Decrease in Rate
Euro	1.22	(\$47M)	(\$0.10)
GBP	1.35	(\$13M)	\$0.00
SEK	0.12	(\$6M)	\$0.02
RMB	0.15	(\$15M)	(\$0.01)
CAD	0.78	(\$9M)	\$0.00
All Other		(\$46M)	(\$0.01)
Total		(\$136M)	(\$0.10)

* Increase in rate would have inverse impact on results

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

Xylem Inc. Non-GAAP Measures

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

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

"Adjusted EBITDA Margin" and **"Adjusted Segment EBITDA margin"** defined as adjusted EBITDA and adjusted segment EBITDA divided by total revenue and segment revenue, respectively.

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

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

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

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

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

"Tax-related special items" defined as tax items, such as acquisition and integration related costs, non-cash impairment charges and both operating and non-operating adjustments for pension costs.

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A		
	Orders	Orders	Change	% Change	Acquisitions /	FX Impact	Change	% Change	
	2020	2019	2020 v. 2019	2020 v. 2019	Divestitures		Adj. 2020 v. 2019	Adj. 2020 v. 2019	
<u>Year Ended December 31</u>									
Xylem Inc.	5,033	5,339	(306)	(6%)	4	18	(284)	(5%)	(5%)
Water Infrastructure	2,134	2,234	(100)	(4%)	-	20	(80)	(4%)	(4%)
Applied Water	1,483	1,556	(73)	(5%)	-	-	(73)	(5%)	(5%)
Measurement & Control Solutions	1,416	1,549	(133)	(9%)	4	(2)	(131)	(8%)	(9%)
<u>Quarter Ended December 31</u>									
Xylem Inc.	1,294	1,286	8	1%	4	(31)	(19)	(1%)	(2%)
Water Infrastructure	464	530	(66)	(12%)	-	(18)	(84)	(16%)	(16%)
Applied Water	410	387	23	6%	-	(7)	16	4%	4%
Measurement & Control Solutions	420	369	51	14%	4	(6)	49	13%	12%
<u>Quarter Ended September 30</u>									
Xylem Inc.	1,246	1,346	(100)	(7%)	-	(10)	(110)	(8%)	(8%)
Water Infrastructure	558	586	(28)	(5%)	-	(4)	(32)	(5%)	(5%)
Applied Water	375	376	(1)	(0%)	-	(3)	(4)	(1%)	(1%)
Measurement & Control Solutions	313	384	(71)	(18%)	-	(3)	(74)	(19%)	(19%)
<u>Quarter Ended June 30</u>									
Xylem Inc.	1,232	1,392	(160)	(11%)	-	36	(124)	(9%)	(9%)
Water Infrastructure	598	586	12	2%	-	27	39	7%	7%
Applied Water	326	399	(73)	(18%)	-	6	(67)	(17%)	(17%)
Measurement & Control Solutions	308	407	(99)	(24%)	-	3	(96)	(24%)	(24%)
<u>Quarter Ended March 31</u>									
Xylem Inc.	1,261	1,315	(54)	(4%)	-	23	(31)	(2%)	(2%)
Water Infrastructure	514	532	(18)	(3%)	-	15	(3)	(1%)	(1%)
Applied Water	372	394	(22)	(6%)	-	4	(18)	(5%)	(5%)
Measurement & Control Solutions	375	389	(14)	(4%)	-	4	(10)	(3%)	(3%)

