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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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 and 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 on which registered
Common Stock, par value $0.01 per share	XYL	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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, if any, 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 definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☑ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant as of June 30, 2025 was approximately $31.0 billion. As of February 20, 2026, there were 243,141,405 outstanding shares of the registrant’s common stock, par value $0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for its 2026 Annual Meeting of Shareowners, to be held in May 2026, are incorporated by reference into Part II and Part III of this Report.

Xylem Inc.
ANNUAL REPORT ON FORM 10-K
For the fiscal year ended December 31, 2025

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* Included pursuant to the Instruction to Item 401(b) of Regulation S-K.

PART I

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

Forward-Looking Statements

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," "outlook," “forecast,” “likely,” “believe,” “target,” “goal,” “objective,” “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 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, results of operations, and 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, availability of funding for customers, inflation and governments’ related monetary policy in response, and the strength of the real estate markets, on economic activity and our operations; geopolitical matters, including nationalism, protectionism and anti-global sentiment, volatility involving the U.S. and other governments, ongoing, escalation or outbreak of international conflicts, and regulatory, trade protection, economic and other risks associated with our global sales and operations; manufacturing and operating cost increases due to macroeconomic conditions, including inflation, energy supply, supply chain shortages, logistics challenges, labor shortages, trade agreements, tariffs, and other trade protection measures, and other factors; demand for our products, disruption, competition or pricing pressures in the markets we serve; cybersecurity incidents, data breaches, or other disruptions of information technology systems on which we or our customers rely, or involving our connected products and services; lack of availability or delays in receiving parts and raw materials from our supply chain, including semiconductors or other key components; operational disruptions at our facilities or that of third parties upon which we rely; safe and compliant treatment and handling of water, wastewater and hazardous materials; failure to successfully execute large projects, including as respects performance guarantees and customers’ budgets, timelines and safety requirements; our ability to retain, compete for and attract leadership, other key talent and labor; defects, security, warranty and liability claims, and recalls related to our products; uncertainty around productivity, simplification, restructuring and realignment actions and related costs and savings; our ability to execute strategic investments for growth, including acquisitions and divestitures; availability, regulation or interference with radio spectrum used by certain of our products; volatility in served markets or impacts on our business and operations due to weather conditions, volatile weather events, or changing climate patterns; risks related to our sustainability efforts 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; failure to comply with, or changes in, laws or regulations pertaining to our business conduct, operations, products and services, including anti-corruption, artificial intelligence, data privacy and security, trade, competition, the environment, 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 this 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 efforts, 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 or other regulatory authorities, and are not intended to create legal rights or obligations. 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.

ITEM 1. BUSINESS

Business Overview

Xylem is a leading global water technology company with 2025 revenues of $9.0 billion and approximately 22,000 employees worldwide. We design, manufacture and service engineered products and solutions across a wide variety of critical applications, primarily in the water sector. Our broad portfolio of products, services and solutions addresses customer needs of scarcity, resilience, quality, and affordability across the water cycle, from the delivery, treatment, measurement and use of drinking water, to the collection, testing, analysis and treatment of wastewater, to the return of water to the environment.

We have differentiated market positions in core applications including transport and dewatering, process water and wastewater treatment, analytics, smart metering, digital software solutions and comprehensive services. Setting us apart is a unique set of global assets that include:

- Market-leading brands, some of which have been in use for more than 100 years
- Global distribution networks consisting of direct sales forces and independent channel partners serving a diverse customer base in approximately 150 countries
- A substantial global installed base of products and solutions across the water cycle that provides for steady parts, replacement and service revenue
- A strong history of providing innovative products, services, solutions and business models to customers
- A dedicated, experienced, qualified and technologically advanced group of employees focused on safely satisfying our customers' requirements to transport, treat or measure clean water or wastewater and measure energy usage
- A strong financial position and cash generation profile that enables us to fund strategic organic and inorganic growth initiatives, and consistently return capital to shareholders
- A demonstrated commitment to corporate governance, social and environmental sustainability and delivering a positive impact to our customers, communities and employees

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

Our Industry

Our vision is to create a world in which water issues are no longer a constraint to health, prosperity and sustainable development. Our purpose is to empower our employees, customers and communities to build a more water secure world.

Our planet faces serious water challenges. Less than 1% of the total water available on earth is fresh water, and the supply is threatened by factors such as the draining of aquifers, increased pollution and changing climate patterns. Demand for fresh water is rising rapidly due to population growth, industrial expansion, and increased agricultural development, with consumption estimated to double every 20 years. It is expected that there will be a 40% gap between global water supply and demand by 2030. Even in developed countries with sufficient clean water supply, existing water supply infrastructure is aging and often inefficient. In the U.S., deteriorating pipe systems, theft or inaccurate meters result in approximately one out of every five gallons of treated and transported water being lost prior to reaching the end customer. This problem of "non-revenue" water is a major financial challenge of many utilities globally, especially in developing markets where non-revenue water can represent 10% to more than 60% of net water produced and the treatment and energy costs to transport water is substantial. It is estimated that approximately 4% of the world's electricity is used to move and transport water. These and other challenges create opportunities for growth in the global water industry. We estimate the total addressable market size of the global water industry, excluding operational expenditures related to labor, energy, and chemicals, to be approximately $800 billion.

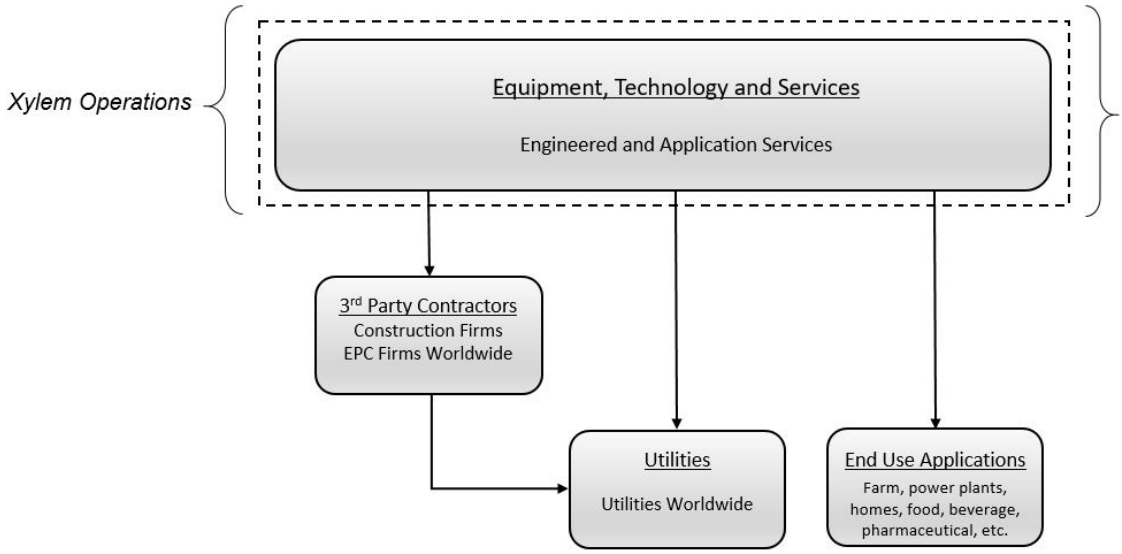
Global water needs cannot be met without streamlining the water industry’s cost structure with technologies that fundamentally change the provision and management of water. We compete in areas that are pivotal to improving "water affordability," "water quality," and "resilience", while reducing the impact of "water scarcity." "Water affordability" refers to the more efficient delivery, use and treatment of clean water and wastewater. "Water quality" refers to the suitability of water for a particular use based on its physical, chemical and biological characteristics. "Resilience" refers to the management of water-related risks, including adaptation to changing climate patterns, and the resilience of water infrastructure. "Water scarcity" refers to the management of the limited supply of water due to

environmental impacts, overpopulation and pollution. Our customers often face all four of these challenges, ranging from inefficient and aging water distribution networks and energy-intensive or unreliable water and wastewater management systems (reducing water affordability); increasing variability in influent quality, alongside stormwater runoff, industrial discharges, and emerging contaminants (impacting water quality); exposure to natural disasters such as floods (requiring improvements in resilience); or droughts and pollution that limit the amount of water readily available (causing water scarcity). Additionally, we also provide solutions to enhance communications and efficiency, improve safety, and conserve resources to customers in the water sector. Delivering value in these areas creates significant opportunity for the Company.

The Global Water Industry Value Chain

The water industry value chain includes Equipment, Technology and Services companies, like Xylem, that address the unique challenges and demands of a diverse customer base. This customer base includes water and wastewater utilities that supply, treat and monitor clean water or transport, treat and analyze wastewater or storm water through an infrastructure network, and engineering, procurement and construction ("EPC") firms and third-party contractors, that work with utilities to design and build water and wastewater infrastructure networks, as depicted below. Utilities and other customers require products, services, solutions, technology and application expertise from their Equipment, Technology and Services providers to address trends such as rising pollution, stricter regulations, increasing operational costs and the increased outsourcing of process knowledge. In addition to utilities, Equipment, Technology and Service companies also provide distinct technologies, services, and application expertise to a wide array of entities, including farms, mines, power plants, industrial facilities, such as food and beverage and pharmaceutical manufacturers, and residential and commercial customers seeking to address similar trends.

Water Industry Supply Chain



Business Strategy

Our overarching strategy is to help customers solve the world's greatest water challenges with innovative products, services and solutions to deliver sustainable economic, social and environmental benefits. The following strategic pillars guide where and how we focus our efforts and resources to implement this strategy:

- **Customer Centricity.** We are putting the needs and experiences of our customers at the forefront of everything we do. By listening to our customers and understanding their challenges, we aim to deliver innovative solutions that not only meet but exceed their expectations. This approach helps us build strong, lasting relationships and aligns our products and services with customer needs. We leverage the 80/20 principle to focus on the most impactful opportunities to drive value for our customers. Additionally, we seek to create synergies across our businesses to enhance customer value and streamline operations. We are committed to simplifying how we do business and equipping our sales teams with the tools, training and

insights needed to engage with customers effectively. We emphasize transactional excellence to aim for every customer interaction to be seamless, efficient and value-driven. We aspire for our customers to be enthusiastic advocates for our brands.

- **Profitable Growth.** We prioritize profitable growth to drive long-term success. By applying the 80/20 principle, we focus on the most impactful opportunities to create significant customer value. We aim to expand our capabilities, optimize our product portfolio, and drive profitable revenue growth through strategic investments and partnerships. By implementing strategic pricing, we maximize profitability and enhance our competitive position. Additionally, we are dedicated to building high-margin, recurring revenue in growing markets, intelligent solutions and services. Our goal is to deliver consistent financial performance that benefits our shareholders and supports our long-term vision, building a stable and prosperous future for the Company.
- **Operational Excellence.** We are committed to being a leading operator by continuously improving our processes, systems and capabilities to enhance efficiency and effectiveness. By applying the 80/20 principle to streamline our business, we aim to enhance throughput, reduce inventory and improve product quality and customer response time. Implementing lean continuous improvement practices allows us to reduce waste and enhance the speed and ease with which customers do business with us, making our operations more efficient and effective. We are dedicated to modernizing our systems to support productivity for growth and maintain operations that are agile and responsive. Through our Xylem Management System and Goal Deployment Process, we align our efforts with our strategic objectives, driving disciplined execution and operational excellence. This commitment to excellence helps us remain competitive and enables us to respond quickly to changing market and customer demands. Ultimately, we aim to run our company with discipline, maintaining operations that are streamlined and consistently aligned with our strategic goals.
- **Sustainability Leadership.** We strive to be a sustainability leader by integrating sustainability into our business strategy, with a strong emphasis on advancing favorable long-term financial and sustainability outcomes for our customers through our products, services and solutions. We also aim to minimize our environmental impact, promote resource conservation and support our customers and the communities we serve together. Our priorities are focused in three areas: decarbonizing the water sector, accelerating corporate water stewardship, and advancing water, sanitation and hygiene ("WASH") access and capacity building. Additionally, we are partnering with venture impact funds, philanthropic organizations, customers and suppliers to develop long-term commercial opportunities in new markets. Our sustainability leadership, including volunteering by our employees, provides Xylem with distinct advantages in competitive talent markets.
- **High-Impact Culture.** We continuously refine Xylem's operating model to better serve our customers and create value for our shareholders. Our organizational culture is fundamental to those objectives. We have activated our high-impact culture through three high-impact behaviors: inspired to innovate, empowered to lead, and accountable to deliver. These behaviors drive our employees to learn and innovate every day, to understand their role in contributing to our purpose and strategy, and to deliver on our commitments to our investors, customers and communities. Within the framework of these behaviors, we encourage a collaborative and inclusive work environment and are keenly focused on simplifying our organization and processes to drive daily and break-through efficiency and innovation.

Our strategy firmly embeds sustainability at the heart of our competitive advantage and unique business model and aligns each of our five strategic pillars to the overarching goal of integrating sustainability into everything we do.

While our strategy will evolve in response to the changing world, our four values are the enduring principles that go to the heart of who we are and guide how we conduct ourselves each day: Respect, Responsibility, Integrity and Creativity.

Business Segments, Distribution and Competitive Landscape

We have four reportable business segments that are aligned around the critical market applications they provide: Water Infrastructure, Applied Water, Measurement and Control Solutions, and Water Solutions and Services. See Note 21, "Segment and Geographic Data," in our consolidated financial statements for financial information about segments and geographic areas.

The table and descriptions below provide an overview of our business segments:

	Market Applications	2025 Revenue (in millions)	% Revenue	Major Products	Primary Brands
Water Infrastructure	Transport	$ 1,556	59 %	• Water and wastewater pumps • Filtration, disinfection and biological treatment equipment	• Flygt • Ionpure • Leopold • Neptune Benson • Sanitare • Wallace & Tiernan • Wedeco
	Treatment	1,080	41 %		
		$ 2,636	100 %		
Applied Water	Building Solutions	$ 1,037	56 %	• Pumps • Valves • Heat exchangers • Controls • Dispensing equipment systems	• Bell & Gossett • Flojet • Goulds Water Technology • Jabsco • Lowara • Rule
	Industrial Water	812	44 %		
		$ 1,849	100 %		
Measurement and Control Solutions	Smart Metering and Other	$ 1,726	83 %	• Smart meters • Network communication devices • Data analytics • Test instruments • Controls • Sensor devices • Software & managed services • Critical infrastructure services	• Ebro • Sensus • Sentec • Smith Blair • WTW • YSI • Xylem Vue
	Analytics	360	17 %		
		$ 2,086	100 %		
Water Solutions and Services	Capital and Other	$ 1,459	59 %	• Preventative maintenance services • Rapid response mobile services • Digitally enabled/outsourced solutions • Process and wastewater treatment systems • Environmental remediation • Odor and corrosion control • Filtration • Reverse osmosis • Continuous deionization • Mobile dewatering equipment and rental services	• Godwin • Grindex • Mar Cor
	Services	1,005	41 %		
		$ 2,464	100 %		

Water Infrastructure

Through two closely linked applications, transport and treatment, our Water Infrastructure segment primarily supports the process that collects water from a source, treats it and distributes it to users, and then treats and returns the wastewater responsibly to the environment.

The customer base consists of two primary end markets: utility and industrial. The utility market includes public, private and public-private entities that support water, wastewater and storm water networks. The industrial market includes customers that require similar water and wastewater infrastructure applications to support various industrial operations.

Water Infrastructure sells through a combination of direct channels, indirect channels and service capabilities. Both utility and industrial facility customers increasingly require our teams' global but locally proficient expertise to use our equipment in their specific applications. Several trends are increasing demand for this application expertise: (i) the need for efficient transport and treatment solutions due to the increase in water scarcity and electricity costs, (ii) the increase in both the type and amount of contaminants found in the water supply, (iii) the need to increase system resilience and efficiencies due to aged infrastructure and affordability, (iv) increasing environmental regulations, and (v) the need to reduce carbon emissions generated from transporting and treating water.

Given the highly fragmented nature of the water industry, the Water Infrastructure segment competes with a large number of businesses and no one business competes across all the markets Water Infrastructure serves. We differentiate ourselves in the market by focusing on product and service performance, quality and reliability, innovation, speed to market with new or disruptive technologies and business models, application expertise, brand reputation, energy efficiency, product security, product life-cycle cost, timeliness of delivery, effectiveness of our distribution channels, customers' experience and our global installed base.

Applied Water

Applied Water encompasses the uses of water to serve a diverse set of customers in the building solutions and industrial water end markets. Residential consumers represent the end users in the residential market, while owners and managers of properties, such as apartment buildings, retail stores, institutional buildings, restaurants, schools/universities, hospitals and hotels, are examples of end users in the commercial market. The industrial market includes original equipment manufacturers, exploration and production firms, agricultural customers, and developers and managers of industrial facilities, such as chemical manufacturers, marine, food and beverage companies, data centers and car washes.

In the Applied Water segment, end markets vary widely and, as a result, specialized distribution partners are often preferred. As such, the Applied Water segment provides the majority of its sales through strong indirect channels with the remaining sales going through our global direct sales channels. We have long-standing relationships with many of the leading independent distributors in the markets we serve and we provide incentives to distributors, such as specialized loyalty and training programs.

Population growth and urbanization, changing climate patterns and regulation on energy efficiency, and digitalization enabling self-service and preventive maintenance are macro growth drivers of these markets, driving the need for housing, commercial real estate, food, community services and retail goods within growing city centers.

Competition in the Applied Water segment focuses on brand reputation, application expertise, product delivery, performance and energy efficiency, quality, reliability and price. We compete by offering innovative and high-quality products, coupled with world-class application expertise. We believe our distribution through well-established channels and our reputation for quality significantly enhances our market position. Our ability to deliver innovative product offerings has enabled us to compete effectively, cultivate and maintain customer relationships and serve and expand into many niche and new markets.

Measurement and Control Solutions

Measurement and Control Solutions develops advanced technology solutions that enable intelligent use, optimization and conservation of critical water and energy resources. This segment delivers communications, smart metering, measurement and control capabilities and critical infrastructure technologies that allow customers to more effectively use their distribution networks for the delivery, monitoring and control of critical resources, such as water, electricity and natural gas. We also provide analytical instrumentation used to measure and analyze water quality, flow and level in clean water, wastewater and outdoor water environments. Additionally, we offer software and services including cloud-based analytics, and remote monitoring and data management.

At the heart of our leading technologies are automation, data management and decision support. Our communication network enables customers to automate and optimize meter reading, bill customers, monitor flow rates and detect and enable rapid response to changing and unsafe conditions. In short, our communication offerings provide insights into operations and enable our customers to manage the entire scope of their operations remotely through their networks and to optimize their operational costs. At the center of our offering is the FlexNet communication network, which provides a common communication platform and infrastructure for essential metering services. This two-way communication technology remotely connects a wide variety of smart points in a given network with protocols, frequently on Federal Communications Commission ("FCC") licensed spectrum in the U.S., to enable reliable, resilient and secure transmissions. These technologies allow our customers to remotely and continuously monitor their water and energy distribution infrastructure, prioritize and manage maintenance, and use data to optimize many aspects of their networks. Our digital software solutions complement these offerings with intelligent applications that help utility decision-makers manage and maintain their networks more effectively in real time.

The majority of our sales in North America are conducted through strong, long-standing relationships with leading distributors and dedicated channel partners for the water and energy markets. Outside of North America, nearly all of our sales are for the water market. Direct sales are often made in markets without established distribution channels; however, some distribution channels are used in more developed markets. A direct sales approach, with key account management, is employed for large utilities and government programs.

Macro growth drivers include increasing regulation, aging infrastructure, optimizing operational costs and worldwide movement towards smart grid implementation and advanced metering infrastructure. Water scarcity and conservation, as well as the need to prevent revenue loss (via inaccurate meter readings, leaks or theft) are among the drivers of smart meter and leak detection technologies.

Our metering business is well positioned in the North America smart metering sector, the fastest growing sector of the global meter industry. We set ourselves apart in the industry by focusing on our communication network, innovation, new product development and service offerings which deliver tangible savings by supporting operational efficiencies in meter reading and billing, and reducing non-revenue water through improved meter accuracy, reduced theft, and leak identification. Our water quality instruments have a strong position in the analytical instrumentation market and provide critical readings of various water quality, level and flow parameters for customers. Xylem Vue is a unified software analytics platform built for water utilities to manage their operations from end-to-end. We provide a differentiated offering in the reliability and accuracy of our products often in rugged, remote and hazardous locations.

Water Solutions and Services

Our Water Solutions and Services segment provides tailored services and solutions, in collaboration with customers, 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 and pipeline assessment services, as well as leak detection, condition assessment and asset management and pressure monitoring solutions. The Water Solutions and Services segment also includes the sale and rental of specialty dewatering pumps, scalable products, and related equipment, technology and services, which provide the safe removal or draining of groundwater and surface water from construction sites or other industrial sites, and bypass pumping for the repair of aging utility infrastructure, as well as emergency water transport and removal during severe weather events.

Our Water Solutions and Services segment reaches customers across industrial vertical markets, such as life sciences, microelectronics, food and beverage, chemical processing and power generation, and various municipalities. In order to reach these customers, we leverage our application expertise in process water and

wastewater treatment, our internal and external partners, and extensive service branch networks across the globe, including a rental fleet of transfer and treatment assets.

Macro growth drivers include water scarcity, emerging contaminants, increasing regulation surrounding climate and energy efficiency, pressure to optimize energy efficiency and other operational costs, and demand arising from emergency response needs.

Geographic Profile

The table below illustrates the annual revenue and percentage of revenue by geographic area for each of the three years ended December 31.

	Revenue					
(in millions)	**2025**		2024		2023	
	$ Amount	**% of Total**	$ Amount	% of Total	$ Amount	% of Total
United States	**$ 5,209**	**58 %**	$ 4,862	57 %	$ 3,956	54 %
Western Europe	**1,839**	**20 %**	1,745	20 %	1,655	22 %
Emerging Markets (a)	**1,221**	**14 %**	1,274	15 %	1,182	16 %
Other	**766**	**8 %**	681	8 %	571	8 %
Total	**$ 9,035**		$ 8,562		$ 7,364	

(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 included in "Other")

Supply and Seasonality

We have a global manufacturing and assembly footprint, with production facilities in Europe, North America, Latin America, Asia and the Middle East. All of our businesses require various parts and raw materials, the availability and prices of which may fluctuate. Parts, components and raw materials commonly used in our products include motors, fabricated parts, castings, magnets, bearings, seals, batteries, printed circuit boards ("PCBs") and electronic components, including semiconductors, as well as commodities, including steel, brass, nickel, copper, aluminum, rare earth minerals and plastics. While we may recover some cost increases through operational improvements, we are still exposed to pricing risk, including due to duty and tariff assessments by the U.S. or other governments on foreign imports. We attempt to control costs through fixed-priced contracts with suppliers and various other programs, such as our global procurement initiative.

Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. We typically acquire materials and components through a combination of blanket and scheduled purchase orders to support our materials requirements. For many of our products, we have existing alternate sources of supply, or such sources may be readily available.

We have experienced price volatility and supply constraints when materials have not been available from multiple sources. From time to time, we acquire certain inventory in anticipation of supply constraints or enter into longer-term pricing commitments with suppliers to improve the priority, price and availability of supply.

Our business segments experience a modest level of seasonality in their operations. This seasonality is dependent on factors such as customers' capital spending, as well as the effects of severe weather-related conditions, including heavy flooding, prolonged droughts and fluctuations in temperatures or weather patterns, all of which can positively or negatively impact portions of our business.

Customers

Our business is not dependent on any single customer or a few customers, the loss of which would have a material adverse effect on our Company. No individual customer accounted for more than 5% of our consolidated revenues in 2025, 2024 or 2023.

Backlog

Backlog includes orders on hand as well as contractual customer agreements at the end of the period. Delivery schedules vary from customer to customer based on their requirements. Annual or multi-year contracts are subject to rescheduling and cancellation by customers due to the long-term nature of the contracts. As such, beginning total backlog, plus orders, minus revenues, will not equal ending total backlog due to contract adjustments, foreign currency fluctuations and other factors. Typically, capital projects require longer lead production cycles and deployment schedules, and delays occur from time to time. Total backlog was $4,615 million at December 31, 2025

and $5,070 million at December 31, 2024. We anticipate that approximately 60% of the backlog at December 31, 2025 will be recognized as revenue during 2026.

Research and Development

Research and development (“R&D”) is a key foundation of our growth strategy, and we focus on the design and development of products, services, solutions and application know-how that address anticipated customer needs and emerging trends. Our engineers are involved in new product, service and solution development as well as improvement of existing products, services and solutions to increase customer value. Our businesses invest substantial resources into R&D. We anticipate we will continue to develop and invest in our R&D capabilities to promote a steady flow of innovative, high-quality and reliable products and integrated solutions to further strengthen our position in the markets we serve.

We have R&D capabilities around the world. R&D activities are initially conducted in our technology centers, some of which are located in conjunction with some of our major manufacturing facilities to enable an efficient and robust development process. We have several global technical centers and local development teams where we are supporting global needs and accelerating the customization of our products, services and solutions to address local needs. In some cases, our R&D activities are conducted at our piloting and testing facilities and at strategic customer sites. These piloting and testing facilities enable us to serve our strategic markets globally. As part of expanding our bandwidth and to increase our access to technology, we have built innovation eco-system partnerships with academic institutions as well as other technology firms, start-up accelerators and venture capital organizations.

Capitalized Software

We offer software as a product or service directly to external customers, which is included within "Other intangible assets, net" on our Consolidated Balance Sheets. As of December 31, 2025 and 2024, we had net capitalized software used in sales and services to external customers of $175 million and $185 million, respectively.

Intellectual Property

We generally seek patent protection for inventions that we believe will improve our competitive position and are not suitable to be kept as a trade secret. While we own, control or license a significant number of patents, trade secrets, proprietary information, trademarks, trade names, copyrights and other intellectual property rights which, in the aggregate, are important to our business, management believes that our business, as a whole, as well as each of our business segments, is not materially dependent on any one intellectual property right or related group of such rights.

Patents, patent applications and license agreements expire or terminate over time by operation of law, in accordance with their terms or otherwise. As the portfolio of our patents, patent applications and license agreements has evolved over time, we do not expect the expiration of any specific patent to have a material adverse effect on our financial position or results of operations.

Governmental Regulations

Environmental Regulations

Our global operations are subject to various laws and regulations governing the environment, such as those promulgated by the U.S. Environmental Protection Agency and similar state and foreign environmental agencies, including related to the discharge of pollutants and the management and disposal of hazardous substances. While environmental laws and regulations are subject to change, such changes can be difficult to predict reliably and the timing of potential changes is uncertain. We do not believe, based on current circumstances, that compliance costs pursuant to such regulations will have a material adverse effect on our financial position or results of operations. However, the effect of future legislative or regulatory changes could be material to our financial condition or results of operations.

We continue to be dedicated to environmental and sustainability programs to minimize the use of natural resources, reduce the utilization and generation of hazardous materials from our processes, and remediate identified environmental concerns. We are currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at a number of current and former manufacturing facilities. We do not anticipate these liabilities will have a material adverse effect on our consolidated financial position or results of operations. At December 31, 2025, we had estimated and accrued $4 million related to environmental matters.

Other Regulations

As a company with global operations, we are subject to complex U.S. federal, state and local and foreign laws, regulations and permits in the countries where we conduct business, including related to, among other matters: trade, such as tariffs and import and export restrictions; anti-bribery and corruption; antitrust and competition; data security and privacy, such as the EU General Data Protection Regulation (“GDPR”) and the China Personal Information Protection Law ('PIPL"); use of regulated radio spectrum, including that of the U.S. FCC; lobbying activity; health and safety; the environment; air emissions; potable and non-potable water; wastewater discharge; and the generation, handling, storage, use, transport, treatment and disposal of non-hazardous and hazardous materials and wastes. We have policies and procedures in place to promote compliance with these laws, regulations and permits. Additional information about the impact of government regulations on Xylem’s business is included in Item 1A. “Risk Factors” under the headings Risks Related to Geopolitical, Macroeconomic and Industry Factors, Risks Related to Our Business and Operations, Risks Related to Financial and Tax, and Risks Related to Legal and Regulatory.

Sustainability

At Xylem, sustainability is at the center of who we are and what we do – from our own operations to the solutions we provide to customers that impact communities around the world. As a leading global water technology company, we work to address some of the world’s most urgent sustainability challenges - responsible stewardship of our shared water resources and resiliency of communities to the effects of volatile weather patterns. Technology is playing an increasingly important role in helping the world solve water issues. We have a long history of innovation, and we are focusing on the powerful capabilities of smart technology, integrated management and data analytics.

We believe our financial performance and focus on sustainability go hand in hand. Xylem approaches sustainability as a way to generate economic value while also creating value for our customers and society, thus helping us meet the needs of both. Accordingly, in 2019, we evolved our approach to leverage sustainability in our decision making toward long-term value creation for our shareholders, customers, employees and communities in which we operate, and we announced a comprehensive slate of 2025 sustainability goals. Additionally, in 2024, we announced several new ambitious 2030 goals. We also remain focused on our efforts to reach Net Zero greenhouse gas ("GHG") emissions across our value chain before 2050. This goal reinforces our alignment with sector-wide efforts to reduce carbon footprints and advance sustainability. Following the 2023 acquisition of Evoqua, we updated our emissions baseline and 2030 science-based targets, which have been approved by the Science Based Target initiative ("SBTi").

As we look beyond 2025, we have established three high-impact pillars of our sustainability efforts aligned with our strategy and long-term value creation, that aim to deliver sustainable outcomes across our value chain, as well as where we believe we can provide outsized impact for our customers and communities. These pillars include decarbonizing the water sector, by providing solutions that support energy efficiency and reduced emissions for our customers; accelerating water stewardship, by enabling leading practices in effective water management; and advancing WASH for all, by providing innovative solutions designed to increase services to underserved communities around the world. For each pillar, we have set forth 2030 goals designed to drive impact across our value chain and for our customers and communities.

Our sustainability strategy and goals are informed by the United Nations Sustainable Development Goals ("UNSDGs"), not only to substantiate our contribution to helping achieve global objectives, but also to be transparent in our communication to stakeholders by providing details on our efforts to build a sustainable future. Our sustainability strategy and an update on our progress towards achieving our goals are outlined in our annual Sustainability Report, which has been prepared with reference to the Global Reporting Initiative and the Sustainability Accounting Standards Board frameworks.

To further enhance our understanding and management of risks and opportunities related to sustainability, we are focused on continued progress informed by the core principles of the United Nations Global Compact, CEO Water Mandate, Race to Zero, Women’s Empowerment Principles, and the Human Rights Campaign Foundation’s Global Business Coalition, among others.

In 2023, we 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 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 sustainability related key performance indicators (the "KPIs"). Facility fees under the 2023 Credit Facility are also adjusted based on Xylem's credit rating and the KPIs. In 2022, we announced investments in CNote’s Impact Cash™ platform, a mechanism through which we invest and deposit cash at scale in community finance institutions that strengthen and transform underserved communities. In 2021, in partnership with Goldman Sachs, we continued

our work towards further integrating our business and finance strategies with sustainability by creating a cash account tied to performance of select 2025 Sustainability goals. In 2020, Xylem completed a $1 billion Green Bond offering in senior unsecured notes, consisting of $500 million of 1.950% senior notes due in January 2028 and $500 million of 2.250% senior notes due in January 2031. The proceeds of this offering were allocated to green projects that help improve water accessibility, water affordability, and water systems resilience. Additionally, during the first quarter of 2021, we issued a special grant to certain employees of less than 0.1 million ESG performance share units.

Human Capital

Our colleagues around the globe are united by our purpose – to empower our customers and communities to build a more water-secure world – and, as such, are key to the Company's success and execution of our strategy. We seek to foster a high-impact culture – one in which our colleagues are inspired to innovate, empowered to lead and accountable to deliver – creating an environment that is purpose-driven, people-centered, respectful and inclusive. We believe that our overall success and long-term growth depend, in part, on our continued ability to attract and retain highly skilled colleagues, with a variety of backgrounds, experiences and perspectives that reflect our customers and communities, including senior leaders and individuals with skills in our strategic competencies, such as engineering, innovation, digital technologies, sales excellence, sustainability and product and project management, as well as production, field service and technical services talent. The market for individuals with these competencies remains competitive, but we believe our culture and purpose are differentiators in attracting and retaining talent.

As of December 31, 2025, Xylem employed approximately 22,000 employees worldwide. We have approximately 9,000 employees in the U.S., 7,000 in western Europe, and 5,000 in the emerging markets, with the remaining 1,000 in other geographies in which we operate. Approximately 10% of our U.S. colleagues are represented by labor unions. Outside the United States, certain of our colleagues are represented by works councils. We believe that our relations with our employees are good, including relations with those represented by labor unions and/or works councils.

Our Purpose and Values

Our purpose is to empower our customers and communities to build a more water-secure world, and, together with our values, provides the foundation for how we want to grow as a company and behave as both an industry leader and an ethical corporate citizen. We devote our technology, time and talent to advance the smarter use of water in service of our purpose and our colleagues are guided by our core values, respect, responsibility, integrity and creativity.

Health and Safety

Protecting the safety, health and well-being of our colleagues is one of our highest priorities and is also regularly assessed in our business reviews. We have a strong Environmental, Health and Safety program that focuses on governance, risk reduction, training and education, and leadership accountability, and is designed to provide our colleagues with safe and healthy workplaces.

Based on employee survey feedback, we regularly augment our holistic well-being strategies, including the expansion of our Employee Assistance Program support across the globe, additional mental health resources, and student loan repayment support.

Compensation and Benefits

Xylem strives to provide our colleagues with competitive compensation and benefits offerings and takes a total rewards approach that integrates programs for compensation, benefits, recognition and well-being. Individual program components may differ by country, role or level. Our compensation programs are driven by our pay-for-performance philosophy and commitment to fair and equitable compensation. We conduct an annual pay equity assessment based on gender and U.S. minority classifications and make pay adjustments as appropriate based on the results.

Career Development

We are focused on enhancing the capabilities of our colleagues that are needed for the Company to win in the marketplace. We also are focused on internal talent movement across functions, geographies and businesses. We seek to foster a high-impact culture and a continuous improvement, 80/20 and learning mindset throughout all areas of the Company.

We have competitively differentiated approaches to talent development, with a strong focus on developing skills for strategically important capabilities, such as product management, artificial intelligence and leadership competence. These approaches are designed to facilitate the professional growth and leadership development of our colleagues and to strengthen our succession breadth and depth. We also have formal programs and trainings to attract, develop and retain the best talent, including entry-level talent recruitment programs and development programs for general managers, emerging high-potential leaders and people leaders.

Available Information

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports are available free of charge on our website *www.xylem.com* as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The information on our website is not, and shall not be deemed to be, a part hereof or incorporated into this or any of our other filings with the SEC.

In addition, the public may read or copy any materials filed with the SEC, free of charge, at *www.sec.gov.*

ITEM 1A. RISK FACTORS

In evaluating our business and investment in our securities, investors should carefully consider the following discussion of material factors and events, along with all of the other information in this Report and in our other filings with the SEC. The events and consequences discussed below could, in circumstances that we may not be able to accurately predict, recognize or control, have a material adverse effect on our business, financial condition, cash flows, results of operations and/or market price of our common stock. Some of the factors, events, and contingencies discussed below may have occurred in the past, and the disclosures below are not representations as to whether or not the factors, events or contingencies have occurred in the past, but are provided because future occurrences of such factors, events, or contingencies could have a material adverse effect.

