



Q1 2019 Earnings Release

May 2, 2019

FORWARD-LOOKING STATEMENTS

This presentation contains information that may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Act of 1995. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “target,” “will,” “could,” “would,” “should” and similar expressions identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. These forward-looking statements include any statements that are not historical in nature, including any statements about the capitalization of Xylem Inc. (the “Company”), the Company’s restructuring and realignment, future strategic plans and other statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future — including statements relating to orders, revenues, operating margins and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions, political and other risks associated with our international operations, including military actions, economic sanctions or trade barriers including tariffs and embargoes that could affect customer markets and our business, and non-compliance with laws, including foreign corrupt practice laws, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; competition and pricing pressures in the markets we serve; the strength of housing and related markets; weather conditions; ability to retain and attract talent and key members of management; our relationship with and the performance of our channel partners; our ability to successfully identify, complete and integrate acquisitions; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; changes in the value of goodwill or intangible assets; risks relating to product defects, product liability and recalls; claims or investigations by governmental or regulatory bodies; security breaches or other disruptions of our information technology systems; litigation and contingent liabilities; and other factors set forth under “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018 and in subsequent filings we make with the Securities and Exchange Commission (“SEC”).

All forward-looking statements made herein are based on information currently available to the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Q1 2019 Performance Summary

| | GAAP Q1 2019 | Adjusted* Q1 2019 |
|--|-----------------|----------------------|
| Xylem Consolidated | | |
| Revenue | 1,237 | 1,237 |
| Overall Growth | +2% | +2% |
| Constant Currency Growth | | +6% |
| Organic Growth | | +6% |
| Operating Income | 109 | 133 |
| Operating Margin | 8.8% | 10.8% |
| Earnings per Share | \$0.43 | \$0.52 |
| Segment Results | | |
| Water Infrastructure | | |
| Revenue | 482 | 482 |
| Overall Growth | 0% | 0% |
| Constant Currency Growth | | +7% |
| Organic Growth | | +7% |
| Operating Income | 51 | 60 |
| Operating Margin | 10.6% | 12.4% |
| Applied Water | | |
| Revenue | 379 | 379 |
| Overall Growth | +4% | +4% |
| Constant Currency Growth | | +7% |
| Organic Growth | | +7% |
| Operating Income | 56 | 59 |
| Operating Margin | 14.8% | 15.6% |
| Measurement & Control Solutions | | |
| Revenue | 376 | 376 |
| Overall Growth | +1% | +1% |
| Constant Currency Growth | | +4% |
| Organic Growth | | +5% |
| Operating Income | 16 | 28 |
| Operating Margin | 4.3% | 7.4% |

Earnings Call Notes:

- All references today will be on an adjusted basis unless otherwise indicated.
- Non-GAAP financials are reconciled in the appendix section of the presentation.

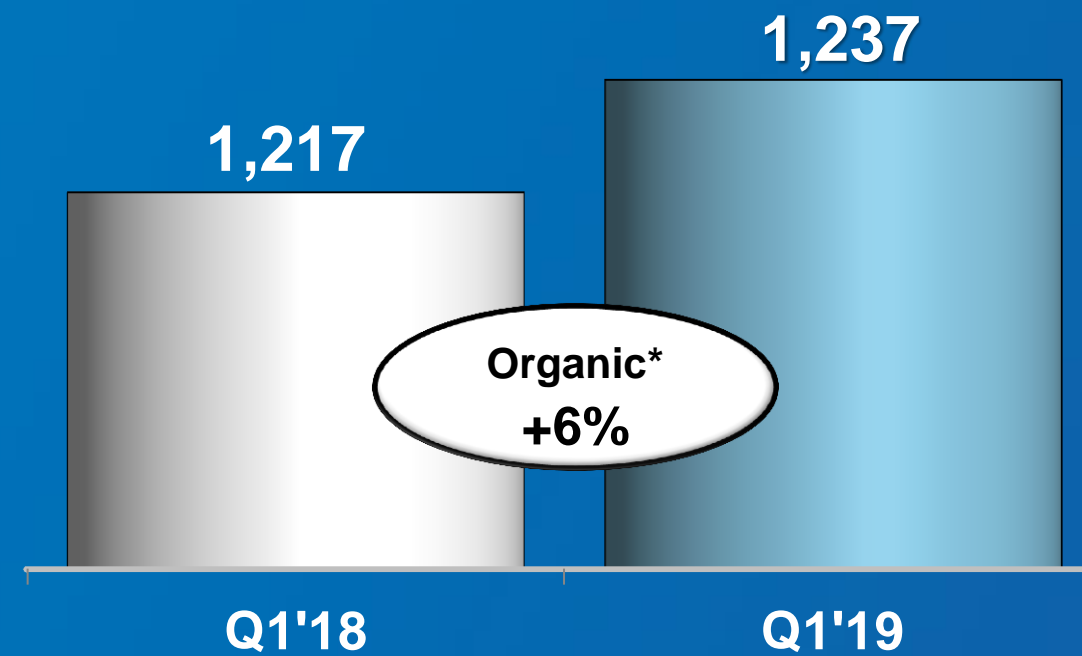
Key Messages

- **Revenue and Orders demand momentum continue to be healthy led by double-digit growth in the U.S. and Emerging Markets**
 - *Organic Revenue +6% and Organic Orders +4%*
- **Unfavorable mix and lower absorption of overhead costs drive softer than expected margin and earnings performance**
 - *Adj. Operating Margin 10.8% (down 30 bps)*
 - *Adj. EBITDA 16.7% (down 80 bps)*
 - *Adj. EPS \$0.52 (up 12% excluding FX Translation)*
- **Cash flow from operations up 32% ... On track for 105% FCF conversion goal**
- **Adjusting FY2019 Guidance to reflect 1Q shortfall and FX weakness**
- **Reaffirming 2020 growth outlook ... Extending Op. Margin target**

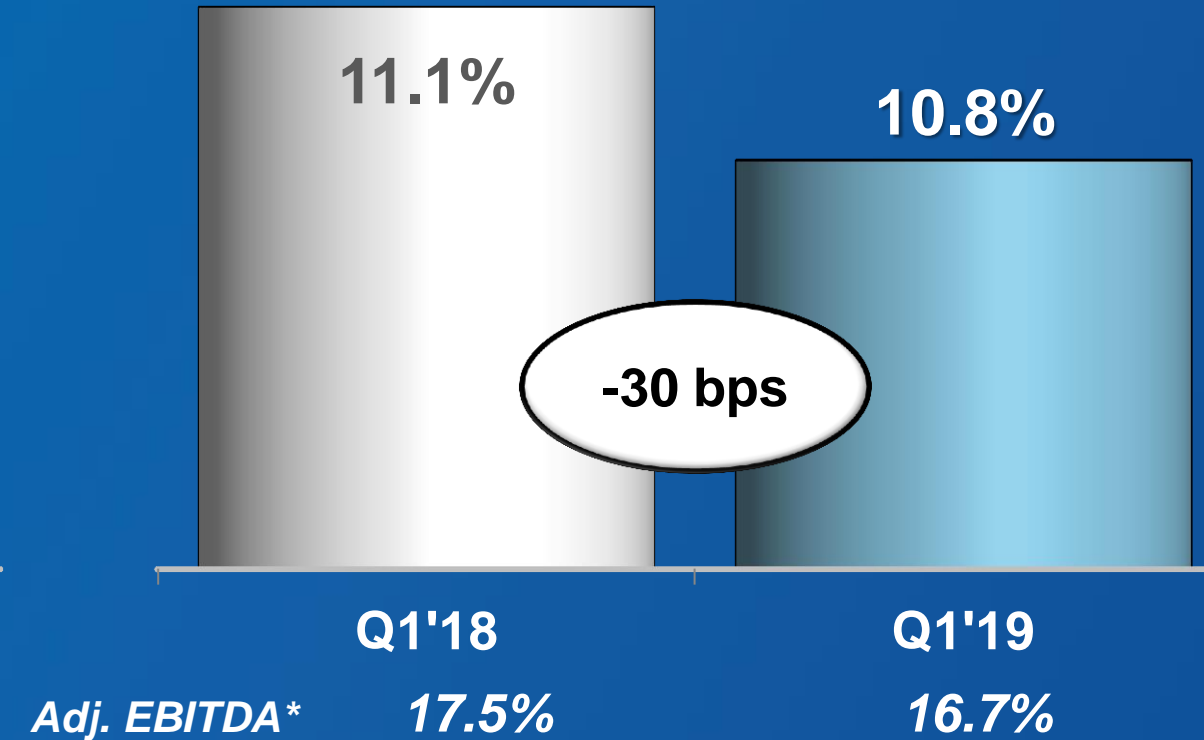
Q1 2019 Xylem Performance

(Dollars, In Millions, except EPS)