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)			(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /	FX Impact	Change	% Change	
	2020	2019	2020 v. 2019	2020 v. 2019	Divestitures		Adj. 2020 v. 2019	Adj. 2020 v. 2019	
<u>Year Ended December 31</u>									
Xylem Inc.	4,876	5,249	(373)	(7%)	2	7	(364)	(7%)	(7%)
Water Infrastructure	2,079	2,177	(98)	(5%)	-	9	(89)	(4%)	(4%)
Applied Water	1,434	1,541	(107)	(7%)	-	(1)	(108)	(7%)	(7%)
Measurement & Control Solutions	1,363	1,531	(168)	(11%)	2	(1)	(167)	(11%)	(11%)
<u>Quarter Ended December 31</u>									
Xylem Inc.	1,373	1,371	2	0%	2	(28)	(24)	(2%)	(2%)
Water Infrastructure	616	603	13	2%	-	(15)	(2)	(0%)	(0%)
Applied Water	395	392	3	1%	-	(7)	(4)	(1%)	(1%)
Measurement & Control Solutions	362	376	(14)	(4%)	2	(6)	(18)	(5%)	(5%)
<u>Quarter Ended September 30</u>									
Xylem Inc.	1,220	1,296	(76)	(6%)	-	(9)	(85)	(7%)	(7%)
Water Infrastructure	524	531	(7)	(1%)	-	(4)	(11)	(2%)	(2%)
Applied Water	364	376	(12)	(3%)	-	(3)	(15)	(4%)	(4%)
Measurement & Control Solutions	332	389	(57)	(15%)	-	(2)	(59)	(15%)	(15%)
<u>Quarter Ended June 30</u>									
Xylem Inc.	1,160	1,345	(185)	(14%)	-	25	(160)	(12%)	(12%)
Water Infrastructure	501	561	(60)	(11%)	-	16	(44)	(8%)	(8%)
Applied Water	337	394	(57)	(14%)	-	6	(51)	(13%)	(13%)
Measurement & Control Solutions	322	390	(68)	(17%)	-	3	(65)	(17%)	(17%)
<u>Quarter Ended March 31</u>									
Xylem Inc.	1,123	1,237	(114)	(9%)	-	19	(95)	(8%)	(8%)
Water Infrastructure	438	482	(44)	(9%)	-	12	(32)	(7%)	(7%)
Applied Water	338	379	(41)	(11%)	-	3	(38)	(10%)	(10%)
Measurement & Control Solutions	347	376	(29)	(8%)	-	4	(25)	(7%)	(7%)

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

	Q1		Q2		Q3		Q4		YTD	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Total Revenue										
• Total Xylem	1,123	1,237	1,160	1,345	1,220	1,296	1,373	1,371	4,876	5,249
• Water Infrastructure	438	482	501	561	524	531	616	603	2,079	2,177
• Applied Water	338	379	337	394	364	376	395	392	1,434	1,541
• Measurement & Control Solutions	347	376	322	390	332	389	362	376	1,363	1,531
Operating Income										
• Total Xylem	61	109	54	171	73	11	179	195	367	486
• Water Infrastructure	39	51	73	98	89	97	117	119	318	365
• Applied Water	47	56	41	62	56	61	61	62	205	241
• Measurement & Control Solutions	(12)	16	(46)	26	(62)	(136)	14	27	(106)	(67)
• Total Segments	74	123	68	186	83	22	192	208	417	539
Operating Margin										
• Total Xylem	5.4%	8.8%	4.7%	12.7%	6.0%	0.8%	13.0%	14.2%	7.5%	9.3%
• Water Infrastructure	8.9%	10.6%	14.6%	17.5%	17.0%	18.3%	19.0%	19.7%	15.3%	16.8%
• Applied Water	13.9%	14.8%	12.2%	15.7%	15.4%	16.2%	15.4%	15.8%	14.3%	15.6%
• Measurement & Control Solutions	(3.5%)	4.3%	(14.3%)	6.7%	(18.7%)	(35.0%)	3.9%	7.2%	(7.8%)	(4.4%)
• Total Segments	6.6%	9.9%	5.9%	13.8%	6.8%	1.7%	14.0%	15.2%	8.6%	10.3%
Special Charges										
• Total Xylem	-	4	11	-	70	155	-	-	81	159
• Water Infrastructure	-	-	-	-	-	-	-	-	-	-
• Applied Water	-	-	-	-	-	-	-	-	-	-
• Measurement & Control Solutions	-	4	10	-	69	155	-	-	79	159
• Total Segments	-	4	10	-	69	155	-	-	79	159
Restructuring & Realignment Costs										
• Total Xylem	9	20	43	21	15	30	10	11	77	82
• Water Infrastructure	5	9	8	9	8	7	7	6	28	31
• Applied Water	2	3	4	4	2	3	1	3	9	13
• Measurement & Control Solutions	2	8	31	8	5	20	2	2	40	38
• Total Segments	9	20	43	21	15	30	10	11	77	82
Adjusted Operating Income										
• Total Xylem	70	133	108	192	158	196	189	206	525	727
• Water Infrastructure	44	60	81	107	97	104	124	125	346	396
• Applied Water	49	59	45	66	58	64	62	65	214	254
• Measurement & Control Solutions	(10)	28	(5)	34	12	39	16	29	13	130
• Total Segments	83	147	121	207	167	207	202	219	573	780
Adjusted Operating Margin										
• Total Xylem	6.2%	10.8%	9.3%	14.3%	13.0%	15.1%	13.8%	15.0%	10.8%	13.9%
• Water Infrastructure	10.0%	12.4%	16.2%	19.1%	18.5%	19.6%	20.1%	20.7%	16.6%	18.2%
• Applied Water	14.5%	15.6%	13.4%	16.8%	15.9%	17.0%	15.7%	16.6%	14.9%	16.5%
• Measurement & Control Solutions	(2.9%)	7.4%	(1.6%)	8.7%	3.6%	10.0%	4.4%	7.7%	1.0%	8.5%
• Total Segments	7.4%	11.9%	10.4%	15.4%	13.7%	16.0%	14.7%	16.0%	11.8%	14.9%