These risk factors do not identify all of the risks we face. Our business is also subject to general risks that affect many other companies. In addition, we operate in a continually changing business, economic and geopolitical environment, and as a result, new risk factors, or changes to our risk profile, may emerge from time to time. Risks not currently known to us, or that we currently believe are immaterial, may impact our business, operations, financial condition or share price. The global macroeconomic and geopolitical climate amplify many of the risks below. Risks in this section are grouped in the following categories: (1) Risks Related to Geopolitical, Macroeconomic and Industry Factors; (2) Risks Related to Our Business and Operations; (3) Risks Related to Financial and Tax; and (4) Risks Related to Legal and Regulatory. Many risks affect more than one category, and as a result the risks are not in order of significance or probability of occurrence.

Risks Related to Geopolitical, Macroeconomic and Industry Factors

Industry and economic conditions may adversely affect our markets and our customers' operating conditions and demand.

With sales, directly or indirectly, in approximately 150 countries, we compete across a wide range of geographies and end markets. Economic and industry factors that have had, or may in the future have, a material impact on our businesses and demand for our products and services include: (i) overall strength of, and our customers' confidence in, local and global macroeconomic conditions; (ii) inflation and related monetary policy actions by governments in response; (iii) overall strength of industrial, governmental, public and private sector spending; (iv) overall strength of the industrial, residential and commercial real estate markets; (v) federal, state, local and municipal governments' environmental, energy efficiency, fiscal, trade and procurement laws, regulations and policies, including domestic content requirements; (vi) availability of commercial financing for our customers and end-users; and (vii) availability of funding for our public sector customers, including for water infrastructure investments. These and other macroeconomic impacts, including actual or potential economic slowdowns, recessions or other prolonged downturns in the global economy or our markets, supply chain dynamics and shortages, labor shortages, inflation, and significant government debt and deficit levels, have had and may in the future have, a material adverse effect on demand for our products and solutions and therefore our business, financial condition, cash flows, results of operations and stock price.

Geopolitical, regulatory, economic, foreign exchange and other risks associated with our global sales, supply chain and operations may adversely affect our business.

In 2025, 58% of our total revenue was from sales to U.S. customers and 42% was from sales to customers outside the U.S. We expect a similar revenue profile going forward. Many of our manufacturing operations, employees, suppliers and distribution channels are located outside of the U.S. Our operations, supply chain and sales both within the U.S. and internationally are subject, to varying degrees, to risks and uncertainties inherent in doing business globally, including:

- nationalism, populism, protectionism, anti-global sentiment and changes in trade protection measures, including the imposition of increased or new embargoes, tariffs and other trade barriers, import and export regulations or restrictions, licensing requirements, domestic content requirements, and retaliatory measures;
- uncertainty, volatility and impacts from the evolving global geopolitical environment involving the U.S. and other countries' governments, including the relationships among the U.S., European Union ("EU"), Middle East, Latin America, Russia, India, China, Taiwan, or other foreign countries, and the international community at large;
- any actual or potential threat, outbreak, uncertainty or escalation of terrorism, political instability, insurrection, war, or other armed conflicts, including between Russia and Ukraine, the U.S. and Venezuela or Iran, and in the Middle East, and other global safety and security concerns;

- threat or outbreak of epidemics, global health crises, or pandemics and related uncertainties;
- impacts from significant shifts in U.S. immigration policy, such as a tightened labor market and inflation;
- disruptions in global or regional supply chains, our operations, or those of third parties upon which we rely, including due to labor disruptions, supply shortages, trade restrictions, increased or new tariffs and freight and logistics challenges;
- changes to applicable U.S. or host country laws, regulations or policies, including those related to tax, water quality, the environment, energy efficiency, infrastructure, data transmission, security or privacy, labor, and artificial intelligence ("AI"), as well as potential negative consequences from the interpretation, application and enforcement of such measures;
- theft, compromise, misappropriation or challenges in protecting our technology, intellectual property or data, including from cybersecurity and AI threats.

Beyond the risks indicated above, our operations in emerging markets are subject to additional risks and uncertainties, including: (i) imposition of or increases in withholding or other taxes on remittances and other payments to us; (ii) nationalization of our assets; (iii) imposition of or increases in investment barriers or other restrictions; (iv) difficulty enforcing commercial agreements or collecting receivables; (v) pricing pressure on our products and services; (vi) elevated business conduct risks; and (vii) challenges in attracting and retaining qualified talent and labor.

Geopolitical changes in China-Taiwan relations could disrupt the operations of companies in Taiwan that are critical to the global supply chain for semiconductors ("chips") and other electronic components, as well as the supply of lithium batteries, carbide seals, and rare earth elements. Such changes could have significant negative effects on the global supply chain for these components and materials and could adversely affect our ability to manufacture certain of our digitally-enabled products, such as pumps, controllers and smart meters.

We cannot predict the impact that such factors might have on our business, financial condition, cash flows, results of operations an share price.

Inflation, tariffs, customs duties, and other manufacturing and operating cost increases or fluctuations have adversely affected, and may continue to adversely affect, our cash flows and results of operations.

Our manufacturing and operating costs fluctuate with volatility in the prices of commodities, parts, raw materials, energy, utilities, freight, logistics, and labor. These fluctuations have been, and may continue to be, driven by a variety of factors, such as inflation, tight labor markets, exchange rates, trade agreements, tariffs and other trade protection measures, and other macroeconomic, political or geopolitical factors. For example, ongoing or escalation of conflicts in Ukraine and the Middle East, and the increasing tensions or outbreak of conflict between China and Taiwan, could further increase logistics, energy and supply costs, and potentially delay customer shipments. We rely on a large and complex network of suppliers (and their suppliers) and contract manufacturers globally, including in China and Mexico. The U.S. has enacted or threatened various trade actions, including tariffs on goods imported from China, Mexico, Canada, Europe and other countries, which has or may result in retaliatory measures. On August 29, 2025, the U.S. Court of Appeals for the Federal Circuit ruled that many of the tariffs imposed by the U.S. federal government under the International Emergency Economic Powers Act exceed presidential authority and therefore are invalid. On February 20, 2026, the U.S. Supreme Court affirmed that ruling. As of the date of this filing, tariffs issued under the different statutes remain in place, and the scope and durability of existing and future tariffs, as well as tariffs in place prior to the U.S. Supreme Court's ruling, remain uncertain. U.S. and international trade actions could increase the cost of our products, which we may not be able to offset through pricing or productivity, and could impair our competitiveness. In a declining price environment, our operating margins may contract because we account for inventory using the first-in, first-out method. Actions we take to mitigate cost volatility may not be successful and, as a result, our business, financial condition, cash flows and results of operations could be materially and adversely affected.

Risks Related to Our Business and Operations

We may be unable to compete successfully in our markets or develop and commercialize innovative and disruptive solutions and technologies.

We operate in highly competitive markets for our technologies, products and services. The principal points of competition are performance, quality, reliability, price, life cycle cost, security, speed of development and commercialization of new technologies, processes and business models, brand reputation, application expertise, energy efficiency, delivery timeliness, proximity of our service centers to customers, effectiveness of our distribution channels, and customers' experience in doing business with us directly or through our channel partners. Maintaining

and improving our competitive position requires successful management of these factors in a volatile business environment marked by rapid change and disruption.

Our competitive position and future growth depend on a number of factors, including our ability to: (i) enhance and differentiate our offerings, business models and customer experience through efficiency, security, and the addition of innovative features or technologies, such as AI, that address emerging regulations and trends, meet customers' needs, and prevent commoditization; (ii) defend our market share against an ever-expanding number of competitors, including new or non-traditional competitors from outside our industry, such as large technology firms; (iii) invest in and maintain our network of channel partners; (iv) attract, develop, retain and train talent with commercial, innovation, digital and technical expertise, and understanding of customers' needs to develop and commercialize new technologies; (v) leverage and expand our ecosystem of innovation partners, including universities, venture capital, start-ups, and other technology innovators; (vi) invest in manufacturing, research and development, engineering, sales, marketing, systems modernization, AI, and digitization of customer solution and support tools; (vii) win and execute large contracts on schedule and on budget; and (viii) optimize our supply chain and manufacturing to enable predictable and efficient delivery to customers, and to compete for business subject to procurement laws, regulations and government policies, and regulations governing sustainability and domestic content in various jurisdictions. Competitors may develop and commercialize new technologies, such as AI, more effectively to drive internal efficiencies or create new or enhanced products or services that may adversely affect our competitiveness. Customers may be slow to adopt new solutions and technologies, delaying returns on our innovation investments and impacting our growth. Pricing pressures, tariffs, procurement policies, and disruptive or emerging technologies, such as AI, may require price adjustments or rationalization of certain of our offerings and affect our profitability.

As a result, we may not maintain our competitive position or market share, which could adversely affect our business, financial condition, cash flows or results of operations.

Cybersecurity incidents, data breaches, or other disruptions, and software and system implementations involving our enterprise or operational information technology, connected products and services, or information technology on which we or our customers rely, could materially and adversely affect our business.

We rely on information technology ("IT"), including operational technology and communication networks, to operate our manufacturing processes and equipment, enable business processes, support employee productivity, interface with customers and channel partners, and manage our electronic information, including confidential business information and data relating to employees, customers, and partners. We also rely on key third parties, such as direct and indirect suppliers, contract manufacturers, cloud-based service providers, and outsourced business process providers, including in our businesses and functions, such as Information Technology, Finance, Human Resources, Commercial Services, Procurement and Travel. Regardless of the protection measures we, or the third parties we rely on, have implemented, IT and communication networks may be susceptible to damage or disruption due to causes, such as: equipment, system or application failure, including as a result of maintenance, obsolescence, unsupportability or age; application upgrades or implementations; human error or malfeasance; vandalism; natural disasters; fire; utility outages; and cybersecurity incidents, including ransomware, denial-of-service, e-mail compromises, deepfake attacks, malware, phishing, and viruses resulting from a wide ranging threat landscape, including attacks by nation states and others. In addition to damage or disruption, these cybersecurity incidents may also result in security and data breaches. Cybersecurity and other IT disruption risks may increase during integration or separation of businesses or during the provision of transition services.

We provide certain digitally enabled or internet-connected products, which may include the use of AI, such as pumps, controllers, meters, intelligent solutions, remote monitoring and condition assessment capabilities, and an interoperability platform via Idrica, our strategic joint venture. These products and services are used by us and our customers for operational purposes or to collect data. Our connected products and services may be susceptible to damage or disruption from the same causes described above. Cybersecurity incidents may impact hardware, software and information installed, stored or transmitted by our products and services after they have been purchased and incorporated into customers' and other third parties' products, facilities, systems or infrastructure, including critical infrastructure applications. While we attempt to provide our customers with reasonable measures to safeguard our products and services from cybersecurity threats, the potential for a cybersecurity incident remains. In addition, certain of our customers continue to use older digitally enabled products that lack current security features.

A cybersecurity incident or other damage or disruption to IT and communications networks, or involving our connected products and services, may have adverse effects on us, our customers or third parties on which we rely by interfering with operations and services, potentially with public health and safety risks involving certain of our

customers; disrupting production, supply chain, shipments, billing, collections and customer service; disrupting data analytics or remote monitoring and control of operational systems; enabling unauthorized access, disclosure, misappropriation, misuse, destruction, compromise, or theft of our financial, operational or other proprietary information, including intellectual property and trade secrets, or data pertaining to our employees, customers or suppliers; damaging employee, customer or partner relationships; triggering product recalls, legal claims, or regulatory actions, fines or penalties; increasing prevention and response costs; and harming our brands and reputation. Additionally, application upgrades and software implementations, such as the launch of our Enterprise Resource Planning software, may increase our exposure to such risks as upgrades may have undiscovered vulnerabilities or provide threat actors with new avenues of attack. Any delay in or failure to detect a cybersecurity incident or the full extent of an incident could exacerbate the effects of the incident.

To mitigate risks, we maintain policies, standards, procedures, and technologies applicable to all employees and contractors, including: patching; passwords; network and data access; business continuity and disaster recovery plans; monitoring for external and insider risks; technology obsolescence or end-of-life of operating technologies or applications' operating systems; IT general computing controls; network segmentation; secure software development; and system integration testing. As implementation and compliance is the responsibility of employees across the enterprise, we cannot guarantee full adherence with our policies, standards and procedures, or that our technologies will be sufficient to fully mitigate the aforementioned or evolving risks.

We, and some third parties upon which we rely, have previously experienced cybersecurity incidents or other attempts from unauthorized parties, including criminal threat actors, nation states, or insiders (including employees or contractors engaged in fraudulent or malicious activities), to gain unauthorized access to IT and connected products and services. As technology, including generative AI models, continue to evolve, such incidents may occur more frequently, affect a broader range of devices, and grow in sophistication, with threat actors leveraging these technologies to develop new attack methods that are increasingly automated, targeted, coordinated and difficult to defend against. To date, none have resulted in any material adverse impacts or theft, misuse, or loss of information of our business, operations, products and services, or customers.

Although we maintain a cybersecurity program that we believe is reasonably designed to protect our IT, products and services, the unpredictable and evolving nature of attacks and incidents, and the difficulty of detecting unauthorized access may prevent us from anticipating or preventing intrusions or implementing adequate protective or remedial measures. Additionally, it may take considerable time for us to investigate and evaluate the full impact of cybersecurity incidents, particularly for sophisticated attacks, which may inhibit our ability to provide prompt, full, and reliable information about an incident to our investors, customers, regulators, and the public.

While we maintain insurance coverage designed to address aspects of business interruption and cybersecurity risks, such coverage may not be sufficient to cover all losses or all types of claims that may arise. Although we assess risks, implement safeguards to mitigate risks, and conduct business continuity and disaster recovery planning, we cannot ensure that material cybersecurity incidents or other disruptions will not occur, or that our efforts will be fully effective. Any of the foregoing could materially and adversely affect our reputation, competitive position, results of operations, cash flows or financial condition.

Lack of or delays in availability of products, parts, raw materials, transportation, or energy from our supply chain, or supplier failures to meet requirements, could adversely affect our business.

Our business depends on a large and complex network of suppliers and indirect suppliers, contract manufacturers and subcontractors that perform manufacturing and customer-related services for us, commodities markets, and logistics providers to secure and ship finished goods and raw materials, parts, and electronic and other components used in our products. Certain key components are available only from sole- or single-source suppliers or a limited group of suppliers. We also have significant direct and indirect suppliers in China, Taiwan, Mexico and Europe. We expect that our reliance on, and the complexity of, this supply chain will remain significant and, in some cases, increase.

Parts, components and raw materials commonly used in our products include motors, fabricated parts, castings, magnets, bearings, seals, batteries, PCBs and electronic components, including semiconductors, as well as commodities, including steel, brass, nickel, copper, aluminum, rare earth minerals and plastics. Availability of these items has been, and may in the future be, affected by delays, shortages, curtailment, or changes due to macroeconomic, geopolitical and other factors, including: supply and demand dynamics; labor shortages or disputes; changes in supplier strategy or production planning including decisions to exit production of key components on which we rely; production interruptions from cybersecurity or information technology disruptions, or humanmade or natural disasters; supplier financial distress; capacity allocations to other purchasers; trade agreements, or trade protection measures including tariffs or export restrictions; ability to meet regulatory

requirements; weather emergencies and the effects of volatile weather patterns; public health crises; and threatened or actual terrorism, armed conflict or war. Actual or threatened escalation of these conditions may disrupt supply, increase energy or logistics costs, or delay or interrupt supplies from suppliers. We have experienced, and may continue to experience, fluctuating freight and logistics costs, and delivery delays from port congestion, labor actions and other challenges. If supply disruptions occur (including in rare earths, semiconductors, or other key inputs), or if our mitigation efforts are insufficient or unsuccessful, we may be delayed or unable to execute our backlog, fill new orders, or timely deliver products, which could materially and adversely affect our business, financial condition or results of operations. Although we maintain insurance coverage for business continuity and supply chain risks, such coverage may not remain available at a reasonable cost or adequately cover disruptions.

A material disruption to any of our facilities or operations, or those of third parties upon which we rely, may adversely affect our business and financial performance.

Our operations and businesses depend on our facilities and a complex and highly reactive global supply chain, including suppliers, indirect suppliers, and multi-tiered suppliers, some of which are single- or sole-source, as well as distributors, contract manufacturers, subcontractors, joint venture partners, and utilities and logistics providers. We also outsource certain critical business processes and activities, including in the areas of Finance, Human Resources, Commercial Services, Procurement, Travel and Information Technology. Some of our businesses require us or our subcontractors to access customer sites to provide our products and services. Our facilities, operations, customers, and third parties on which we rely, have experienced, or may in the future experience, disruptions or delays from actual or threatened events or circumstances, including due to: equipment or system failure; application upgrades or implementations (such as our Enterprise Resource Planning software); natural disasters; weather events or volatile weather patterns; utility outages; fire; explosion; supply chain failures; export restrictions on critical materials; terrorism; cybersecurity incidents; political disruption; pandemics or other public health crises; insurrection; armed conflict or war; rising tensions or potential outbreak of conflict between China and Taiwan; labor disputes; or financial distress. Our facilities, or those of third parties on which we rely, may operate certain equipment and manufacturing technology that may be unique and difficult or slow to replace. Significant disruption to any of our facilities or operations, or that of customers or third parties on which we rely, could materially impact our business, by preventing us from meeting demand or contractual commitments, increasing costs, reducing market share or sales, and impacting our business processes and activities, including our ability to timely report financial results. Interruptions may be lengthy, have lasting effects, demand significant management time and focus, and require substantial mitigation costs, which could negatively affect our operations, profitability, financial condition and reputation. Any recovery under our insurance policies may not fully offset lost sales, increased costs, or longer-term supplier or customer losses resulting from disruptions. Although we assess our critical processes and risks, implement mitigation plans, and conduct business continuity and disaster recovery planning, we cannot guarantee that interruptions with material adverse effects on our operational and financial performance will not occur.

Water and wastewater treatment operations, including those related to emerging contaminants, as well as the generation, handling, storage, use, transport, treatment, release or disposal of hazardous materials may result in contamination, environmental, personal or other liabilities, or pose other significant risks that could result in significant costs and reputational harm.

Our water and wastewater treatment offerings involve unique risks and require compliance with a variety of laws and regulations, including the Clean Water Act and the Safe Drinking Water Act. System failures, spills, or operational errors could discharge untreated or partially treated wastewater onto property or into bodies of water and groundwater, causing environmental harm and triggering regulatory enforcement, litigation, and reputational damage. Emerging contaminants, such as PFAS, PFOA, selenium, microplastics, chemicals, or pathogens, pose additional risk. Failure to adequately handle emerging contaminants may result in illness, death, and significant liability. Changes in environmental laws or regulations, or increased public awareness of the presence and health impacts of human-made chemicals and naturally occurring contaminants in drinking water, could increase or decrease demand for our products and services, increase costs, render products obsolete, increase our potential liability with respect to the handling or disposal of these contaminants or lead to an interruption or suspension of our operations.

Our Water Solutions and Services segment engages in manufacturing, waste recycling, and treatment processes involving the use, treatment, storage, transfer, handling and/or disposal of hazardous and non-hazardous materials, chemicals and wastes, subject to applicable federal, state and local laws and regulations. The cost of compliance with these laws and regulations may increase, resulting in increased operating expenses, or require additional facility investments. These activities create risks of accidental contamination or injury to the environment, employees, customers, third parties, and the general public. Under environmental laws and regulations, such as the

Resource Conservation and Recovery Act ("RCRA") and the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), we could be strictly, jointly and severally liable for releases of regulated substances at our current or former properties or the properties of others, or by other businesses that previously owned or used our current or former properties. We could also face liability or reputational harm if we transport such materials, generate, or arrange for the disposal of such hazardous materials or waste if they are subsequently released or cause harm.

If these activities result in legal or environmental claims, damage or liabilities, we could incur significant costs, liabilities or reputational damage in connection with legal defense, investigation, remediation of environmental contamination, property or natural resource damage, or personal injuries. Such costs and liabilities could exceed our insurance coverage and materially and adversely affect our business, financial condition, results of operations, prospects, and reputation.

We may be unable to successfully execute large projects or meet customer timelines, budget, performance, or safety requirements.

A portion of our revenue comes from complex, multi-year projects that involve significant risks, including delays, cost overruns, scope changes, unanticipated site conditions, design and engineering issues, incorrect cost assumptions, rising material and labor costs, health and safety hazards, subcontractor performance issues, supply chain disruptions, weather events, and changes in laws, regulations or permitting requirements. Failure to manage these risks may result in higher costs, liquidated damages, and other liabilities, potentially reducing our profitability and harming our reputation.

Many customers require performance guarantees for effluent produced by our water treatment equipment and services. If our products and services fail to meet these guarantees, we may incur added costs related to engineering, replacement of parts, equipment, or consumables, or customer reimbursements. Estimating performance guarantee obligations involves uncertainties and judgments, including changing product designs, variations in customer installation processes, and differences in influent conditions. Substantial performance guarantee claims could materially and adversely affect our reputation, earnings, and future business prospects.

Many customers require us to meet safety standards to be allowed access to their sites, perform services, install products, and execute projects. Unsafe products or employee performance may cause delays or suspension of site access needed to service or deliver our products. Workplace or product-related accidents or near-accidents, or failure to follow our or our customers' safety policies could damage our reputation, reduce demand for our products and services, increase costs, cause customer loss or litigation, or increase government or regulatory oversight.

We may be unable to retain key leadership, engineering, technology, sales, service and other talent or attract new qualified talent with diverse backgrounds, experiences and perspectives.

Our success depends to a significant extent on our ability to attract, retain and develop highly qualified employees in leadership positions, and in strategic or core areas, such as engineering, innovation, systems modernization, digital technologies, commercial excellence, service, project management, and production. The market for highly skilled talent, leaders and labor with diverse backgrounds, experiences and perspectives remains highly competitive in our industry. Success in attracting and retaining employees, particularly in the areas of services, digital technologies, including AI, innovation, and data science, depends in part on our ability to offer attractive career growth opportunities, work arrangements, compensation and benefits, and policies and ways of working that support employee well-being. We continue to evolve our culture, where colleagues are inspired to innovate, empowered to lead and accountable to deliver. This high-impact culture is critical to attracting and retaining the talent needed to execute our strategy, drive innovation, remain competitive and create long-term value. We must continue developing qualified talent to support growth and succession planning, which are critical to our long-term success. Failure to attract or retain highly engaged and skilled talent and labor could adversely affect our ability to meet and exceed the customer needs, grow our business and execute our strategy.

Defects, unanticipated or improper use, or inadequate disclosures about our products could adversely affect our business, reputation and financial condition.

Defects or quality issues in the manufacture, design, software, AI capabilities, security or service of our products (including finished goods, parts or components that we source from third parties), unanticipated or improper use, or inadequate disclosure of risks about the use of our products, could result in product safety, product security, regulatory or environmental risks, personal injury, death, and property or environmental damage. These events could trigger product recalls or withdrawals, safety or security alerts, issuance of credits, or warranty, liability or contractual claims and damages. Although we maintain liability insurance, coverage may not remain available at a reasonable cost or adequately cover all claims. Defects or inadequacies in manufacturing, design, software,

security, or service may result in significant costs, reduced profitability, and negative publicity and reputational harm, reducing demand for our products and materially affecting our business, financial condition and results of operations.

We may not achieve the expected benefits of our simplification, productivity, restructuring, or realignment plans, or such initiatives and plans may adversely affect our business.

Periodically, we have and may continue to initiate simplification, productivity, restructuring, and realignment actions for various reasons, including to optimize our cost structure, increase profitability, drive growth, improve our operational efficiency and effectiveness, and enable us to better serve our customers, or respond to business and economic conditions. Starting in 2024, we launched initiatives focused on improving margins and customer centricity through a range of business simplification, strategic pricing and productivity measures across our offerings, operations and customer base. Such measures may include differentiating our offerings and pricing among customers and channels; adjusting the prices of certain offerings; rationalizing certain of our offerings; modernizing our systems by standardizing key enterprise applications; rationalizing footprint; writing off assets; and simplifying our supply chain. These measures could adversely affect our market share, competitiveness, profitability and growth, and may cause unanticipated customer service disruptions.

We are engaged in an ongoing, multi-year effort to transform our operating model, including our businesses and supporting functions, and have initiated related restructuring and realignment actions. Challenges with enabling technologies, systems modernization, and implementing planned restructuring and realignment activities have and may continue to delay realization of some of the expected operational, financial and customer centricity benefits. We may not achieve the cost savings and benefits initially anticipated from our transformation, restructuring and realignment plans. These plans may also cause a loss of talent or reduced institutional knowledge, or inefficiencies during transitional periods. Transforming, realigning and restructuring our company requires significant management and employee time and focus, potentially diverting attention from operations and growth.

Successful implementation and execution of these actions are critical to achieving our strategy and long-range plan through cost savings, competitiveness, and growth. Factors that may impede success include failure to retain key customers or employees, regulatory or tax matters, challenges with third-party service providers selected to assist us, including staffing, technology, and compliance of service providers with our internal controls over financial reporting, and adverse economic conditions. If these actions are not executed successfully or we do not realize the anticipated benefits, our competitive position, business, financial condition, cash flows and results of operations could be materially and adversely affected.

Our strategy includes acquisitions and divestitures, which we may be unable to execute successfully.

To support our growth strategy, we continue to realign and enhance our portfolio by pursuing the acquisition of companies, assets, technologies, product lines and customer channels that complement or expand our business or improve competitiveness, while divesting non-core or less strategic businesses. We may be unable to complete acquisitions or divestitures on favorable terms, timing, or at all, or obtain financing needed to consummate acquisitions. In addition, we may be adversely impacted by: (i) failure to efficiently, effectively and timely integrate acquired businesses into our operations, technology, financial and other systems; (ii) failure of acquired businesses to meet expected returns, which in the past has led to, and in the future may lead to, accounting impairments; or (iii) failure to discover liabilities, adverse operational issues, cybersecurity issues, control or compliance issues, environmental matters, labor difficulties, or other issues for which we lack contractual protections, insurance or indemnities. Failure to successfully execute our growth strategy via acquisitions or successfully integrate them, or failure to execute divestitures could adversely affect our competitive position, business, financial condition or results of operations.

Acquisitions involve a number of risks and present financial, managerial and operational challenges, including: diversion of management's time and attention from existing businesses and operations; insufficient internal controls over financial or compliance activities or financial reporting of acquired businesses; failure to realize expected synergies; impact on our ability to achieve some or all of our sustainability aspirations; assumption of new material risks associated with the acquired businesses; and loss of key employees of the acquired businesses. As a result, the anticipated benefits of acquisitions may take longer to realize or not be fully realized, or may cost more than expected, which could materially and adversely affect our business, results of operations or financial condition.

A significant portion of our products and offerings in our Measurement and Control Solutions segment are affected by the availability, regulation of and interference with radio spectrum that we use.

A significant portion of the offerings in our Measurement and Control Solutions segment use radio spectrum that is subject to government regulation. In the U.S., our products are primarily designed to use FCC-licensed spectrum in

the 900MHz range. The FCC may decline to renew our licenses, or materially change regulations affecting these licenses. Some markets may lack sufficient frequencies to sustain or develop our operations at a feasible cost or at all.

Outside the U.S., certain products require the use of radio frequency and are subject to regulations. In some jurisdictions, radio station licenses may be granted for a fixed term and must be periodically renewed. Our advanced and smart metering systems offerings transmit to (and receive information from, if applicable) handheld, mobile, or fixed network reading devices in licensed bands made available to us through strategic partnerships and are reliant, to some extent, on the licensed spectrum continuing to be available through our partners or our customers. We may be unable to secure partners or customers that have access to sufficient frequencies in some markets to sustain or develop our planned operations, or that have access to sufficient frequencies at a commercially feasible cost or at all.

New products designed for use in the U.S. or another country may require significant modification or redesign to meet frequency requirements and other regulatory specifications. Limitations on frequency availability or the cost of making necessary modifications may preclude us from selling our products in certain countries. The regulations that govern our use of radio spectrum may change or new products may be allowed under the regulations that cause interference with our products, which may require us to modify our products or seek new partnerships. We may also be unable to secure suitable partners for co-development of products. Lack of radio spectrum availability or an inability or delay in modifying our products to meet frequency requirements, or the cost of completing such modifications, could materially and adversely affect our business, financial condition, and results of operations.

Weather conditions, including the effects of changing climate patterns and related governmental or regulatory efforts to mitigate such effects, may cause volatility in our served markets and demand for our products.

The unpredictable nature, frequency, and severity of, and changes in weather events, patterns and related conditions - such as heavy flooding, prolonged droughts, wildfires, rainfall amounts and intensity, sea levels, and fluctuations in temperatures - can positively or negatively impact portions of our business and create volatility in our financial results. For example, certain events may disrupt customer operations, causing shutdowns that prevent site access or delay performance of services or equipment sales. Heavy flooding and rain events may increase demand for our solutions that help manage water and stormwater overflows or remove and transfer excess or unwanted water. Prolonged drought conditions may increase demand for our pumping technology used in agriculture and turf irrigation applications. Demand for water reuse applications, such as those provided by our treatment business, may increase as communities address water scarcity. Temperature fluctuations may result in varying demand for our products used in residential and commercial hydronic applications, where homes and buildings use circulating water to heat and cool living spaces.

Some of our products, services and solutions enable our customers to meet increasingly stringent scarcity, efficiency, environmental and safety requirements, including laws limiting greenhouse gas (“GHG”) emissions, or improve water supply resilience and quality. Our future growth is dependent in part on the impact and timing of new or changing laws and regulations. If stricter laws or regulations are delayed, repealed, weakened, unenforced, or phased-in slowly, demand for our products and services may decline. We cannot predict how legal and regulatory changes will affect demand for our products and services. Regulatory uncertainty or any corresponding negative impacts could materially and adversely affect our business, financial condition, results of operations or prospects.

Severe weather events and other effects of volatile weather patterns have caused, and may continue to cause, disruptions to our facilities and operations, and those of our customers and suppliers, as well as fluctuations in demand for our products and services, and increased competition. In 2024, a physical risk analysis of our facilities using the Task Force on Climate Related Financial Disclosures framework indicated that our exposure to certain reviewed physical hazards (e.g. drought, wildfire, temperature extremes, water stress, etc.) is expected to remain low through 2030 under assessed GHG emission mitigation scenarios; but as we approach 2050, exposure to drought and temperature extremes may increase. We cannot ensure that disruptions with material adverse effects will not occur despite our continued assessment of these risks, investments in resilience, and business continuity, and disaster recovery planning.

Sustainability-related laws, regulations, targets and objectives, and stakeholder expectations expose us to numerous risks.

In support of our strategy, we have and will continue to establish goals, targets, and other objectives related to sustainability matters. Achieving these goals, targets and objectives requires evolving our business, making capital investments, and developing new or existing technologies. These efforts may result in additional expenses or require us to recognize impairment charges. These goals, targets and objectives reflect our current plans but there

is no guarantee that they will be achieved or maintained. Efforts to establish, achieve and accurately report on these goals, targets and objectives expose us to operational, reputational, financial, legal, and other risks. Achievement of our goals, targets and objectives depends on varied factors and conditions, many of which are outside of our control, including the availability of renewable energy from the grid, the pace of changes in technology, the availability of requisite financing, and the availability of suppliers that can meet our sustainability and other standards.

We may face increased scrutiny from the investment community, regulators, media (including social media) and other stakeholders regarding our sustainability activities, goals, targets and objectives, and our methodologies and timelines for pursuing them. At the same time, some governmental representatives and other stakeholders have expressed or pursued opposing views, legal and investment expectations around sustainability initiatives, including the enactment or proposal of “anti-ESG” legislation, enforcement actions, or investigations.

We are subject to increasing regulatory requirements around sustainability-related disclosures in the U.S. (federal and state-level), EU, and other countries that are uncertain, inconsistent and evolving, which may expose us to unpredictable reporting obligations or business requirements. Complying with these disclosure requirements has, and will continue to, impose substantial costs and require additional resources, and we may also experience operational disruption. If our reporting or practices fail to meet evolving stakeholder expectations, standards and requirements, or if we are unable to satisfy all stakeholders in light of their varied and sometimes conflicting expectations, our reputation, ability to attract and retain talent, and attractiveness as an investment, business partner or acquiror could be negatively impacted. Failure or perceived failure to pursue or meet our goals, targets and objectives, or comply with evolving standards could have adverse operational, reputational, financial and legal impacts.

Risks Related to Financial and Tax

Our business is subject to foreign currency exchange rate fluctuations.

Sales outside the U.S. for the year ended December 31, 2025 accounted for approximately 42% of our net sales. We also have significant operations in various locations outside the U.S. Our principal currency exposures for which we enter into cash flow hedges include the Euro, Swedish Krona, Canadian Dollar, Polish Zloty, British Pound and Australian Dollar. Changes in the value of currencies of the countries in which we do business relative to the value of the U.S. Dollar or Euro could affect our ability to sell products competitively and control our cost structure, which has had and may continue to have a material adverse effect on our business, financial condition, cash flows and results of operations. We are also subject to foreign exchange translation risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. Dollar and the Euro, Canadian Dollar, British Pound, Chinese Yuan, Swedish Krona and Indian Rupee. As the U.S. Dollar fluctuates against other currencies in which we transact business, revenue and income may be impacted. Refer to Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" for additional information on foreign exchange risk.

Our financial results may fluctuate from period to period and can be difficult to predict.

Our businesses are impacted by short cycle and book-and-bill business to varying degrees, which may be difficult to predict, or we may have limited visibility into particularly for the business we transact through our significant distribution network. Our businesses are also impacted by long-cycle business including large projects, which could be unexpectedly canceled, or whose timing can change based upon customer requirements due to a number of factors beyond our knowledge or control, such as funding, project readiness, or regulatory approvals. We rely on a complex global supply chain, which is subject to volatile and dynamic conditions, unexpected changes and disruptions from macroeconomic and geopolitical conditions. These supply chain challenges have affected, and may continue to affect, our costs, production, and ability to timely fill customer orders. As a result, our financial results for any given period have been, and will remain, difficult to predict.

We may incur impairment charges for our goodwill and other indefinite-lived intangible assets.

We have a significant amount of goodwill and purchased intangible assets on our Consolidated Balance Sheets as a result of acquisitions. As of December 31, 2025, the net carrying value of our goodwill and other indefinite-lived intangible assets totaled approximately $9 billion. In accordance with generally accepted accounting principles, we evaluate these assets for impairment at least annually, or more frequently if changes in events or circumstances indicate it is more likely than not that a potential impairment could exist. Impairment may result from significant negative industry or economic trends, disruptions to our or our customers’ business, inability to effectively integrate or scale acquired businesses, increases in cost of capital, unexpected significant changes or planned changes in use of the assets, FCC non-renewal of our radio spectrum licenses, divestitures, or decline in our market

capitalization. Material impairment charges have, and could in the future, adversely affect our results of operations and financial condition.

Changes in our effective tax rates and tax expenses may adversely affect our financial results.

We have sales in approximately 150 countries and 42% of our revenue was generated outside the U.S. for the year ended December 31, 2025. Given the global nature of our business, a number of factors may increase our effective tax rates and tax expense, including: (i) the geographic mix of jurisdictions in which profits are earned and taxed; (ii) the statutory tax rates and tax laws in jurisdictions in which we conduct business; (iii) the resolution of tax issues arising from tax examinations by various tax authorities; and (iv) the valuation of our deferred tax assets and liabilities.