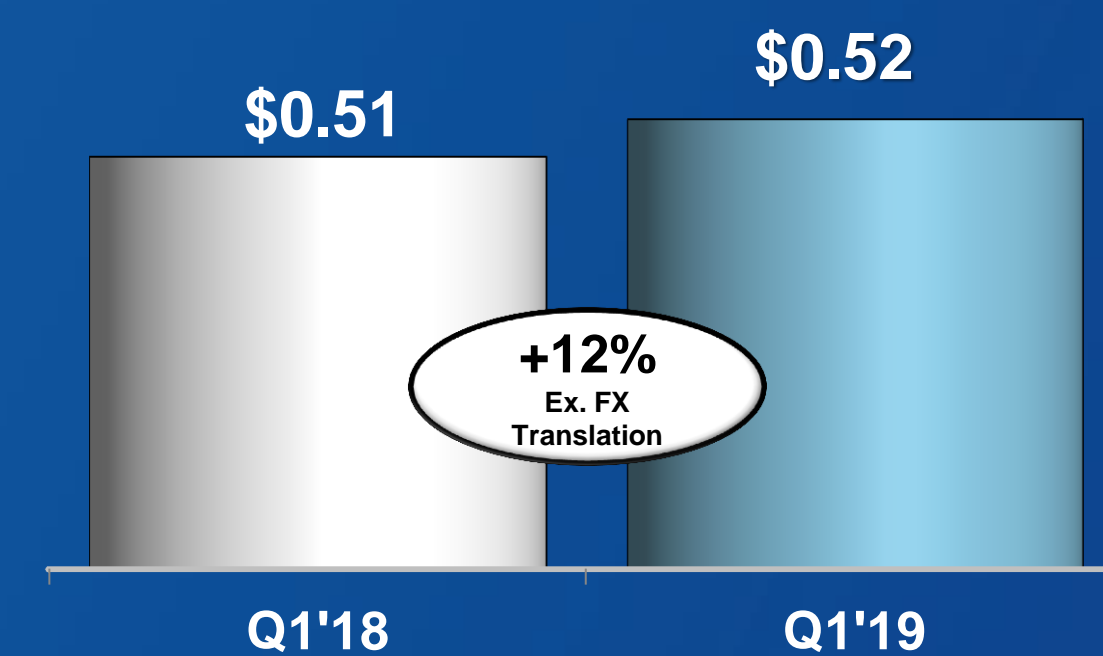
Revenue



Adj. Operating Margin*



Adj. EPS*



Organic Growth by End Market

| | |
|--------------|------|
| +Utilities | +6% |
| +Industrial | +4% |
| +Commercial | +12% |
| +Residential | +4% |

Organic Growth by Region

| | |
|----------------|------|
| +U.S. | +11% |
| +Emerging Mkts | +12% |
| -W. Europe | -2% |

Key Performance Drivers

- Revenue Growth led by U.S. (+11%) and Emerging Markets (+12%)
- Utilities end market remains healthy driven by U.S. (+15%)
- Op. Margin below our expectations due to unfavorable mix and lower absorption of overhead costs
 - Cost reductions drive 280 bps Op Margin expansion (EPS +\$0.16)
 - Price expands Op Margin 170 bps (EPS +0.11)
 - Cost inflation reduces Op Margin by 320 bps (EPS -\$0.18)
 - Vol/Mix/other reduce Op Margin by 80 bps (EPS -\$0.04)
 - Strategic investments reduce Op Margin by 80 bps (EPS -\$0.04)

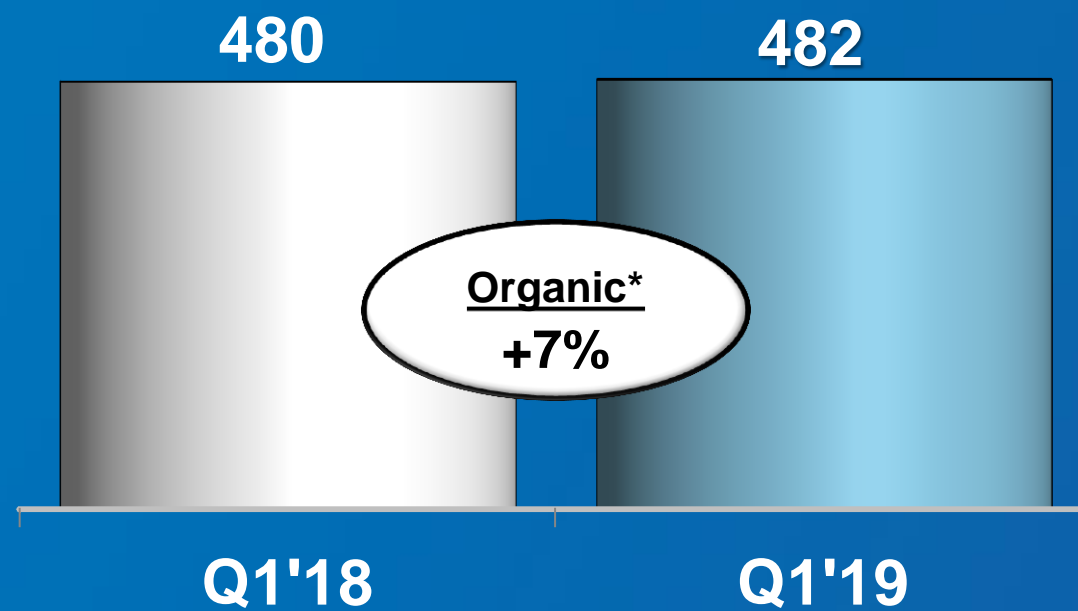
Other: Tax Rate* 19.7%

Share Count 181.1M

Q1 2019 Water Infrastructure

(Dollars, In Millions)

Revenue



Organic Growth By Application

- + Transport +7%
- + Treatment +4%

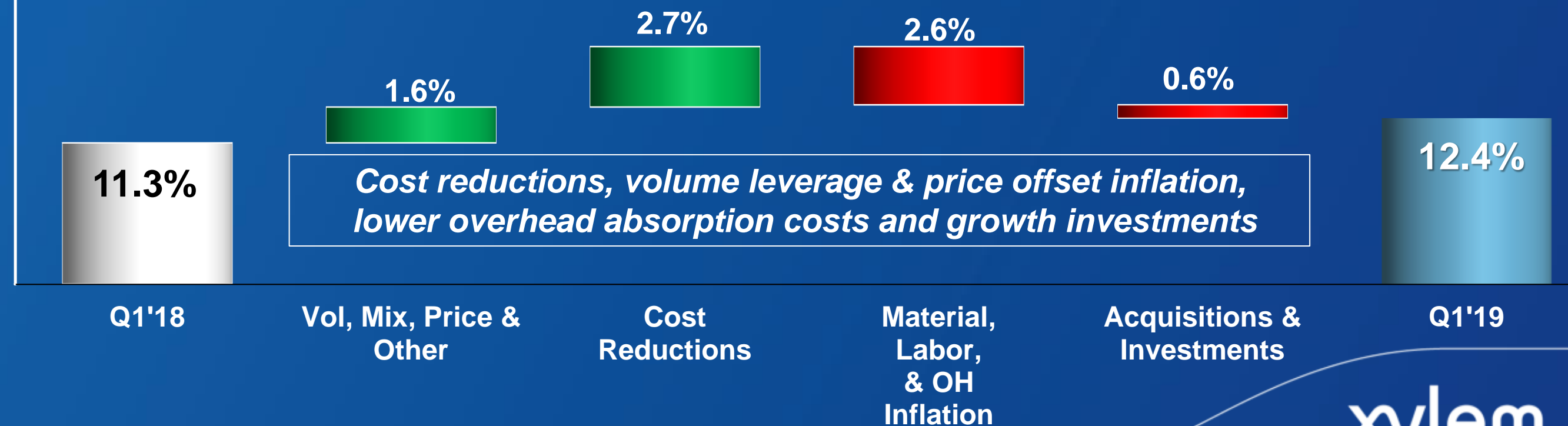
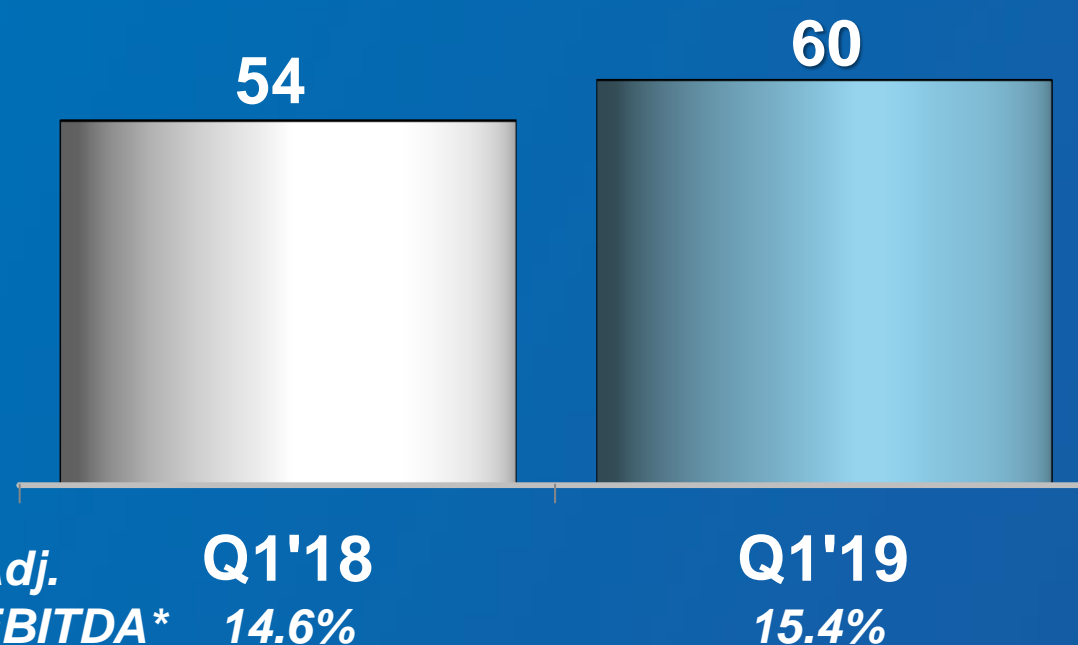
By Regions