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

	Q4 2020			Q4 2019		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,373	-	1,373	1,371	-	1,371
Operating Income	179	10 a	189	195	11 a	206
Operating Margin	13.0%		13.8%	14.2%		15.0%
Interest Expense	(21)	-	(21)	(15)	-	(15)
Other Non-Operating Income (Expense)	-	1 b	1	(2)	8	6
Income before Taxes	158	11	169	178	19	197
Provision for Income Taxes	(10)	(14) c	(24)	(60)	24 c	(36)
Net Income Attributable to Xylem	148	(3)	145	118	43	161
Diluted Shares	181.5		181.5	181.2		181.2
Diluted EPS	\$ 0.82	\$ (0.01)	\$ 0.81	\$ 0.65	\$ 0.24	\$ 0.89

Year-over-year currency translation impact on current year diluted EPS \$ 0.04 \$ 0.00 \$ 0.04

Diluted EPS at Constant Currency \$ **0.78** \$ **(0.01)** \$ **0.77**

	Q4 YTD 2020			Q4 YTD 2019		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	4,876	-	4,876	5,249	-	5,249
Operating Income	367	158 a	525	486	241 a	727
Operating Margin	7.5%		10.8%	9.3%		13.9%
Interest Expense	(77)	-	(77)	(67)	-	(67)
Other Non-Operating Income (Expense)	(5)	5 b	-	(4)	19	15
Gain/(Loss) From Sale of Businesses	-	-	-	1	(1)	-
Income before Taxes	285	163	448	416	259	675
Provision for Income Taxes	(31)	(43) c	(74)	(15)	(113) c	(128)
Net Income Attributable to Xylem	254	120	374	401	146	547
Diluted Shares	181.1		181.1	181.2		181.2
Diluted EPS	\$ 1.40	\$ 0.66	\$ 2.06	\$ 2.21	\$ 0.81	\$ 3.02

Year-over-year currency translation impact on current year diluted EPS \$.02 \$ 0.01 \$ 0.03

Diluted EPS at Constant Currency \$ **1.38** \$ **0.65** \$ **2.03**

a Quarter-to-date: Restructuring & realignment costs of \$10 million in 2020 and \$11 million in 2019.

Year-to-date: Restructuring & realignment costs of \$77 million and \$82 million in 2020 and 2019, respectively; special charges of \$81 million (\$79 million of intangible asset and goodwill impairment charges and \$2 million of other charges) and \$159 million of special charges in 2019 (\$158 million of goodwill and asset impairment charges and \$1 million of acquisition related costs).

b Special non-operating charges consist of pension costs related to the UK pension plan that has been transferred to an annuity in 2020 as part of the planned buyout activities (\$1 million and \$5 million in 2020, and \$6 million and \$17 million in 2019, quarter-to-date and year-to-date, respectively). Also, \$2 million of other non-operating charges in 2019, both quarter-to-date and year-to-date.

c Quarter-to-date: Net tax impact on restructuring & realignment costs of \$2 million in both 2020 and 2019, respectively; \$1 million of tax on special charges in 2020 and \$4 million in 2019; and \$11 million and \$30 million of positive impact from tax related special Expense adjustments in 2020 and 2019, respectively.

Year-to-date: Net tax impact on restructuring & realignment costs of \$17 million and \$19 million in 2020 and 2019, respectively; \$10 million and \$6 million of tax impact on special charges in 2020 and 2019; and \$16 million and \$88 million of negative impact from tax related special benefit adjustments in 2020 and 2019, respectively.