Tax laws, regulations, and administrative practices in various jurisdictions may change, with or without notice, due to economic, political and other conditions. Significant judgment is required in evaluating and estimating our tax provisions and accruals. We continue to monitor the developments and tax implications concerning changes in the global tax environment, including global minimum taxes. We will continue to monitor countries' pending legislation and guidance and evaluate the potential impacts on our business in future periods.

Our businesses are regularly examined by various tax authorities worldwide. For example, following an examination regarding aspects of the 2013 reorganization of our European business, the Swedish tax authority issued a tax assessment to Xylem's Swedish subsidiary in 2019, which we are appealing as further described in Note 7, "Income Taxes." This and other examinations can result in increased tax assessments, and settlement or litigation outcomes that could be unfavorable to Xylem. We regularly assess the likelihood of favorable or unfavorable outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, including unrecognized tax benefits; however, unanticipated audit or litigation developments could materially and adversely affect us. Although we believe our tax estimates and accruals are reasonable, final determinations may differ materially from our historical income tax provisions, accruals and unrecognized tax benefits, which could materially and adversely affect our business, operating results, cash flows and financial condition.

Risks Related to Legal and Regulatory

Failure to comply with business conduct laws, regulations and policies, including anti-corruption, anti-trust, trade, and data privacy and security, could have a material adverse impact on us.

Our global operations are subject to a wide variety of U.S. and non-U.S. laws, regulations and policies related to anti-bribery and corruption, trade (such as tariffs, exports and imports), anti-trust and competition, money laundering, and employment. Our policies mandate compliance with these laws and regulations. The U.S. Foreign Corrupt Practices Act (the "FCPA"), the U.K. Bribery Act of 2010 and similar anti-corruption laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to government officials or other persons for the purpose of obtaining or retaining business. We operate in many parts of the world that are recognized as having governmental and commercial corruption and in certain circumstances, strict compliance with anti-corruption laws may disadvantage us competitively with local businesses that may have less robust compliance frameworks. Despite our compliance efforts, we cannot guarantee that our internal controls, policies and procedures will prevent improper conduct by employees, agents, distributors, or other business partners. If we believe or have reason to believe that employees or business partners have or may have violated applicable anti-corruption or other laws, regulations or policies, we are required to investigate the relevant facts and circumstances. Investigations can be expensive and require significant time and attention from senior management. Violations could result in fines, sanctions, civil and/or criminal penalties, termination of relationships with business partners, or curtailment of operations, and as a result might materially and adversely affect our business, results of operations or financial condition. Actual or alleged violations could also harm our reputation and ability to do business.

To conduct our business and operations, we collect, process, use, maintain, and move data across borders and are continuing to implement AI. Consequently, we are subject to data privacy and cybersecurity laws, including California's Consumer Protection Act, the EU's Data Act, the EU's AI Act and GDPR, and China's PIPL. The scope of these and other applicable laws continues to evolve, is often uncertain, and may conflict across jurisdictions. Privacy regulations expand and impose strict requirements for handling personal data, including the enforcement of data subject rights, enhanced security requirements, obligations to see that data subject rights are not compromised, and public disclosure of significant data breaches. Compliance costs associated with these legal and operational requirements are significant and are likely to increase over time. We cannot guarantee that we will at all times be in compliance with all requirements. Violations could result in fines, sanctions, civil penalties, and reputational harm and could materially and adversely affect our business, results of operations or financial condition.

Failure to comply with, and the cost of complying with, laws, regulations, policies and taxes applicable to our operations, products and services, including those involving the environment and health and safety, could have a material adverse impact on us.

Our operations, products and services are subject to various federal, state, and local or foreign laws and regulations designed to protect the public, employees and the environment, including those related to: emissions; potable and non-potable water; wastewater treatment and discharge; the generation, handling, storage, use, transport, treatment and disposal of non-hazardous and hazardous materials and wastes; use of U.S. FCC-licensed radio spectrum (as detailed above); and employee health and safety. These laws and regulations include the Occupational Health and Safety Act, the federal Safe Drinking Water Act, the Clean Water Act, the Clean Air Act, RCRA, CERCLA, the Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the EU's Restriction of Hazardous Substance Directive, and the EU's Registration, Evaluation and Authorization of Chemicals Directive, and others enacted to address environmental concerns. Some of our products may be subject to product safety regulations. For example, certain of our products supplied to the medical industry are subject to Section 510(k) of the U.S. Food, Drug and Cosmetic Act. These laws and regulations establish, among other things, criteria and standards we must comply with and may require licensing, permitting, approvals or reporting. We cannot guarantee that our operations, products or services will always comply fully with all applicable laws or regulations, or that we will be able to obtain or renew permits in a timely manner. Non-compliance or delays in obtaining permits could result in enforcement actions, fines, penalties, or operational restrictions.

Increasing public and governmental concern regarding the environment and the effects of volatile weather and changing climate patterns has, and may continue to, result in new or increased legal and regulatory requirements, policies and taxes intended to limit environmental damage and GHG emissions. These may encompass pollution and discharges, emissions trading schemes, and carbon, fuel or other taxes. In addition, as discussed above, we are subject to increasing regulatory requirements around disclosures of our business' impacts on the environment. Compliance with all of these requirements is complex. Requirements change frequently and the timing and substance of future changes is uncertain and difficult to predict. We incur, and expect to continue to incur, increased costs to comply, including: i) operating and capital expenditures for our facilities and equipment; ii) R&D costs, including to design or re-design products to conform to changing emissions and efficiency requirements, and iii) costs for tools, talent, and resources to meet the increasing disclosure requirements (discussed above). Failure to comply may result in litigation and defense costs, fines, penalties and criminal sanctions; facility shutdowns to address violations; and investments in costly pollution control equipment or operational changes to limit emissions or discharges. Developments such as new environmental laws and regulations, enforcement actions, litigation, discovery of previously unknown or more extensive contamination conditions, product obsolescence, operational disruptions, inability to recover costs associated with any such developments, or the financial insolvency of other responsible parties, could have material adverse effects on our business, financial condition, cash flows, results of operations, and reputation.

We face risks related to legal and regulatory proceedings.

We are subject to various U.S. and foreign laws, regulations and other requirements, any violation of which could potentially create substantial liability and damage our reputation. Changes in laws, ordinances, regulations or other government policies -- the nature, timing, and effect of which are uncertain -- may significantly increase our expenses and liabilities.

From time to time, we are involved in legal and regulatory proceedings that are incidental to the operation of our businesses (including that of acquired or previously owned entities). These proceedings may seek remedies relating to environmental matters, tax, securities, intellectual property, acquisitions or divestitures, product liability, property damage, personal injury, privacy, employment, labor and pensions, governmental and commercial or contractual issues or disputes. Our connected products and services and digital technologies and solutions have increased our exposure to intellectual property litigation and to evolving AI, data privacy and cybersecurity laws and regulations, a risk we expect will grow as we execute on our innovation and technology priorities. We cannot predict with certainty the outcome of claims, investigations, regulatory proceedings, and lawsuits. We have in the past and could in the future incur judgments, fines or penalties, or enter into settlements. Regulatory determinations of non-compliance could require us to modify or cease operations at one or more facilities.

With global and diverse operations and increasing regulation and enforcement globally, we will continue to face legal and compliance risks. Additional legal and regulatory proceedings and other contingencies, the outcome of which cannot be predicted with certainty, have in the past and may in the future arise from time to time. Subsequent developments in legal and regulatory proceedings may affect our assessments and estimates of loss contingencies recorded as a reserve and require us to make payments in excess of reserves. Any of these impacts could have an adverse effect on our business, results of operations, financial condition and reputation.

Infringement or expiration of our intellectual property rights, or allegations that we have infringed on the intellectual property rights of third parties could adversely affect us.

We rely on numerous patents, trademarks, copyrights, trade secrets, and other intellectual property, as well as licenses to third-party intellectual property that are important to our business. These rights help differentiate our technologies, products and services and may provide competitive advantage. However, our rights may be limited in scope or duration and could be challenged, invalidated, circumvented, misappropriated, independently developed by others, or designed around, particularly in jurisdictions where laws governing intellectual property rights are not highly developed, protected or enforced. Additionally, changes in intellectual property laws or regulations could adversely affect our ability to protect our rights, and rapid technological changes may render some intellectual property less valuable or useful, reducing our competitive advantage. Failure to obtain, maintain or protect intellectual property rights – or the cost of enforcing them - could adversely impact our business, financial condition and results of operations.

We periodically receive claims alleging infringement or misappropriation of third-party intellectual property. We may not prevail in defending against these claims, asserting a counterclaim, or negotiating licenses on favorable terms. As a result, we could lose rights to critical technology, be required to pay substantial damages or license fees, or incur significant costs to redesign our products, any of which could adversely impact our competitive position and financial results. Even if we successfully defended such claims, we may incur significant legal costs and it may result in diversion of management attention and resources, which could negatively impact our operations. Furthermore, the loss or renegotiation of licenses to third-party intellectual property could disrupt our operations or increase costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY.

Risk Management and Strategy

Cybersecurity is integrated into our Enterprise Risk Management (“ERM”) Program, which assesses and monitors risks across the Company, including cyber threats and related risk mitigation plans.

We maintain a comprehensive cybersecurity program covering enterprise information technology (“IT”), operational technology, and third-party systems on which we rely, as well as our connected products and services. This program is guided by the National Institute of Standards and Technology’s (“NIST”) Cybersecurity Framework and the ISA/IEC 62443 standard, respectively. Our program is designed to assess, identify and manage risks from cybersecurity threats in order to protect and preserve the security, resiliency, integrity and continued availability of the Company’s enterprise IT and operational technology systems and connected products and services, while also protecting the confidentiality and integrity of information owned by, or in the custody and care of, the Company. Key areas of responsibility include: governance, risk and compliance; threat analysis and incident response; security architecture and engineering; security operations; product security; software development; and innovation management. We employ policies, processes, tools, technology, training, incident response and regular testing – such as vulnerability scans and penetration tests of our enterprise and product security programs – to identify and mitigate cybersecurity risks. Third-party assessments of these programs are conducted periodically to assist with identifying, assessing, and managing cybersecurity risks.

We maintain cybersecurity policies that apply to all employees, as well as third-party vendors and contractors as required by applicable legal agreements. These policies specify roles and responsibilities, fundamental principles, and proper controls required for Xylem’s protection, and also require the use of certain risk management processes to onboard new suppliers and other third parties. We periodically review our policies to identify potential gaps or areas for improvement, considering changes in the Company and its connected products and services, as appropriate.

Our Cybersecurity Incident Response Plan (“IRP”) generally aligns with NIST's guidance and provides management with a standardized framework for responding to an actual or potential cybersecurity threat or incident. The IRP sets out procedures for investigating, containing, documenting and mitigating incidents, keeping management and other key stakeholders informed, reporting findings, and engaging third-party experts for advice and incident response, as appropriate. The IRP is tested at least annually for effectiveness and to identify areas for improvement in our processes and technologies. As specified by our IRP, we have protocols and processes by which certain cybersecurity incidents are escalated within the Company and, as appropriate, to the Board of Directors (“Board”).

Employees receive ongoing education and training on relevant cybersecurity risks and practices, including periodic refreshers on how to protect information and systems from cyber threats, as well as monthly phishing simulations.

We also maintain cyber insurance to mitigate potential financial exposure from certain incidents.

Governance

Our Board oversees cybersecurity, including strategy, risk and processes. At least semi-annually, the Board receives reports from the Chief Information Officer ("CIO") or the Chief Information Security Officer ("CISO"). Reports may include updates on the Company's cybersecurity risk profile, cyber program assessments, risk management strategy, measures implemented to identify and mitigate cybersecurity risks, the status of projects to strengthen the Company's cybersecurity posture, the emerging threat landscape, and other relevant topics. The Board also reviews ERM Program findings, including those related to cybersecurity risk.

The Company's Cyber Risk Committee ("CRC"), comprised of a cross-functional group of senior executives, advises on cybersecurity governance and strategic matters, and receives periodic briefings from the CISO or external experts, including related to cybersecurity risk posture, projects, issues, threat intelligence and escalations. The CRC also receives briefings from the CISO on cybersecurity incidents, including incident response, recovery, remediation, and actual or potential impacts.

Our CISO has extensive cybersecurity knowledge and skills gained from over 25 years of relevant work experience, and is a Certified Information Systems Security Professional. The CISO is responsible for assessing, monitoring and advising the Company and the Board on risks from cybersecurity threats; implementing cybersecurity strategy, programs and processes across our enterprise and connected products and services; reviewing risk management measures to identify and mitigate cybersecurity risks; and overseeing our IRP. The CISO leads the Company's Cybersecurity Team comprised of individuals with a broad range of cybersecurity skills, experiences and certifications. The Cybersecurity Team oversees the Company's cybersecurity program and is responsible for the implementation, monitoring and maintenance of the Company's cybersecurity practices in coordination with the business teams and functions.

Material Risks, Threats & Incidents

Although we have experienced actual and attempted cybersecurity threats and incidents in the past, we do not believe that the risks from any of these threats or incidents, individually or in the aggregate, have materially affected our business, operations or financial condition, or are reasonably likely to have such an effect. However, due to the evolving nature of cybersecurity threats, it has and will continue to be difficult to prevent, detect, mitigate, and remediate cybersecurity incidents. For further discussion of our cybersecurity risks, see "Item 1A. Risk Factors" in this Report.

ITEM 2. PROPERTIES

We have approximately 400 locations in more than 50 countries. These properties total approximately 15 million square feet, of which more than 300 locations, or approximately 9 million square feet, are leased. We consider the offices, plants, warehouses and other properties that we own or lease to be in good condition and generally suitable for the purposes for which they are used. The following table shows our significant locations by segment:

Location	State or Country	Principal Business Activity	Approx. Square Feet	Owned or Leased
		Water Infrastructure		
Emmaboda	Sweden	Administration and Manufacturing	1,197,000	Owned
Shenyang	China	Manufacturing	271,000	Owned
Thomasville	GA	Manufacturing	211,000	Owned
Vadodara	India	Manufacturing and Research & Development	337,000	Leased
Stockholm	Sweden	Administration and Research & Development	182,000	Leased
Holland	MI	Manufacturing	132,000	Owned
		Applied Water		
Morton Grove	IL	Administration and Manufacturing	530,000	Owned
Montecchio	Italy	Administration and Manufacturing	379,000	Owned
Nanjing	China	Manufacturing	363,000	Owned
Guadalupe	Mexico	Manufacturing	315,000	Leased
Auburn	NY	Manufacturing	273,000	Owned
Abony	Hungary	Manufacturing	250,000	Leased
Strzelin	Poland	Manufacturing	185,000	Owned
Cheektowaga	NY	Manufacturing	147,000	Owned
		Measurement and Control Solutions		
Ludwigshafen	Germany	Manufacturing	318,000	Owned
Texarkana	AR	Manufacturing	254,000	Owned
Uniontown	PA	Manufacturing	240,000	Leased
DuBois	PA	Manufacturing	197,000	Owned
Durham	NC	Administration and Research & Development	172,000	Leased
Weilheim	Germany	Manufacturing	160,000	Leased
Dubois	PA	Manufacturing	333,000	Owned
		Water Solutions and Services		
Rockford	IL	Manufacturing	165,000	Owned
Bridgeport	NJ	Administration and Manufacturing	136,000	Leased
Houston	TX	Service	107,000	Leased
		Regional Locations		
Dubai	United Arab Emirates	Manufacturing	144,000	Owned
Nottinghamshire	United Kingdom	Administration	139,000	Leased
Nanterre	France	Sales & Service Office	139,000	Leased
Langenhagen	Germany	Sales & Service Office	134,000	Owned
Schaffhausen	Switzerland	Administration	18,000	Leased
		Corporate Headquarters		
Washington	DC	Administration	18,000	Leased

ITEM 3. 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 20, "Commitments and Contingencies," of the consolidated financial statements included in Item 8 of Part II of this 10-K for information regarding certain legal and regulatory proceedings we are involved in.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following information is provided regarding the executive officers of Xylem as of February 10, 2026:

NAME	AGE	CURRENT TITLE	OTHER BUSINESS EXPERIENCE DURING PAST 5 YEARS
Matthew F. Pine	54	President and Chief Executive Officer (2024)	• Chief Operating Officer (2023) • Senior VP and President, Americas, Applied Water Systems and Measurement and Control Systems (2022) • Senior VP and President, Americas and Applied Water Systems (2020)
William K. Grogan	47	Executive VP, Chief Financial Officer (2023)	• Senior VP and Chief Financial Officer, IDEX Corporation, a diversified manufacturer of highly engineered products (2017)
Rodney O. Aulick	58	Executive VP and President, Water Solutions and Services (2023)	• Executive Vice President Water Solutions and Services, Evoqua Water Technologies Corp. (2018)
Albert Cho	45	Executive VP, Chief Strategy and External Affairs Officer (2022)	• Senior VP, Chief Strategy and Digital Officer (2020) • VP and General Manager, Advanced Infrastructure Analytics (2018)
Meredith Emmerich	50	Executive VP and President, Applied Water Systems (2024)	• VP and General Manager, Americas Commercial HVAC, Carrier Global Corporate, a climate and energy solutions provider (2020)
Michael J. McGann	55	Executive VP and President, Measurement and Control Solutions (2023)	• VP, North America Utilities Commercial Team (2022) • VP, Sensus Americas, Global Engineering and Assessment Services (2017)
Geri-Michelle McShane	52	Senior VP, Chief Accounting Officer (2025)	• VP, Controller, and Chief Accounting Officer (2019)
Claudia S. Toussaint	62	Executive VP, Chief People and Sustainability Officer (2021)	• Senior VP, General Counsel and Corporate Secretary (2014)
Hayati Yarkadas	57	Executive VP and President, Water Infrastructure (2020)	
Stacy Cozad	55	Executive VP, Chief Legal Officer (2025)	• Senior VP, General Counsel and Corporate Secretary, Allegion plc, a provider of security products (2024) • Executive VP, General Counsel and Corporate Secretary, Ingevity Corporation, a manufacturer and distributor of specialty chemicals (2021) • Senior VP, General Counsel, Chief Compliance Officer and Secretary, Spirit AeroSystems, Inc., an aerospace company (2016)

Note: Date in parentheses indicates the year in which the position was assumed.

BOARD OF DIRECTORS

The following information is provided regarding the Board of Directors of Xylem as of February 4, 2026:

NAME	TITLE
Robert F. Friel	Board Chair, Xylem Inc., Former Chairman, President and CEO, PerkinElmer, Inc.
Matthew F. Pine	President and Chief Executive Officer, Xylem Inc.
Earl R. Ellis	Executive Vice President and Chief Financial Officer, Panera Bread
Lisa Glatch	Former President, LNG and Net-Zero Solutions and Chief Sustainability Officer, Sempra Infrastructure
Victoria D. Harker	Former Executive Vice President and Chief Financial Officer, TEGNA, Inc.
Mark D. Morelli	President and Chief Executive Officer, Vontier Corporation
Jerome A. Peribere	Former President and Chief Executive Officer, Sealed Air Corporation
Lila Tretikov	Partner, Head of Artificial Intelligence Strategy, New Enterprise Associates, Inc.
Uday Yadav	Chief Executive Officer, TK Elevator

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price and Dividends

Our common stock trades publicly on the New York Stock Exchange under the trading symbol "XYL". As of January 31, 2026, there were 6,919 holders of record of our common stock.

Dividends are declared and paid on the common stock at the discretion of our Board and depend on our profitability, financial condition, capital needs, future prospects and other factors deemed relevant by our Board. Therefore, there can be no assurance as to what level of dividends, if any, will be paid in the future. In the first quarter of 2026, we declared a dividend of $0.43 per share to be paid on March 24, 2026 to shareholders of record on February 24, 2026.

There were no unregistered offerings of our common stock during 2025.

Fourth Quarter 2025 Share Repurchase Activity

The following table summarizes our repurchases of our common stock for the quarter ended December 31, 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)
10/1/25 - 10/31/25	—	—	—	$182
11/1/25 - 11/30/25	—	—	—	$182
12/1/25 - 12/31/25	—	—	—	$182

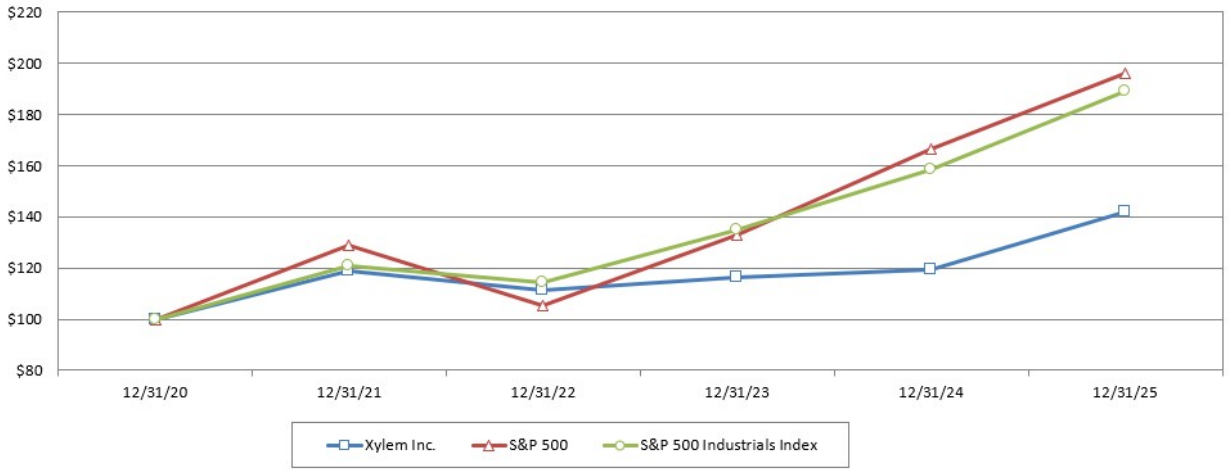
(a) Average price paid per share is calculated on a settlement basis.

(b) On August 24, 2015, our Board 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 shareholders and maintains our focus on growth. There were no shares repurchased under this program during the three months ended December 31, 2025. There are up to $182 million in shares that may still be purchased under this plan as of December 31, 2025.

PERFORMANCE GRAPH

CUMULATIVE TOTAL RETURN

The following graph compares the relative performance of our common stock, the S&P 500 Index and the S&P 500 Industrials Index. This graph covers the period from December 31, 2020 through December 31, 2025 and assumes that $100 was invested on December 31, 2020 in our common stock, the S&P 500 and the S&P 500 Industrials with the reinvestment of any dividends.



	XYL	S&P 500	S&P 500 Industrials Index
December 31, 2021	$ 119	$ 129	$ 121
December 31, 2022	$ 111	$ 105	$ 114
December 31, 2023	$ 116	$ 133	$ 135
December 31, 2024	$ 119	$ 166	$ 158
December 31, 2025	$ 149	$ 196	$ 189

The graph is not, and is not intended to be, indicative of future performance of our common stock.

This performance graph shall not be deemed “filed” with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, and should not be deemed incorporated by reference into any of our prior or subsequent filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

ITEM 6. Reserved

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto. This discussion summarizes the significant factors affecting our results of operations and the financial condition of our business. Except as otherwise indicated or unless the context otherwise requires, "Xylem," "we," "us," "our" and "the Company" refer to Xylem Inc. and its subsidiaries.

This section of this Form 10-K generally discusses 2025 and 2024 items and year-to-year comparisons between 2025 and 2024.

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 pump systems that transport water from aquifers, lakes, rivers and seas; with filtration, ultraviolet and ozone systems that provide treatment, making the water fit to use; and pumping solutions that move the wastewater and storm water to treatment facilities where our mixers, biological treatment, monitoring and control systems provide the primary functions in the treatment process. Additionally, our offerings use monitoring and control, smart and connected technologies to allow for remote monitoring of performance and enable products to self-optimize pump operations maximizing energy efficiency and minimizing unplanned downtime and maintenance for our customers. The Water Infrastructure segment also provides a range of highly differentiated and scalable products and technologies with product offerings in the filtration and separation, disinfection, and wastewater solutions, for municipal and industrial applications. In the Water Infrastructure segment we reach customers indirectly, through channel partners and distributors, directly and through our service capabilities.
- *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. In addition, our pumps, heat exchangers and controls provide cooling to power plants and manufacturing facilities, circulation for food and beverage processing, and boosting systems for agricultural irrigation. In the Applied Water segment, we provide the majority of our sales through long-standing relationships with many of the leading independent distributors in the markets we serve, with the remainder going directly to customers.
- *Measurement 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. Additionally, we offer software and services which have been further enhanced by our Xylem Vue platform to enable a holistic view of the water cycle for our customers through cloud-based analytics, remote monitoring and data management with the purpose of optimizing their operating efficiency. In the Measurement and Control Solutions segment, we generate our sales through a combination of long-standing relationships with leading distributors and dedicated channel partners, as well as direct sales depending on the regional availability of distribution channels and the type of product.
- *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. 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. In the Water Solutions and Services segment, we leverage our internal and

external partners, and extensive service branch networks across the globe, including a rental fleet of transfer and treatment assets to serve our customers.

Key Performance Indicators and Non-GAAP Measures

Management reviews key performance indicators including revenue, gross margins, segment operating income and operating income 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 prior period 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.

(in millions, except per share data)	**2025**		2024	
Net income attributable to Xylem & Earnings per share	**$ 957**	**$ 3.92**	$ 890	$ 3.65
Restructuring and realignment	**133**	**0.54**	91	0.37
Acquired intangible amortization	**220**	**0.90**	216	0.89
Special charges (a)	**36**	**0.15**	57	0.23
Gain on remeasurement of previously held equity interest	**—**	**—**	(152)	(0.62)
Tax-related special items (b)	**(52)**	**(0.21)**	(19)	(0.08)
Loss from sale of businesses	**31**	**0.13**	46	0.19
Tax effects of adjustments (c)	**(85)**	**(0.35)**	(88)	(0.36)
Adjusted net income & Adjusted earnings per share	**$ 1,240**	**$ 5.08**	$ 1,041	$ 4.27
Weighted average number of shares - diluted	**244.0**		243.5	

(a) The special charges in the years end December 31, 2025 and 2024 primarily relate to $28 million and $50 million, respectively, of acquisition, divestiture and integration related costs.

(b) The tax-related special items primarily relate to one-time deferred tax benefits from internal reorganizations.

(c) 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, gain on remeasurement of previously held equity interest 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.

(in millions)	2025	2024
Net cash provided by operating activities	**$ 1,241**	$ 1,263
Capital expenditures	**(331)**	(321)
Free cash flow	**$ 910**	$ 942
Net cash used in investing activities	**$ (471)**	$ (482)
Net cash used in financing activities	**$ (501)**	$ (615)

Executive Summary

Xylem reported revenue of $9,035 million for 2025, an increase of $473 million, or 5.5%, from $8,562 million reported in 2024. The increase consists of organic growth of $419 million and favorable foreign currency impacts of $71 million, partially offset by net revenue declines from acquisitions and divestitures of $17 million, reflecting organic growth across all segments and most major geographic regions, with organic growth in the U.S. and western Europe more than offsetting organic declines in the emerging markets.

Operating income for 2025 was $1,223 million, reflecting an increase of $214 million, or 21.2%, compared to $1,009 million in 2024. Operating margin was 13.5% in 2025, up 170 basis points from 11.8% in 2024. The operating margin increase included negative impacts from increases in restructuring and realignment costs of $42 million and purchased intangible amortization of $4 million, partially offset by a decrease in special charges of $21 million. Excluding the impact of these items, adjusted operating income was $1,612 million, with an adjusted operating margin of 17.8% in 2025 as compared to adjusted operating income of $1,373 million with an adjusted operating margin of 16.0% in 2024, an increase of 180 basis points.

Additional financial highlights for 2025 include the following:

- Net income attributable to Xylem of $957 million, or $3.92 per diluted share, up 7.4% ($1,240 million or $5.08 per diluted share on an adjusted basis, up 19.0% from 2024)
- Net cash provided by operating activities of $1,241 million, down 2% from 2024, and free cash flow of $910 million, down 3% from 2024
- Orders of $8,904 million, up 2.0% from $8,730 million in 2024 (up 1.6% on an organic basis)
- Dividends per share paid to shareholders increased 11% in 2025.

Results of Operations

(in millions)	2025	2024	2025 v. 2024
Revenue	**$ 9,035**	$ 8,562	5.5 %
Gross profit	**3,475**	3,212	8.2 %
Gross margin	**38.5 %**	37.5 %	100 bp
Total operating expenses	**2,252**	2,203	2.2 %
Expense to revenue ratio	**25.0 %**	25.7 %	(70)bp
Operating income	**1,223**	1,009	21.2 %
Operating margin	**13.5 %**	11.8 %	170 bp
Interest and other non-operating expense, net	**(11)**	(28)	(60.7) %
Gain on remeasurement of previously held equity interest	**—**	152	(100.0) %
Loss on sale of businesses	**(31)**	(46)	(32.6) %
Income tax expense	**(231)**	(197)	17.3 %
Tax rate	**19.5 %**	18.1 %	140 bp
Net income	**950**	890	6.7 %
Net loss attributable to non-controlling interest	**7**	—	NM
Net income attributable to Xylem	**$ 957**	$ 890	7.5 %

NM Not Meaningful

2025 versus 2024

Revenue

Revenue generated for 2025 was $9,035 million, an increase of $473 million, or 5.5%, compared to $8,562 million in 2024. The increase consists of organic growth of $419 million and favorable foreign currency impacts of $71 million, partially offset by net revenue declines from acquisitions and divestitures of $17 million, reflecting organic growth across all segments and most major geographic regions, with organic growth in the U.S. and western Europe more than offsetting organic declines in the emerging markets.

The following table illustrates the impact from organic growth, recent acquisitions and divestitures, and foreign currency translation in relation to revenue during 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	$ 2,555		$ 1,793		$ 1,871		$ 2,343		$ 8,562	
Organic Growth	88	3.4 %	42	2.3 %	172	9.2 %	117	5.0 %	419	4.9 %
Acquisitions/(Divestitures)	(48)	(1.8)%	—	— %	30	1.6 %	1	0.1 %	(17)	(0.2)%
Constant Currency	40	1.6 %	42	2.3 %	202	10.8 %	118	5.1 %	402	4.7 %
Foreign currency translation (a)	41	1.6 %	14	0.8 %	13	0.7 %	3	0.1 %	71	0.8 %
Total change in revenue	81	3.2 %	56	3.1 %	215	11.5 %	121	5.2 %	473	5.5 %
2025 Revenue	**$ 2,636**		**$ 1,849**		**$ 2,086**		**$ 2,464**		**$ 9,035**	

(a) Foreign currency translation impact for the year primarily 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, offset by the weakening in the Canadian Dollar.

Water Infrastructure

Water Infrastructure revenue increased $81 million, or 3.2%, to $2,636 million in 2025 compared to 2024. Revenue growth consisted of organic growth of $88 million, or 3.4%, $41 million of favorable foreign currency translation impacts and $48 million of negative impacts from net divestiture and acquisition activity. Organic revenue growth was led by the treatment application, with growth of $52 million being driven by strength in the U.S. and emerging markets due to strong price realization and backlog execution. This was partially offset by treatment declines in western Europe due to lower demand and reduced capital project work. Organic revenue for the transport applications grew by $36 million, led by strong price realization in the U.S., which was partially offset by reduced volume and reduced backlog execution due to softness in the emerging markets.

Applied Water

Applied Water revenue increased $56 million, or 3.1%, to $1,849 million in 2025 compared to 2024. Revenue growth included organic growth of $42 million and $14 million of favorable foreign currency translation. Organic growth included $35 million from building solutions, primarily in the commercial end markets, driven by strong price realization and higher demand in the U.S., partially offset by order softness in the emerging markets. The industrial applications grew by $7 million organically, driven by strong price realization and backlog execution in the U.S. and Canada, partially offset by order softness in the emerging markets.

Measurement and Control Solutions

Measurement and Control Solutions revenue increased $215 million, or 11.5%, to $2,086 million in 2025 compared to 2024. Revenue growth included organic revenue growth of $172 million, $30 million of revenue growth from acquisitions and favorable foreign currency translation of $13 million. Smart metering and other applications had $171 million of organic growth, led by energy growth in North America due to strong volume and price realization as well as water growth from project revenue in western Europe. This growth was partially offset by declines in water in North America due to lower demand following strong prior year backlog execution. Analytics grew $1 million organically, driven by increased volume and price realization in western Europe, partially offset by lower sales volume due to market softness in the emerging markets.

Water Solutions and Services

Water Solutions and Services revenue increased $121 million, or 5.2% to $2,464 million in 2025 compared to 2024. Revenue growth was driven by organic revenue growth of $117 million, favorable foreign currency translation of $3 million and revenue contributed by acquisitions of $1 million. Organic revenue growth was led by service growth of $62 million, due to favorable rental price realization in North America. Organic revenue growth from the capital and other applications of $55 million was driven by increased project revenue in North America.

Orders/Backlog

An order represents a legally enforceable, written document that includes the scope of work or services to be performed or equipment to be supplied to a customer, the corresponding price and the expected delivery date for the applicable products or services to be provided. An order often takes the form of a customer purchase order or a signed quote from a Xylem business.

The following table illustrates the impact from organic growth, recent acquisitions and divestitures, and foreign currency translation in relation to orders during 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	$ 2,727		$ 1,824		$ 1,672		$ 2,507		$ 8,730	
Organic Impact	(30)	(1.1)%	54	3.0 %	157	9.4 %	(42)	(1.7)%	139	1.6 %
Acquisitions/(Divestitures)	(60)	(2.2)%	—	— %	30	1.8 %	—	— %	(30)	(0.3)%
Constant Currency	(90)	(3.3)%	54	3.0 %	187	11.2 %	(42)	(1.7)%	109	1.3 %
Foreign currency translation (a)	35	1.3 %	15	0.8 %	14	0.8 %	1	0.1 %	65	0.7 %
Total change in orders	(55)	(2.0)%	69	3.8 %	201	12.0 %	(41)	(1.6)%	174	2.0 %
2025 Orders	**$ 2,672**		**$ 1,893**		**$ 1,873**		**$ 2,466**		**$ 8,904**	

(a) Foreign currency translation impact for the year primarily 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, offset by the weakening in the Canadian Dollar.

Backlog

Backlog includes orders on hand as well as contractual customer agreements at the end of the period. Delivery schedules vary from customer to customer based on their requirements. Annual or multi-year contracts are subject to rescheduling and cancellation by customers due to the long-term nature of the contracts. As such, beginning total backlog, plus orders, minus revenues, will not equal ending total backlog due to contract adjustments, foreign currency fluctuations, and other factors. Typically, large projects require longer lead production cycles and deployment schedules and delays occur from time to time. Total backlog was $4,615 million at December 31, 2025 and $5,070 million at December 31, 2024, a decrease of 9.0%. We anticipate that more than 60% of our total backlog at December 31, 2025 will be recognized as revenue during 2026.

Gross Margin

Gross margin as a percentage of consolidated revenue increased 100 basis points to 38.5% in 2025 as compared to 37.5% in 2024. The gross margin increase for the year included favorable operational impacts of 370 basis points, consisting of 230 basis points of productivity savings and 140 basis points of price realization. These impacts were partially offset by 290 basis points of unfavorable operating impacts, driven by 190 basis points of inflation and 60 basis points of unfavorable mix. The gross margin increase also included 20 basis points of favorable impacts from a net decrease in acquired intangible asset amortization, special charges, and realignment costs as compared to the prior year.