- + U.S. +14%
- + Em. Mkts +10%
- W. Europe - 1%

Highlights

- + High-single digit growth in Utilities market driven by 18% growth in the U.S. from strong aftermarket & stormwater resilience efforts; More than 20% growth in China from wastewater Transport and Treatment projects
- + Industrial growth primarily driven by broad based demand for Dewatering applications in Transport from construction and mining market
- Western Europe soft due to lapping of Treatment project deliveries
- + Organic Orders +2% reflect mid-single digit growth in Transport and tough comp with Treatment (+27% in PY)

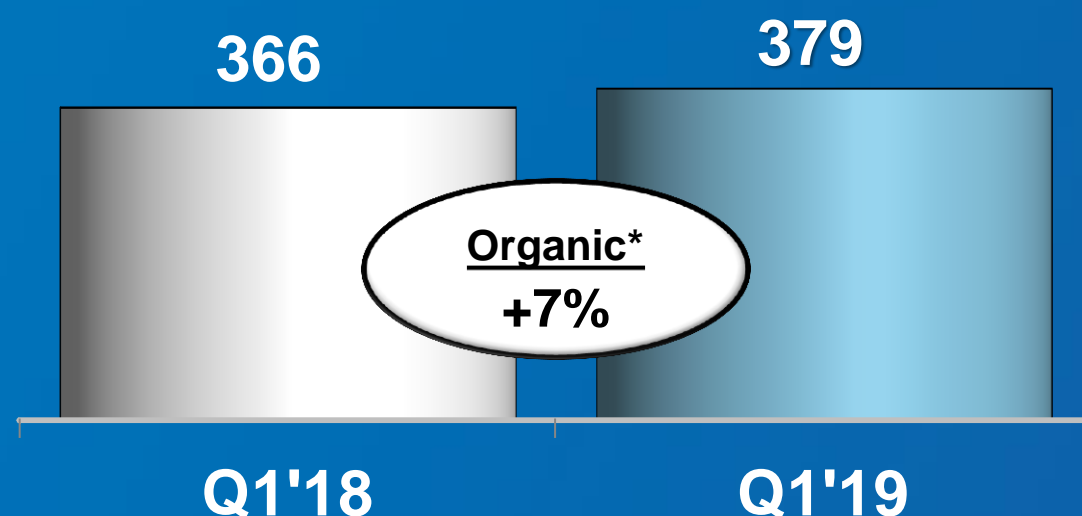
Adj. Operating Margin*



Q1 2019 Applied Water

(Dollars, In Millions)

Revenue



Organic Growth By Application

- + Commercial +12%
- + Industrial Water +3%
- + Residential +4%

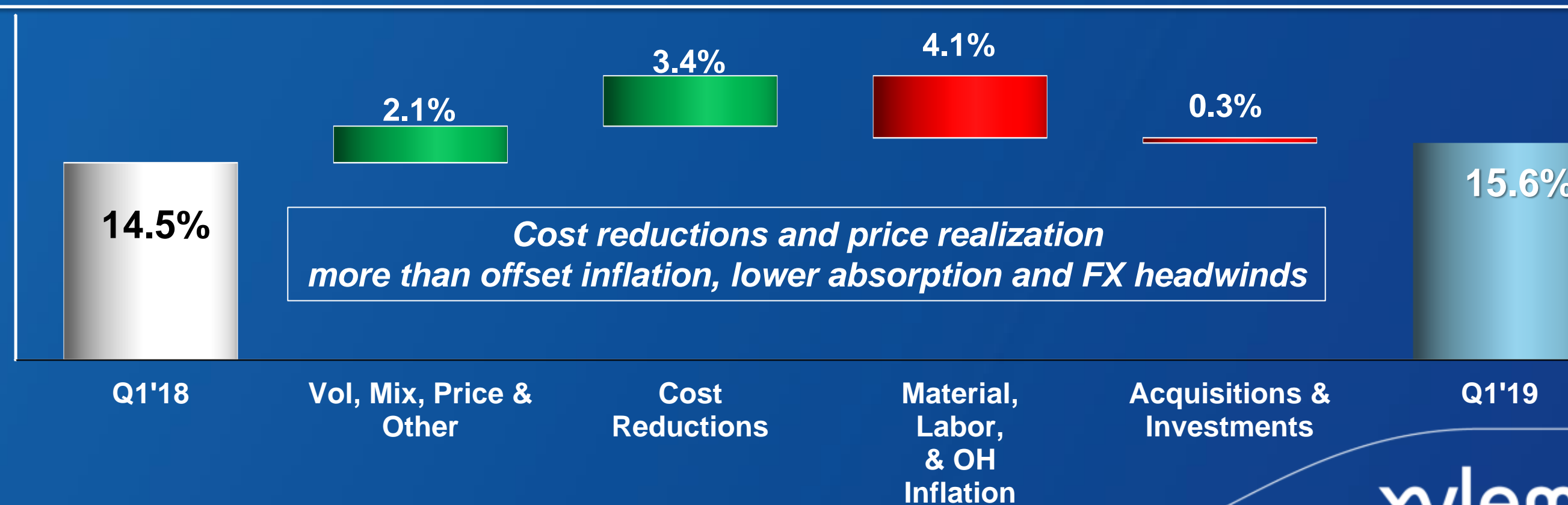
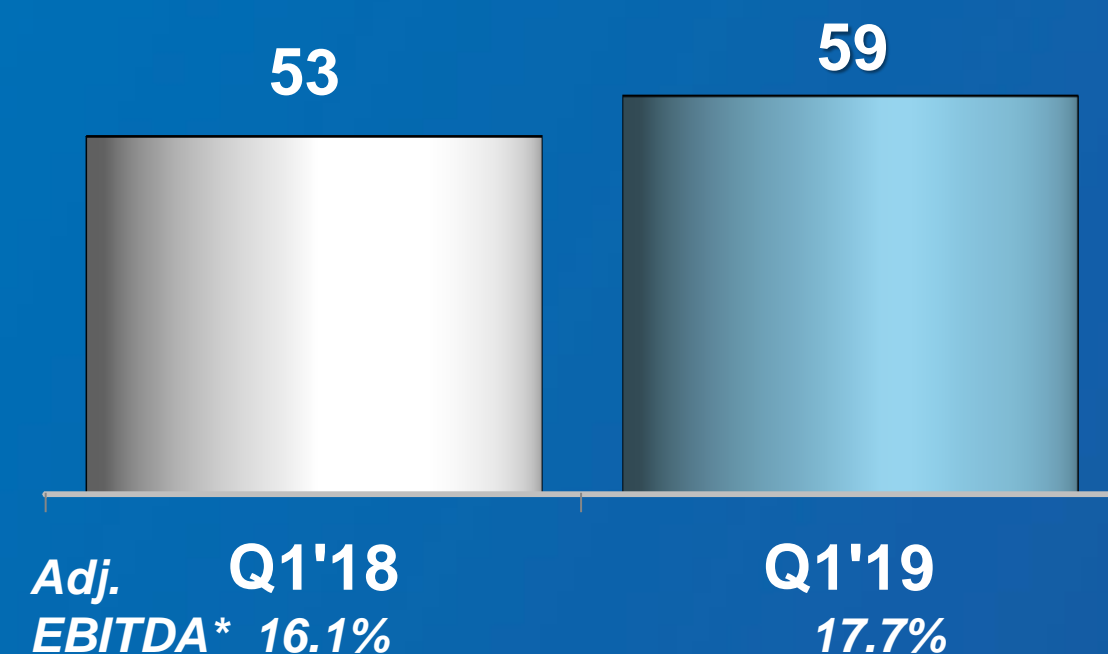
By Regions