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

	Q1		Q2		Q3		Q4		Year-to-Date	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net Cash - Operating Activities	\$ (2)	\$ 83	\$ 181	\$ 123	\$ 275	\$ 245	\$ 370	\$ 388	\$ 824	\$ 839
Capital Expenditures - PP&E	(32)	(53)	(24)	(40)	(24)	(28)	(29)	(29)	(109)	(150)
Capital Expenditures - Software	(19)	(16)	(20)	(20)	(17)	(18)	(18)	(22)	(74)	(76)
Capital Expenditures	(51)	(69)	(44)	(60)	(41)	(46)	(47)	(51)	(183)	(226)
Free Cash Flow	\$ (53)	\$ 14	\$ 137	\$ 63	\$ 234	\$ 199	\$ 323	\$ 337	\$ 641	\$ 613
Net Income	38	79	31	139	37	65	148	118	254	401
Gain/(Loss) from sale of businesses	-	1	-	-	-	-	-	-	-	1
Restructuring Charges - non-cash impairment	-	-	(17)	-	(3)	-	(1)	-	(21)	-
Special Charges - non-cash impairment	-	(3)	(10)	-	(69)	(155)	-	-	(79)	(158)
Significant deferred tax benefit/(charge)	-	-	-	-	-	97	-	(33)	-	64
Net Income, excluding gain on sale of businesses, non-cash impairment charges and significant deferred tax	\$ 38	\$ 81	\$ 58	\$ 139	\$ 109	\$ 123	\$ 149	\$ 151	\$ 354	\$ 494
Operating Cash Flow Conversion	(5%)	105%	584%	88%	743%	377%	250%	329%	324%	209%
Free Cash Flow Conversion	(139%)	17%	236%	45%	215%	162%	217%	223%	181%	124%

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

	2020				
	Q1	Q2	Q3	Q4	Total
Net Income	38	31	37	148	254
Income Tax Expense	4	4	13	10	31
Interest Expense (Income), net	14	16	20	20	70
Depreciation	29	29	30	29	117
Amortization	<u>35</u>	<u>33</u>	<u>33</u>	<u>33</u>	<u>134</u>
EBITDA	120	113	133	240	606
Share-based Compensation	8	8	3	7	26
Restructuring & Realignment	9	43	15	10	77
Special Charges	<u>1</u>	<u>13</u>	<u>71</u>	<u>1</u>	<u>86</u>
Adjusted EBITDA	<u>138</u>	<u>177</u>	<u>222</u>	<u>258</u>	<u>795</u>
Revenue	<u>1,123</u>	<u>1,160</u>	<u>1,220</u>	<u>1,373</u>	<u>4,876</u>
Adjusted EBITDA Margin	<u>12.3%</u>	<u>15.3%</u>	<u>18.2%</u>	<u>18.8%</u>	<u>16.3%</u>

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

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

	2020				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	37	71	85	116	309
Interest Expense (Income), net	-	(1)	-	-	(1)
Depreciation	11	11	11	11	44
Amortization	<u>4</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>13</u>
EBITDA	52	86	98	129	365
Share-based Compensation	-	1	-	1	2
Restructuring & Realignment	<u>5</u>	<u>8</u>	<u>8</u>	<u>7</u>	<u>28</u>
Adjusted EBITDA	<u>57</u>	<u>95</u>	<u>106</u>	<u>137</u>	<u>395</u>
Revenue	<u>438</u>	<u>501</u>	<u>524</u>	<u>616</u>	<u>2,079</u>
Adjusted EBITDA Margin	<u>13.0%</u>	<u>19.0%</u>	<u>20.2%</u>	<u>22.2%</u>	<u>19.0%</u>

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

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

	2020				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	47	42	55	60	204
Interest Expense (Income), net	-	-	-	-	-
Depreciation	5	5	6	5	21
Amortization	1	-	1	1	3
EBITDA	53	47	62	66	228
Share-based Compensation	1	1	-	1	3
Restructuring & Realignment	2	4	2	1	9
Adjusted EBITDA	<u>56</u>	<u>52</u>	<u>64</u>	<u>68</u>	<u>240</u>
Revenue	<u>338</u>	<u>337</u>	<u>364</u>	<u>395</u>	<u>1,434</u>
Adjusted EBITDA Margin	<u>16.6%</u>	<u>15.4%</u>	<u>17.6%</u>	<u>17.2%</u>	<u>16.7%</u>

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

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

	2020				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	(13)	(46)	(62)	14	(107)
Interest Expense (Income), net	-	-	-	-	-
Depreciation	9	8	9	9	35
Amortization	27	26	27	27	107
EBITDA	23	(12)	(26)	50	35
Share-based Compensation	2	1	1	1	5
Restructuring & Realignment	2	31	5	2	40
Special Charges	-	10	69	-	79
Adjusted EBITDA	<u>27</u>	<u>30</u>	<u>49</u>	<u>53</u>	<u>159</u>
Revenue	<u>347</u>	<u>322</u>	<u>332</u>	<u>362</u>	<u>1,363</u>
Adjusted EBITDA Margin	<u>7.8%</u>	<u>9.3%</u>	<u>14.8%</u>	<u>14.6%</u>	<u>11.7%</u>

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



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<http://www.xylem.com/en-us/investors/>