Operating Expenses

(in millions)	2025	2024	Change
Selling, general and administrative expenses	**$ 1,923**	$ 1,911	0.6 %
SG&A as a % of revenue	**21.3 %**	22.3 %	(100)bp
Research and development expenses	**226**	230	(1.7) %
R&D as a % of revenue	**2.5 %**	2.7 %	(20)bp
Restructuring and asset impairment charges	**103**	62	66.1 %
Operating expenses	**$ 2,252**	$ 2,203	2.2 %
Expense to revenue ratio	**25.0 %**	25.7 %	(70)bp

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

SG&A expenses increased by $12 million, or 0.6% in 2025, representing a decrease to 21.3% of revenue in 2025, as compared to 22.3% of revenue in 2024. Cost increases were driven by inflation, spending on strategic investments and currency impacts, largely offset by productivity savings.

Research and Development ("R&D") Expenses

R&D expense was $226 million, or 2.5% of revenue in 2025, consistent with the 2024 expense of $230 million, or 2.7% of revenue.

Restructuring and Asset Impairment Charges

Restructuring

From time to time, the Company will incur costs related to restructuring actions in order to optimize our cost base and more strategically position itself. Restructuring charges were $95 million in 2025 as compared to $55 million in 2024.

For the years ended December 31, 2025, the charges incurred primarily related to simplification actions, informed by 80/20 principles, to streamline the organization and better serve our customers. The charges incurred were across all of our segments, with the majority of the charges impacting the Water Infrastructure and Applied Water segments.

For the year ended December 31, 2024, the charges incurred primarily related to actions taken to further streamline our organization in order to strengthen our competitive positioning and ability to better serve our customers. The charges incurred were across all of our segments, with the majority of the charges impacting the Water Solutions and Services and Water Infrastructure segments.

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

The following is a roll-forward of employee position eliminations associated with restructuring activities for the years ended December 31, 2025 and 2024:

	2025	2024
Planned reductions - January 1	**382**	113
Additional planned reductions	**1,605**	749
Actual reductions and reversals	**(1,463)**	(480)
Planned reductions - December 31	**524**	382

As a result of the actions initiated in 2025, we achieved savings of approximately $29 million in 2025 and estimate annual future net savings beginning in 2026 of approximately $80 million to $120 million, the majority of which is expected to be realized in 2026.

Asset Impairment

Refer to Note 12, "Goodwill and Other Intangible Assets," for more information on intangible asset impairment charges incurred during the years ended December 31, 2025 and 2024.

Operating Income, Net Income, and Adjusted EBITDA

Operating income was $1,223 million (operating margin of 13.5%) during 2025, an increase of $214 million, or 21.2%, when compared to operating income of $1,009 million (operating margin of 11.8%) during the prior year. Operating margin expansion included unfavorable impacts of 10 basis points from a net increase in restructuring and realignment costs, acquired intangible asset amortization, and special charges as compared to the prior year. Additionally, operating margin included 540 basis points of expansion from favorable operating impacts, driven by a 330 basis point increase from productivity savings and 190 basis points from price realization. Margin expansion was offset by 360 basis points of unfavorable impacts driven by 240 basis points of inflation and 50 basis points of unfavorable mix. Excluding restructuring and realignment costs, acquired intangible asset amortization, and special charges, adjusted operating income was $1,612 million (adjusted operating margin of 17.8%) for 2025 as compared to adjusted operating income of $1,373 million (adjusted operating margin of 16.0%) during the prior year.

Net income attributable to Xylem was $957 (net income margin of 10.6%) during 2025, an increase of $67 million as compared to net income attributable to Xylem in the prior year of $890 million (net income margin of 10.4%). The increase in net income attributable to Xylem was driven by increased operating income of $214 million as well as decreased interest and other non-operating expense of $17 million and $15 million less loss from sale of businesses as compared to the prior year. These increases were partially offset by the absence of a $152 million gain on joint venture remeasurement that did not recur in 2025, as well as increased income tax expense of $34 million. In addition to these fluctuations, net income attributable to Xylem excludes an increase of $7 million of net loss attributable to non-controlling interests. Adjusted EBITDA was $2,009 million (adjusted EBITDA margin of 22.2%) for 2025, an increase of $246 million, or 14.0%, when compared to adjusted EBITDA of $1,763 million (adjusted EBITDA margin of 20.6%) for the prior year. The increase in adjusted EBITDA margin was primarily due to the same factors impacting adjusted operating margin noted above.

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

(In millions)	2025	2024	Change
Water Infrastructure			
Operating income	**$ 462**	$ 356	29.8 %
Operating margin	***17.5 %***	*13.9 %*	*360 bp*
Restructuring and realignment costs	**75**	30	150.0 %
Purchase accounting intangible amortization	**42**	59	(28.8) %
Special charges	**4**	10	(60.0) %
Adjusted operating income	**$ 583**	$ 455	28.1 %
Adjusted operating margin	***22.1 %***	*17.8 %*	*430 bp*
Applied Water			
Operating income	**$ 312**	$ 271	15.1 %
Operating margin	***16.9 %***	*15.1 %*	*180 bp*
Restructuring and realignment costs	**28**	15	86.7 %
Adjusted operating income	**$ 340**	$ 286	18.9 %
Adjusted operating margin	***18.4 %***	*16.0 %*	*240 bp*
Measurement and Control Solutions			
Operating income	**$ 244**	$ 247	(1.2) %
Operating margin	***11.7 %***	*13.2 %*	*(150) bp*
Restructuring and realignment costs	**16**	10	60.0 %
Purchase accounting intangible amortization	**77**	58	32.8 %
Special charges	**16**	12	33.3 %
Adjusted operating income	**$ 353**	$ 327	8.0 %
Adjusted operating margin	***16.9 %***	*17.5 %*	*(60) bp*
Water Solutions and Services			
Operating income	**$ 302**	$ 219	37.9 %
Operating margin	***12.3 %***	*9.3 %*	*300 bp*
Restructuring and realignment costs	**14**	35	(60.0) %
Purchase accounting intangible amortization	**100**	99	1.0 %
Special charges	**6**	15	(60.0) %
Adjusted operating income	**$ 422**	$ 368	14.7 %
Adjusted operating margin	***17.1 %***	*15.7 %*	*140 bp*
Corporate and other			
Operating loss	**$ (97)**	$ (84)	15.5 %
Restructuring and realignment costs	**—**	1	(100.0) %
Purchase accounting intangible amortization	**1**	—	NM
Special charges	**10**	20	(50.0) %
Adjusted operating loss	**$ (86)**	$ (63)	36.5 %
Total Xylem			
Operating income	**$ 1,223**	$ 1,009	21.2 %
Operating margin	***13.5 %***	*11.8 %*	*170 bp*
Restructuring and realignment costs	**133**	91	46.2 %
Purchase accounting intangible amortization	**220**	216	1.9 %
Special charges	**36**	57	(36.8) %
Adjusted operating income	**$ 1,612**	$ 1,373	17.4 %
Adjusted operating margin	***17.8 %***	*16.0 %*	*180 bp*

NM Not Meaningful

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

(in millions)	Year Ended December 31,		
	2025	2024	Change
Net Income attributable to Xylem	**$ 957**	$ 890	8 %
Net Income margin	**10.6 %**	10.4 %	*20 bp*
Depreciation	**267**	258	3 %
Amortization	**308**	304	1 %
Interest expense, net	**2**	16	(88) %
Income tax expense	**231**	197	17 %
EBITDA	**$ 1,765**	$ 1,665	6 %
Share-based compensation	**53**	56	(5) %
Restructuring and realignment	**131**	91	44 %
Special charges	**36**	57	(37) %
Gain on remeasurement of previously held equity interest	**—**	(152)	(100) %
Loss from sale of businesses	**31**	46	(33) %
Loss attributable to non-controlling interest	**(7)**	—	NM
Adjusted EBITDA	**$ 2,009**	$ 1,763	14 %
Adjusted EBITDA margin	**22.2 %**	20.6 %	*160 bp*

NM Not Meaningful

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

	Year Ended December 31, 2025			
(in millions)	**Water Infrastructure**	**Applied Water Systems**	**Measurement and Control Solutions**	**Water Solutions and Services**
Operating Income	**$ 462**	**$ 312**	**$ 244**	**$ 302**
Operating margin	**17.5 %**	**16.9 %**	**11.7 %**	**12.3 %**
Loss (gain) attributable to non-controlling interests	**—**	**(1)**	**9**	**(1)**
Loss from sale of businesses	**(7)**	**—**	**(24)**	**—**
Depreciation	**44**	**29**	**33**	**159**
Amortization	**54**	**4**	**135**	**108**
Other non-operating expense, excluding interest	**(6)**	**—**	**(2)**	**(1)**
EBITDA	**$ 547**	**$ 344**	**$ 395**	**$ 567**
Share-based compensation	**10**	**5**	**8**	**7**
Restructuring and realignment	**73**	**28**	**16**	**14**
Special charges	**4**	**—**	**16**	**6**
Loss from sale of businesses	**7**	**—**	**24**	**—**
(Loss) gain attributable to non-controlling interests	**$ —**	**$ 1**	**$ (9)**	**$ 1**
Adjusted EBITDA	**$ 641**	**$ 378**	**$ 450**	**$ 595**
Adjusted EBITDA margin	***24.3 %***	***20.4 %***	***21.6 %***	***24.1 %***

(in millions)	Year Ended December 31, 2024 Water Infrastructure	Applied Water Systems	Measurement and Control Solutions	Water Solutions Services
Operating Income	**$ 356**	**$ 271**	**$ 247**	**$ 219**
Operating margin	**13.9 %**	**15.1 %**	**13.2 %**	**9.3 %**
Gain on remeasurement of previously held equity interest	—	—	152	—
Loss from sale of businesses	(40)	—	—	(6)
Depreciation	46	25	26	159
Amortization	76	3	106	108
Other non-operating (expense) income, excluding interest	(1)	(3)	(10)	1
EBITDA	**$ 437**	**$ 296**	**$ 521**	**$ 481**
Share-based compensation	12	6	4	11
Restructuring and realignment	30	15	10	35
Special charges	10	—	12	15
Loss from sale of businesses	40	—	—	6
Gain on remeasurement of previously held equity interest	—	—	(152)	—
Adjusted EBITDA	**$ 529**	**$ 317**	**$ 395**	**$ 548**
Adjusted EBITDA margin	***20.7 %***	***17.7 %***	***21.1 %***	***23.4 %***

(in millions)	2025 versus 2024 Water Infrastructure	Applied Water Systems	Measurement and Control Solutions	Water Solutions and Services
Operating Income (Loss)	**$ 106**	**$ 41**	**$ (3)**	**$ 83**
Operating margin	**360 bp**	**180 bp**	**(150) bp**	**300 bp**
Loss (gain) attributable to non-controlling interests	—	(1)	9	(1)
Gain on remeasurement of previously held equity interest	—	—	(152)	—
Loss from sale of businesses	33	—	(24)	6
Depreciation	(2)	4	7	—
Amortization	(22)	1	29	—
Other non-operating expense (income), excluding interest	(5)	3	8	(2)
EBITDA	**$ 110**	**$ 48**	**$ (126)**	**$ 86**
Share-based compensation	(2)	(1)	4	(4)
Restructuring and realignment	43	13	6	(21)
Special charges	(6)	—	4	(9)
Loss from sale of businesses	(33)	—	24	(6)
Gain on remeasurement of previously held equity interest	—	—	152	—
(Loss) gain attributable to non-controlling interests	—	1	(9)	1
Adjusted EBITDA	**$ 112**	**$ 61**	**$ 55**	**$ 47**
Adjusted EBITDA margin	**360 bp**	**270 bp**	**50 bp**	**70 bp**

Water Infrastructure

Operating income was $462 million for our Water Infrastructure segment (operating margin of 17.5%) during 2025, an increase of $106 million, or 29.8%, when compared to operating income of $356 million (operating margin of 13.9%) during the prior year, or a total increase of 360 basis points of operating margin. Operating margin expansion included unfavorable impacts of 70 basis points from an increase in restructuring and realignment costs, offset by decreases in acquired intangible asset amortization and special charges as compared to the prior year. Additionally, operating margin increases included 830 basis points from favorable operating impacts, driven by 460 basis points from productivity savings, 230 basis points of price realization, and 70 basis points of favorable mix. Operating margin growth was partially offset by negative operating impacts of 400 basis points including 230 basis points of inflation and 90 basis points of unfavorable volume. Excluding restructuring and realignment costs, acquired intangible asset amortization, and special charges, adjusted operating income was $583 million (adjusted operating margin of 22.1%) during 2025 as compared to adjusted operating income of $455 million (adjusted operating margin of 17.8%) during the prior year.

Adjusted EBITDA was $641 million (adjusted EBITDA margin of 24.3%) during 2025, an increase of $112 million, or 21.2%, when compared to adjusted EBITDA of $529 million (adjusted EBITDA margin of 20.7%) 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 did not benefit from decreased depreciation and software amortization expense.

Applied Water

Operating income was $312 million for our Applied Water segment (operating margin of 16.9%) during 2025, an increase of $41 million, or 15.1%, when compared to operating income of $271 million (operating margin of 15.1%) during the prior year, or a total increase of 180 basis points of operating margin. The increase in operating margin included unfavorable impacts of 60 basis points from increased restructuring and realignment costs as compared to the prior year. Operating margin also included favorable operating impacts of 690 basis points, driven by 540 basis points of productivity savings and 100 basis points of price realization. Operating margin expansion was partially offset by 450 basis points of unfavorable operating impacts, including of 290 basis points of inflation and 70 basis points of increased spending on strategic investments. Excluding restructuring and realignment costs, adjusted operating income was $340 million (adjusted operating margin of 18.4%) during 2025 as compared to adjusted operating income of $286 million (adjusted operating margin of 16.0%) during the prior year.

Adjusted EBITDA was $378 million (adjusted EBITDA margin of 20.4%) during 2025, an increase of $61 million, or 19.2%, when compared to adjusted EBITDA of $317 million (adjusted EBITDA margin of 17.7%) during the prior year. The increase in adjusted EBITDA margin was primarily due to the same factors impacting the increase in adjusted operating margin.

Measurement and Control Solutions

Operating income was $244 million for our Measurement and Control Solutions segment (operating margin of 11.7%) during 2025, a decrease of $3 million, or 1.2%, when compared to operating income of $247 million (operating margin of 13.2%) during the prior year, or a total decrease of 150 basis points of operating margin. The decrease in operating margin included unfavorable impacts of 90 basis points from increased acquired intangible asset amortization, restructuring and realignment costs, and special charges as compared to the prior year. Additionally, the operating margin decrease included 660 basis points from unfavorable operating impacts driven by 270 basis points unfavorable mix and 260 basis points of inflation. The decrease in operating margin was partially offset by 600 basis points of favorable impacts consisting of 330 basis points of productivity savings, 150 basis points of price realization and 120 basis points of increased volume. Excluding acquired intangible asset amortization, restructuring and realignment costs, and special charges, adjusted operating income was $353 million (adjusted operating margin of 16.9%) during 2025 as compared to adjusted operating income of $327 million (adjusted operating margin of 17.5%) during the prior year.

Adjusted EBITDA was $450 million (adjusted EBITDA margin of 21.6%) during 2025, an increase of $55 million, or 13.9%, when compared to adjusted EBITDA of $395 million (adjusted EBITDA margin of 21.1%) during the prior year. The increase in adjusted EBITDA margin was due to the same factors as those impacting the decrease in adjusted operating margin; however, adjusted EBITDA margin benefitted from a decrease non-operating expenses and was not negatively impacted by the relative impact of increases in depreciation and software amortization expense.

Water Solutions and Services

Operating income was $302 million for our Water Solutions and Services segment (operating margin of 12.3%) during 2025 an increase of $83 million, or 37.9%, when compared to operating income of $219 million (operating margin of 9.3%) during the prior year, or a total increase of 300 basis points of operating margin. The increase in operating margin included favorable impacts of 160 basis points from a net decrease in restructuring and realignment costs, special charges and acquired intangible asset amortization, as compared to the prior year. Additionally, the operating margin increase included 470 basis points from favorable operating impacts driven by 210 basis points of price realization, 100 basis points of productivity savings, 90 basis points of favorable volume, and 50 basis points of decreased spending on investments. Operating margin expansion was partially offset by 330 basis points of unfavorable operating impacts driven by 190 basis points of inflation and 70 basis points of unfavorable mix. Excluding restructuring and realignment costs, special charges, and acquired intangible asset amortization, adjusted operating income was $422 million (adjusted operating margin of 17.1%) during 2025 as compared to adjusted operating income of $368 million (adjusted operating margin of 15.7%) during the prior year.

Adjusted EBITDA was $595 million (adjusted EBITDA margin of 24.1%) during 2025, an increase of $47 million, or 8.6%, when compared to adjusted EBITDA of $548 million (adjusted EBITDA margin of 23.4%) during the prior year. The increase in adjusted EBITDA margin was due to the same factors as those impacting the increase in adjusted operating margin; however, adjusted EBITDA did not benefit from the impact of flat depreciation and software amortization expense relative to increased revenue.

Corporate and other

Operating loss was $97 million for corporate and other during 2025, an increase of $13 million, or 15.5% when comparing to operating loss of $84 million during the prior year. The increase in operating loss for the year was partially offset by lower special charges as compared to the prior year. Excluding special charges, restructuring and realignment costs, and acquired intangible asset amortization, adjusted operating loss increased $23 million during 2025 or 36.5%, compared to the prior year. The increase in adjusted operating loss is primarily driven by increased spending on strategic investments and sustainability goals, as well as inflation.

Interest Expense

Interest expense was $29 million and $44 million for 2025 and 2024, respectively. The decrease in interest expense was primarily driven by increased income generated on cross currency swaps offsetting interest expense, and lower debt due to the repayment of the term loan entered into in May 2023 for use in funding the acquisition of Evoqua, which was repaid on April 19, 2024. See Note 15, "Credit Facilities and Debt", of our consolidated financial statements for a description of our credit facilities and long-term debt and related interest.

Income Tax Expense

The income tax provision for 2025 was $231 million at an effective tax rate of 19.5% as compared to $197 million at an effective tax rate of 18.1% in 2024. The 2025 effective tax rate differs from that of 2024 primarily due to the tax effects of the gain on remeasurement of equity interest in the prior period, partially offset by one-time deferred tax benefits from internal reorganizations. See Note 7, "Income Taxes", of our consolidated financial statements for additional details on our tax attributes and related tax expense.

Liquidity and Capital Resources

The following table summarizes our sources and uses of cash:

	Year Ended December 31,		
(in millions)	**2025**	2024	Change
Operating activities	**$ 1,241**	$ 1,263	$ (22)
Investing activities	**(471)**	(482)	11
Financing activities	**(501)**	(615)	114
Foreign exchange (a)	**90**	(53)	143
Total	**$ 359**	$ 113	$ 246

(a) The impact of foreign exchange is primarily due to strengthening of the Euro, Canadian Dollar, Chinese Yuan and the Chilean Peso.

Sources and Uses of Liquidity

Operating Activities

During 2025, net cash provided by operating activities was $1,241 million, compared to $1,263 million in 2024. The $22 million year-over-year decrease was primarily driven by an increase spending on long-term outsourced water projects, the liquidation of customer advances and deferred revenue, increased payments for strategic investments, and higher restructuring payments. These items were partially offset by higher cash earnings and decreased investment in net working capital, driven by lower growth in accounts receivables and inventory management initiatives.

Investing Activities

Cash used in investing activities was $471 million in 2025, compared to $482 million in 2024. The year-over-year decrease in cash used of $11 million reflects increased proceeds from the sale of businesses, including the sale of the former Evoqua Magneto business, less cash used for acquisitions, and higher proceeds from the sale of assets. These items were partially offset by spending on an asset acquisition, increased cash paid for investments, and higher capital expenditures.

Financing Activities

Cash used in financing activities was $501 million in 2025, compared to $615 million in 2024. The year-over-year decrease in cash used reflects the repayment of a term loan in 2024, partially offset by increased repayments of equipment financing debt, lower proceeds from employee stock options, and higher dividend payments.

Funding and Liquidity Strategy

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

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 15, "Credit Facilities and Debt", of our 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. over the next twelve months. Currently, we have available liquidity of approximately $2.5 billion, consisting of $1.5 billion of cash and $1 billion of available credit facilities as disclosed in Note 15, "Credit Facilities and Debt", of our consolidated financial statements.

Contractual Obligations

Material contractual obligations arising in the normal course of business primarily consist of debt obligations and related interest payments, lease obligations and unconditional purchase obligations.

The Company has future unconditional purchase commitments that are legally binding and specify all significant terms including price and/or quantity, which are not reflected within the liabilities on our Consolidated Balance Sheets. Total future commitments within the next twelve months for these obligations is $775 million, excluding contracts that can be canceled without penalty.

See Note 15, "Credit Facilities and Debt," and Note 11, "Leases" of our consolidated financial statements for additional information on our contractual commitments.

Non-U.S. Operations

As we continue to grow our operations in the emerging markets and elsewhere outside of the U.S., we expect to continue to generate significant revenue from non-U.S. operations and expect that a substantial portion of our cash will be held by our foreign subsidiaries. We expect to manage our worldwide cash requirements considering available funds among the many subsidiaries through which we conduct business and the cost effectiveness with which those funds can be accessed. We may transfer cash from certain international subsidiaries to the U.S. and other international subsidiaries when we believe it is cost effective to do so. We continually review our domestic and foreign cash profile, 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.

Off-Balance Sheet Arrangements

We are a party to certain off-balance sheet arrangements including certain guarantees. For discussion of these arrangements, see Note 20, “Commitments and Contingencies” of our consolidated financial statements.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Significant accounting policies used in the preparation of the consolidated financial statements are discussed in Note 1, “Summary of Significant Accounting Policies,” of our consolidated financial statements. Accounting estimates and assumptions discussed in this section are those that we consider most critical to an understanding of our financial statements because they are inherently uncertain, involve significant judgments and include areas where different estimates reasonably could have been used, and because changes in such estimates that are reasonably possible could materially impact the financial statements. Management believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results in these areas could differ from management’s estimates under different assumptions or conditions.

Revenue Recognition. Xylem recognizes revenue in a manner that depicts the transfer of promised goods and services to customers in an amount that reflects the consideration to which it expects to be entitled for providing those goods and services. For each arrangement with a customer, we identify the contract and the associated performance obligations within the contract, determine the transaction price of that contract, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The satisfaction of performance obligations in a contract is based upon when the customer obtains control over the asset. Depending on the nature of the performance obligation, control transfers either at a particular point in time, or over time, which determines the pattern of revenue recognition.

For product sales, other than long-term construction-type contracts, we recognize revenue once control has passed at a point in time, which is generally when products are shipped. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) we have previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria, or (ii) upon formal acceptance received from the customer where the product has not been previously demonstrated to meet customer-specified objective criteria. We recognize revenue on product sales to channel partners, including resellers, distributors or value-added solution providers, at the point in time when control is transferred, which is determined based on when the risks and rewards, possession and title have transferred to the customer, which usually occurs at the point of delivery.

Service revenue is primarily related to outsourced water services, maintenance, repair, preventive and inspection services, software as a service ("SaaS") subscriptions, and spare parts sales related to these service offerings. Revenue from performance obligations related to services is primarily recognized over time, as the performance obligations are satisfied. In these instances, the customer consumes the benefit of the service as Xylem performs.

Certain businesses also enter into long-term construction-type sales contracts where revenue is recognized over time. In these instances, revenue is recognized using a measure of progress that applies an input method based on costs incurred in relation to total estimated costs. We also recognize revenue for certain of these arrangements using the output method and measure progress based on shipments of product where control has transferred to the customer.

If shipping and handling activities are performed after a customer obtains control of a good, we account for the shipping and handling activities as activities to fulfill a promise to transfer a good. Shipping and handling related costs are accrued as revenue is recognized.

For all contracts with customers, we determine the transaction price in the arrangement and allocate the transaction price to each performance obligation identified in the contract. Judgment is required to determine the appropriate unit of account, and we separate the performance obligations if they are capable of being distinct and are distinct within the context of the contract. We base our allocation of the transaction price to the performance obligations on the relative stand-alone selling prices for the goods or services contained in a particular performance obligation. The stand-alone selling prices are determined first by reference to observable prices. In the event observable prices are not available, we estimate the stand-alone selling price by maximizing observable inputs and applying an adjusted market assessment approach, expected cost plus margin approach, or a residual approach in limited situations. Revenue in these instances is recognized on individual performance obligations within the same contract as they are satisfied.

The transaction price is adjusted for our estimate of variable consideration which may include a right of return, discounts, rebates, penalties, retainage, and warranties. To estimate variable consideration, we apply the expected value or the most likely amount method, based on whichever method most appropriately predicts the amount of consideration we expect to receive. The method applied is typically based on historical experience and known trends. We limit the amounts of variable consideration that are included in the transaction price, to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when uncertainties around the variable consideration are resolved.

We exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer, for example sales, use, value added and some excise taxes.

For all contracts with customers, payment received for our products and services may not necessarily follow the same pattern of revenue recognition to which it relates and are dictated by the terms and conditions of our contracts with customers. Payments received for product sales typically occur following delivery and the satisfaction of the performance obligations based upon the terms outlined in the contracts. Payments received for services typically occur following the services being rendered. For long-term construction-type projects, payments are typically made throughout the contract as progress is made.

In limited situations, contracts with customers include financing components where payment terms exceed one year; however, we believe that the financing effects are not significant to Xylem. In addition, we apply a practical expedient and do not adjust the promised amount of consideration in a contract for the effects of significant financing components when we expect payment terms to be one year or less from the time the goods or services are transferred until ultimate payment.

We offer standard warranties for our products to enable compliance with agreed-upon specifications in our contracts. Standard warranties do not give rise to performance obligations and represent assurance-type warranties. In certain instances, product warranty terms are adjusted to account for the specific nature of the contract. In these instances, we assess the warranties to determine whether they represent service-type warranties, and should be accounted for as a separate performance obligation in the contract.

Costs to obtain a contract include incremental costs that the Company has incurred that it expects to recover. Incremental costs only include costs that the Company would not have incurred had the contract not been obtained. Costs that would have been incurred regardless of whether or not the contract was obtained are expensed as incurred, unless they are explicitly chargeable to the customer whether or not the contract is obtained.

Costs to obtain contracts are capitalized when incurred, and are then amortized in a manner that is consistent with the pattern of transfer of the related goods or services provided in the contract. The Company elects to apply the practical expedient to expense costs to obtain contracts when the associated amortization period of those costs would be one year or less.

Income Taxes. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which we expect the differences will reverse. Based on the evaluation of available evidence, we recognize future tax benefits, such as net operating loss carryforwards, to the extent that we believe it is more likely than not we will realize these benefits. We periodically assess the likelihood that we will be able to recover our deferred tax assets and reflect any changes to our estimate of the amount we are more likely than not to realize in the valuation allowance, with a corresponding adjustment to earnings or other comprehensive income, as appropriate.

In assessing the need for a valuation allowance, we look to the future reversal of existing taxable temporary differences, taxable income in carryback years and the feasibility of tax planning strategies and estimated future taxable income. The valuation allowance can be affected by changes to tax laws, changes to statutory tax rates and changes to future taxable income estimates.

We have recorded net foreign withholding taxes and state income taxes on earnings that are expected to be repatriated to the U.S. parent. We have not recorded any deferred taxes on the amounts that the Company currently does not intend to repatriate. The determination of deferred taxes on this amount is not practicable.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws in a multitude of jurisdictions across our global operations. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. Furthermore, we recognize the tax benefit from an uncertain tax position only if based on the technical merits of the position it is more likely than not that the tax position will be sustained on examination by the taxing authorities or upon completion of the litigation process. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

We adjust our liability for uncertain tax positions in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional tax expense would result. If a payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary.

Business Combinations. We record acquisitions using the acquisition method of accounting. Under this method, we recognize the identifiable assets acquired, liabilities assumed, contractual contingencies, and any contingent consideration at their estimated fair values as of the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The determination of the fair value of acquired assets and assumed liabilities requires the use of significant estimates and assumptions. These include judgments about the selection of valuation methodologies, the determination of appropriate discount rates and market-participant assumptions, estimates of future cash flows attributable to the acquired assets, and expected cost synergies or other benefits arising from the acquisition. For certain assets such as technology-based intangibles, customer-related intangibles, and trade names, valuation techniques may require assumptions about replacement cost, expected economic obsolescence, projected revenue growth, customer attrition, and the weighted-average cost of capital.

We develop these fair value estimates using historical experience, information obtained from the management of the acquired business, and, when appropriate, the assistance of independent third-party valuation specialists. These estimates are inherently uncertain, rely on judgment, and may be affected by unanticipated events or changes in economic conditions. As a result, actual results may differ materially from the estimates used in acquisition accounting.

Goodwill and Intangible Assets. We review goodwill and indefinite-lived intangible assets for impairment annually and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We also review the carrying value of our finite-lived intangible assets for potential impairment when impairment indicators arise. We conduct our annual impairment test as of the first day of the fourth quarter. For goodwill, the estimated fair value of each reporting unit is compared to the carrying value of the net assets assigned to that reporting unit. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of the reporting unit exceeds its estimated fair value, then an impairment charge is recognized for that excess up to the amount of recorded goodwill. We estimate the fair value of our reporting units using both the income approach and market approach. Weighting is equally attributed to both the market and income approaches in arriving at the fair value of the reporting units. To determine the reasonableness of the calculated fair values, we review the assumptions to ensure that neither the income approach nor the market approach yielded significantly different valuations. Our projected cash flows are discounted using weighted costs of capital and are derived using revenue growth rates and operating margin estimates, taking into consideration industry and market conditions. In instances where we have completed an acquisition shortly before our annual impairment assessment we perform a qualitative assessment to determine if a quantitative assessment is necessary. We estimate the fair value of our intangible assets with indefinite lives using either the income approach or the market approach. Under the income approach, we calculate fair value based on the present value of estimated future cash flows. Under the market approach, we calculate fair value based on recent sales and selling prices of similar assets.

Determining the fair value of a reporting unit or an indefinite-lived intangible asset is judgmental in nature and involves the use of significant estimates and assumptions, particularly related to future operating results and cash flows. These estimates and assumptions include, but are not limited to, revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, assumed royalty rates, future economic and market conditions and identification of appropriate market comparable data. In addition, the identification of reporting units and the allocation of assets and liabilities to the reporting units when determining the carrying value of each reporting unit also require judgment. Goodwill is tested for impairment at either the operating segment level identified in Note 21, “Segment and Geographic Data,” of the consolidated financial statements, or one level below. The fair values of our reporting units and indefinite-lived intangible assets are based on estimates and assumptions that are believed to be reasonable. Significant changes to these estimates and assumptions could adversely impact our conclusions. Actual future results may differ from those estimates.

The risks around impairment of our assets are included in our risk factor disclosures referenced under “Item 1A. Risk Factors".

During the fourth quarter of 2025, we performed our annual impairment assessment and determined that the estimated fair values of our goodwill reporting units and indefinite-lived intangible assets exceeded their respective carrying values. As a result, no impairments were recognized. However, future goodwill or indefinite-lived intangible asset impairment tests could result in a charge to earnings. We will continue to evaluate goodwill and indefinite-lived intangible assets on an annual basis as of the beginning of our fourth quarter and whenever events and changes in circumstances require us to do so.

Post-retirement Benefit Plans. Company employees around the world participate in numerous defined benefit plans. The determination of projected benefit obligations and the recognition of expenses related to these plans are dependent on various assumptions. These assumptions primarily relate to discount rates, expected long-term rates of return on plan assets, rate of future compensation increases, mortality, years of service and other factors. Actual results that differ from our assumptions are accumulated and amortized on a straight-line basis only to the extent they exceed 10% of the higher of the market-related value or projected benefit obligation, over the average remaining service period of active plan participants, or for plans with all or substantially all inactive participants, over the average remaining life expectancy.

Significant Assumptions

Management develops each assumption using relevant Company experience, in conjunction with market-related data for each individual country in which such plans exist. All assumptions are reviewed annually with third-party consultants and are adjusted as necessary. The table below provides the weighted average assumptions used to estimate our defined benefit pension obligations and costs as of and for the years ended 2025 and 2024.

	2025		2024	
	U.S.	Int’l	U.S.	Int’l
Benefit Obligation Assumptions				
Discount rate	**5.42 %**	**3.95 %**	5.65 %	3.62 %
Rate of future compensation increase	**NM**	**2.87 %**	NM	2.85 %
Net Periodic Benefit Cost Assumptions				
Discount rate	**5.65 %**	**3.62 %**	5.00 %	3.55 %
Expected long-term return on plan assets	**6.00 %**	**5.58 %**	6.00 %	5.78 %
Rate of future compensation increase	**NM**	**2.85 %**	NM	2.87 %

NM Not meaningful. The pension benefits for future service for all the U.S. pension plans are based on years of service and not impacted by future compensation increases.

We determine the expected long-term rate of return on plan assets by evaluating both historical returns and estimates of future returns. Specifically, the Company analyzes the estimated future returns based on independent estimates of asset class returns and evaluates historical broad market returns over long-term timeframes based on the strategic asset allocation, which is detailed in Note 16, “Post-retirement Benefit Plans” of the consolidated financial statements.

For the recognition of net periodic pension cost, the calculation of the expected return on plan assets is generally derived by applying the expected long-term rate of return to the market-related value of plan assets. The market-related value of plan assets is based on average asset values at the measurement date over the last five years. The use of fair value, rather than a calculated value, could materially affect net periodic pension cost. The weighted average expected long-term rate of return for all of our plan assets to be used in determining net periodic benefit

costs for 2026 is estimated at 5.55%. We estimate that every 25 basis point change in the expected return on plan assets impacts the expense by less than $1 million.

The discount rate reflects our expectation of the present value of expected future cash payments for benefits at the measurement date. A decrease in the discount rate increases the present value of benefit obligations and increases pension expense. We base the discount rate assumption on current investment yields of high-quality fixed income investments during the retirement benefits maturity period. The pension discount rate was determined by considering an interest rate yield curve comprising AAA/AA bonds, with maturities between zero and 30 years, developed by the plan's actuaries. Annual benefit payments are then discounted to present value using this yield curve to develop a single-point discount rate matching the plan's characteristics. Our weighted average discount rate for all pension plans effective January 1, 2026, is 4.19%. We estimate that every 25 basis point change in the discount rate impacts the expense by less than $1 million.

The rate of future compensation increase assumption reflects our long-term actual experience and future and near-term outlook. Effective January 1, 2026, our expected rate of future compensation increase is 2.98% for all pension plans. The estimated impact of a 25 basis point change in the expected rate of future compensation is less than $1 million.

We currently anticipate making contributions to our pension and post-retirement benefit plans in the range of $19 million to $25 million during 2026. Approximately $6 million of contributions are expected to be made in the first quarter.

Funded Status

Funded status is derived by subtracting the respective year-end values of the projected benefit obligations from the fair value of plan assets. We estimate that every 25 basis point change in the discount rate impacts the funded status by approximately $12 million.

Fair Value of Plan Assets

The plan assets of our pension plans comprise a broad range of investments, including domestic and foreign equity securities, interests in hedge funds, fixed income investments, insurance contracts, and cash and cash equivalents.

A portion of our pension benefit plan assets portfolio comprises investments in hedge funds that are generally measured at net asset value. However, in certain instances, the values reported by the asset managers were not current at the measurement date. Accordingly, we made estimate adjustments to the last reported value where necessary to measure the assets at fair value at the measurement date. These adjustments consider information received from the asset managers, as well as general market information. The adjustment recorded at December 31, 2025 and 2024 for these assets represented less than 1% of total plan assets in each respective year. Asset values for other positions were generally measured using market observable prices. We estimate that a 5.00% change in asset values will impact funded status by approximately $12 million.