- + U.S. +7%
- + Em. Mkts +16%
- + W. Europe +4%

Highlights

- + Strength in Commercial building sector continued particularly in the U.S. and China from project deliveries and a leading channel position
- + Solid Industrial conditions and strong price realization in U.S. while lapping tough comp in 2018 (+9%)
- + Healthy Residential performance in U.S. and China
- + Organic Orders growth of 6% driven primarily by strength in Industrial from projects and specialty flow control business

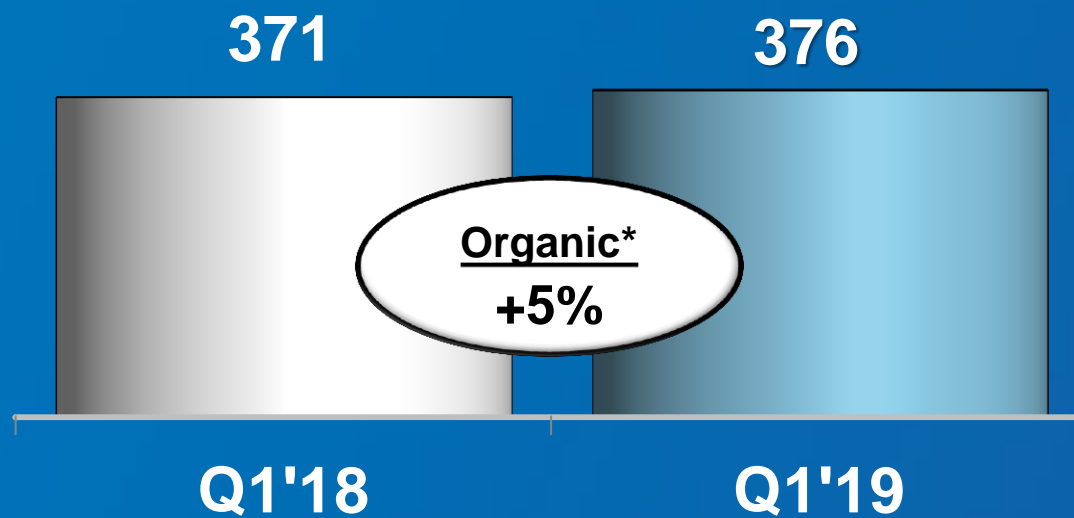
Adj. Operating Margin*



Q1 2019 Measurement & Control Solutions

(Dollars, In Millions)

Revenue



Organic Growth By Application

| | |
|--------------|------|
| + Water | +15% |
| = Test | Flat |
| - SaaS/Other | -3% |
| - Energy | -7% |

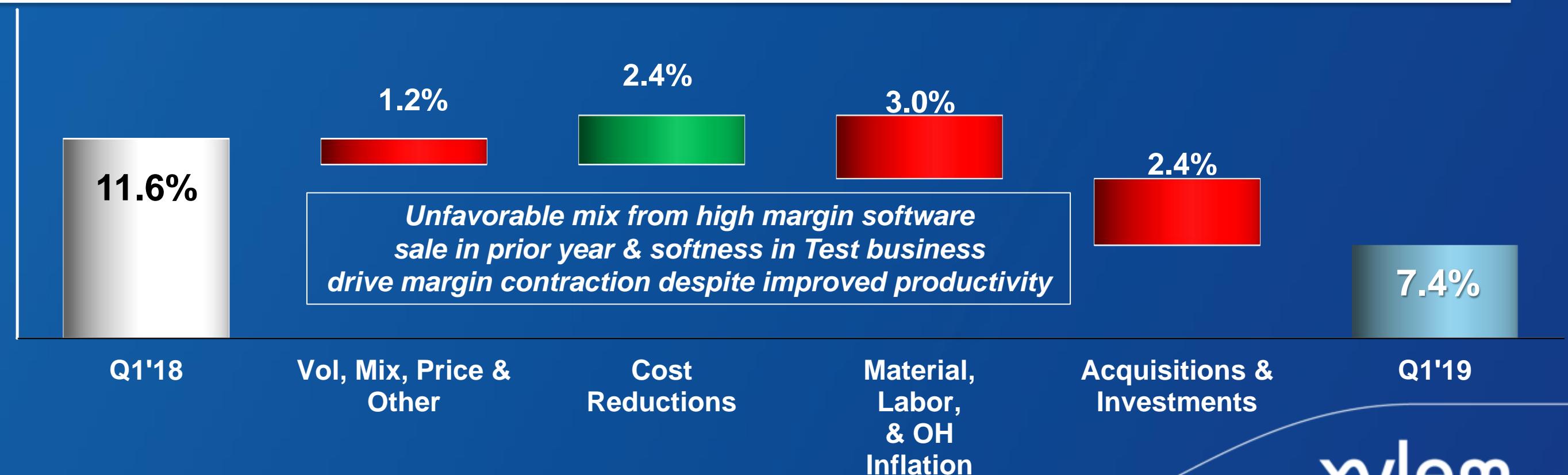
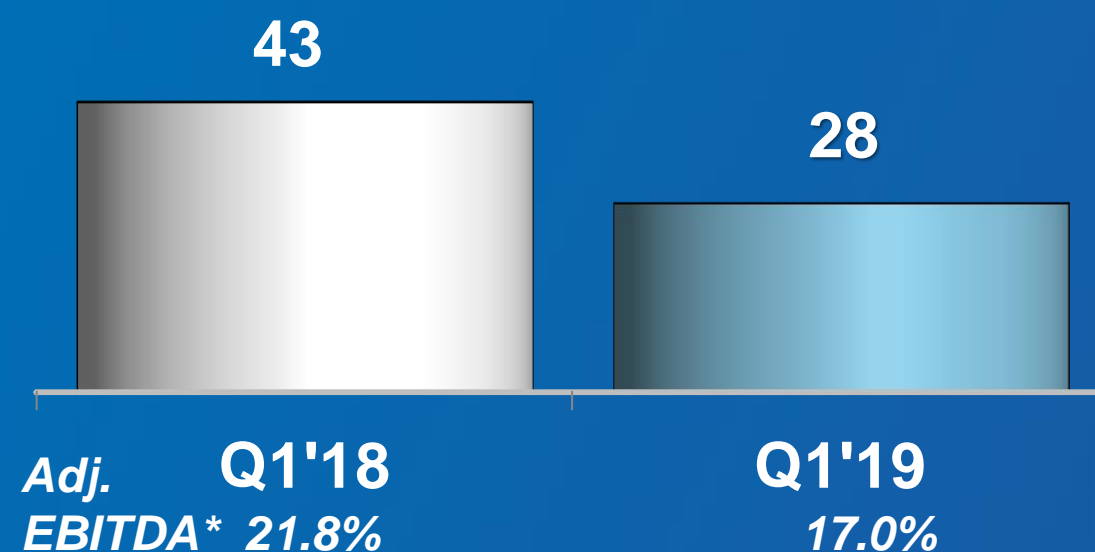
By Regions

| | |
|-------------|------|
| + U.S. | +13% |
| + Em. Mkts | +10% |
| - W. Europe | -10% |

Highlights

- + Strong water growth in North America business from iPerl meters and AMI deployments
- + Advanced Infrastructure Analytics (AIA) posts 10% organic revenue growth from project execution in the U.S.
- Decline in Energy applications due to lapping of Alliant Electric project; SaaS performance soft due to large software sale in Western Europe in 2018
- = Flat performance in Test from large order delay
- + Organic Orders (+5% growth) from strong momentum in the North America water business and more than 30% order growth from building interest in the AIA platform

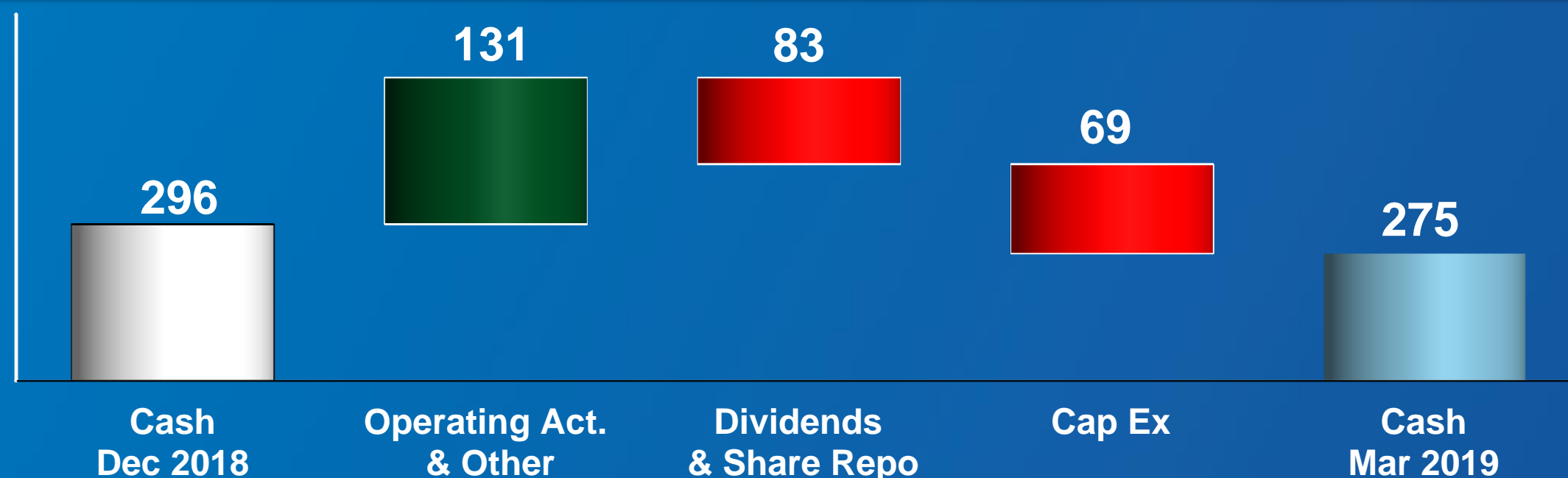
Adj. Operating Margin*



Xylem Financial Position

(Dollars, In Millions)

Cash Drivers

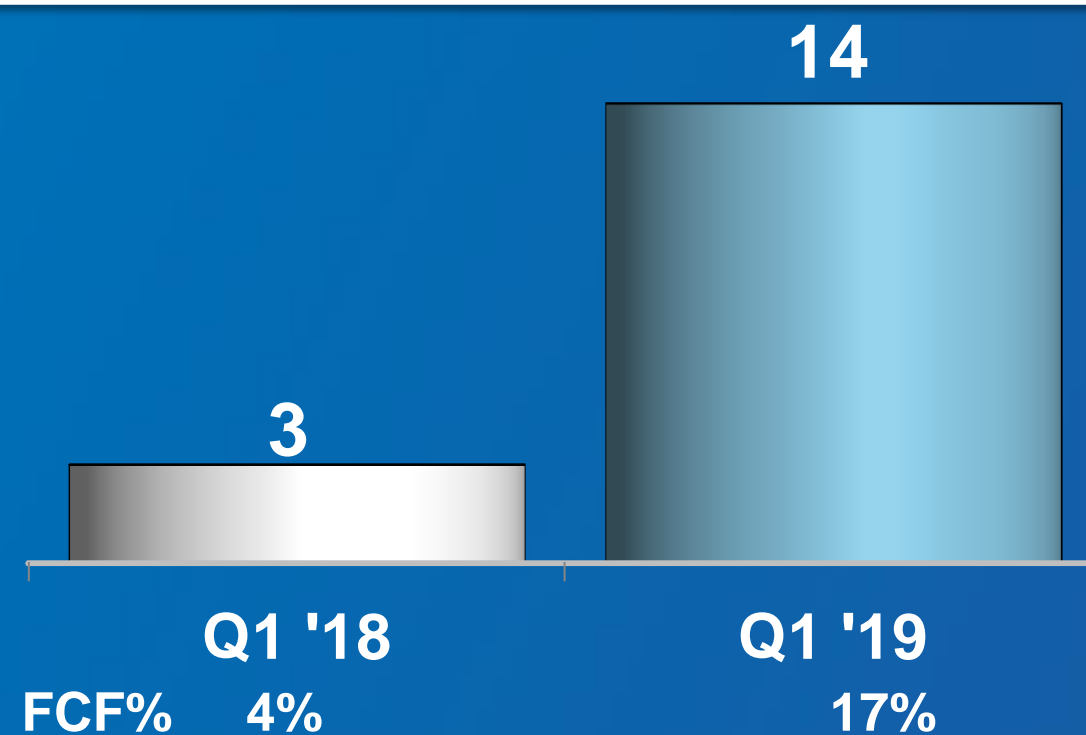


Capital Summary

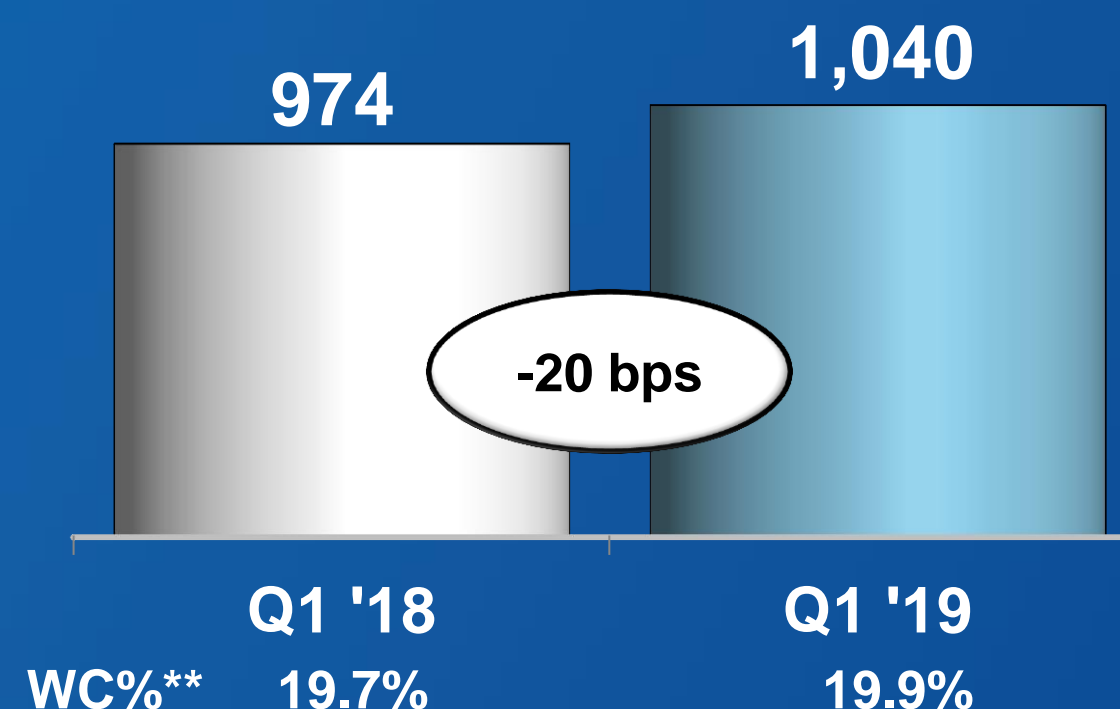
MARCH 31, 2019

| | |
|-------------------------|-------|
| Cash | 275 |
| Debt | 2,348 |
| Net Debt | 2,073 |
| Shareholders' Equity | 2,796 |
| Net Capital | 4,869 |
| Net Debt to Net Capital | 43% |

Free Cash Flow*



Working Capital



Financial Highlights

- Announced new credit revolver linked to sustainability performance in the first quarter
- Committed to maintaining Investment Grade Credit (BBB/Baa2); within target leverage range for credit rating agencies (2.5-3x)
- Operating cash flows up 32%; On-track for FY FCF conversion target of 105%
 - Capex investments & Working Capital reflect timing and expect improvement through balance of year