New Accounting Pronouncements

See Note 2, "Recently Issued Accounting Pronouncements," of the consolidated financial statements for a complete discussion of recent accounting pronouncements.

2026 Business Outlook

We anticipate total revenue growth of 1% to 3% in 2026, with organic revenue growth anticipated to be in the range of 2% to 4%. Our outlook reflects our current visibility and expectations based on the current market environment and other factors. 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."

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, primarily related to foreign currency exchange rates and interest rates. These exposures are actively monitored by management. Our exposure to foreign exchange rate risk is due to certain costs, revenue and borrowings being denominated in currencies other than one of our subsidiaries' functional currency. Similarly, we are exposed to market risk as a result of changes in interest rates which may affect the cost of our financing. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage exposures.

Foreign Currency Exchange Rate Risk

Approximately 42% of our 2025 revenues were from customers in various locations outside the U.S.

Our economic foreign currency risk primarily relates to receipts from customers, payments to suppliers and intercompany transactions denominated in foreign currencies. We may use derivative financial instruments to offset risk related to receipts from customers and payments to suppliers, when it is believed that the exposure will not be limited by our normal operating and financing activities. We enter into currency forward contracts periodically in order to manage the exchange rate fluctuation risk on certain intercompany transactions associated with third-party sales and purchases. These risks are also mitigated by natural hedges including the presence of manufacturing facilities outside the U.S., global sourcing and other spending which occurs in foreign countries. Our principal foreign currency transaction exposures primarily relate to the Euro, Swedish Krona, Canadian Dollar, Polish Zloty, British Pound and Australian Dollar. We estimate that a hypothetical 10% movement in foreign currency exchange rates would not have a material economic impact to Xylem’s financial position and results of operations.

Additionally, we are subject to foreign exchange translation risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. Dollar. The translation risk is primarily concentrated in the exchange rate between the U.S. Dollar and the Euro, Canadian Dollar, British Pound, Chinese Yuan, Swedish Krona and Indian Rupee. As the U.S. Dollar strengthens against other currencies in which we transact business, revenue and income will generally be negatively impacted, and if the U.S. Dollar weakens, revenue and income will generally be positively impacted. We expect to continue to generate significant revenue from non-U.S. operations and we expect the cash generated from that revenue to be predominately 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 it is cost effective to do so, though 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. We also hedge our investment in certain foreign subsidiaries via the use of cross-currency swaps. Accordingly, we estimate that a 10% movement of the U.S. Dollar to various foreign currency exchange rates we translate from, in aggregate would not have a material economic impact on our financial position and results of operations.

Interest Rate Risk

As of December 31, 2025, our long-term debt portfolio is primarily comprised of four series of fixed-rate senior notes that total approximately $1.9 billion. The senior notes are not exposed to interest rate risk as the bonds are at a fixed rate until maturity. In addition to the senior notes, we also have $27 million in equipment financings with fixed interest rates. Our debt portfolio also includes $21 million in variable rate short-term loans, however, we estimate that a 1% movement in interest rates would not have a material economic impact on our financial position and results of operations. Based on the current interest rate market we do not anticipate material risk associated with our debt refinancing within the target time frame of maturity.

Commodity Price Exposures

For a discussion of risks relating to commodity prices, refer to “Item 1A. Risk Factors.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Xylem Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Xylem Inc. and subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2026 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill — Annual impairment test for one Reporting Unit within Water Solutions and Services Segment — Refer to Note 12 to the financial statements

Critical Audit Matter Description

The Company’s evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The goodwill balance was $8.3 billion as of December 31, 2025, of which $2.5 billion related to one reporting unit within the Water Solutions and Services segment. The fair value of the Company’s reporting units exceeded their carrying value as of the 2025 measurement date and, therefore, no impairment was recognized.

To determine the fair value of the Company’s reporting units, the Company used an average of fair values derived from the income and market approaches. Under the income approach, the fair value of the reporting units was based on the discounted value of the estimated cash flows that the reporting unit is expected to generate. Projections were based on management’s estimates of revenue growth rates and the selection of the discount rate, taking into consideration industry and market conditions. The discount rate was based on the weighted average cost of capital appropriate for the reporting units. The determination of fair value using the market approach requires management to make significant assumptions related to market multiples of earnings derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting units.

We identified the Company’s goodwill impairment assessment for $2.5 billion of goodwill related to one reporting unit within the Water Solutions and Services segment as a critical audit matter because of the significant judgments made by management to estimate the fair value of the reporting unit, because the performance of audit procedures to evaluate the reasonableness of management’s estimates and assumptions related to the selection of the discount rate, forecasts of future revenue and the multiples of earnings for the market approach all required a high degree of auditor judgment, and because of an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasts of future revenue, selection of the discount rate, and selection of the multiples in the market approach for one reporting unit within the Water Solutions and Services segment included the following, among others:

- We tested the effectiveness of controls over management’s goodwill impairment evaluation, including those over the determination of the fair value of the reporting unit, such as controls related to management’s forecasts of future revenue and the selection of the discount rate for the income approach, and determination of multiples of earnings for the market approach.
- We assessed the reasonableness of management’s revenue forecasts by comparing the projections to historical results and certain peer companies and information included in industry reports.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, (2) discount rate, (3) long-term revenue growth rate, including testing the source information underlying the determination of the discount rate and long-term revenue growth rate, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rate selected by management and (4) the multiples of earnings in the market approach, including testing the underlying source information and mathematical accuracy of the calculations.

/s/ Deloitte & Touche LLP

Stamford, Connecticut

February 25, 2026

We have served as the Company's auditor since 2010.

XYLEM INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
(In Millions, except per share data)

Year Ended December 31,	2025	2024	2023
Revenue from products	**$ 7,472**	$ 7,095	$ 6,291
Revenue from services	**1,563**	1,467	1,073
Revenue	**9,035**	8,562	7,364
Cost of revenue from products	**4,459**	4,250	3,817
Cost of revenue from services	**1,101**	1,100	830
Cost of revenue	**5,560**	5,350	4,647
Gross profit	**3,475**	3,212	2,717
Selling, general and administrative expenses	**1,923**	1,911	1,757
Research and development expenses	**226**	230	232
Restructuring and asset impairment charges	**103**	62	76
Operating income	**1,223**	1,009	652
Interest expense	**(29)**	(44)	(49)
Gain on remeasurement of previously held equity interest	**—**	152	—
Other non-operating income, net	**18**	16	33
Loss on sale of businesses	**(31)**	(46)	(1)
Income before taxes	**1,181**	1,087	635
Income tax expense	**(231)**	(197)	(26)
Net income	**$ 950**	$ 890	$ 609
Net loss attributable to non-controlling interests	**7**	—	—
Net income attributable to Xylem	**$ 957**	$ 890	$ 609
Earnings per share:			
Basic	**$ 3.93**	$ 3.67	$ 2.81
Diluted	**$ 3.92**	$ 3.65	$ 2.79
Weighted average number of shares:			
Basic	**243.4**	242.6	217.0
Diluted	**244.0**	243.5	218.2

See accompanying notes to consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

Year Ended December 31,	2025	2024	2023
Net income	**$ 950**	$ 890	$ 609
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustment	**123**	(157)	(45)
Amount of currency translation adjustment relating to divestiture of foreign subsidiaries reclassified into net income	**8**	—	—
Net change in derivative hedge agreements:			
Unrealized gain (loss)	**35**	(17)	(2)
Amount of (gain) loss reclassified into net income	**(9)**	2	7
Net change in post-retirement benefit plans:			
Net gain (loss)	**21**	23	(35)
Amortization of prior service credit	**(1)**	(2)	(2)
Amortization of net actuarial loss (gain) into net income	**2**	2	(2)
Foreign currency translation adjustment	**(2)**	3	(2)
Other comprehensive income (loss), before tax	**177**	(146)	(81)
Income tax (benefit) expense related to items of other comprehensive income (loss)	**(75)**	20	(38)
Other comprehensive income (loss), net of tax	**252**	(166)	(43)
Comprehensive income	**$ 1,202**	$ 724	$ 566
Comprehensive income attributable to non-controlling interest	**$ (30)**	$ —	$ —
Comprehensive income attributable to Xylem	**$ 1,172**	$ 724	$ 566

See accompanying notes to consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Millions)

December 31,	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 1,479**	$ 1,121
Receivables, less allowances for discounts, returns and credit losses of $68 and $59 in 2025 and 2024, respectively	**1,759**	1,668
Inventories	**983**	996
Prepaid and other current assets	**244**	236
Assets held for sale	**176**	77
Total current assets	**4,641**	4,098
Property, plant and equipment, net	**1,159**	1,152
Goodwill	**8,332**	7,980
Other intangible assets, net	**2,272**	2,379
Other non-current assets	**1,230**	884
Total assets	**$ 17,634**	$ 16,493
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 1,013**	$ 1,006
Accrued and other current liabilities	**1,237**	1,271
Short-term borrowings and current maturities of long-term debt	**534**	38
Liabilities held for sale	**72**	21
Total current liabilities	**2,856**	2,336
Long-term debt, net	**1,408**	1,978
Accrued post-retirement benefit obligations	**317**	304
Deferred income tax liabilities	**405**	497
Other non-current accrued liabilities	**899**	496
Total liabilities	**5,885**	5,611
Commitment and Contingencies (Note 20)		
Redeemable non-controlling interest	**258**	235
Stockholders' equity:		
Common stock — par value $0.01 per share:		
Authorized 750.0 shares, issued 259.9 and 259.2 shares in 2025 and 2024, respectively	**3**	3
Capital in excess of par value	**8,759**	8,687
Retained earnings	**3,706**	3,140
Treasury stock – at cost 16.3 shares and 16.2 shares in 2025 and 2024, respectively	**(768)**	(753)
Accumulated other comprehensive loss	**(220)**	(435)
Total stockholders' equity	**11,480**	10,642
Non-controlling interest	**11**	5
Total equity	**11,491**	10,647
Total liabilities, redeemable non-controlling interest, and stockholders' equity	**$ 17,634**	$ 16,493

See accompanying notes to consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Millions)

Year Ended December 31,	2025	2024	2023
Operating Activities			
Net income	**$ 950**	$ 890	$ 609
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**267**	258	193
Amortization	**308**	304	243
Deferred income taxes	**(35)**	(36)	(79)
Share-based compensation	**53**	56	60
Restructuring and asset impairment charges	**103**	62	76
Loss from sale of businesses	**31**	46	1
Gain on remeasurement of previously held equity interest	**—**	(152)	—
Other, net	**5**	4	—
Payments for restructuring	**(82)**	(32)	(30)
Contributions to post-retirement benefit plans	**(26)**	(25)	(25)
Changes in assets and liabilities (net of acquisitions):			
Changes in receivables	**(55)**	(107)	(87)
Changes in inventories	**23**	(41)	41
Changes in accounts payable	**(22)**	64	22
Changes in accrued liabilities	**(69)**	17	(4)
Changes in accrued and deferred taxes	**—**	14	(109)
Changes in long term receivables	**(146)**	(37)	1
Net changes in other assets and liabilities	**(64)**	(22)	(75)
Net Cash — Operating activities	**1,241**	1,263	837
Investing Activities			
Capital expenditures	**(331)**	(321)	(271)
Proceeds from the sale of property, plant and equipment	**17**	4	1
Acquisitions of businesses, net of cash acquired	**(163)**	(193)	(476)
Proceeds from sale of businesses, net of cash disposed	**49**	11	105
Cash received from investments	**8**	6	1
Cash paid for investments	**(49)**	(17)	(58)
Cash received from interest rate swaps	**—**	—	38
Cash received from cross-currency swaps	**35**	29	28
Cash paid for asset acquisition	**(37)**	—	—
Other, net	**—**	(1)	4
Net Cash — Investing activities	**(471)**	(482)	(628)
Financing Activities			
Short-term debt issued, net	**1**	—	—
Short-term debt repaid	**—**	(268)	—
Long-term debt issued, net	**—**	1	278
Long-term debt repaid, net	**(82)**	(17)	(160)
Repurchase of common stock	**(15)**	(20)	(25)
Proceeds from exercise of employee stock options	**20**	67	62
Dividends paid	**(391)**	(350)	(299)
Other, net	**(34)**	(28)	(13)
Net Cash — Financing activities	**(501)**	(615)	(157)
Effect of exchange rate changes on cash	**90**	(53)	23
Increase in cash classified within assets held for sale	**(12)**	(11)	—
Decrease in cash classified within assets held for sale	**11**	—	—
Cash classified within assets held for sale	(1)	(11)	—
Net change in cash and cash equivalents	**358**	102	75
Cash and cash equivalents at beginning of year	**1,121**	1,019	944
Cash and cash equivalents at end of year	**$ 1,479**	$ 1,121	$ 1,019
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	**$ 61**	$ 67	$ 69
Income taxes (net of refunds received)	**$ 267**	$ 219	$ 211

See accompanying notes to consolidated financial statements.

XYLEM INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Millions, except per share amounts)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-Controlling Interest	**Total**
Balance at December 31, 2022	$ 2	$ 2,134	$ 2,292	$ (226)	$ (708)	$ 9	$ 3,503
Net income attributable to Xylem			609				609
Other comprehensive (loss) income, net				(43)			(43)
Other Activity						1	1
Issuance of Common Stock	1	6,120					6,121
Issuance of replacement equity		160					160
Dividends declared ($1.32 per share)			(300)				(300)
Stock incentive plan activity		150			(25)		125
Balance at December 31, 2023	$ 3	$ 8,564	$ 2,601	$ (269)	$ (733)	$ 10	$ 10,176
Net income attributable to Xylem			890				890
Other comprehensive (loss) income, net				(166)			(166)
Other activity						(4)	(4)
Dividends declared ($1.44 per share)			(351)				(351)
Stock incentive plan activity		125			(20)		105
Distributions to minority shareholders						(1)	(1)
Acquisition activity		(2)					(2)
Balance at December 31, 2024	$ 3	$ 8,687	$ 3,140	$ (435)	$ (753)	$ 5	$ 10,647
Net income attributable to Xylem			**957**				**957**
Other comprehensive income (loss), net				**215**		**7**	**222**
Other activity						**1**	**1**
Dividends declared ($1.60 per share)			**(391)**				**(391)**
Stock incentive plan activity		**72**			**(15)**		**57**
Distributions to minority shareholders						**(2)**	**(2)**
Balance at December 31, 2025	**$ 3**	**$ 8,759**	**$ 3,706**	**$ (220)**	**$ (768)**	**$ 11**	**$ 11,491**

See accompanying notes to consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

Xylem Inc. (“Xylem” or the “Company”) is a leading global water technology company. We design, manufacture and service engineered products and solutions across a wide variety of critical applications primarily in the water sector. Our broad portfolio of products, services and solutions addresses customer needs of scarcity, resilience, quality, and affordability across the water cycle, from the delivery, treatment, measurement and use of drinking water, to the collection, testing, analysis and treatment of wastewater, 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 21, "Segment and Geographic Data," for further segment background information.

Hereinafter, 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 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. Certain prior year amounts have been conformed to the current year presentation.

Use of Estimates

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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are revised as additional information becomes available. Estimates and assumptions are used for, but not limited to, post-retirement obligations and assets, revenue recognition, income taxes, fair value of assets acquired and liabilities assumed in business combinations, valuation of intangible assets, goodwill and indefinite-lived intangible impairment testing and contingent liabilities. Actual results could differ from these estimates.

Consolidation Principles

We consolidate companies in which we have a controlling financial interest or when Xylem is considered the primary beneficiary of a variable interest entity. We account for investments under the equity method in companies over which we have the ability to exercise significant influence but do not hold a controlling financial interest, and we record our proportionate share of income or losses in the Consolidated Income Statements. Equity method investments are reviewed for impairment when events or circumstances indicate the investment may be other than temporarily impaired. This requires significant judgment, including an assessment of the investee’s financial condition, the possibility of subsequent rounds of financing, and the investee’s historical and projected results of operations. If the actual results of operations for the investee are significantly different from projections, we may incur future charges for the impairment of these investments.

Foreign Currency Translation

The national currencies of our foreign companies are generally the functional currencies. Balance sheet accounts are translated at the exchange rate in effect at the end of each period; income statement accounts are translated at the average rates of exchange prevailing during the period. Gains and losses on foreign currency translations are reflected in the cumulative translation adjustments component of stockholders’ equity. Net gains or losses from foreign currency transactions are reported currently in selling, general and administrative expenses.

Revenue Recognition

Xylem recognizes revenue in a manner that depicts the transfer of promised goods and services to customers in an amount that reflects the consideration to which it expects to be entitled for providing those goods and services. For each arrangement with a customer, we identify the contract and the associated performance obligations within the contract, determine the transaction price of that contract, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The satisfaction of performance obligations in a contract is based upon when the customer obtains control over the asset. Depending on the nature of the performance obligation, control transfers either at a particular point in time, or over time, which determines the pattern of revenue recognition.

For product sales, other than long-term construction-type contracts, we recognize revenue once control has passed at a point in time, which is generally when products are shipped. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) we have previously demonstrated that the product meets the specified criteria based on either seller or customer-specified objective criteria or (ii) upon formal acceptance received from the customer where the product has not been previously demonstrated to meet customer-specified objective criteria. We recognize revenue on product sales to channel partners, including resellers, distributors or value-added solution providers, at the point in time when control is transferred which is determined based on when the risks and rewards, possession, and title have transferred to the customer, which usually occurs at the point of delivery.

Service revenue is primarily related to outsourced water services, maintenance, repair, preventive and inspection services, software as a service ("SaaS") subscriptions, and spare parts sales related to these service offerings. Revenue from performance obligations related to services is primarily recognized over time, as the performance obligations are satisfied. In these instances, the customer consumes the benefit of the service as Xylem performs.

Certain businesses also enter into long-term construction-type sales contracts where revenue is recognized over time. In these instances, revenue is recognized using a measure of progress that applies an input method based on costs incurred in relation to total estimated costs. We also recognize revenue for certain of these arrangements using the output method and measure progress based on shipments of product where control has transferred to the customer.

If shipping and handling activities are performed after a customer obtains control of a good, we account for the shipping and handling activities as activities to fulfill a promise to transfer a good. Shipping and handling related costs are accrued as revenue is recognized.

For all contracts with customers, we determine the transaction price in the arrangement and allocate the transaction price to each performance obligation identified in the contract. Judgment is required to determine the appropriate unit of account, and we separate the performance obligations if they are capable of being distinct and are distinct within the context of the contract. We base our allocation of the transaction price to the performance obligations on the relative stand-alone selling prices for the goods or services contained in a particular performance obligation. The stand-alone selling prices are determined first by reference to observable prices. In the event observable prices are not available, we estimate the stand-alone selling price by maximizing observable inputs and applying an adjusted market assessment approach, expected cost plus margin approach, or a residual approach in limited situations. Revenue in these instances is recognized on individual performance obligations within the same contract as they are satisfied.

The transaction price is adjusted for our estimate of variable consideration which may include a right of return, discounts, rebates, penalties, retainage, and warranties. To estimate variable consideration, we apply the expected value or the most likely amount method, based on whichever method most appropriately predicts the amount of consideration we expect to receive. The method applied is typically based on historical experience and known trends. We limit the amounts of variable consideration that are included in the transaction price, to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when uncertainties around the variable consideration are resolved.

We exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected from a customer, for example sales, use, value added and some excise taxes.

For all contracts with customers, payment received for our products and services may not necessarily follow the same pattern of revenue recognition to which it relates and are dictated by the terms and conditions of our contracts with customers. Payments received for product sales typically occur following delivery and the satisfaction of the performance obligations based upon the terms outlined in the contracts. Payments received for services typically occur following the services being rendered. For long-term construction-type projects, payments are typically made throughout the contract as progress is made.

In limited situations, contracts with customers include financing components where payment terms exceed one year; however, we believe that the financing effects are not significant to Xylem. In addition, we apply a practical expedient and do not adjust the promised amount of consideration in a contract for the effects of significant

financing components when we expect payment terms to be one year or less from the time the goods or services are transferred until ultimate payment.

We offer standard warranties for our products to enable compliance with agreed-upon specifications in our contracts. Standard warranties do not give rise to performance obligations and represent assurance-type warranties. In certain instances, product warranty terms are adjusted to account for the specific nature of the contract. In these instances, we assess the warranties to determine whether they represent service-type warranties, and should be accounted for as a separate performance obligation in the contract.

Costs to obtain a contract include incremental costs that the Company has incurred that it expects to recover. Incremental costs only include costs that the Company would not have incurred had the contract not been obtained. Costs that would have been incurred regardless of whether or not the contract was obtained are expensed as incurred, unless they are explicitly chargeable to the customer whether or not the contract is obtained.

Costs to obtain contracts are capitalized when incurred, and are then amortized in a manner that is consistent with the pattern of transfer of the related goods or services provided in the contract. The Company elects to apply the practical expedient to expense costs to obtain contracts when the associated amortization period of those costs would be one year or less.

Shipping and Handling Costs

Shipping and handling costs are recorded as a component of cost of revenue.

Share-Based Compensation

Share-based awards issued to employees include non-qualified stock options, restricted stock units and performance share units. Share-based awards issued to members of the Board of Directors include restricted stock units. Compensation costs resulting from share-based payment transactions are recognized primarily at fair value over the requisite service period (typically three years), on a straight-line basis, within selling, general and administrative expenses. The measurement of calculated compensation cost includes an adjustment for estimated forfeiture rate. The fair value of a non-qualified stock option is determined on the date of grant using a binomial lattice pricing model incorporating multiple and variable assumptions over time, including assumptions such as employee exercise patterns, stock price volatility and changes in dividends. The fair value of restricted stock unit awards is determined using the closing price of our common stock on date of grant. The fair value of Return on Invested Capital ("ROIC"), Revenue, adjusted EBITDA and Earnings Per Share ("EPS") performance share units at 100% target is determined using the closing price of our common stock on date of grant. The calculated compensation cost is adjusted based on an estimate of awards ultimately expected to vest due to our assessment of the probable outcome of the performance condition. The fair value of Total Shareholder Return ("TSR") performance share units is 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.

Research and Development

We conduct research and development activities, which consist primarily of the development of new products, product applications, and manufacturing processes. To the extent these activities involve developing software that is sold to our customers, we capitalize the applicable development costs. All other research and development costs are charged to expense as incurred.

Exit and Disposal Costs

We periodically initiate management-approved restructuring activities to achieve cost savings through reduced operational redundancies and to position ourselves strategically in the market in response to prevailing economic conditions and associated customer demand. Costs associated with restructuring actions can include severance, acceleration of share-based compensation expense due to "double trigger" change in control provisions, infrastructure charges to vacate facilities or consolidate operations, contract termination costs and other related charges. For involuntary separation plans, a liability is recognized when it is probable and reasonably estimable. For voluntary separation plans, a liability is recognized when the employee irrevocably accepts the voluntary termination. For one-time termination benefits, such as additional severance pay or benefit payouts and other exit costs, the liability is measured and recognized initially at fair value in the period in which the liability is incurred, with subsequent changes to the liability recognized as adjustments in the period of change.

Deferred Financing Costs

Deferred financing costs represent costs incurred in conjunction with our debt financing activities and are capitalized in long-term debt and amortized over the life of the related financing arrangements. If the debt is retired early, the related unamortized deferred financing costs are recorded within the results of operations under the caption “interest expense” in the period the debt is retired.

Income Taxes

Income taxes are calculated using the asset and liability method. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which we expect the differences will reverse.

We maintain valuation allowances when it is more likely than not that all or a portion of a deferred asset will not be realized. In determining whether a valuation allowance is warranted, we consider all positive and negative evidence and all sources of taxable income such as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies to estimate if sufficient future taxable income will be generated to realize the deferred tax asset. The assessment of the adequacy of our valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. If actual results differ from these estimates, or we adjust these estimates in future periods for current trends or expected changes in our estimating assumptions, we may need to modify the level of valuation allowance that could materially impact our business, financial condition and results of operations.

We have recorded net foreign withholding taxes and state income taxes on earnings that are expected to be repatriated to the U.S. parent. We have not recorded any deferred taxes on the amounts that the Company currently does not intend to repatriate. The determination of deferred taxes on this amount is not practicable.

Tax benefits are recognized for an uncertain tax position when, based on the technical merits of the position it is more likely than not that the position will be sustained upon examination by a taxing authority or upon completion of the litigation process. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances and when new information becomes available. Such adjustments are recognized in the period in which they are identified. The effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe our liability for unrecognized tax benefits is adequate. We classify interest relating to unrecognized tax benefits as a component of other non-operating (expense) income, net and tax penalties as a component of income tax expense in our Consolidated Income Statements.

Earnings Per Share

We present two calculations of EPS. “Basic” EPS equals net income divided by weighted average shares outstanding during the period. “Diluted” EPS equals net income divided by the sum of weighted average common shares outstanding during the period plus potentially dilutive shares. Potentially dilutive common shares that are anti-dilutive are excluded from diluted EPS.

Cash Equivalents

We consider all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Receivables and Allowance for Credit Losses and Discounts

Receivables are primarily comprised of uncollected amounts owed to us from transactions with customers and are presented net of allowances for credit losses, returns and early payment discounts.

We determine our allowance for credit losses using a combination of factors to reduce our trade receivable balances to the net amount expected to be collected. We maintain an allowance for credit losses based on a variety of factors, including the length of time receivables were past due, macro-economic trends and conditions, significant one-time events, historical experience, and current and future expectations of economic conditions. In addition, we record an allowance for individual accounts when we become aware of specific customer circumstances, such as in the case of bankruptcy filings or deterioration in the customer’s operating results or financial position. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable. If circumstances

related to the specific customer change, we adjust estimates of the recoverability of receivables as appropriate. We determine our allowance for early payment discounts primarily based on historical experience with customers.

Credit risk with respect to accounts receivable is generally diversified due to the large number of entities comprising our customer base and their dispersion across many different geographical regions. We evaluate the financial condition of our third-party distributors, resellers and other customers and require collateral, such as letters of credit and bank guarantees, in certain circumstances. As of December 31, 2025 and 2024, we do not have any significant concentrations of credit risk related to accounts receivable.

Inventories

Inventories, which include the costs of material, labor and overhead, are stated at the lower of cost or net realizable value. Estimated losses from obsolete and slow-moving inventories are recorded to reduce inventory values to their estimated net realizable value. Our manufacturing operations recognize costs of sales using standard costs with full overhead absorption, which generally approximates actual cost.

Property, Plant and Equipment

These assets are recorded at historical cost and are depreciated using the straight-line method of depreciation over the estimated useful lives as follows:

	Estimated Life
Buildings and improvements	5 to 40 years
Machinery and equipment	2 to 10 years
Furniture and fixtures	3 to 7 years
Equipment held for lease or rental	2 to 16 years

Leasehold improvements are depreciated over the shorter of their estimated useful life or the term of the lease. Costs related to maintenance and repairs that do not prolong the assets' useful lives are expensed as incurred.

Leases

We determine if an arrangement is a lease at inception. We have recorded right of use (“ROU”) assets and liabilities for lease arrangements that are reasonably certain to extend beyond 12 months. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments under the lease. ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. The implicit rate within our leases is generally not determinable, and we use our incremental borrowing rate at the lease commencement date to determine the net present value of lease payments. The determination of the appropriate incremental borrowing rate requires judgment. We determine the appropriate incremental borrowing rate for each lease using our current borrowing rate, adjusted for various factors including geographic region, level of collateralization and term, to align with the term of the underlying lease.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. Many of our leases are subject to payment adjustments to reflect annual changes in price indexes, such as the Consumer Price Index. While associated lease liabilities are not re-measured as a result of changes in the applicable price indexes, changes to required lease payments are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred.

Leases with a lease term of 12 months or less, including renewal options that are reasonably certain to be exercised, that also do not include an option to purchase the underlying asset that is reasonably certain of exercise, are not recorded on the Consolidated Balance Sheets. Instead, lease payments for these leases are recognized as a lease cost on a straight-line basis over the lease term.

We elected the package of practical expedients, which among other things, does not require reassessment of lease classification. Additionally, we have made an accounting policy election whereby we chose not to separate non-lease components from lease components in agreements in all leases which we are the lessee.

In addition to manufacturing and selling equipment, we also lease equipment to customers in exchange for consideration. These arrangements are generally short term in nature and predominantly involve the rental of pumps and accessories within the Water Solutions and Services segment. Short term rental arrangements generally do not provide the customer the right to purchase the equipment as Xylem’s strategy is to rent these items over their useful lives. Customers may be billed based on daily, weekly or monthly rates depending on the expected rental period. We assessed that these arrangements constitute a lease under Accounting Standards Codification ("ASC") 842, Leases, and have recognized them as operating leases. In situations where arrangements contain both the

sale of products and a leasing component, contract consideration is allocated based on relative standalone selling price.

The Company also generates revenue through the lease of its water treatment equipment and systems to customers within the Water Solutions and Services segment. At the time of contract inception, the Company determines if an arrangement is or contains a lease. These contracts generally contain both lease and non-lease components, including installation, maintenance, and monitoring services of the Company-owned equipment. In situations where arrangements contain multiple elements, contract consideration is allocated based on relative standalone selling price.

Goodwill and Intangible Assets

Goodwill represents purchase consideration paid in a business combination that exceeds the values assigned to the net assets of acquired businesses. Intangible assets include customer relationships, proprietary technology, brands and trademarks, patents, software and other intangible assets. Intangible assets with a finite life are amortized on a straight-line basis over an estimated economic useful life which ranges from 1 to 40 years and is included in cost of revenue or selling, general and administrative expenses. Certain of our intangible assets, namely certain brands and trademarks, as well as FCC licenses, have an indefinite life and are not amortized.

Goodwill and indefinite-lived intangible assets are not amortized, but rather are tested for impairment annually (or more frequently if impairment indicators arise, such as changes to the reporting unit structure, significant adverse changes in the business or business climate or an adverse action or assessment by a regulator). See Note 12, "Goodwill and Other Intangible Assets," for changes to the reporting unit structure and impairment analysis performed during the year ending December 31, 2025. We conduct our annual impairment testing as of the beginning of the fourth quarter. To test goodwill for impairment, the estimated fair value of each reporting unit is compared to the carrying value of the net assets assigned to that reporting unit. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of the reporting unit exceeds its estimated fair value, then an impairment charge is recognized for that excess up to the amount of recorded goodwill. In assessing goodwill for impairment, we estimate the fair value of our reporting units using both the income approach and market approach. Weighting is equally attributed to both the market and income approaches in arriving at the fair value of the reporting units. To determine the reasonableness of the calculated fair values, we review the assumptions to ensure that neither the income approach nor the market approach yielded significantly different valuations. We estimate the fair value of our intangible assets with indefinite lives using either the income approach or the market approach. Under the income approach, we calculate fair value based on the present value of estimated future cash flows. Under the market approach, we calculate fair value based on recent sales and selling prices of similar assets.

Long-Lived Asset Impairment

Long-lived assets, including intangible assets with finite lives, are amortized and tested for impairment whenever events or changes in circumstances indicate their carrying value may not be recoverable. We assess the recoverability of long-lived assets based on the undiscounted future cash flow the assets are expected to generate and recognize an impairment loss when estimated undiscounted future cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When an impairment is identified, we reduce the carrying amount of the asset to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values.

Product Warranties

For assurance-type warranties, we accrue for the estimated cost of product warranties at the time revenue is recognized and record it as a component of cost of revenue. Our product warranty liability reflects our best estimate of probable liability under the terms and conditions of our product warranties offered to customers. We estimate the liability based on our standard warranty terms, the historical frequency of claims and the cost to replace or repair our products under warranty. Factors that impact our warranty liability include the number of units sold, the length of warranty term, historical and anticipated rates of warranty claims and cost per claim. We also record a warranty liability for specific matters. We assess the adequacy of our recorded warranty liabilities quarterly and adjust amounts as necessary.

For service-type warranties (i.e. non-standard warranties) costs incurred to fulfill the extended or service warranty are recognized/recorded as the costs are incurred.

Post-retirement Benefit Plans

The determination of defined benefit pension and post-retirement plan obligations and their associated costs requires the use of actuarial computations to estimate participant plan benefits to which the employees will be entitled. The assumptions primarily relate to discount rates, expected long-term rates of return on plan assets, rate of future compensation increases, mortality, years of service and other factors. We develop each assumption using relevant company experience in conjunction with market-related data for each individual country in which such plans exist. All actuarial assumptions are reviewed annually with third-party consultants and adjusted as necessary. For the recognition of net periodic post-retirement cost, the calculation of the expected return on plan assets is generally derived by applying the expected long-term rate of return on the market-related value of plan assets. The market-related value of plan assets is based on average asset values at the measurement date over the last five years. Actual results that differ from our assumptions are accumulated and amortized on a straight-line basis only to the extent they exceed 10% of the higher of the market-related value or the projected benefit obligation, over the average remaining service period of active participants, or for plans with all or substantially all inactive participants, over the average remaining life expectancy. The fair value of plan assets is determined based on market prices or estimated fair value at the measurement date.

We consider changes to a plan's benefit formula that eliminate the accrual for future service but continue to allow for future salary increases (i.e. "soft freeze") to be a curtailment.

Business Combinations

We allocate the purchase price of acquisitions to the tangible and intangible assets acquired, liabilities assumed, and non-controlling interests in the acquiree based on their estimated fair value at the acquisition date. The excess of the acquisition price over those estimated fair values is recorded as goodwill. Changes to the acquisition date provisional fair values prior to the expiration of the measurement period, a period not to exceed 12 months from date of acquisition, are recorded as an adjustment to the associated goodwill. Acquisition-related expenses and restructuring costs, if any, are recognized separately from the business combination and are expensed as incurred.

Assets Held for Sale

Assets and liabilities are identified as held for sale when they meet the held for sale criteria per ASC 360, Property, Plant, and Equipment. Depreciation and amortization are not recorded for assets that are classified as held for sale. When an asset group meets the held for sale criteria, the lower of its carrying value or fair value less costs to sell is reclassified into assets held for sale and liabilities held for sale lines on the consolidated balance sheet, where it remains until it is either sold or it no longer meets the held for sale criteria.

Derivative Financial Instruments

We record all derivatives on the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value of derivatives depends on whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, including forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to hedge certain risks economically, even though hedge accounting does not apply or we elect not to apply hedge accounting.

Changes in the fair value of derivatives designated and that qualify as cash flow hedges of foreign exchange risk are recorded in Other Comprehensive Income (Loss) ("OCI/L") and are subsequently reclassified into either revenue or cost of revenue (hedge of sales classified into revenue and hedge of purchases classified into cost of revenue) in the period that the hedged forecasted transaction affects earnings. Our policy is to de-designate cash flow hedges at the time forecasted transactions are recognized as assets or liabilities on a business unit's balance sheet and report subsequent changes in fair value through selling, general and administrative expenses where the gain or loss due to movements in currency rates on the underlying asset or liability is revalued. If it becomes probable that the originally forecasted transaction will not occur, the gain or loss related to the hedge recorded within Accumulated Other Comprehensive Loss ("AOCL") is immediately recognized into net income.

Effectiveness of derivatives designated as net investment hedges is assessed using the spot method. The changes in the fair value of these derivatives due to movements in spot exchange rates are recorded in OCI/L. Changes in fair value of the derivatives designated and the associated income tax effects in AOCL are reclassified into earnings at the time the hedged net investment is sold or substantially liquidated. Furthermore, we recognize interest income based on the interest rate differential embedded in the derivative instrument.