2019 End Market Outlook



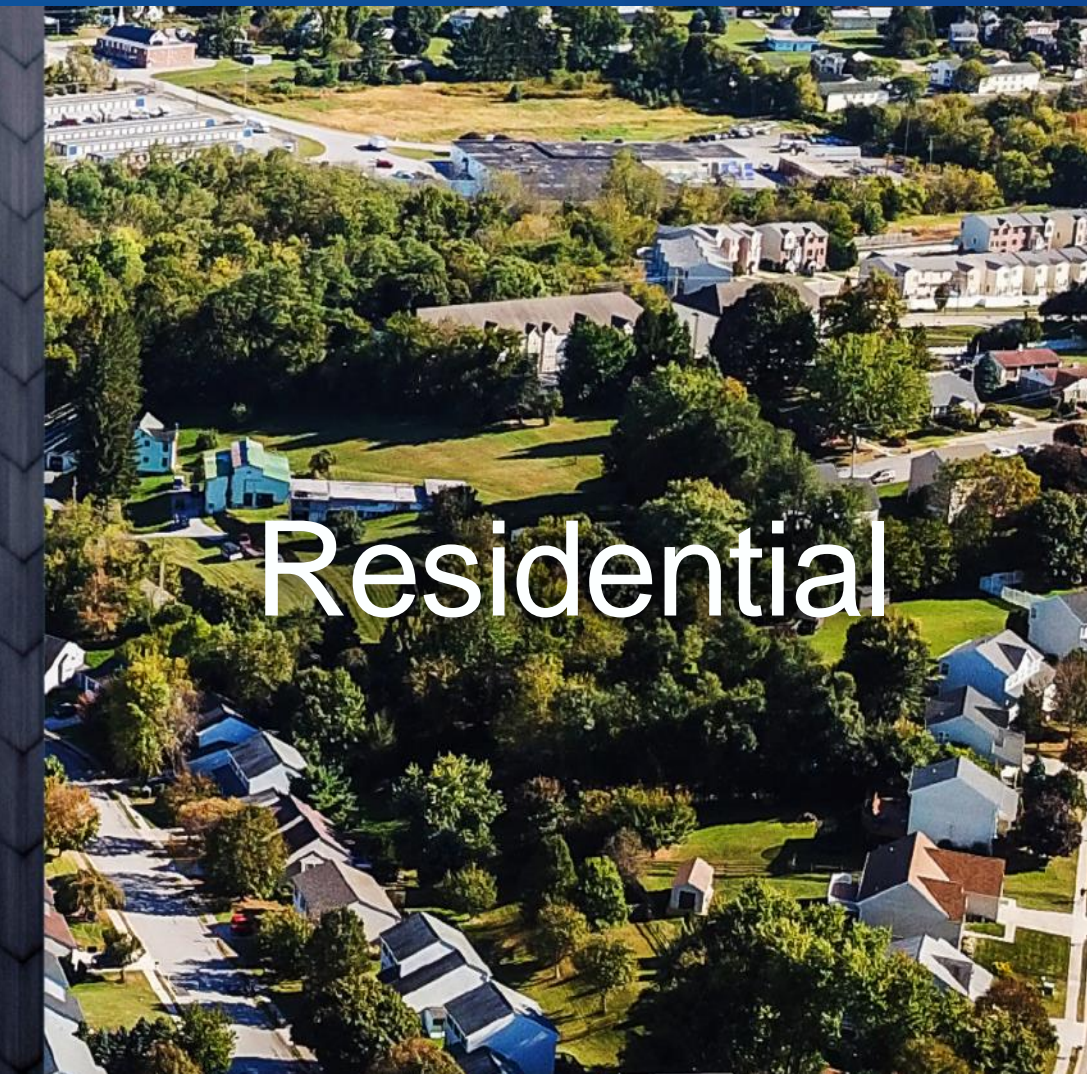
Utilities



Industrial



Commercial



Residential

Utilities (~50% of 2018 Rev.)

- 2019 Organic* Growth: **Up Mid-Single Digits**
- U.S. water and wastewater spending expected to be healthy; Smart meter and infrastructure analytics mkt growth opportunities but tough comps/proj. timing
- Flattish growth in Europe
- Healthy investment & projects in Emerging Markets led broadly by Treatment; Strength in India; double-digit growth in China

Industrial (~35% of 2018 Rev.)

- 2019 Organic* Growth: **Up Low to Mid-Single Digits**
- Expect moderating, but continued solid growth in U.S. general/light industry
- O&G/Mining markets expected to be flat to up low single digits after strong recovery in 2018
- Mixed Emerging Market conditions with strength in India/Latin America offset by soft Middle East and slowing growth in China

Commercial (~10% of 2018 Rev.)

- 2019 Organic* Growth: **Up Mid-Single Digits (up from low-to -mid)**
- Expect market overall to moderate after very strong 2017 & 2018
- Expect healthy U.S. market, moderating slightly in second half of 2019 against tough 2018 compare; ABI remains >50; Flat private non-residential construction rate.
- Emerging Market building construction solid driven by China (recent infrastructure stimulus plan) and Smart City initiatives in India

Residential (~5% of 2018 Rev.)

- 2019 Organic* Growth: **Up Low Single Digits**
- U.S. housing market flattening; Competitive replacement market dynamics
- European growth flat to up low single digits
- Mixed growth in Emerging Markets from modest share gains and continued opportunities in China and other Asia countries for secondary clean water

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

2019 Outlook

(Dollars, In Millions, except EPS)



Financial Highlights

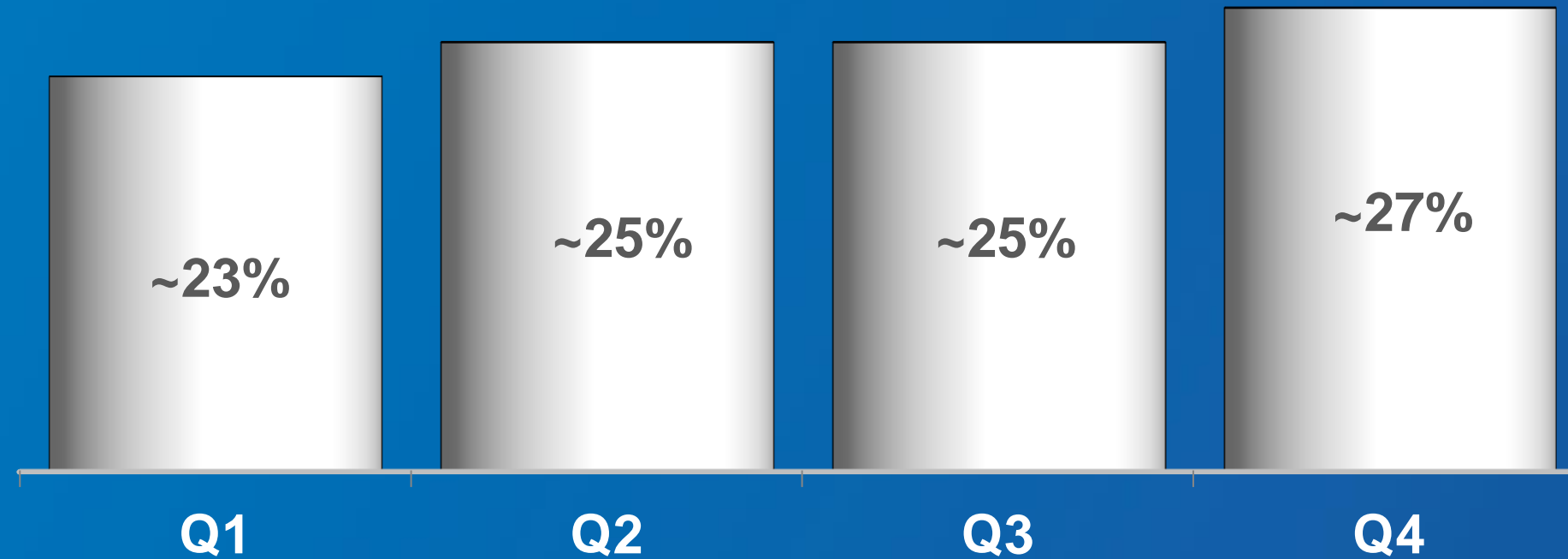
- Continue to expect solid Organic* Growth of 4% to 6% from growth in all end markets
- Updating Adjusted Operating Margin* expectation to 14.5% to 14.9% (from 14.7% to 15.2%) reflecting expansion in the range of 80 to 120 basis points
- Updating Adjusted EPS* expectation to \$3.12 to \$3.32 (from \$3.20 to \$3.40) due to FX translation impact (\$0.04) and lower first quarter earnings (\$0.04); Reflects an increase of 8% to 15% versus 2018
- Continue to expect Free Cash Flow* conversion of 105%