Commitments and Contingencies

We record accruals for commitments and loss contingencies for those which are both probable and for which the amount can be reasonably estimated. In addition, legal fees are accrued for cases where a loss is probable and the related fees can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. We review these accruals quarterly and adjust the accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other current information.

Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Our estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. These accruals are reviewed quarterly and are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Accruals for environmental liabilities are primarily included in other non-current liabilities at undiscounted amounts.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents, derivative contracts and accounts receivable from trade customers. We maintain cash and cash equivalents and derivative contracts with various financial institutions. These financial institutions are located in many different geographical regions, and our policy is designed to limit exposure with any one institution. As part of our cash and risk management processes, we perform periodic evaluations of the relative credit standing of the financial institutions. We have not sustained any material credit losses during the previous three years from instruments held at financial institutions. We may utilize forward contracts to protect against the effects of foreign currency fluctuations. Such contracts involve the risk of non-performance by the counterparty. Credit risk with respect to accounts receivable is generally diversified due to the large number of entities comprising our customer base and their dispersion across many different industries and geographic regions. We perform ongoing credit evaluations of the financial condition of our third-party distributors, resellers and other customers and require collateral, such as letters of credit and bank guarantees, in certain circumstances.

Substantially all of the cash and cash equivalents, including foreign cash balances, at December 31, 2025 and 2024 were uninsured. Foreign cash balances at December 31, 2025 and 2024 were $1,034 million and $741 million, respectively.

Fair Value Measurements

We determine fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three broad levels defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices (in non-active markets or in active markets for similar assets or liabilities), inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 inputs are unobservable inputs for the assets or liabilities.

The fair value hierarchy is based on maximizing the use of observable inputs and minimizing the use of unobservable inputs when measuring fair value. Classification within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

Certain investments which measure fair value using the net asset value (“NAV”) per share practical expedient are not classified within the fair value hierarchy and are separately disclosed.

Redeemable Non-Controlling Interest

Non-controlling interest that is redeemable upon the occurrence of an event that is not solely within the control of the issuer is classified as mezzanine equity in the Company's consolidated balance sheets. Initial measurement is at acquisition date fair value and subsequent measurement is at the greater of the carrying value or the redemption value. For redeemable non-controlling interests measured at the redemption value, changes in the redemption value are recognized immediately as they occur and the carrying amount of the redeemable non-controlling interest is adjusted at the end of each reporting period. This method views the end of the reporting period as if it were also the redemption date for the instrument. Increases or decreases in the estimated redemption amount are recorded with corresponding adjustments against equity and are reflected in the computation of earnings per share.

Note 2. Recently Issued Accounting Pronouncements

Pronouncements Not Yet Adopted

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

In July 2025, the FASB issued ASU 2025-05, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets". This update provides a practical expedient that allows entities to assume current conditions as of the balance sheet date remain unchanged over the remaining life of certain current trade receivables and current contract assets when developing reasonable and supportable forecasts in estimating expected credit losses. We plan to adopt ASU 2025-05 effective January 1, 2026 and elect the practical expedient for applicable trade receivables and contract assets on a prospective basis. Adoption of the standard is not expected to have a material impact on our consolidated financial statements.

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

Recently Adopted Pronouncements

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 became effective for Xylem for the annual reporting period beginning January 1, 2025, which we adopted prospectively. The disclosures related to our adoption of the amendment are included in Note 7, "Income Taxes."

Note 3. Acquisitions and Divestitures

2025 Asset Acquisition

Vacom Systems, LLC

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

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

2025 Business Combination

Pac Machine

On December 2, 2025, we acquired Pac Machine Company ("Pac Machine"), a leading distributor specializing in the sale, rental and service of pumps, generators, and other dewatering equipment for mining, construction, agriculture, energy and marine sectors. The acquisition strengthens the Company's presence in Northern California and Nevada, while providing synergy opportunities. The total fair value of consideration transferred was $63 million ($59 million net of cash), of which $54 million ($50 million, net of cash) was paid at closing. The remaining consideration of $9 million will be paid over the next four years, subject to working capital and other customary adjustments. As a result of purchase price allocation, we provisionally recognized $19 million of intangible assets, and $34 million of goodwill, subject to future measurement period adjustments. Our consolidated financial statements include Pac Machine's results of operations within the Water Solutions and Services segment.

EMX Holdings, Inc.

On July 23, 2025, we acquired 100% ownership interest in EMX Holdings, Inc. and its subsidiary ("EnviroMix"). EnviroMix is headquartered in South Carolina, U.S., and provides mixing and process control products and services to municipal and industrial customers. This acquisition expands the Company's treatment offerings and provides synergy opportunities. The operating results of EnviroMix have been included in the Company's results of operations since the acquisition date within the Water Infrastructure segment.

The total fair value of consideration transferred was $106 million, which was paid in cash on closing date, subject to final closing working capital and other ordinary adjustments. The fair value of assets and liabilities acquired resulting from the preliminary purchase price allocation consisted primarily of $76 million in goodwill and $34 million for customer relationships and other identifiable intangible assets. The preliminary estimates of fair value of EnviroMix’s identifiable intangible assets were valued using the multi-period excess earnings method (“MEEM”), the relief from royalty (“RFR”) method, or the with and without method, all of which are forms of the income approach. The amount of goodwill recognized in the acquisition is not deductible for U.S. income tax purposes and is primarily attributable to management know-how and costs and revenue synergies expected from combining the operations of EnviroMix with Xylem.

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

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 $8 million, reflecting the impact of the final working capital adjustment. The loss is presented on our Consolidated Income Statements within "Loss on sale of businesses" in the year ended December 31, 2025.

The Company also completed certain other divestitures, which generated aggregate cash proceeds of approximately $1 million.

2025 Assets Held For Sale

On September 27, 2025, the Company signed an agreement to sell the international metering business, a part of the Measurement and Control Solutions segment, within one year. The international metering business offers a portfolio of water and heat meters for residential, commercial, and industrial applications. As a result, assets and liabilities of the business were reclassified as held for sale.

During the year ended December 31, 2025, the Company recorded a loss on assets held for sale of $23 million because the carrying value of the international metering business is greater than its estimated fair value less its cost to sell. The loss is presented within "Loss on sale of businesses" on our Consolidated Income Statements.

2024 Business Combination

Global Omnium Idrica, S.L.

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

On December 10, 2024, we acquired an additional 35.9% equity interest in Idrica for $154 million ($150 million, net of cash received) by exercising our call right and now hold an aggregate ownership interest of 61.0% in Idrica. 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 (“ASC 805”). 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.

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 which 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 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	7
Goodwill	520
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	(40)
Other non-current accrued liabilities	(3)
Total	**$ 637**

The above fair values of assets acquired and liabilities assumed were determined using the income and cost approaches.

Our revenue and net loss attributable to the Idrica acquisition for the years ended December 31, 2025 and 2024 were not material. The $520 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 fair value of Idrica's identifiable intangible assets were determined using a combination of the income and cost approaches. The fair value measurements were primarily based on significant inputs that are not observable in the market and thus, represent a Level 3 measurement of the fair value hierarchy as defined in ASC 820, Fair Value Measurements. Intangible assets consisting of the customer relationships, backlog, and trade name were valued using the multi-period excess earnings method ("MEEM") or the relief from royalty ("RFR") method, both of which are forms of the income approach. The intangible asset related to Idrica's developed technology was valued using the replacement cost approach.
- The customer and backlog intangible assets were valued using the MEEM. The MEEM is an approach where the net earnings attributable to the asset being measured are isolated from other "contributory assets" over the intangible asset's remaining economic life.

- The trade name intangible asset was valued using the RFR method. The RFR method suggests that in lieu of ownership, the acquirer can obtain comparable rights to use the subject asset via a license from a hypothetical third-party owner. The asset's fair value is the present value of license fees avoided by owning it (i.e., the royalty savings).
- The developed technology intangible asset was valued using the replacement cost approach. The replacement cost approach is a valuation method that relies on estimating the replacement costs of assets based on the principle that an asset would not be purchased for a price higher than the cost to replace it with an asset of comparable utility.

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

Heusser

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

Note 4. Revenue

Disaggregation of Revenue

The following table illustrates the sources of revenue:

(in millions)	Year Ended December 31, 2025	2024	2023
Revenue from contracts with customers	**$ 8,720**	**$ 8,273**	$ 6,963
Lease Revenue	**315**	**289**	401
Total	**$ 9,035**	$ 8,562	$ 7,364

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

(in millions)	Year Ended December 31, 2025	2024	2023
Water Infrastructure			
Transport	**$ 1,556**	$ 1,496	$ 1,421
Treatment	**1,080**	1,057	795
Applied Water			
Building Solutions	**1,037**	997	1,025
Industrial Water	**812**	796	828
Measurement and Control Solutions			
Smart Metering and Other	**1,726**	1,519	1,253
Analytics	**360**	352	358
Water Solutions and Services			
Capital and Other	**1,144**	1,081	804
Services	**1,005**	975	479
Total	**$ 8,720**	$ 8,273	$ 6,963

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

(in millions)	Year Ended December 31, 2025	2024	2023
Water Infrastructure			
United States	**$ 1,005**	$ 891	$ 744
Western Europe	**937**	914	822
Emerging Markets (a)	**477**	526	458
Other	**217**	222	192
Applied Water			
United States	**1,018**	942	970
Western Europe	**412**	398	401
Emerging Markets (a)	**286**	321	342
Other	**133**	132	140
Measurement and Control Solutions			
United States	**1,373**	1,267	1,042
Western Europe	**342**	282	282
Emerging Markets (a)	**197**	190	193
Other	**174**	132	94
Water Solutions and Services			
United States	**1,597**	1,570	916
Western Europe	**101**	101	105
Emerging Markets (a)	**235**	213	142
Other	**216**	172	120
Total	**$ 8,720**	$ 8,273	$ 6,963

(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 (b)
Balance at 1/1/2024	$ 263	$ 315
Additions, net	265	265
Revenue recognized from opening balance	—	(247)
Billings transferred to accounts receivable	(227)	—
Foreign currency and other	2	(11)
Balance at 1/1/2025	**$ 303**	**$ 322**
Additions, net	**382**	**251**
Revenue recognized from opening balance	**—**	**(280)**
Billings transferred to accounts receivable	**(185)**	**—**
Foreign currency and other	**10**	**(7)**
Balance at 12/31/2025	**$ 510**	**$ 286**

(a) Contract assets are included in either receivables or other non-current assets on the Consolidated Balance Sheets.
(b) Contract liabilities are included in either accrued and other current liabilities or other non-current liabilities on the 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 December 31, 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 $1,929 million. The Company elects to apply the practical expedient to exclude from this disclosure revenue related to performance obligations that are part of a contract whose original expected duration is less than one year.

Note 5. Restructuring and Asset Impairment Charges

From time to time, the Company will incur costs related to restructuring actions in order to optimize our cost base and more strategically position itself. During 2025, we incurred restructuring costs of $95 million. These charges were primarily related to actions taken to further streamline our organization through simplification efforts to strengthen our competitive positioning and our ability to better serve our customers.

During 2024, we incurred restructuring costs of $55 million. The charges incurred primarily related to strengthening our competitive positioning and the integration of Evoqua Water Technologies Corp. ("Evoqua").

During 2023, we incurred restructuring costs of $72 million. Approximately $27 million of the charges related to share-based compensation expense due to acceleration clauses in Evoqua's equity compensation agreements. Approximately $45 million of the charges represented the reduction of headcount related to the integration of Evoqua and other charges related to 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 charges were incurred across all of our segments.

The following table presents the components of restructuring expense and asset impairment charges incurred during each of the previous three years:

(in millions)	Year Ended December 31, 2025	2024	2023
By component:			
Severance and other charges	**$ 92**	$ 41	$ 70
Asset impairment	**5**	19	3
Reversal of restructuring accruals	**(2)**	(5)	(1)
Total restructuring costs	**95**	55	72
Asset impairment charges	**8**	7	4
Total restructuring and asset impairment charges	**$ 103**	$ 62	$ 76
By segment:			
Water Infrastructure	**$ 57**	$ 23	$ 13
Applied Water	**23**	6	7
Measurement and Control Solutions	**12**	2	14
Water Solutions and Services	**9**	29	7
Corporate and Other	**2**	2	35

Restructuring

The following table displays a roll-forward of the restructuring accruals, presented on our Consolidated Balance Sheets within "accrued and other current liabilities" and "other non-current accrued liabilities," for the years ended December 31, 2025 and 2024:

(in millions)	2025	2024
Restructuring accruals - January 1	**$ 25**	$ 24
Restructuring costs	**95**	55
Cash payments	**(82)**	(32)
Asset impairment	**(5)**	(19)
Share based compensation expense included within AOCL	**—**	(2)
Foreign currency and other	**1**	(1)
Restructuring accruals - December 31	**$ 34**	$ 25
By segment:		
Water Infrastructure	**$ 9**	$ 4
Applied Water	**1**	3
Measurement and Control Solutions	**4**	3
Water Solutions and Services	**3**	4
Centralized support facilities (a)	**17**	9
Corporate and other	**—**	2

(a) Centralized support facilities consist primarily of support functions, including selling and marketing organizations, that incurred restructuring expense which was allocated to the segments. However, the liabilities associated with restructuring expense were not allocated to the segments.

The following table presents the total costs expected to be incurred, the amount incurred in the period, and the cumulative costs incurred to date for our 2025, 2024 and 2023 restructuring actions:

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Corporate	Total
Actions Commenced in 2025:						
Total expected costs	$ 75	$ 30	$ 17	$ 11	$ 9	$ 142
Costs incurred during 2025	55	23	9	6	—	93
Total expected costs remaining	**$ 20**	**$ 7**	**$ 8**	**$ 5**	**$ 9**	**$ 49**
Actions Commenced in 2024:						
Total expected costs	$ 15	$ 5	$ 1	$ 28	$ 1	$ 50
Costs incurred during 2024	14	5	1	28	1	49
Costs incurred during 2025	1	—	—	—	—	1
Total expected costs remaining	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Actions Commenced in 2023:						
Total expected costs	$ 19	$ 7	$ 12	$ 8	$ 35	$ 81
Costs incurred during 2023	13	6	10	7	35	71
Costs incurred during 2024	6	1	(2)	1	—	6
Costs incurred during 2025	—	—	1	—	—	1
Total expected costs remaining	**$ —**	**$ —**	**$ 3**	**$ —**	**$ —**	**$ 3**

The actions commenced in 2025 consist primarily of severance. During 2025, the Company also recorded ROU asset and fixed asset impairment charges of $3 million within our Water Infrastructure segment and $2 million within our Measurement and Control Solutions segment due to these restructuring actions, which are expected to continue through the end of 2026.

The actions commenced in 2024 consist primarily of severance charges. During 2024, as a result of these restructuring actions, the Company also recorded $16 million in impairment charges primarily related to customer relationships and trademarks and $3 million in fixed asset impairment charges within our Water Solutions and Services segment. Refer to Note 12, "Goodwill and Other Intangible Assets," for additional information on the impairment of intangible assets. These actions were substantially completed in 2025.

The actions commenced in 2023 consist primarily of severance charges. We also recorded fixed asset impairment charges of $3 million within our Applied Water segment. The actions within Measurement and Control Solutions are expected to continue through the end of 2027.

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

Asset Impairment

During 2025, we recognized $1 million, $2 million, $3 million, and $2 million of impairment charges for internally developed software and software assets, respectively, across our Water Infrastructure, Measurement and Control Solutions, Water Solutions and Services segments, as well as within Corporate and other.

During 2024, we recognized an impairment charge of $3 million and $3 million related to certain leases and leasehold improvements within our Measurement and Control Solutions and Water Infrastructure segments, respectively. We also recognized $1 million impairment charge for internally developed software within Corporate and other.

During 2023, we recorded impairment charges of $3 million for internally developed in-process software and $1 million for certain fixed assets within our Measurement and Control Solutions segment.

Note 6. Other Non-Operating Income, Net

The components of other non-operating income, net are as follows:

(in millions)	Year Ended December 31, 2025	2024	2023
Interest income	**$ 27**	$ 28	$ 28
Pension and other postretirement benefit expense	**(7)**	(4)	(3)
Income (expense) from equity method investments	**2**	(4)	—
Other (expense) income – net	**(4)**	(4)	8
Total other non-operating income, net	**$ 18**	$ 16	$ 33

Note 7. Income Taxes

The source of pre-tax income and the components of income tax expense are as follows:

(in millions)	Year Ended December 31, 2025	2024	2023
Income components:			
Domestic	**$ 695**	$ 471	$ 123
Foreign	**486**	616	512
Total pre-tax income	**$ 1,181**	$ 1,087	$ 635
Income tax expense (income) components:			
Current:			
Domestic – federal	**$ 122**	$ 108	$ (4)
Domestic – state and local	**36**	35	23
Foreign	**108**	90	86
Total Current	**$ 266**	$ 233	$ 105
Deferred:			
Domestic – federal	**$ (30)**	$ (38)	$ (49)
Domestic – state and local	**(7)**	(11)	(8)
Foreign	**2**	13	(22)
Total Deferred	**(35)**	(36)	(79)
Total income tax provision	**$ (231)**	$ (197)	$ (26)
Effective income tax rate	**19.5 %**	18.1 %	4.1 %

Reconciliations between taxes at the U.S. federal statutory tax rate and taxes at our effective income tax rate on earnings before income taxes are as follows:

(in millions)	Year Ended December 31, 2025	
U.S. federal statutory tax rate	$ 248	21.0 %
State & local income tax, net of federal benefit (NOFB)	21	1.8 % (a)
Foreign tax effects		
Switzerland		
Statutory tax rate difference between Switzerland and U.S.	(28)	(2.4)%
Effect of cantonal and communal income taxes	9	0.7 %
Other adjustments	(3)	(0.3)%
Luxembourg		
Changes in valuation allowances	17	1.5 %
Tax effect of internal reorganization	(18)	(1.5)%
Other adjustments	3	0.3 %
Malta		
Notional interest deduction	(19)	(1.6)%
Notional interest carryforward	(36)	(3.1)%
Changes in valuation allowances	36	3.1 %
Other adjustments	3	0.2 %
Other foreign jurisdictions	26	2.2 %
Effect of cross-border tax laws		
Foreign exchange on repatriations	13	1.1 %
Other adjustments	(5)	(0.4)%
Tax credits	(10)	(0.9)%
Changes in valuation allowances	2	0.2 %
Nontaxable or nondeductible items	4	0.3 %
Changes in unrecognized tax benefits	4	0.3 %
Other adjustments		
Deferred tax effects of internal reorganization	(42)	(3.6)% (b)
Other adjustments	6	0.6 %
Effective income tax rate	$ 231	19.5 %

(a) State and local taxes in California, Florida, Texas, Minnesota, New York, and Pennsylvania made up the majority (greater than 50 percent) of the tax effect in this category

(b) $42 million benefit reflects a one-time deferred tax benefit recorded in connection with an internal reorganization executed during the year.

	Year Ended December 31,	
	2024	2023
Tax provision at U.S. statutory rate	21.0 %	21.0 %
Increase (decrease) in tax rate resulting from:		
State income taxes	1.8	1.7
Uncertain tax positions	—	(9.9)
U.S. tax on foreign earnings	1.2	2.5
Tax incentives	(1.3)	(2.6)
Valuation allowance	1.7	(5.8)
Gain on remeasurement of previously held equity interest	(3.0)	—
Rate change	(0.6)	(2.0)
Federal R&D tax credit	(0.6)	(0.5)
Stock compensation	(0.7)	(0.6)
U.S. foreign derived intangible income tax benefit	(0.6)	(0.7)
Tax on distribution of foreign earnings	1.0	—
Non-deductible compensation	0.4	1.2
Other tax credits	(0.2)	(1.8)
Other – net	(2.0)	1.6
Effective income tax rate	18.1 %	4.1 %

Income taxes paid (net of refunds) for the years ended December 31 are as follows:

(in millions)	Year Ended December 31,		
Jurisdiction	**2025**	2024	2023
Federal	**$ 135**	$ 79	$ 114
State & Local	**37**	32	29
Foreign			
Netherlands	**— (a)**	14	— (a)
Switzerland	**14**	24	11
United Kingdom	**— (a)**	12	— (a)
All other foreign jurisdictions	**81**	58	57
Total Taxes Paid	**$ 267**	$ 219	$ 211

(a) Amounts for these jurisdictions in 2025 and 2023 fall below the 5% threshold and are not required to be disclosed under ASU 2023-09.

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates in effect for the year in which we expect the differences will reverse.

The following is a summary of the components of the net deferred tax assets and liabilities recognized in the Consolidated Balance Sheets:

	December 31,	
(in millions)	**2025**	2024
Deferred tax assets:		
Employee benefits	**$ 58**	$ 77
Accrued expenses	**49**	52
Loss and other tax credit carryforwards	**333**	236
R&D capitalization	**68**	57
Inventory	**4**	3
Lease Liabilities	**95**	73
Hedging instruments	**77**	2
Other	**31**	11
Total deferred tax assets	**715**	511
Valuation allowance	**(290)**	(189)
Net deferred tax asset	**$ 425**	$ 322
Deferred tax liabilities:		
Intangibles	**$ 482**	$ 501
Investment in foreign subsidiaries	**10**	6
Property, plant and equipment	**103**	105
Lease right-of-use assets	**91**	70
Hedging Instruments	**1**	7
Other	**2**	5
Total deferred tax liabilities	**$ 689**	$ 694

Management assesses all available positive and negative evidence, including prudent and feasible tax planning strategies, and estimates if sufficient future taxable income will be generated to realize existing deferred tax assets. On the basis of this evaluation, as of December 31, 2025, a valuation allowance of $290 million has been established to reduce the deferred income tax asset related to certain U.S. and foreign net operating losses and U.S. and foreign capital loss carryforwards.

A reconciliation of the change in valuation allowance on deferred tax assets is as follows:

(in millions)	**2025**	2024	2023
Valuation allowance — January 1	**$ 189**	$ 179	$ 204
Change in assessment (a)	**(4)**	—	(47)
Current year operations	**57**	22	12
Other comprehensive income	**3**	1	1
Foreign currency and other (b)	**45**	(12)	5
Acquisitions	**—**	(1)	4
Valuation allowance — December 31	**$ 290**	$ 189	$ 179

(a) Decrease in valuation allowance in 2025 and 2023 is primarily attributable to changes in realization on deferred tax assets in various foreign jurisdictions.

(b) Increase in 2025 and decrease in 2024 in valuation allowance is primarily attributed to foreign exchange movement impacting foreign balances.

Deferred taxes are classified in the Consolidated Balance Sheets as follows:

(in millions)	December 31, 2025	2024
Non-current assets	**$ 141**	$ 125
Non-current liabilities	**(405)**	(497)
Total net deferred tax liabilities	**$ (264)**	$ (372)

Tax attributes available to reduce future taxable income begin to expire as follows:

(in millions)	December 31, 2025	First Year of Expiration
U.S. net operating loss	$ 2	December 31, 2026
U.S. tax credits	7	December 31, 2032
State net operating loss	99	December 31, 2026
State excess interest expense	26	Indefinite
Foreign net operating loss	1,359	December 31, 2026
Foreign tax credits	5	December 31, 2030

Unrecognized Tax Benefits

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities or upon the completion of the litigation process, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions)	2025	2024	2023
Unrecognized tax benefits — January 1	**$ 37**	$ 35	$ 102
Gross Increases - Current year tax positions	**6**	3	2
Gross Increases - Prior year tax positions	**6**	1	4
Gross Decreases - Prior year tax positions	**(1)**	(1)	(75)
Acquisitions	**—**	4	2
Settlements	**—**	(2)	—
Lapse of Statute of Limitations	**—**	(3)	—
Currency Translation Adjustment	**1**	—	—
Unrecognized tax benefits — December 31	**$ 49**	$ 37	$ 35

The amount of unrecognized tax benefits at December 31, 2025, which, if ultimately recognized, will reduce our effective tax rate, is $49 million. Changes in tax laws, regulations, administrative practices, principles, and interpretations may impact our unrecognized tax benefits. The timing of the resolution of income tax controversies is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next twelve months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax controversies in one or more jurisdictions. These assessments or settlements could result in changes to our unrecognized tax benefits related to positions on prior years' tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes.

We classify interest relating to unrecognized tax benefits as a component of other non-operating (expense) income, net and tax penalties as a component of income tax expense in our Consolidated Income Statements. The amount of accrued interest relating to unrecognized tax benefits as of December 31, 2025 and 2024 was $9 million and $7 million, respectively.

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 $91 million USD), consisting of the full tax assessment amount plus penalties and interest. Xylem has appealed this decision with the intermediate appellate court, the Administrative Court of Appeal, 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 December 2025, the trial court issued a ruling on the remanded issue in Xylem's favor. The STA has appealed this ruling to the Administrative Court of Appeal. 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 December 31, 2025, we have not recorded any unrecognized tax benefits related to this uncertain tax position.

The following table summarizes our earliest open tax years by major jurisdiction:

Jurisdiction	Earliest Open Year
Italy	2020
Luxembourg	2021
Sweden	2013
Germany	2016
United Kingdom	2021
United States	2017
Switzerland	2019

Note 8. Earnings Per Share

The following is a reconciliation of the shares used in calculating basic and diluted EPS:

	Year Ended December 31,		
	2025	2024	2023
Net income attributable to Xylem (in millions)	**$ 957**	$ 890	$ 609
Shares (in thousands):			
Weighted average common shares outstanding	**243,345**	242,557	216,982
Add: Participating securities (a)	**21**	26	30
Weighted average common shares outstanding — Basic	**243,366**	242,583	217,012
Plus incremental shares from assumed conversions: (b)			
Dilutive effect of stock options	**345**	526	768
Dilutive effect of restricted stock units and performance share units	**283**	412	400
Weighted average common shares outstanding — Diluted	**243,994**	243,521	218,180
Basic earnings per share	**$ 3.93**	$ 3.67	$ 2.81
Diluted earnings per share	**$ 3.92**	$ 3.65	$ 2.79

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

(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 are included in the treasury stock calculation of diluted earnings per share based upon achievement of underlying performance and market conditions at the end of the reporting period, as applicable. See Note 17, "Share-Based Compensation Plans," for further detail on the performance share units.

	Year Ended December 31,		
(in thousands)	**2025**	2024	2023
Stock options	**908**	951	1,703
Restricted stock units	**350**	404	566
Performance share units	**160**	262	289

Note 9. Inventories

The components of total inventories are summarized as follows:

	December 31,	
(in millions)	**2025**	2024
Finished goods	**$ 342**	$ 341
Work in process	**100**	100
Raw materials	**541**	555
Total inventories	**$ 983**	$ 996

Note 10. Property, Plant and Equipment

The components of total property, plant and equipment, net are as follows:

(in millions)	December 31, 2025	2024
Land, buildings and improvements	**$ 512**	$ 477
Machinery and equipment	**1,529**	1,342
Equipment held for lease or rental	**344**	328
Furniture and fixtures	**162**	150
Construction work in progress	**175**	228
Other	**75**	61
Total property, plant and equipment, gross	**2,797**	2,586
Less accumulated depreciation	**1,638**	1,434
Total property, plant and equipment, net	**$ 1,159**	$ 1,152

Depreciation expense related to property, plant and equipment was $231 million, $230 million, and $177 million for 2025, 2024, and 2023, respectively.

Note 11. Leases

Leasing Arrangements

We lease certain offices, manufacturing buildings, transportation equipment, machinery, computers and other equipment. Our most significant lease liabilities relate to real estate leases. These leases include renewal, termination or purchase options, and we have assessed these to determine whether it is reasonably certain for us to exercise any of the previously mentioned options. All periods relating to options that are reasonably certain to be exercised have been included in the lease term of the respective leases.

We evaluated whether any events or conditions during the 12-month period ended December 31, 2025 to indicate that a reassessment or re-measurement of our existing leases was required. As a result, we recognized a ROU asset impairment of approximately $1 million for the 12-month period ended December 31, 2025 due to strategic decisions to close certain locations and to impair office locations that were no longer being used as intended or weren't able to be subleased.

Our current operating lease liabilities of $87 million and $82 million are included in "accrued and other current liabilities" as of December 31, 2025 and 2024, respectively. Our non-current operating lease liabilities of $321 million and $242 million are included in "Other non-current accrued liabilities" as of December 31, 2025 and 2024, respectively. Our net operating lease ROU asset balances of $391 million and $309 million are included in "other non-current assets" as of December 31, 2025 and 2024, respectively.

Our current finance lease liabilities of $34 million and $27 million are included in accrued and other current liabilities as of December 31, 2025 and 2024, respectively. Our non-current finance lease liabilities of $91 million and $76 million are included in "other non-current accrued liabilities" as of December 31, 2025 and 2024, respectively. Our net finance lease ROU asset balances of $118 million and $97 million are included in "other non-current assets" as of December 31, 2025 and 2024, respectively.

(in millions)	Year Ended December 31, 2025	2024	2023
Lease cost			
Finance lease cost:			
Depreciation of ROU assets	**$ 36**	$ 28	$ 16
Interest on lease liabilities	**6**	4	2
Operating lease cost	**111**	106	96
Short-term lease cost	**3**	3	4
Variable lease cost	**30**	30	23
Total lease cost	**$ 186**	$ 171	$ 141

The supplemental cash flow information related to leases are as follows:

(in millions)	Year Ended December 31, 2025	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from finance leases	**$ 5**	$ 4	$ 2
Operating cash flows from operating leases	**$ 108**	$ 103	$ 92
Financing cash flows from finance leases	**$ 33**	$ 24	$ 14
Right-of-use assets obtained in exchange for lease obligations:			
Finance leases	**$ 48**	$ 38	$ 34
Operating leases	**$ 147**	$ 57	$ 74

Information relating to the lease term and discount rate are as follows:

	Year Ended December 31, 2025	2024
Weighted-average remaining lease term (years)		
Operating leases	**7 Years**	5 Years
Finance leases	**4 Years**	4 Years
Weighted-average discount rate		
Operating leases	**4.0%**	3.5%
Finance leases	**4.7%**	4.5%

As of December 31, 2025, the maturities of finance lease liabilities were as follows:

(in millions)	
2026	$ 39
2027	35
2028	27
2029	20
2030	11
Thereafter	5
Total lease payments	137
Less: Imputed interest	(12)
Total	$ 125

As of December 31, 2025, the maturities of operating lease liabilities were as follows:

(in millions)	
2026	$ 101
2027	86
2028	69
2029	50
2030	36
Thereafter	133
Total lease payments	475
Less: Imputed interest	(67)
Total	$ 408

Lessor arrangements

Our gross assets available for rent were $360 million and $328 million as of December 31, 2025 and 2024, respectively. The accumulated depreciation related to our gross assets was $221 million and $193 million as of December 31, 2025 and 2024, respectively. Depreciation expense for these assets was $42 million, $38 million and $58 million for the 12 month period ended December 31, 2025, 2024 and 2023, respectively. Total revenue from lease arrangements was $315 million, $289 million and $401 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Note 12. Goodwill and Other Intangible Assets

As a result of the change in reportable segments disclosed in Note 1, "Summary of Significant Accounting Policies," goodwill was reallocated amongst segments. This reallocation and changes in the carrying value of goodwill by reportable segment during the years ended December 31, 2025 and 2024 are as follows:

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance as of December 31, 2023	$ 2,434	$ 895	$ 1,739	$ 2,519	$ 7,587
Reallocation	(287)	—	(64)	351	—
Balance as of January 1, 2024	2,147	895	1,675	2,870	7,587
Activity in 2024					
Acquisitions (a)	15	—	521	1	537
Foreign currency and other	(64)	(11)	(33)	(36)	(144)
Balance as of December 31, 2024	$ 2,098	$ 884	$ 2,163	$ 2,835	$ 7,980
Activity in 2025					
Acquisitions (a)	**76**	**—**	**—**	**38**	**114**
Reclassification to assets held for sale (b)	**—**	**—**	**(20)**	**—**	**(20)**
Foreign currency and other	**90**	**21**	**127**	**20**	**258**
Balance as of December 31, 2025	**$ 2,264**	**$ 905**	**$ 2,270**	**$ 2,893**	**$ 8,332**

(a) See Note 3, "Acquisitions and Divestitures," for additional information.

(b) Relates to reclassification of goodwill allocated for the International Metering Business divestiture. See Note 3, "Acquisitions and Divestitures," for additional information.

As of December 31, 2025 and 2024, goodwill included accumulated impairment losses of $206 million, within the Water Solutions and Services segment.

The Company has applied the acquisition method of accounting in accordance with ASC 805 and recognized assets acquired and liabilities assumed at their fair value as of the date of acquisition, with the excess purchase consideration recorded to goodwill. We have allocated goodwill to segments of the Company that are expected to benefit from the synergies of the acquisitions.

During the fourth quarter of 2025, we performed our annual impairment assessment and determined that the estimated fair values of our goodwill reporting units were in excess of each of their carrying values. However, future goodwill impairment tests could result in a charge to earnings. We will continue to evaluate goodwill on an annual basis as of the beginning of our fourth quarter and whenever events and changes in circumstances indicate there may be a potential impairment.

During the second quarter of 2025, the Company modified its reporting unit structure in connection with changes in how management monitors and evaluates the business. Prior to this change, the Water Infrastructure segment consisted of a single reporting unit, and the Water Solutions and Services segment consisted of three reporting units: Integrated Solutions and Services, Dewatering, and Assessment Services. Following the reorganization, the Water Infrastructure segment is comprised of two reporting units—Transport and Treatment—and the Water Solutions and Services segment is comprised of two reporting units—Water Solutions and Services excluding Dewatering and Dewatering.

As a result of the change in reporting units, the Company reassigned goodwill to the affected reporting units using a relative fair value allocation methodology. The change in reporting units constituted a triggering event under ASC 350, "Intangibles—Goodwill and Other," requiring the Company to perform an interim goodwill impairment test for the impacted reporting units prior to the reassignment. No impairment was identified as a result of this testing.

Other Intangible Assets

Information regarding our other intangible assets is as follows:

	December 31, 2025			December 31, 2024		
(in millions)	**Carrying Amount**	**Accumulated Amortization**	**Net Intangibles**	Carrying Amount	Accumulated Amortization	Net Intangibles
Customer and distributor relationships	**$ 2,180**	**$ (688)**	**$ 1,492**	$ 2,151	$ (576)	$ 1,575
Proprietary technology and patents	**430**	**(185)**	**245**	360	(138)	222
Trademarks	**183**	**(126)**	**57**	182	(107)	75
Software (a)	**644**	**(431)**	**213**	595	(367)	228
Other	**153**	**(56)**	**97**	194	(79)	115
Indefinite-lived intangibles	**168**	**—**	**168**	164	—	164
Other intangibles	**$ 3,758**	**$ (1,486)**	**$ 2,272**	$ 3,646	$ (1,267)	$ 2,379

(a) Includes capitalized software developed as a product or service offered directly to external customers. As of December 31, 2025 and 2024, we had net capitalized software used in sales and services to external customers of $175 million and $185 million, respectively.

We determined that no impairment of the indefinite-lived intangibles existed as of the measurement date of our impairment assessment in 2025. Future impairment tests could result in a charge to earnings. We will continue to evaluate the indefinite-lived intangible assets on an annual basis as of the beginning of our fourth quarter and whenever events and changes in circumstances indicate there may be a potential impairment.

During 2025, we recognized $1 million in impairment charges for internally developed software within our Water Infrastructure segment, $2 million within our Measurement and Control Solutions segment and $3 million within our Water Solutions and Services segment. We also recognized a $2 million impairment charge for software within Corporate and other.

During 2024, we recognized $13 million in impairment charges primarily related to customer relationships and trademarks due to restructuring actions within our Water Solutions and Services segment. We also recognized a $1 million impairment charge for internally developed software within Corporate and other.

During 2023, we recognized $3 million in impairment charges, primarily related to software within our Measurement and Control Solutions segment.

The asset impairment charges above were calculated using an income approach, which is considered a Level 3 input for fair value measurement.

Customer and distributor relationships, proprietary technology and patents, trademarks, software and other are amortized over weighted average lives of approximately 16 years, 8 years, 11 years, 10 years and 8 years, respectively.

Total amortization expense for intangible assets was $308 million, $304 million, and $243 million for 2025, 2024 and 2023, respectively.

Estimated amortization expense for each of the five succeeding years is as follows:

(in millions)	
2026	$ 293
2027	260
2028	241
2029	216
2030	195
Thereafter	899

Note 13. 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 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 relate to the Euro, Swedish Krona, Canadian Dollar, Polish Zloty, British Pound and Australian Dollar. We had foreign exchange contracts with purchase notional amounts totaling $759 million and $657 million as of December 31, 2025 and 2024, respectively. As of December 31, 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 $275 million, $226 million, $119 million, $44 million, $37 million, $33 million, and $25 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

We have foreign currency exposure to fluctuations in the Euro-U.S. Dollar exchange rate due to our net investment in foreign operations. We use cross-currency swaps to partially mitigate the impact of the Euro currency rate changes on the Company's Euro-denominated net investments. The Company's cross-currency swaps are designated as net investment hedges. The total notional amount of derivative instruments designated as net investment hedges was $3,171 million and $2,181 million as of December 31, 2025 and 2024, respectively.

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

	Year Ended December 31,		
(in millions)	**2025**	2024	2023
Derivatives in Cash Flow Hedges			
Foreign Exchange Contracts			
Amount of gain/(loss) recognized in OCI/L	**$ 35**	$ (17)	$ (2)
Amount of (gain)/loss reclassified from OCI/L into Revenue	**(4)**	1	3
Amount of (gain)/loss reclassified from OCI/L into Cost of revenue	**(5)**	1	4
Derivatives in Net Investment Hedges			
Cross-Currency Swaps			
Amount of (loss)/gain recognized in OCI/L	**$ (344)**	$ 62	$ (121)
Amount of income recognized in Interest expense	**42**	32	30

As of December 31, 2025, $9 million of net gain on cash flow hedges are expected to be reclassified into earnings in the next 12 months.

As of December 31, 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:

	December 31,	
(in millions)	**2025**	2024
Derivatives designated as hedging instruments		
Assets		
Cash Flow Hedges		
Prepaid and other current assets	**$ 7**	$ 3
Net Investment Hedges		
Other non-current assets	**$ —**	$ 50
Liabilities		
Cash Flow Hedges		
Accrued and other current liabilities	**$ (2)**	$ (15)
Net Investment Hedges		
Other non-current accrued liabilities	**$ (317)**	$ (30)

Note 14. Current Liabilities

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

(in millions)	December 31, 2025	2024
Compensation and other employee-benefits	**$ 371**	$ 409
Customer-related liabilities	**370**	384
Accrued taxes	**207**	201
Lease liabilities	**121**	109
Accrued warranty costs	**43**	43
Accrued restructuring liabilities	**34**	25
Other accrued liabilities	**91**	100
Total accrued and other current liabilities	**$ 1,237**	$ 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 45-180 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 $244 million and $250 million as of December 31, 2025 and 2024, respectively.

The table below provides changes in the confirmed obligations outstanding related to our supplier financing programs over the year December 31, 2025:

(in millions)	2025
Confirmed obligations outstanding – January 1	**$ 250**
Invoices confirmed	**1,042**
Confirmed invoices paid	**(1,053)**
Foreign currency and other	**5**
Confirmed obligations outstanding – December 31	**$ 244**

Note 15. Credit Facilities and Debt

Total debt outstanding is summarized as follows:

(in millions)	December 31, 2025	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	**27**	106
Other	**27**	25
Debt issuance costs and unamortized discount (b)	**(12)**	(15)
Total debt	**$ 1,942**	$ 2,016
Less: short-term borrowings and current maturities of long-term debt	**534**	38
Total long-term debt	**$ 1,408**	$ 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 $497 million and $488 million as of December 31, 2025 and 2024, respectively. The fair value of our Senior Notes due 2028 was $480 million and $459 million as of December 31, 2025 and 2024, respectively. The fair value of our Senior Notes due 2031 was $454 million and $427 million as of December 31, 2025 and 2024 respectively. The fair value of our Senior Notes due 2046 was $340 million and $327 million as of December 31, 2025 and 2024, respectively.

(b) 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.

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 December 31, 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 December 31, 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. 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 December 31, 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 December 31, 2025.

Term Loan Facility

On May 9, 2023, the Company’s subsidiary, Xylem Europe GmbH (the “Borrower”) entered into a 24-month €250 million (approximately $278 million) term loan facility (the “Term Facility”) the terms of which are set forth in a term loan agreement, among the Borrower, the Company, as parent guarantor and ING Bank. The Company has entered into a parent guarantee in favor of ING Bank also dated May 9, 2023 to secure all present and future obligations of the borrower under the Term Loan Agreement. The net cash proceeds were used to repay a portion of Evoqua’s indebtedness pursuant to the Merger Agreement.

On April 19, 2024 our Term Loan Facility was settled with cash on hand for a total of €250 million ($268 million).

Equipment Financings

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 December 31, 2025 and 2024, the gross and net amounts of those assets are included on the Consolidated Balance Sheets as follows:

	December 31, 2025		December 31, 2024	
(in millions)	Gross	Net	Gross	Net
Property, plant, and equipment, net	**$ 9**	**$ 2**	$ 73	$ 61
Receivables, net	**1**	**1**	3	3
Prepaid and other current assets	**—**	**—**	5	5
Other non-current assets	**—**	**—**	101	100
	$ 10	**$ 3**	$ 182	$ 169

As of December 31, 2025, the future maturities of our debt were as follows:

(in millions)	Maturity
2026	$ 534
2027	11
2028	508
2029	1
2030	—
Thereafter	900
Total Future Maturities	$ 1,954
Debt issuance costs and unamortized discount (a)	(12)
Total	$ 1,942

(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 December 31, 2025 and 2024, none of the Company's $600 million U.S. Dollar commercial paper program was outstanding. We have the ability to continue borrowing under this program going forward in future periods.

Euro Commercial Paper Program

On June 3, 2019, Xylem entered into a Euro commercial paper program with Citigroup, 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 $589 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 December 31, 2025 and 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 16. Post-retirement Benefit Plans

Defined contribution plans – Xylem and certain of our subsidiaries maintain various defined contribution savings plans, which allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with specified guidelines. Several of the plans require us to match a percentage of the employee contributions up to certain limits, generally between 3.0% – 7.0% of employee eligible pay. Matching obligations, the majority of which were funded in cash in connection with the plans, and other company contributions are as follows:

(in millions)	Defined Contribution
2025	**$ 86**
2024	84
2023	74

The Xylem Stock Fund, an investment option under the defined contribution plan in which Company employees participate, is considered an Employee Stock Ownership Plan. As a result, participants in the Xylem Stock Fund may receive dividends in cash or may reinvest such dividends into the Xylem Stock Fund. Company employees held approximately 184 thousand and 204 thousand shares of Xylem Inc. common stock in the Xylem Stock Fund at December 31, 2025 and 2024, respectively.

Defined benefit pension plans and other post-retirement plans – We historically have maintained qualified and non-qualified defined benefit retirement plans covering certain current and former employees, including hourly and union plans as well as salaried plans, which generally require up to 5 years of service to be vested and for which the benefits are determined based on years of credited service and either specified rates, final pay, or final average pay. The other post-retirement benefit plans are all unfunded plans in the U.S. and Canada.

During 2025 and 2024, no plan amendments had a material impact to the Company's financial statements.

Amounts recognized in the Consolidated Balance Sheets for pension and other employee-related benefit plans (collectively, "Post-retirement Plans") reflect the funded status of the post-retirement benefit plans. The following table provides a summary of the funded status of our Post-retirement Plans, the presentation of such balances and a summary of amounts recorded within AOCL:

(in millions)	December 31, 2025			December 31, 2024		
	Pension	**Other**	**Total**	Pension	Other	Total
Fair value of plan assets	**$ 338**	**$ —**	**$ 338**	$ 301	$ —	$ 301
Projected benefit obligation	**(583)**	**(31)**	**(614)**	(533)	(31)	(564)
Funded status	**$ (245)**	**$ (31)**	**$ (276)**	$ (232)	$ (31)	$ (263)
Amounts recognized in the Consolidated Balance Sheets						
Other non-current assets	**$ 71**	**$ —**	**$ 71**	$ 56	$ —	$ 56
Accrued and other current liabilities	**(14)**	**(3)**	**(17)**	(12)	(3)	(15)
Accrued post-retirement benefit obligations	**(289)**	**(28)**	**(317)**	(276)	(28)	(304)
Liabilities held for sale	**(13)**	**—**	**(13)**	—	—	—
Net amount recognized	**$ (245)**	**$ (31)**	**$ (276)**	$ (232)	$ (31)	$ (263)
Accumulated other comprehensive loss:						
Net actuarial losses	**$ (39)**	**$ (8)**	**$ (47)**	$ (60)	$ (8)	$ (68)
Prior service credit	**(2)**	**—**	**(2)**	(2)	1	(1)
Total	**$ (41)**	**$ (8)**	**$ (49)**	$ (62)	$ (7)	$ (69)

The unrecognized amounts recorded in AOCL will be subsequently recognized as expense on a straight-line basis only to the extent they exceed 10% of the higher of the market-related value or the projected benefit obligation, over the average remaining service period of active participants, or for plans with all or substantially all inactive participants, over the average remaining life expectancy. Actuarial gains and losses incurred in future periods and not recognized as expense in those periods will initially be recognized as increases or decreases in other comprehensive income, net of tax.

The benefit obligation, fair value of plan assets, funded status, and amounts recognized in the consolidated financial statements for our defined benefit domestic and international pension plans were:

	Domestic Plans		International Plans	
	December 31,		December 31,	
(in millions)	**2025**	2024	**2025**	2024
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 92**	$ 99	**$ 441**	$ 483
Service cost	**2**	2	**10**	9
Interest cost	**5**	5	**17**	16
Benefits paid	**(8)**	(8)	**(18)**	(21)
Actuarial loss (gain) (a)	**4**	(6)	**(18)**	(10)
Plan amendments, settlements and curtailments	**—**	—	**(3)**	—
Foreign currency translation and other	**—**	—	**59**	(36)
Benefit obligation at end of year	**$ 95**	$ 92	**$ 488**	$ 441
Change in plan assets:				
Fair value of plan assets at beginning of year	**$ 85**	$ 86	**$ 216**	$ 210
Employer contributions	**3**	5	**20**	17
Actual return on plan assets	**8**	2	**19**	25
Benefits paid	**(8)**	(8)	**(18)**	(21)
Plan amendments, settlements and curtailments	**—**	—	**(2)**	—
Foreign currency translation and other	**—**	—	**15**	(15)
Fair value of plan assets at end of year	**$ 88**	$ 85	**$ 250**	$ 216
Unfunded status of the plans	**$ (7)**	$ (7)	**$ (238)**	$ (225)

(a) Actuarial gains for our qualified defined benefit pension plans in 2025 primarily reflect an increase in the discount rate in 2025 as compared to 2024, which decreased benefit obligations.

The following table provides a roll-forward of the projected benefit obligation for the other post-retirement employee benefit plans:

(in millions)	**2025**	2024
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 31**	$ 31
Interest cost	**2**	2
Benefits paid	**(3)**	(3)
Actuarial loss	**1**	1
Benefit obligation at the end of year	**$ 31**	$ 31

The accumulated benefit obligation (“ABO”) for all the defined benefit pension plans was $554 million and $518 million at December 31, 2025 and 2024, respectively.

For defined benefit pension plans in which the ABO was in excess of the fair value of the plans’ assets, the projected benefit obligation, ABO and fair value of the plans’ assets were as follows:

	December 31,	
(in millions)	**2025**	2024
Projected benefit obligation	**$ 468**	$ 437
Accumulated benefit obligation	**452**	425
Fair value of plan assets	**161**	149

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

(in millions)	Year Ended December 31, 2025	2024	2023
Domestic defined benefit pension plans:			
Service cost	**$ 2**	$ 2	$ 2
Interest cost	**5**	5	5
Expected return on plan assets	**(6)**	(6)	(6)
Amortization of net actuarial loss	**1**	1	—
Net periodic benefit cost	**$ 2**	$ 2	$ 1
International defined benefit pension plans:			
Service cost	**$ 10**	$ 9	$ 7
Interest cost	**17**	16	16
Expected return on plan assets	**(13)**	(13)	(11)
Amortization of net actuarial (gain) loss	**—**	—	(2)
Pension settlements and curtailments expense	**1**	—	—
Net periodic benefit cost	**$ 15**	$ 12	$ 10
Total net periodic benefit cost	**$ 17**	$ 14	$ 11

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

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss), as they pertain to our defined benefit pension plans are as follows:

(in millions)	Year Ended December 31, 2025	2024	2023
Domestic defined benefit pension plans:			
Net loss (gain)	**$ 2**	$ (2)	$ 3
Amortization of net actuarial gain	**(1)**	(1)	—
Losses (gains) recognized in other comprehensive income (loss)	**$ 1**	$ (3)	$ 3
International defined benefit pension plans:			
Net (gain) loss	**$ (24)**	$ (22)	$ 31
Amortization of net actuarial loss	**—**	—	2
Foreign Exchange	**2**	(3)	2
(Gains) losses recognized in other comprehensive income (loss)	**$ (22)**	$ (25)	$ 35
Total (gains) losses recognized in other comprehensive income (loss)	**$ (21)**	$ (28)	$ 38
Total (gains) losses recognized in comprehensive income	**$ (4)**	$ (14)	$ 49

The components of net periodic benefit cost for other post-retirement employee benefit plans are as follows:

(in millions)	Year Ended December 31, 2025	2024	2023
Interest cost	**$ 2**	$ 2	$ 2
Amortization of prior service credit	**(1)**	(2)	(2)
Amortization of net actuarial loss	**1**	1	—
Net periodic benefit cost	**$ 2**	$ 1	$ —

Other changes in benefit obligations recognized in other comprehensive income (loss), as they pertain to other post-retirement employee benefit plans are as follows:

	Year Ended December 31,		
(in millions)	**2025**	2024	2023
Net loss	**$ 1**	$ 1	$ 1
Amortization of prior service credit	**1**	2	2
Amortization of net actuarial loss	**(1)**	(1)	—
Losses recognized in other comprehensive income (loss)	**$ 1**	$ 2	$ 3
Total losses recognized in comprehensive income	**$ 3**	$ 3	$ 3

Assumptions

The following table provides the weighted-average assumptions used to determine projected benefit obligations and net periodic benefit cost, as they pertain to our pension plans.

	2025		2024		2023	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
Benefit Obligation Assumptions						
Discount rate	**5.42 %**	**3.95 %**	5.65 %	3.62 %	5.00 %	3.55 %
Rate of future compensation increase	**NM**	**2.87 %**	NM	2.85 %	NM	2.87 %
Net Periodic Benefit Cost Assumptions						
Discount rate	**5.65 %**	**3.62 %**	5.00 %	3.55 %	5.25 %	4.13 %
Expected long-term return on plan assets	**6.00 %**	**5.58 %**	6.00 %	5.78 %	6.00 %	5.85 %
Rate of future compensation increase	**NM**	**2.85 %**	NM	2.87 %	NM	2.79 %

NM Not meaningful. The pension benefits for future service for all the U.S. pension plans are based on years of service and not impacted by future compensation increases.

Management develops each assumption using relevant company experience in conjunction with market-related data for each individual country in which plans exist. Assumptions are reviewed annually and adjusted as necessary.

The expected long-term rate of return on assets reflects the expected returns for each major asset class in which the plans hold investments, the weight of each asset class in the target mix, the correlations among asset classes and their expected volatilities. The assets of the pension plans are held by a number of independent trustees, managed by several investment institutions and are accounted for separately in the Company's pension funds.

Our expected return on plan assets is estimated by evaluating both historical returns and estimates of future returns. Specifically, we analyze the plans' actual historical annual return on assets, net of fees, over the past 15, 20 and 25 years; we estimate future returns based on independent estimates of asset class returns; and we evaluate historical broad market returns over long-term timeframes based on our asset allocation range. For the U.S. Master Trust which has existed since 2011, historical returns were estimated using a constructed portfolio that reflects the Company's strategic asset allocation and the historical compound geometric returns of each asset class for the longest time period available. Based on this approach, the weighted average expected long-term rate of return for all of our plan assets to be used in determining net periodic benefit costs for 2026 is estimated at 5.55%.

Investment Policy

The investment strategy for managing worldwide post-retirement benefit plan assets is to seek an optimal rate of return relative to an appropriate level of risk for each plan. Investment strategies vary by plan, depending on the specific characteristics of the plan, such as plan size and design, funded status, liability profile and legal requirements. In general, the plans are managed closely to their strategic allocations.

The following table provides the actual asset allocations of plan assets as of December 31, 2025 and 2024, and the related asset target allocation ranges by asset category:

	2025	2024	Target Allocation Ranges
Equity securities	**36.7 %**	45.2 %	17-55%
Fixed income	**44.7 %**	40.5 %	63-77%
Cash, insurance contracts and other	**18.6 %**	14.3 %	0-15%

Fair Value of Plan Assets

In measuring plan assets at fair value, the fair value hierarchy is applied which categorizes and prioritizes the inputs used to estimate fair value into three levels. See Note 1, "Summary of Significant Accounting Policies," for further detail on fair value hierarchy.

In certain instances, fair value is estimated using quoted market prices obtained from external pricing services. In obtaining such data from the pricing service, we have evaluated the methodologies used to develop the estimate of fair value in order to assess whether such valuations are representative of fair value, including NAV.

The following is a description of the valuation methodologies and inputs used to measure fair value for major categories of investments.

- Equity securities — Equities (including common and preferred shares, domestic listed and foreign listed and closed end mutual funds) are generally valued at the closing price reported on the major market on which the individual securities are traded at the measurement date. Equity securities and mutual funds held by the Company that are publicly traded in active markets are classified within Level 1 of the fair value hierarchy. Those equities that are held in proprietary funds pooled with other investor accounts and collective trust funds measured at fair value using the NAV per share practical expedient are not classified in the fair value hierarchy.
- Fixed income — Government securities are generally valued using quoted prices of securities with similar characteristics. Corporate bonds are generally valued by using pricing models, quoted prices of securities with similar characteristics or broker quotes and are classified in Level 2. Fixed income securities held in proprietary funds pooled with other investor accounts and collective trust funds measured at fair value using the NAV per share practical expedient are not classified in the fair value hierarchy. Hedging instruments are collateralized daily with either cash or government bonds, have daily liquidity and pricing based on observable inputs from over-the-counter markets, and are classified as Level 2.
- Insurance contracts and other — Primarily comprised of insurance contracts held by foreign plans. Insurance contracts are valued on an insurer pricing basis calculated at purchase price adjusted for changes in discount rates and other actuarial assumptions or contract value, which approximates fair value. Insurance contracts are generally classified as Level 3.
- Cash — Cash and cash equivalents are held in accounts with brokers or custodians, available on demand, for liquidity and investment collateral and are classified as Level 1.

The following table provides the fair value of plan assets held by our pension benefit plans by asset class:

(in millions)	2025 Level 1	2025 Level 2	2025 Level 3	2025 NAV Practical Expedient	2025 Total	2024 Level 1	2024 Level 2	2024 Level 3	2024 NAV Practical Expedient	2024 Total
Equity securities										
Global stock funds/securities	**$ 40**	**$ 50**	**$ —**	**$ 18**	**$ 108**	$ 42	$ 65	$ —	$ 15	$ 122
Diversified growth and income funds	**—**	**—**	**—**	**16**	**16**	**—**	**—**	**—**	14	14
Fixed income										
Corporate bonds	**1**	**76**	**—**	**13**	**90**	1	69	—	11	81
Government bonds	**—**	**21**	**—**	**31**	**52**	—	15	—	18	33
Hedging instruments	**—**	**9**	**—**	**—**	**9**	—	8	—	—	8
Insurance contracts and other	**—**	**—**	**51**	**2**	**53**	—	—	31	5	36
Cash and cash equivalents	**10**	**—**	**—**	**—**	**10**	7	—	—	—	7
Total plan assets subject to leveling	**$ 51**	**$ 156**	**$ 51**	**$ 80**	**$ 338**	$ 50	$ 157	$ 31	$ 63	$ 301

The following table presents a reconciliation of the beginning and ending balances of fair value measurement within our pension plans using significant unobservable inputs (Level 3):

(in millions)	Insurance Contracts and Other
Balance, December 31, 2023	$ 26
Purchases, sales, settlements, net	3
Actual return on plan assets	4
Currency impact	(2)
Balance, December 31, 2024	31
Purchases, sales, settlements, net	12
Actual return on plan assets	3
Currency impact	5
Balance, December 31, 2025	**$ 51**

Contributions and Estimated Future Benefit Payments

Funding requirements under governmental regulations are a significant consideration in making contributions to our post-retirement plans. We made contributions of $26 million and $25 million to our post-retirement plans during 2025 and 2024, respectively. We currently anticipate making contributions to our post-retirement plans in the range of $19 million to $25 million during 2026, of which approximately $6 million is expected to be made in the first quarter.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

(in millions)	Pension	Other Benefits
2026	$ 32	$ 3
2027	33	3
2028	34	3
2029	34	3
2030	34	3
Years 2031 - 2035	180	11

Note 17. Share-Based Compensation Plans

Our share-based compensation program is a broad-based program designed to attract and retain employees while also aligning employees' interests with the interests of our shareholders. In addition, members of our Board of Directors participate in our share-based compensation program in connection with their service on our board. Share-based awards issued to employees include non-qualified stock options, restricted stock units and performance share units. Under the 2011 Omnibus Incentive Plan, the number of shares initially available for awards was 18 million. On May 24, 2023, there were an additional 2.7 million shares registered for issuance. As of December 31, 2025, there were approximately 4.7 million shares of common stock available for future awards.

Total share-based compensation expense recognized for 2025, 2024 and 2023 was $53 million, $56 million, and $60 million, respectively. The unamortized compensation expense at December 31, 2025 related to our stock options, restricted share units and performance share units was $10 million, $36 million and $20 million, respectively, and is expected to be recognized over a weighted average period of 1.9, 1.7 and 1.8 years, respectively. See Note 5, "Restructuring and Asset Impairment Charges," for discussion of certain restructuring charges related to share-based compensation expense in 2023.

The amount of cash received from the exercise of stock options was $20 million, $67 million and $62 million for 2025, 2024 and 2023 with a tax benefit of $9 million, $19 million and $12 million, respectively, realized associated with stock option exercises and vesting of restricted stock units. We classify as an operating activity the cash flows attributable to excess tax benefits arising from stock option exercises and restricted stock unit vestings.

Stock Option Grants

Options are awarded with a contractual term of 10 years, generally vest over a three-year period and are exercisable within the contractual term, except in certain instances of termination due to death, retirement, disability and other limited circumstances in accordance with the terms of the grant agreements. The exercise price per share is the fair market value of the underlying common stock on the date each option is awarded. At December 31, 2025, there were options to purchase an aggregate of 1.1 million shares of common stock outstanding. The following is a summary of the changes in outstanding stock options for 2025:

	Share units (in thousands)	**Weighted Average Exercise Price / Share**	**Weighted Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value** (in millions)
Outstanding at January 1, 2025	1,182	$ 84.76	6.3	$ 40
Granted	255	129.75		
Exercised	(262)	77.24		
Forfeited and expired	(33)	112.25		
Outstanding at December 31, 2025	**1,142**	**$ 95.75**	**6.4**	**$ 46**
Options exercisable at December 31, 2025	**730**	**$ 78.33**	**5.0**	**$ 42**
Vested and non-vested expected to vest as of December 31, 2025	**1,103**	**$ 94.56**	**6.2**	**$ 46**

The amount of non-vested options outstanding was 0.4 million, 0.4 million and 0.6 million at a weighted average grant date share price of $126.56, $111.88 and $88.48 as of December 31, 2025, 2024 and 2023, respectively. 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 2025, 2024 and 2023 was $15 million, $74 million and $140 million, respectively.

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 assumptions such as employee exercise patterns, stock price volatility and changes in dividends. The following are weighted-average assumptions used for 2025, 2024, and 2023 (excluding the valuation of options granted in conjunction with the Evoqua acquisition):

	2025	2024	2023
Dividend yield	**1.23 %**	1.13 %	1.31 %
Volatility	**26.70 %**	26.70 %	27.30 %
Risk-free interest rate	**4.10 %**	4.18 %	4.25 %
Expected term (in years)	**5.5**	5.7	5.4
Weighted-average fair value per option	**$ 36.93**	$ 38.04	$ 29.06

Expected volatility is calculated based on an analysis of historic volatility measures for Xylem. We use historical data to estimate option exercise and employee termination behavior within the valuation model. 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

Restricted stock units awarded to employees vest over a three-year period. Prior to the time a restricted stock unit becomes fully vested, the awardees cannot transfer, pledge or encumber such units. Prior to the time a restricted stock unit is fully vested, the awardees do not have certain rights of a stockholder, such as the right to vote and receive dividends; however, dividends accrue during the vesting period and are paid upon vesting. If an employee leaves prior to vesting, whether through resignation or termination for cause, the restricted stock unit and related accrued dividends are forfeited. If an employee retires prior to vesting, a pro-rata portion of the restricted stock unit may vest in accordance with the terms of the applicable grant agreements. Restricted stock units awarded to member of our Board become fully vested upon the day prior to the next annual meeting. The fair value of the restricted stock unit awards is determined using the closing price of our common stock on date of grant.

The following is a summary of the changes in outstanding restricted stock units for 2025:

	Share Units (in thousands)	**Weighted Average Grant Date Fair Value / Share**
Outstanding at January 1, 2025	632	$ 111.33
Granted	252	130.14
Vested	(332)	106.03
Forfeited	(46)	120.01
Outstanding at December 31, 2025	**506**	**$ 123.27**

Performance Share Units

Performance share units awarded under the long-term incentive plan vest based upon performance by the Company over a three-year period against targets approved by the Leadership Development & Compensation Committee of the Company's Board of Directors prior to the grant date. The performance share units were each awarded at a target of 100% with actual payout for each type of grant contingent upon the achievement of performance targets as follows:

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

The calculated compensation cost for ROIC, EBITDA, Revenue and EPS performance share units is adjusted based on an estimate of awards ultimately expected to vest and our assessment of the probable outcome of the performance condition.

ROIC and Adjusted EBITDA Performance Share Unit Grants

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

The following is a summary of the changes in outstanding ROIC and EBITDA performance share units for 2025:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2025	77	$ 105.02
Granted	—	—
Adjustment for Performance Condition Achieved (a)	19	86.77
Vested	(44)	86.77
Forfeited	(5)	113.87
Outstanding at December 31, 2025	**47**	**$ 113.89**

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

Revenue Performance Share Unit Grants

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

The following is a summary of our Revenue performance share unit grants for 2025:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2025	77	$ 105.06
Granted	—	—
Adjustment for Performance Condition Achieved (a)	19	86.77
Vested	(44)	86.77
Forfeited	(5)	113.87
Outstanding at December 31, 2025	**47**	**$ 113.89**

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

TSR Performance Share Unit Grants

The following is a summary of the changes in outstanding TSR performance share units for 2025:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2025	155	$ 125.42
Granted	54	180.70
Adjustment for Market Condition Achieved (a)	(14)	71.19
Vested	(37)	71.19
Forfeited	(12)	150.24
Outstanding at December 31, 2025	**146**	**$ 157.41**

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

The fair value of TSR performance share units were 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 key assumptions for 2025 grants.

	2025	2024	2023
Volatility	**25.8 %**	27.2 %	35.9 %
Risk-free interest rate	**4.01 %**	4.33 %	4.66 %

EPS Performance Share Unit Grants

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

The following is a summary of the changes in outstanding EPS performance share units for 2025:

	Share units (in thousands)	Weighted Average Grant Date Fair Value / Share
Outstanding at January 1, 2025	—	$ —
Granted	54	129.81
Vested	—	—
Forfeited	(2)	129.67
Outstanding at December 31, 2025	**52**	**$ 129.82**

Note 18. Capital Stock

The Company has the authority to issue an aggregate of 750 million shares of common stock having a par value of $0.01 per share. The shareholders of Xylem common stock are entitled to receive dividends as declared by the Xylem Board of Directors. Dividends declared were $1.60, $1.44 and $1.32 during 2025, 2024 and 2023, respectively.

The changes in shares of common stock outstanding for the three years ended December 31 are as follows:

(share units in thousands)	2025	2024	2023
Beginning Balance, January 1	**242,985**	241,504	180,253
Shares issued for the Evoqua acquisition (a)	**—**	—	58,779
Stock incentive plan net activity	**718**	1,637	2,730
Repurchase of common stock	**(119)**	(156)	(258)
Ending Balance, December 31	**243,584**	242,985	241,504

(a) See Note 3 "Acquisitions and Divestitures" for further information.

For the years ended December 31, 2025 and December 31, 2024, the Company repurchased 0.1 million shares of common stock for $15 million and repurchased 0.2 million shares of common stock for $20 million, respectively. Repurchases include both 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 detail 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 shareholders and maintains our focus on growth. For the years ended December 31, 2025 and December 31, 2024 there were no shares repurchased under the program. There are up to $182 million in shares that may still be purchased under this plan as of December 31, 2025.

Aside from the aforementioned repurchase programs, we repurchased approximately 0.1 million and approximately 0.2 million shares for $15 million and $20 million during 2025 and 2024, respectively, in relation to settlement of employee income tax withholding obligations due as a result of the vesting of restricted stock units. The shares repurchased are included in the stock incentive plan net activity in the above table.

Note 19. Accumulated Other Comprehensive Loss

The following table provides the components of accumulated other comprehensive loss for 2025, 2024 and 2023:

(in millions)	Foreign Currency Translation	Post-retirement Benefit Plans	Derivative Instruments	Total
Balance at January 1, 2023	$ (180)	$ (41)	$ (5)	$ (226)
Foreign currency translation adjustment	(45)			(45)
Income tax impact on foreign currency translation adjustment	29			29
Changes in post-retirement benefit plans		(35)		(35)
Foreign currency translation adjustment for post-retirement benefit plans		(2)		(2)
Income tax expense on changes in post-retirement benefit plans, including settlement		9		9
Amortization of prior service cost and net actuarial loss on post-retirement benefit plans into other non-operating income (expense), net		(4)		(4)
Income tax impact on amortization of post-retirement benefit plan items		1		1
Unrealized loss on derivative hedge agreements			(2)	(2)
Tax on unrealized loss on derivative hedge agreements			(1)	(1)
Reclassification of unrealized loss on foreign exchange agreements into revenue			3	3
Reclassification of unrealized loss on foreign exchange agreements into cost of revenue			4	4
Balance at December 31, 2023	$ (196)	$ (72)	$ (1)	$ (269)
Foreign currency translation adjustment	(157)			(157)
Income tax impact on foreign currency translation adjustment	(15)			(15)
Changes in post-retirement benefit plans		23		23
Foreign currency translation adjustment for post-retirement benefit plans		3		3
Income tax impact on amortization of post-retirement benefit plan items		(7)		(7)
Unrealized loss on derivative hedge agreements			(17)	(17)
Tax on unrealized loss on derivative hedge agreements			2	2
Reclassification of unrealized loss on foreign exchange agreements into revenue			1	1
Reclassification of unrealized loss on foreign exchange agreements into cost of revenue			1	1
Balance at December 31, 2024	$ (368)	$ (53)	$ (14)	$ (435)

(in millions)	Foreign Currency Translation	Post-retirement Benefit Plans	Derivative Instruments	Total
Foreign currency translation adjustment	86			86
Amount of currency translation adjustment relating to divestiture of foreign subsidiaries reclassified into net income	8			8
Income tax impact on foreign currency translation adjustment	83			83
Changes in post-retirement benefit plans		21		21
Foreign currency translation adjustment for post-retirement benefit plans		(2)		(2)
Amortization of prior service cost and net actuarial gain on post-retirement benefit plans into other non-operating income (expense), net		1		1
Income tax impact on amortization of post-retirement benefit plan items		(6)		(6)
Unrealized gain on derivative hedge agreements			35	35
Tax on unrealized gain on derivative hedge agreements			(2)	(2)
Reclassification of unrealized gain on foreign exchange agreements into revenue			(4)	(4)
Reclassification of unrealized gain on foreign exchange agreements into cost of revenue			(5)	(5)
Balance at December 31, 2025	**$ (191)**	**$ (39)**	**$ 10**	**$ (220)**

Note 20. 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 7, "Income Taxes," for a description of a pending tax litigation matter.

Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including our assessment of the merits of the particular claims, we do not believe it is reasonably possible that any asserted or unasserted legal claims or proceedings, individually or in aggregate, will have a material adverse effect on our results of operations, or financial condition.

We have estimated and accrued $4 million as of both December 31, 2025 and 2024 for these general legal matters.

Unconditional Purchase Obligations

We have future unconditional purchase commitments which are legally binding and that specify all significant terms including price and/or quantity. Total future commitments for these obligations is $802 million, of which $775 million is committed within the next twelve months, excluding contracts that can be canceled without penalty.

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 December 31, 2025 and 2024, the amount of surety bonds, bank guarantees, insurance letters of credit and stand-by letters of credit was $822 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 liabilities represent our best estimates related to the investigation and remediation of environmental media such as water, soil, soil vapor, air and structures, as well as related legal fees. Liabilities for these environmental expenditures are recorded on an undiscounted basis. We have estimated and accrued $4 million as of both December 31, 2025 and 2024, respectively, for environmental matters.

Given the complexities and uncertainties involved in on-going and future investigation and remediation projects, the process to estimate environmental remediation liabilities requires judgment. We believe the total amount accrued is reasonable based on existing facts and circumstances.

Warranties

We warrant numerous products, the terms of which vary widely. In general, we warrant products against defects and specific non-performance. Warranty expense was $39 million, $36 million, and $29 million for 2025, 2024 and 2023, respectively. The table below provides changes in the combined current and non-current product warranty accruals over each period.

(in millions)	**2025**	2024	2023
Warranty accrual – January 1	**$ 57**	$ 63	$ 54
Net charges for product warranties in the period	**39**	36	29
Net Evoqua additions from acquisition	**—**	—	10
Settlement of warranty claims	**(34)**	(37)	(32)
Transfers related to assets held for sale	**(8)**	(2)	—
Foreign currency and other	**(1)**	(3)	2
Warranty accrual – December 31	**$ 53**	$ 57	$ 63

Note 21. Segment and Geographic Data

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; and 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.

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 that are managed at a corporate level and are not included in the business segments in evaluating performance or allocating resources. The accounting policies of each segment are the same as those described in the summary of significant accounting policies (see Note 1, "Summary of Significant Accounting Policies").