2019 Outlook

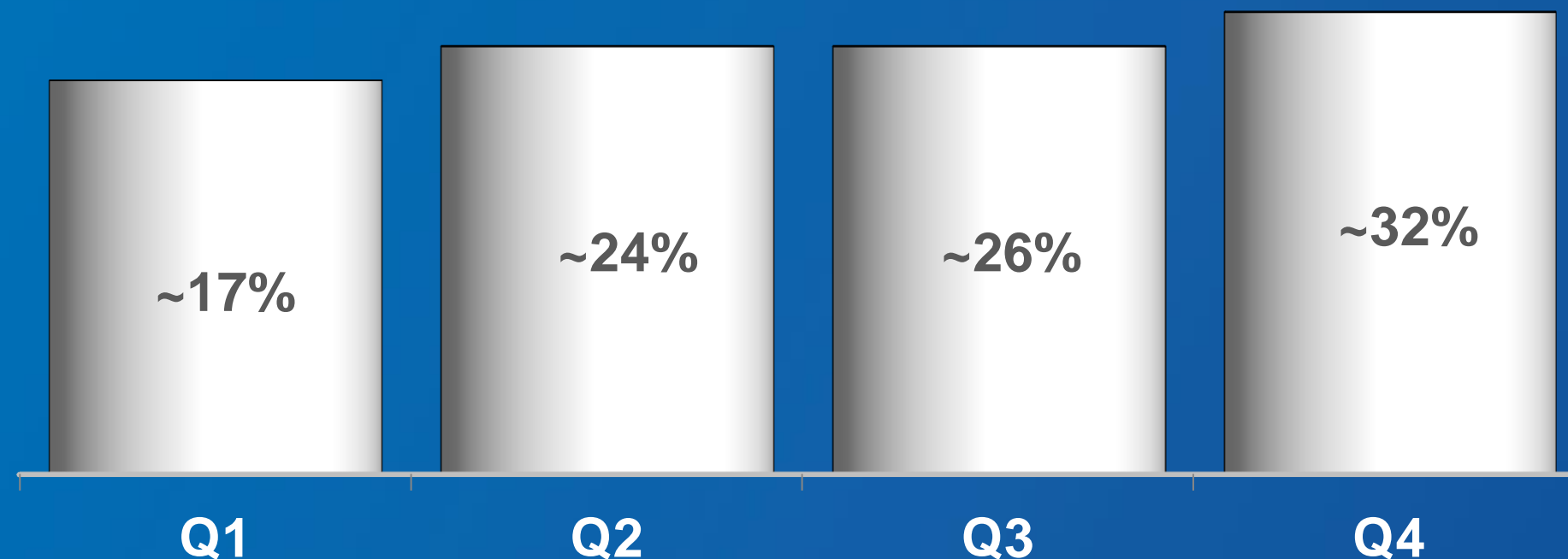
(Dollars, In Millions)

HISTORIC QUARTERLY PROFILE

Revenue as a % of Full Year
(Xylem 2012 - 2018)



Adj. EPS* as a % of Full Year
(Xylem 2012 - 2018)



FY 2019 PLANNING ASSUMPTIONS

| | |
|--|-------------------|
| Xylem Organic* Growth | +4% to 6% |
| Water Infrastructure | +5% to 7% |
| Applied Water | +3% to 5% |
| Measurement & Control Solutions | +4% to 6% |
| FX Euro Rate | 1.12 |
| Adjusted Operating Margin* | 14.5% to 14.9% |
| Adjusted EBITDA Margin* | 20.3% to 20.6% |
| Corporate Expense | ~\$55M |
| Restructuring and Realignment Costs | ~\$60 to 70M |
| Dividends | ~\$175M |
| Capex | ~\$230M to \$240M |
| Interest Expense | ~\$72 |
| Estimated Tax Rate: | ~19.5% |
| Share Count: | ~181M |
| Adjusted EPS* | \$3.12 to \$3.32 |

Q2 2019 PLANNING ASSUMPTIONS

| | |
|-----------------------------------|----------------|
| Xylem Organic* Growth | +4% to 6% |
| Adjusted Operating Margin* | 14.3% to 14.5% |
| Adjusted EBITDA* | 20.0% to 20.2% |

2020 Checkpoint & Update

Long-Term Financial Targets

2020 targets as outlined at 2017 Investor Day

| | Target | Status |
|---|----------------|-----------------------|
| Organic Growth* | 4% to 6% | On-Track |
| Adj. Operating Margin* | 17% to 18% | Extending beyond 2020 |
| Adj. EBITDA Margin* | 21.5% to 22.5% | On-Track |
| Adj. EPS Growth | Mid-Teens | On-Track |
| Capital Available for Deployment | \$3.5B | On Track |

Summary

- **Strong Revenue and Orders demand positions us well for remainder of 2019 and beyond**
- **Accelerating momentum in Advanced Infrastructure Analytics market demand**
- **Executing on actions to continue to improve our business and deliver margin expansion**
- **Strong financial position to further deploy capital to address expanding customer challenges and create value for shareholders**
- **Investment thesis intact and focused on delivering 2019 outlook and long-term value creation**

Appendix

FOREIGN EXCHANGE TRANSLATION SENSITIVITY

Foreign Exchange Translation

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

| Currency | 2019 Guidance Rate | Rates assuming 5% decrease in Guidance Rate | Revenue Impact on 2019 of 5% Decrease in Rate | EPS Impact on 2019 of 5% Decrease in Rate |
|--------------|--------------------|---|---|---|
| Euro | 1.12 | 1.06 | (\$36M) | (\$0.07) |
| GBP | 1.31 | 1.25 | (\$10M) | \$0.00 |
| SEK | 0.11 | 0.11 | (\$5M) | \$0.01 |
| RMB | 0.15 | 0.14 | (\$12M) | (\$0.01) |
| CAD | 0.75 | 0.71 | (\$8M) | \$0.00 |
| All Other | | | (\$33M) | (\$0.01) |
| Total | | | (\$103M) | (\$0.08) |

* Increase in rate would have inverse impact on results

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

Xylem Inc. Non-GAAP Measures

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

"Organic revenue" and "Organic orders" defined as revenue and orders, respectively, excluding the impact of fluctuations in foreign currency translation and contributions from acquisitions and divestitures. Divestitures include sales of insignificant portions of our business that did not meet the criteria for classification as a discontinued operation. The period-over-period change resulting from foreign currency translation impacts is determined by translating current period and prior period activity using the same currency conversion rate.

"Constant currency" defined as financial results adjusted for foreign currency translation impacts by translating current period and prior period activity using the same currency conversion rate. This approach is used for countries whose functional currency is not the U.S. dollar.

"EBITDA" defined as earnings before interest, taxes, depreciation and amortization expense. **"Adjusted EBITDA" and "Adjusted EBITDA Margin"** reflect the adjustment to EBITDA and EBITDA margin excluding share-based compensation charges, restructuring and realignment costs, Sensus acquisition related costs, gain or loss from sale of businesses and special charges.

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

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

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

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

"Special charges" defined as costs incurred by the Company, such as acquisition and integration related costs not included in "Sensus Acquisition Related Costs", non-cash impairment charges, and other special non-operating items.

"Tax-related special items" defined as tax items, such as tax return versus tax provision adjustments, tax exam impacts, tax law change impacts, significant reserves for cash repatriation, excess tax benefits/losses and other discrete tax adjustments.

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

| | (As Reported - GAAP) | | | | (As Adjusted - Organic) | | | | Constant Currency |
|---------------------------------|----------------------|--------------|------------------------|--------------------------|-------------------------|-----------|--------------------------------|----------------------------------|-------------------|
| | (A) | | (B) | % Change | (C) | (D) | (E) = B+C+D | (F) = E/A | (G) = (E - C) / A |
| | 2019 Orders | 2018 Orders | Change 2019 v. 2018 | % Change 2019 v. 2018 | Acq./Div. | FX Impact | Change Adj. 2019 v. 2018 | % Change Adj. 2019 v. 2018 | |
| Quarter Ended March 31 | | | | | | | | | |
| Xylem Inc. | 1,315 | 1,320 | (5) | 0% | 2 | 56 | 53 | 4% | 4% |
| Water Infrastructure | 532 | 554 | (22) | (4%) | - | 35 | 13 | 2% | 2% |
| Applied Water | 394 | 384 | 10 | 3% | - | 12 | 22 | 6% | 6% |
| Measurement & Control Solutions | 389 | 382 | 7 | 2% | 2 | 9 | 18 | 5% | 4% |

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

| | (As Reported - GAAP) | | | | (As Adjusted - Organic) | | | | Constant Currency |
|---------------------------------|----------------------|--------------|------------------------|--------------------------|-------------------------|-----------|--------------------------------|----------------------------------|-------------------|
| | (A) | | (B) | % Change | (C) | (D) | (E) = B+C+D | (F) = E/A | (G) = (E - C) / A |
| | 2019 Revenue | 2018 Revenue | Change 2019 v. 2018 | % Change 2019 v. 2018 | Acq./Div. | FX Impact | Change Adj. 2019 v. 2018 | % Change Adj. 2019 v. 2018 | |
| Quarter Ended March 31 | | | | | | | | | |
| Xylem Inc. | 1,237 | 1,217 | 20 | 2% | 5 | 51 | 76 | 6% | 6% |
| Water Infrastructure | 482 | 480 | 2 | 0% | - | 30 | 32 | 7% | 7% |
| Applied Water | 379 | 366 | 13 | 4% | - | 12 | 25 | 7% | 7% |
| Measurement & Control Solutions | 376 | 371 | 5 | 1% | 5 | 9 | 19 | 5% | 4% |

Xylem Inc. Non-GAAP Reconciliation Adjusted Operating Income

| | Q1 | |
|--|-------|-------|
| | 2019 | 2018 |
| Total Revenue | | |
| • Total Xylem | 1,237 | 1,217 |
| • Water Infrastructure | 482 | 480 |
| • Applied Water | 379 | 366 |
| • Measurement & Control Solutions | 376 | 371 |
| Operating Income | | |
| • Total Xylem | 109 | 113 |
| • Water Infrastructure | 51 | 49 |
| • Applied Water | 56 | 50 |
| • Measurement & Control Solutions | 16 | 33 |
| • Total Segments | 123 | 132 |
| Operating Margin | | |
| • Total Xylem | 8.8% | 9.3% |
| • Water Infrastructure | 10.6% | 10.2% |
| • Applied Water | 14.8% | 13.7% |
| • Measurement & Control Solutions | 4.3% | 8.9% |
| • Total Segments | 9.9% | 10.8% |
| Special Charges | | |
| • Total Xylem | 4 | 6 |
| • Water Infrastructure | - | - |
| • Applied Water | - | - |
| • Measurement & Control Solutions | 4 | 2 |
| • Total Segments | 4 | 2 |
| Restructuring & Realignment Costs | | |
| • Total Xylem | 20 | 16 |
| • Water Infrastructure | 9 | 5 |
| • Applied Water | 3 | 3 |
| • Measurement & Control Solutions | 8 | 8 |
| • Total Segments | 20 | 16 |
| Adjusted Operating Income | | |
| • Total Xylem | 133 | 135 |
| • Water Infrastructure | 60 | 54 |
| • Applied Water | 59 | 53 |
| • Measurement & Control Solutions | 28 | 43 |
| • Total Segments | 147 | 150 |
| Adjusted Operating Margin | | |
| • Total Xylem | 10.8% | 11.1% |
| • Water Infrastructure | 12.4% | 11.3% |
| • Applied Water | 15.6% | 14.5% |
| • Measurement & Control Solutions | 7.4% | 11.6% |
| • Total Segments | 11.9% | 12.3% |

Note: 2017 amounts have been restated in accordance with the adoption of the new guidance on presentation of net periodic benefit costs.

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

| | Q1 | |
|---|-------------|-------------|
| | 2019 | 2018 |
| Net Cash - Operating Activities | \$83 | \$63 |
| Capital Expenditures | (69) | (61) |
| Free Cash Flow | \$14 | \$2 |
| Cash paid for Sensus acquisition related costs | - | (1) |
| Free Cash Flow, excluding Sensus Acquisition Related Costs | \$14 | \$3 |
| Net Income | 79 | 79 |
| Gain/(Loss) from sale of businesses | 1 | - |
| Special Charges - non-cash impairment | (3) | - |
| Net Income, excluding gain on sale of businesses, non-cash impairment charges and Sensus Acquisition Related Costs | \$81 | \$79 |
| Free Cash Flow Conversion | 17% | 4% |

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

| | Q1 2019 | | | Q1 2018 | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | As Reported | Adjustments | Adjusted | As Reported | Adjustments | Adjusted |
| Total Revenue | 1,237 | - | 1,237 | 1,217 | - | 1,217 |
| Operating Income | 109 | 24 | 133 | 113 | 22 | 135 |
| Operating Margin | 8.8% | - | 10.8% | 9.3% | - | 11.1% |
| Interest Expense | (18) | - | (18) | (21) | - | (21) |
| Other Non-Operating Income (Expense) | 2 | - | 2 | 3 | - | 3 |
| Gain/(Loss) From Sale of Businesses | 1 | (1) | - | - | - | - |
| Income before Taxes | 94 | 23 | 117 | 95 | 22 | 117 |
| Provision for Income Taxes | (15) | (8) | (23) | (16) | (8) | (24) |
| Net Income Attributable to Xylem | 79 | 15 | 94 | 79 | 14 | 93 |
| Diluted Shares | 181.1 | | 181.1 | 181.4 | | 181.4 |
| Diluted EPS | \$0.43 | \$0.09 | \$0.52 | \$0.43 | \$0.08 | \$0.51 |
| Year-over-year currency translation impact on current year diluted EPS | (\$0.05) | - | (\$0.05) | | | |
| Diluted EPS at Constant Currency | \$0.48 | \$0.09 | \$0.57 | | | |

a Restructuring & realignment costs of \$20 million and \$16million in 2019 and 2018, respectively; special charges of \$4 million in 2019 (\$1 million of acquisition related costs and \$3 million of intangible asset impairment) and \$6 million of acquisition related costs in 2018.

b Net tax impact on restructuring & realignment costs of \$4 million in both 2019 and 2018; net tax impact on special charges of \$0 million and \$1 million in 2019 and 2018, respectively; and tax-related special items of \$3 million of expense in both 2019 and 2018.

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

| | 2019 | | | | |
|-----------------------------------|-------|----|----|----|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Net Income | 79 | | | | 79 |
| Income Tax Expense | 15 | | | | 15 |
| Interest Expense (Income), net | 17 | | | | 17 |
| Depreciation | 29 | | | | 29 |
| Amortization | 35 | | | | 35 |
| EBITDA | 175 | | | | 175 |
| Share-based Compensation | 9 | | | | 9 |
| Restructuring & Realignment | 20 | | | | 20 |
| Loss/(Gain) from sale of business | (1) | | | | (1) |
| Special Charges | 4 | | | | 4 |
| Adjusted EBITDA | 207 | | | | 207 |
| Revenue | 1,237 | | | | 1,237 |
| Adjusted EBITDA Margin | 16.7% | | | | 16.7% |

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

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

| | 2019 | | | | |
|--------------------------------|-------|----|----|----|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 50 | | | | 50 |
| Interest Expense (Income), net | (1) | | | | (1) |
| Depreciation | 11 | | | | 11 |
| Amortization | 4 | | | | 4 |
| EBITDA | 64 | | | | 64 |
| Share-based Compensation | 1 | | | | 1 |
| Restructuring & Realignment | 9 | | | | 9 |
| Adjusted EBITDA | 74 | | | | 74 |
| Revenue | 482 | | | | 482 |
| Adjusted EBITDA Margin | 15.4% | | | | 15.4% |

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

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

| | 2019 | | | | |
|-----------------------------|-------|----|----|----|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 57 | | | | 57 |
| Interest, net | - | | | | - |
| Depreciation | 5 | | | | 5 |
| Amortization | 1 | | | | 1 |
| EBITDA | 63 | | | | 63 |
| Share-based Compensation | 1 | | | | 1 |
| Restructuring & Realignment | 3 | | | | 3 |
| Adjusted EBITDA | 67 | | | | 67 |
| Revenue | 379 | | | | 379 |
| Adjusted EBITDA Margin | 17.7% | | | | 17.7% |

| | 2018 | | | | |
|-----------------------------|-------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 50 | 61 | 60 | 66 | 237 |
| Interest, net | - | - | - | - | - |
| Depreciation | 5 | 5 | 5 | 5 | 20 |
| Amortization | - | 1 | 1 | - | 2 |
| EBITDA | 55 | 67 | 66 | 71 | 259 |
| Share-based Compensation | 1 | 1 | - | 1 | 3 |
| Restructuring & Realignment | 3 | 2 | 2 | 3 | 10 |
| Adjusted EBITDA | 59 | 70 | 68 | 75 | 272 |
| Revenue | 366 | 388 | 378 | 402 | 1,534 |
| Adjusted EBITDA Margin | 16.1% | 18.0% | 18.0% | 18.7% | 17.7% |

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

| | 2019 | | | | |
|-----------------------------------|-------|----|----|----|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 16 | | | | 16 |
| Interest Expense (Income), net | - | | | | - |
| Depreciation | 9 | | | | 9 |
| Amortization | 27 | | | | 27 |
| EBITDA | 52 | | | | 52 |
| Share-based Compensation | 1 | | | | 1 |
| Restructuring & Realignment | 8 | | | | 8 |
| Loss/(Gain) from sale of business | (1) | | | | (1) |
| Special Charges | 4 | | | | 4 |
| Adjusted EBITDA | 64 | | | | 64 |
| Revenue | 376 | | | | 376 |
| Adjusted EBITDA Margin | 17.0% | | | | 17.0% |

| | 2018 | | | | |
|-----------------------------------|-------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 33 | 28 | 33 | 23 | 117 |
| Interest Expense (Income), net | - | - | - | (1) | (1) |
| Depreciation | 8 | 9 | 8 | 10 | 35 |
| Amortization | 29 | 27 | 26 | 27 | 109 |
| EBITDA | 70 | 64 | 67 | 59 | 260 |
| Share-based Compensation | 1 | 1 | 1 | 1 | 4 |
| Restructuring & Realignment | 8 | 3 | 4 | 3 | 18 |
| Loss/(Gain) from sale of business | - | 2 | (2) | - | - |
| Special Charges | 2 | 1 | - | 2 | 5 |
| Adjusted EBITDA | 81 | 71 | 70 | 65 | 287 |
| Revenue | 371 | 383 | 368 | 375 | 1,497 |
| Adjusted EBITDA Margin | 21.8% | 18.5% | 19.0% | 17.3% | 19.2% |

Let's Solve Water

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