The chief operating decision maker ("CODM") for the Company is our President and Chief Executive Officer. The CODM uses segment operating income/(loss) as a primary factor in allocating resources to the segments. The CODM considers budget-to-actual variances on a quarterly basis for the profit measure to assess segment performance. Disaggregated asset information by segment is not provided to the 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 year ended December 31, 2025					
Revenue	$ 2,636	$ 1,849	$ 2,086	$ 2,464	**$ 9,035**
Less:					
Adjusted cost of revenue (a)	1,440	1,180	1,285	1,578	
Adjusted operating expenses (a)	613	329	448	464	
Other segment items (b)	121	28	109	120	
Segment operating income	$ 462	$ 312	$ 244	$ 302	**$ 1,320**
Reconciliation of segment operating income					
Corporate and other loss					**(97)**
Interest expense					**(29)**
Other non-operating income, net					**18**
Loss on sale of businesses					**(31)**
Income before income taxes					**$ 1,181**

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for year ended December 31, 2024					
Revenue	$ 2,555	$ 1,793	$ 1,871	$ 2,343	$ 8,562
Less:					
Adjusted cost of revenue (a)	1,460	1,162	1,128	1,521	
Adjusted operating expenses (a)	640	345	416	454	
Other segment items (b)	99	15	80	149	
Segment operating income	$ 356	$ 271	$ 247	$ 219	$ 1,093
Reconciliation of segment operating income					
Corporate and other loss					(84)
Interest expense					(44)
Gain on remeasurement of previously held equity interest					152
Other non-operating income, net					16
Loss on sale of businesses					(46)
Income before income taxes					$ 1,087

(in millions)	Water Infrastructure	Applied Water	Measurement and Control Solutions	Water Solutions and Services	Total
Balance for year ended December 31, 2023					
Revenue	$ 2,215	$ 1,853	$ 1,612	$ 1,684	$ 7,364
Less:					
Adjusted cost of revenue (a)	1,277	1,195	990	1,093	
Adjusted operating expenses (a)	570	334	409	345	
Other segment items (b)	93	14	80	114	
Segment operating income	$ 275	$ 310	$ 133	$ 132	$ 850
Reconciliation of segment operating income					
Corporate and other loss					(198)
Interest expense					(49)
Other non-operating income, net					33
Loss on sale of businesses					(1)
Income before income taxes					$ 635

(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 this Annual Report on Form 10-K.

(in millions)	Year Ended December 31, 2025	2024	2023
Depreciation and amortization:			
Water Infrastructure	**$ 98**	$ 122	$ 89
Applied Water	**33**	28	28
Measurement and Control Solutions	**168**	132	124
Water Solutions and Services	**267**	267	184
Corporate and other	**9**	13	11
Total	**$ 575**	$ 562	$ 436
Capital expenditures:			
Water Infrastructure	**$ 38**	$ 36	$ 36
Applied Water	**34**	22	32
Measurement and Control Solutions	**76**	71	62
Water Solutions and Services	**123**	148	106
Centralized support facilities (a)	**33**	20	20
Corporate and other	**27**	24	15
Total	**$ 331**	$ 321	$ 271

(a) Represents capital expenditures incurred by the centralized support facilities that are not allocated to the segments.

Geographical Information

Revenue is attributed to countries based upon the location of the customer. Property, Plant & Equipment is attributed to countries based upon the location of the assets:

	Revenue		
	Year Ended December 31,		
(in millions)	**2025**	2024	2023
United States	**$ 5,209**	$ 4,862	$ 3,956
Western Europe	**1,839**	1,745	1,655
Emerging Markets	**1,221**	1,274	1,182
Other	**766**	681	571
Total	**$ 9,035**	$ 8,562	$ 7,364

	Property, Plant & Equipment		
	December 31,		
(in millions)	**2025**	2024	2023
United States	**$ 719**	$ 732	$ 725
Western Europe	**245**	258	268
Emerging Markets	**167**	132	141
Other	**28**	30	35
Total	**$ 1,159**	$ 1,152	$ 1,169

Note 22. Redeemable Non-controlling Interests

The holders of the non-controlling interest in Idrica, a consolidated subsidiary of the Company, have 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 December 31, 2025, the Redeemable Non-Controlling Interest is reflected in the consolidated balance sheet at its carrying value.

The following table presents changes in redeemable noncontrolling interests for the year ended December 31, 2025. Change in redeemable noncontrolling interest between the acquisition date of Idrica and December 31, 2024 was not material.

(in millions)	
Balance at December 31, 2024	**$ 235**
Net loss attributable to non-controlling interest	**(7)**
Cumulative translation adjustment	**30**
Balance at December 31, 2025	**$ 258**

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the year ended December 31, 2025 pursuant to Rule 13a-15(b) and 15d-15(e) of the Securities Exchange Act of 1934 (“the Exchange Act”). Based upon that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures as of the year ended December 31, 2025 were effective, in all material respects, and designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures.

Management's Annual Report on Internal Control Over Financial Reporting

As required by the SEC's rules and regulations for the implementation of Section 404 of the Sarbanes-Oxley Act, the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Company's management, including the CEO and CFO, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2025 based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission (2013). This assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on our assessment, the Company's management has concluded that our internal control over financial reporting was effective as of December 31, 2025.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2025 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears following Item 9C of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

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 ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Trading Plans

During the quarter ended December 31, 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 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Xylem Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Xylem Inc. and subsidiaries (the "Company") as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2025, of the Company and our report dated February 25, 2026, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Stamford, Connecticut
February 25, 2026

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as set forth below, the information required by this Item is incorporated herein by reference to the information in our Definitive Proxy Statement to be filed with the SEC in connection with our 2026 Annual Meeting of Shareholders (the “2026 Proxy Statement”) under the captions “Proposal 1 - Election of Directors,” "Board Composition and Refreshment," "Board Committees - Audit Committee," "Audit Committee Report," and "Stock Ownership - Insider Trading and rule 10b5-1 Trading Plans Policy."

The information called for by Item 10 with respect to executive officers is set forth in Part I of this Annual Report on Form 10-K under the caption “Information about our Executive Officers” and is incorporated by reference in this section.

We have adopted Corporate Governance Principles and charters for each of our Board committees. The Corporate Governance Principles address director qualification standards, responsibilities, access to management and independent advisors, compensation, orientation and continuing education, succession planning and board and committee assessment. The Corporate Governance Principles and Board committee charters are available on the Company’s website at *www.xylem.com/en-us/investors/governance/*. A copy of the Corporate Governance Principles and Board committee charters are also available to any shareholder who requests a copy from the Company’s Corporate Secretary at our Principal Executive Offices.

We have also adopted a written Code of Conduct that is applicable to all of our directors, officers and employees, including the Company’s CEO and CFO and other executive officers identified pursuant to this Item 10. In accordance with the SEC’s rules and regulations, a copy of the Code of Conduct has been posted to our website and it is also available to any shareholder who requests a copy from the Company's Corporate Secretary at our Principal Executive Offices. We intend to disclose any amendments to our Code of Conduct and any waivers of the Code of Conduct on our website at *www.xylem.com* within four business days following the date of the amendment or waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information in our 2026 Proxy Statement set forth under captions “Compensation Discussion and Analysis," "Director Compensation," "Board Committees - Leadership Development and Compensation Committee" and “Leadership Development and Compensation Committee Report.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the information in our 2026 Proxy Statement set forth under the captions “Stock Ownership - Certain Beneficial Owners," "Stock Ownership - Directors and Named Executive Officers" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the information in our 2026 Proxy Statement set forth under the captions "Corporate Governance - Director Independence" and “Corporate Governance Policies and Practices - Related Party Transactions.”

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the information in our 2026 Proxy Statement set forth under the captions “Proposal 2 - Fees of Audit and Other Services” and "Proposal 2 - Pre-Approval of Audit and Non-Audit Services."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) The Index to Consolidated Financial Statements of the Registrant under Item 8 of this Report is incorporated herein by reference as the list of Financial Statements required as part of this Report.

(2) Financial Statement Schedules — All financial statement schedules have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits — See exhibits listed under Part (b) below.

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).
4.1		Description of securities registered under Section 12 of the Exchange Act.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 10-K Annual Report filed on February 24, 2023 (CIK No. 1524472, File No. 1-35229).
4.2		Indenture, dated as of September 20, 2011, between Xylem Inc., ITT Corporation, as initial guarantor, and Union Bank, N.A., as trustee.	Incorporated by reference to Exhibit 4.2 of ITT Corporation's Form 8-K filed on September 21, 2011 (CIK No. 216228, File No. 1-5672).
4.3		Senior Indenture, dated March 11, 2016, by and between the Company and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on March 11, 2016 (CIK No. 1524472, File No. 1-35229).
4.4		First Supplemental Indenture, dated March 11, 2016, by and between the Company and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.2 of Xylem Inc.'s Form 8-K filed on March 11, 2016 (CIK No. 1524472, File No. 1-35229).
4.5		Third Supplemental Indenture, dated October 11, 2016, by and between the Company and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on October 11, 2016 (CIK No. 1524472, File No. 1-35229).
4.6		Fourth Supplemental Indenture, dated June 26, 2020, by and between the Company and Deutsche Bank Trust Company Americas, as trustee.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on June 26, 2020 (CIK No. 1524472, File No. 1-35229).
4.7		Form of Xylem Inc. 3.250% Senior Notes due 2026.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on October 11, 2016 (CIK No. 1524472, File No. 1-35229).
4.8		Form of 1.950% Senior Notes due 2028.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on June 26, 2020 (CIK 1524472, File No. 1-35229).
4.9		Form of 2.250% Senior Notes due 2031.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on June 26, 2020 (CIK 1524472, File No. 1-35229).
			Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on June 26, 2020 (CIK 1524472, File No. 1-35229).
4.10		Form of Xylem Inc. 4.375% Senior Notes due 2046.	Incorporated by reference to Exhibit 4.1 of Xylem Inc.'s Form 8-K filed on October 11, 2016 (CIK No. 1524472, File No. 1-35229).
10.1	#	Xylem 2011 Omnibus Incentive Plan (Amended and Restated as of February 24, 2016).	Incorporated by reference to Exhibit 10.6 of Xylem Inc.'s Form 10-K Annual Report filed on February 26, 2016 (CIK No. 1524472, File No. 1-35229).

Exhibit Number		Description	Location
10.2	#	Xylem Retirement Savings Plan.	Incorporated by reference to Exhibit 10.1 of Xylem Inc.'s Form 10-Q Quarterly Report filed on July 30, 2013 (CIK No. 1524472, File No. 1-35229).
10.3	#	Xylem Supplemental Retirement Savings Plan.	Incorporated by reference to Exhibit 10.11 of Xylem Inc.'s Form 10-Q Quarterly Report filed on November 21, 2011 (CIK No. 1524472, File No. 1-35229).
10.4	#	Xylem Deferred Compensation Plan.	Incorporated by reference to Exhibit 10.12 of Xylem Inc.'s Form 10-K Annual Report filed on February 23, 2017 (CIK No. 1524472, File No. 1-35229).
10.5	#	Xylem Annual Incentive Plan for the Executive Leadership Team (Amended and Restated as of January 1, 2026)	Filled herewith.
10.6	#	Xylem Special Senior Executive Severance Plan (Amended and Restated as of January 1, 2026)	Filed herewith.
10.7	#	Xylem Senior Executive Severance Plan (Amended and Restated as of January 1, 2026)	Filed herewith.
10.8	#	Xylem Deferred Compensation Plan for Non-Employee Directors.	Incorporated by reference to Exhibit 10.13 of Xylem Inc.'s Form 10-Q Quarterly Report filed on November 21, 2011 (CIK No. 1524472, File No. 1-35229).
10.9	#	Form of Non-Employee Director Restricted Stock Unit Award Agreement.	Incorporated by reference to Exhibit 10.1 of Xylem Inc.'s Form 10-Q Quarterly Report filed on July 30, 2015 (CIK No. 1524472, File No. 1-35229).
10.10	#	Form of 2011 Omnibus Incentive Plan Non-Qualified Stock Option Award Agreement (2023).	Incorporated by reference to Exhibit 10.3 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 4, 2023 (CIK No. 1524472, File No. 1-35229).
10.11	#	Form of 2011 Omnibus Incentive Plan Performance Share Unit Agreement (2023).	Incorporated by reference to Exhibit 10.4 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 4, 2023 (CIK No. 1524472, File No. 1-35229).
10.12	#	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Agreement (2023).	Incorporated by reference to Exhibit 10.5 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 4, 2023 (CIK No. 1524472, File No. 1-35229).
10.13	#	Form of 2011 Omnibus Incentive Plan Non-Qualified Stock Option Grant Agreement (2024).	Incorporated by reference to Exhibit 10.2 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 2, 2024 (CIK No. 1524472, File No. 1-35229).
10.14	#	Form of 2011 Omnibus Incentive Plan Non-Qualified Stock Option Grant Agreement for Senior Leadership Team (2024).	Incorporated by reference to Exhibit 10.3 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 2, 2024 (CIK No. 1524472, File No. 1-35229).
			Incorporated by reference to Exhibit 10.3 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 2, 2024 (CIK No. 1524472, File No. 1-35229).
10.15	#	Form of 2011 Omnibus Incentive Plan Performance Share Unit Grant Agreement (2024).	Incorporated by reference to Exhibit 10.4 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 2, 2024 (CIK No. 1524472, File No. 1-35229).
10.16	#	Form of 2011 Omnibus Incentive Plan Performance Share Unit Grant Agreement for Senior Leadership Team (2024).	Incorporated by reference to Exhibit 10.5 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 2, 2024 (CIK No. 1524472, File No. 1-35229).
10.17	#	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Agreement (2024).	Incorporated by reference to Exhibit 10.6 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 2, 2024 (CIK No. 1524472, File No. 1-35229).
10.18	#	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Agreement for Senior Leadership Team (2024).	Incorporated by reference to Exhibit 10.7 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 2, 2024 (CIK No. 1524472, File No. 1-35229).

Exhibit Number		Description	Location
10.19	#	Form of 2011 Omnibus Incentive Plan Non-Qualified Stock Option Grant Agreement (2025)	Incorporated by reference to Exhibit 10.3 of Xylem Inc.'s Form 10-Q Quarterly filled on April 29, 2025 (CIK No. 1524472, File No. 1-35229).
10.20	#	Form of 2011 Omnibus Incentive Plan Non-Qualified Stock Option Grant Agreement for the Senior Leadership Team (2025).	Incorporated by reference to Exhibit 10.4 of Xylem Inc.'s Form 10-Q Quarterly Report filed on April 29, 2025 (CIK No. 1524472, File No. 1-35229).
10.21	#	Form of 2011 Omnibus Incentive Plan Performance Share Unit Grant Agreement (2025).	Incorporated by reference to Exhibit 10.5 of Xylem Inc.'s Form 10-Q Quarterly Report filed on April 29, 2025 (CIK No. 1524472, File No. 1-35229).
10.22	#	Form of 2011 Omnibus Incentive Plan Performance Share Unit Grant Agreement for Senior Leadership Team (2025).	Incorporated by reference to Exhibit 10.6 of Xylem Inc.'s Form 10-Q Quarterly Report filed on April 29, 2025 (CIK No. 1524472, File No. 1-35229).
10.23	#	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Grant Agreement (2025).	Incorporated by reference to Exhibit 10.7 of Xylem Inc.'s Form 10-Q Quarterly Report filed on April 29, 2025 (CIK No. 1524472, File No. 1-35229).
10.24	#	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Grant Agreement for Senior Leadership Team (2025)	Incorporated by reference to Exhibit 10.8 of Xylem Inc.'s Form 10-Q Quarterly Report filed on April 29, 2025 (CIK No. 1524472, File No. 1-35229).
10.25	#	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Grant Agreement (2025) (Reflects administrative updates only to the 2025 agreement, effective September 1, 2025)	Incorporated by reference to Exhibit 10.1 of Xylem Inc.'s Form 10-Q Quarterly Report filed on October 28, 2025 (CIK No. 1524472, No. 1-35229).
10.26	#	Form of 2011 Omnibus Incentive Plan Restricted Stock Unit Grant Agreement for Senior Leadership Team (2025) (Reflects administrative updates only to the 2025 agreement, effective September 1, 2025)	Incorporated by reference to Exhibit 10.2 of Xylem Inc.'s Form 10-Q Quarterly Report filed on October 28, 2025 (CIK No. 1524472, No. 1 -35229).
10.27	#	Form of Director's Indemnification Agreement restated, with administrative changes only, on November 12, 2020.	Incorporated by reference to Exhibit 10.20 of Xylem Inc.'s Form 10-K Annual Report filed on February 26, 2021 (CIK No. 1524472, File No. 1-35229).
10.28	#	Letter Agreement between Xylem Inc. and Claudia S. Toussaint.	Incorporated by reference to Exhibit 10.23 of Xylem Inc.'s Form 10-K Annual Report filed on February 26, 2021 (CIK No. 1524472, File No. 1-35229).
10.29	#	Individual Employment Contract between Xylem Europe GmbH and Hayati Yarkadas.	Incorporated by reference to Exhibit 10.2 of Xylem Inc.'s Form 10-Q Quarterly Report filed on May 4, 2021 (CIK No. 1524472, File No. 1-35229).
10.30	#	Letter agreement between Xylem Inc. and Matthew Pine dated September 1, 2023.	Incorporated by reference to Exhibit 10.33 of Xylem Inc.'s Form 10-K Annual Report filed on February 28, 2024 (CIK No. 1524472, File No. 1-35229).
10.31	#	Letter Agreement between Xylem Inc. and William K. Grogan.	Incorporated by reference to Exhibit 10.3 of Xylem Inc.'s Form 10-Q Quarterly Report filed on October 31, 2023 (CIK No. 1524472, File No. 1-35229).
10.32	#	Letter Agreement between Xylem Inc. and Meredith Emmerich.	Incorporated by reference to Exhibit 10.1 of Xylem Inc.'s Form 10-Q Quarterly Report filed on April 29, 2025 (CIK No. 1524472, File No. 1-35229)
10.33	#	Letter Agreement between Xylem Inc. and Rodney Aulick.	Incorporated by reference to Exhibit 10.2 of Xylem Inc.'s Form 10-Q Quarterly Report filed on April 29, 2025 (CIK No. 1524472, File No. 1-35229)
10.34	#	Five-Year Revolving Credit Facility Agreement, dated as of March 1, 2023 among Xylem Inc. and the Lenders party thereto.	Incorporated by reference to Exhibit 10.1 of Xylem Inc.'s Form 8-K filed on March 2, 2023 (CIK No. 1524472, File No. 1-35229).

Exhibit Number	Description	Location
19.0	Insider Trading 10b5-1 Trading Plans Policy.	Incorporated by reference to Exhibit 19.0 of Xylem Inc.'s Form 10-K Annual Report filed on March 3, 2025 (CIK No. 1524472, File No. 1-35229)
21.0	Subsidiaries of the Registrant.	Filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm.	Filed herewith.
31.1	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	This Exhibit is intended to be furnished in accordance with Regulation S-K Item 601(b) (32) (ii) and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 or incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference
97	Recoupment of Incentive-Based Compensation ("Clawback") Policy.	Incorporated by reference to Exhibit 97 of Xylem Inc.'s Form 10-K Annual Report filed on February 28, 2024 (CIK No. 1524472, File No. 1-35229).
101.0	The following materials from Xylem Inc.'s Annual Report on Form 10-K for the year ended December 31, 2025, formatted in Inline Extensible Business Reporting Language (Inline XBRL): (i) Consolidated Income Statements, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statement of Stockholder's Equity and (vi) Notes to 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 Annual Report on Form 10-K for the year ended December 31, 2025, formatted in Inline XBRL and contained in Exhibit 101.0.	

#Management contract or compensatory plan or arrangement

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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
Senior Vice President, Chief Accounting Officer

February 25, 2026

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

February 25, 2026	/s/ Matthew F. Pine Matthew F. Pine President and Chief Executive Officer (Principal Executive Officer)
February 25, 2026	/s/ William K. Grogan William K. Grogan Executive Vice President, Chief Financial Officer
February 25, 2026	/s/ Geri-Michelle McShane Geri-Michelle McShane Senior Vice President, Chief Accounting Officer
February 25, 2026	/s/ Robert F. Friel Robert F. Friel, Board Chair
February 25, 2026	/s/ Earl R. Ellis Earl R. Ellis, Director
February 25, 2026	/s/ Lisa Glatch Lisa Glatch, Director
February 25, 2026	/s/ Victoria D. Harker Victoria D. Harker, Director
February 25, 2026	/s/ Mark D. Morelli Mark D. Morelli, Director
February 25, 2026	/s/ Jerome A. Peribere Jerome A. Peribere, Director
February 25, 2026	/s/ Lila Tretikov Lila Tretikov, Director
February 25, 2026	/s/ Uday Yadav Uday Yadav, Director

Exhibit 10.5

XYLEM
ANNUAL INCENTIVE PLAN FOR THE EXECUTIVE LEADERSHIP TEAM
(Formerly "Annual Incentive Plan for Senior Leadership Team")

1. Purpose

The purpose of this Xylem Annual Incentive Plan ("**AIP**") for the Executive Leadership Team ("ELT") is to provide incentive compensation in the form of a cash award to members of the ELT of Xylem Inc. (the "**Company**") for achieving specific pre-established performance objectives and to continue to motivate participating ELT members to achieve their business goals, while tying a portion of their compensation to measures affecting shareholder value. The AIP seeks to enable the Company to continue to be competitive in its ability to attract and retain ELT members of the highest caliber. The AIP first became effective as of October 31, 2011.

2. Plan Administration

The Leadership Development and Compensation Committee (the "**Committee**") of the Board of Directors (the "**Board**") of the Company, as constituted by the Board from time to time, shall be comprised of non-employee directors who are independent under the requirements of the New York Stock Exchange and the rules of the Securities Exchange Commission.

The Committee shall have full power and authority to administer, construe and interpret the provisions of the AIP and to adopt and amend administrative rules and regulations, agreements, guidelines and instruments for the administration of the AIP and for the conduct of its business as the Committee considers appropriate.

The Committee shall have full power, to the extent permitted by law, to delegate its authority to any officer or employee of the Company to administer and interpret the procedural aspects of the AIP, subject to the terms of the AIP, including adopting and enforcing rules to decide procedural and administrative issues.

The Committee may rely on opinions, reports or statements of officers or employees of the Company and of counsel to the Company (inside or retained counsel), public accountants and other professional or expert persons.

The Board reserves the right to amend or terminate the AIP in whole or in part at any time; provided, however, that no amendments shall adversely affect or impair the rights of any participant that have previously accrued hereunder, without the written consent of the participant.

No member of the Committee shall be liable for any action taken or omitted to be taken or for any determination made by him or her in good faith with respect to the AIP, and the Company shall indemnify and hold harmless each member of the Committee against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Committee) arising out of any act or omission in connection with the administration or interpretation of the AIP, unless arising out of such person's own fraud or bad faith.

3. Eligible Executives

Executives in salary Band A, which includes executive officers as defined by the Securities Exchange Act of 1934, Rule 3b-7, of the Company and its subsidiaries, shall be eligible to participate in the AIP.

4. Plan Year, Performance Periods, Performance Measures and Performance Targets

Each fiscal year of the AIP (the "**Plan Year**") shall begin on January 1 and end on December 31. The performance period (the "**Performance Period**") with respect to which incentive awards may be payable under the AIP shall be the Plan Year unless the Committee designates one or more different Performance Periods.

The Committee shall establish the performance measures (the "**Performance Measures**") to be used which may include, one or more of the following criteria: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per share; (v) book value per share; (vi) return on shareholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) profitability of an identifiable business unit or product; (xi) maintenance or improvement of profit margins; (xii) stock price; (xiii) market share; (xiv) revenues or sales (including organic revenue); (xv) costs; (xvi) cash flow; (xvii) working capital (xviii) return on assets; (xix) total shareholder return; (xx) return on invested or total capital and (xxi) economic value added.

In addition, Performance Measures may be based upon other objectives such as negotiating transactions or sales, implementation of Company policy, development of long-term business goals or strategic plans, negotiation of significant corporate transactions, meeting specified market penetration goals, productivity measures, geographic business expansion goals, cost targets, customer satisfaction or employee satisfaction goals, goals relating to merger synergies, management of employment practices and employee benefits, or supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries and/or other affiliates or joint ventures; provided however, that the measurement of any such Performance Measures must be objectively determinable.

All Performance Measures shall be objectively determinable and, to the extent they are expressed in standard accounting terms, shall be according to generally accepted accounting principles as in existence on the date on which the applicable Performance Period is established and without regard to any changes in such principles after such date (unless the modification of a Performance Measure to take into account such a change is pre-established in writing at the time the Performance Measures are established in writing by the Committee).

The Committee shall establish the performance targets (the "**Performance Targets**") to be achieved which shall be based on one or more Performance Measures relating to the Company as a whole or to the specific businesses of the Company, subsidiaries, operating groups, or operating units, as determined by the Committee. Performance Targets may be established on such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies. The Committee also shall establish with respect to each incentive award an objective formula to be used in calculating the amount of incentive award each participant shall be eligible to receive. There may be a sliding scale of payment dependent upon the percentage levels of achievement of Performance Targets.

The Performance Measures and Performance Targets, which may be different with respect to each participant and each Performance Period, must be set forth in writing by the Committee within the first ninety (90) days of the applicable Performance Period or, if sooner, prior to the time when 25 percent of the relevant Performance Period has elapsed.

5. Certification of Performance Targets and Calculation of Incentive Awards

After the end of each Performance Period, and prior to the payment for such Performance Period, the Committee must certify in writing the degree to which the Performance Targets for the Performance Period were achieved, including the specific target objective or objectives and the satisfaction of any other material terms of the incentive award. The Committee shall calculate the amount of each participant's incentive award for such Performance Period based upon the Performance Measures and Performance Targets for such participant. In establishing Performance Targets and Performance Measures and in calculating the degree of achievement thereof, the Committee may ignore extraordinary items, property transactions, changes in accounting standards and losses or gains arising from discontinued operations. The Committee shall have authority or discretion to increase or decrease the amount or totally eliminate any such incentive award if it determines in its absolute and sole discretion that such action is appropriate in order to reflect the participant's performance or unanticipated factors during the Performance Period. The maximum payment that may be made with respect to incentive awards under the AIP to any participant in any one calendar year shall be $8,000,000; provided, however, that this limitation shall not apply with respect to any incentive award that is paid in a calendar year prior to the year it would ordinarily be paid because of a Change in Control or other transaction or event that provides for accelerated payment of an incentive award.

6. Payment of Incentive Awards

Approved incentive awards shall be payable by the Company in cash to each participant, or to the participant's estate in the event of the participant's death, as soon as practicable (and in any event no later than 3 months) after the end of each Performance Period. No incentive award may be paid under the AIP until the Committee has certified in writing that the relevant Performance Targets were achieved.

If a participant is not an employee on the last day of the Performance Period, the following terms apply:

i) Termination due to Death, Disability, or Retirement: a prorated portion of the approved incentive award based on the participant's termination date shall be paid in cash to the participant as soon as practicable (and in any event no later than 3 months) after the end of the Performance Period;.
ii) Due to a Change in Control: a pro-rated portion of the target incentive award based on the participant's termination date shall be paid in cash to the participant within thirty (30) calendar days after the date the employment of the executive terminates.
iii) For all other circumstances, other than for eligibility for severance, the Committee shall have sole discretion to determine what portion, if any, the participant shall be entitled to receive with respect to any award for the Performance Period; provided, however, that any payment in respect of an award shall be subject to the satisfaction of the applicable Performance Targets for the Performance Period.

The Committee shall have the authority to adopt appropriate rules and regulations for the administration of the AIP in the above termination cases. Notwithstanding the above, no incentive awards shall be paid under the AIP unless the AIP is approved by the requisite shareholders of the Company.

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

"**Retirement**" means the termination of the participant's employment (either by the Company or an affiliate, or the Participant), if, at the time of such termination, the participant is at least age 55 and has completed at least 10 years of service with the Company or an affiliate, or the participant is at least age 62 and has completed at least 5 years of service with the Company or an affiliate.

7. Other Terms and Conditions

Any award made under this AIP shall be subject to the discretion of the Committee. No person shall have any legal claim to be granted an award under the AIP and the Committee shall have no obligation to treat participants uniformly. Except as may be otherwise required by law, incentive awards under the AIP shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary. Incentive awards granted under the AIP shall be payable from the general assets of the Company, and no participant shall have any claim with respect to any specific assets of the Company.

Nothing contained in the AIP shall give any participant the right to continue in the employment of the Company or affect the right of the Company to terminate the employment of a participant.

The Company retains the right to deduct from any incentive awards paid under the AIP any Federal, state, local or foreign taxes required by law to be withheld with respect to such payment. In addition, if the Company in its reasonable judgment determines that a participant owes the Company any amount due to any loan, obligation or indebtedness, including amounts owed under the Company's tax equalization program or the Company's policies with respect to travel and business expenses, and the Participant has not satisfied these obligation(s), the

Company may withhold and/or deduct funds equal to the amount of the obligation from payments under the AIP due to the Company from the participant to the maximum extent permitted by Code Section 409A.

If the participant is covered by the Company's Recoupment of Incentive-Based Compensation ("Clawback") Policy 40-05, the Awards granted under the AIP will be subject to the Policy and all applicable laws, rules and regulations, and may be subject to recovery (in whole or in part) by the Company. The Policy may be amended from time to time by the Committee, including amendments to comply with applicable laws, rules, regulations or stock exchange listing requirements.

8. "Change in Control" means the occurrence of any of the following:

(i) a person or group (as defined in Sections 13(d) and 14(d) of the Exchange Act) (other than the Company or a subsidiary of the Company or any employee benefit plan sponsored by the Company or a subsidiary) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Act) of 30% or more of the outstanding common stock of Xylem Inc. (the "Stock");

(ii) any person or group (other than the Company or a subsidiary of the Company, or any employee benefit plan sponsored by the Company or a subsidiary) purchases shares to acquire Stock (or securities convertible into Stock) through a tender offer or exchange offer where after consummation of the offer, the person in question will be the beneficial owner, directly or indirectly, of 30% or more of Stock;

(iii) the consummation of (A) any consolidation, business combination or merger involving the Company, except where holders of Stock immediately prior to the consolidation, business combination or merger (x) continue to hold 50% or more of the combined voting power of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of Stock of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately after the transaction as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;

(iv) there is a change in a majority of the members of the Board of Directors of the Company within a 12-month period unless the election or nomination by the Company's shareholders of each new director during such 12-month period was approved by the vote of two thirds of the directors then still in office who (x) were directors at the beginning of the 12-month period or (y) whose nomination or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of the 12-month period; or

(v) approval by the Company's shareholders of a plan of complete liquidation or dissolution of the Company, other than a plan of liquidation or dissolution which results in the acquisition of all or substantially all of the assets by an Affiliate of the Company.

9. Governing Law.

This AIP will be construed and governed in accordance with the laws of the State of New York.

Exhibit 10.6

XYLEM
SPECIAL SENIOR EXECUTIVE SEVERANCE PLAN

1. Purpose

The purpose of this Xylem Special Senior Executive Severance Plan ("**Plan**") is to assist in occupational transition by providing Severance Benefits for employees covered by this Plan whose employment is terminated under conditions set forth in this Plan.

The Plan first became effective as of October 31, 2011 following the spin-off of Xylem Inc. from ITT Corporation on October 31, 2011.

2. Covered Employees

Covered employees under this Plan ("**Executives**") are active full-time, regular salaried employees of Xylem Inc., ("**Xylem**") or of any Xylem subsidiary company ("Affiliate") (collectively or individually as the context requires "**Company**") (including Executives who are short-term disabled as of a Potential Change in Control within the meaning of the Company's short term disability plans; and other than Executives on periodic severance as of a Potential Change in Control) who are in Band A or were in Band A at any time within the two year period immediately preceding a Change in Control and such other employees of the Company who will be designated as covered employees in Band A under the Plan by the Leadership Development and Compensation Committee of Xylem's Board of Directors. Executives who are employed outside of the United States are eligible for country specific severance benefits (only) if the country specific severance benefits are higher than the severance benefits listed below.

"**Band A**" will have the meaning given such terms under the executive classification system of the Xylem Human Resources Department as in effect immediately preceding a Change in Control.

After the occurrence of a Change in Control, the terms "Xylem", "Affiliate" and "Company" as used herein will also include, respectively and as the context requires, any successor company to Xylem or any successor company to any Affiliate and any affiliate of any such successor company.

3. Definitions

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

"Change in Control" means the occurrence of any of the following:

(i) a person or group (as defined in Sections 13(d) and 14(d) of the Exchange Act) (other than the Company or any employee benefit plan sponsored by the Company) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Act) of 30% or more of the outstanding common stock of Xylem Inc. (the "Stock");

(ii) any person or group (other than the Company, or any employee benefit plan sponsored by the Company) purchases shares to acquire Stock (or securities convertible into Stock) through a tender offer or exchange offer where after consummation of the offer, the person in question will be the beneficial owner, directly or indirectly, of 30% or more of Stock;

(iii) the consummation of (A) any consolidation, business combination or merger involving the Company, except where holders of Stock immediately prior to the consolidation, business combination or merger (x) continue to hold 50% or more of the combined voting power of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation) after the merger and (y) have the same proportionate ownership of Stock of the Company (or the corporation resulting from the merger or consolidation or the parent of such corporation), relative to other holders of Stock immediately after the

transaction as immediately before, or (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company;

(iv) there is a change in a majority of the members of the Board of Directors of the Company within a 12-month period unless the election or nomination by the Company's shareholders of each new director during such 12-month period was approved by the vote of two-thirds of the directors then still in office who (x) were directors at the beginning of the 12-month period or (y) whose nomination or election as directors was recommended or approved by a majority of the directors who were directors at the beginning of the 12-month period; or

(v) approval by the Company's shareholders of a plan of complete liquidation or dissolution of the Company, other than a plan of liquidation or dissolution which results in the acquisition of all or substantially all of the assets by an Affiliate of the Company.

"**Code**" means the Internal Revenue Code of 1986, as amended.

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

Good Reason excludes an isolated, insubstantial and inadvertent action not taken in bad faith that is resolved by the Company or an Affiliate within 30 days of receiving notice.

"**Potential Change in Control**" means any execution of an agreement, the commencement of a tender offer or any other transaction or event that if consummated would result in a Change in Control.

4. Severance Benefits Upon Termination of Employment

If an Executive's employment with the Company is terminated due to a Qualifying Termination, he or she will receive the severance benefits set forth in Section 5 hereof ("Severance Benefits"). "**Qualifying Termination**" means a termination of an Executive's employment with the Company either;

(i) by the Company without Cause (A) within the two (2) year period commencing on the date of the occurrence of a Change in Control or (B) prior to the occurrence of a Change in Control and either (1) following the public announcement of the transaction or event which ultimately results in such Change in Control or (2) at the request of a party to, or participant in, the transaction or event which ultimately results in a Change in Control; or

(ii) by an Executive for Good Reason within the two (2) year period commencing with the date of the occurrence of a Change in Control.

5. Severance Benefits

Severance Benefits for Executives (i) in Band A at the time of a Qualifying Termination or at any time during the two (2) year period immediately preceding the Change in Control or (ii) designated as a covered employee in Band A in accordance with Section 2 hereof:

A. Accrued Rights – The Executive's base salary through the date of termination of employment, any Annual Incentive Plan bonus earned but unpaid as of the date of termination for any previously completed fiscal year, reimbursement for any unreimbursed business expenses properly incurred by the Executive in accordance with Company policy prior to the date of the Executive's termination of employment and such employee benefits, if any, as to which the Executive may be entitled under the Company's employee benefit plans, including without limitation, the payment of any accrued or unused vacation under the Company's vacation policy, where applicable.

B. Severance Pay – The sum of:

(i) two (2) times the current annual base salary rate paid or in effect (whether or not deferred) with respect to the Executive at the time of the Executive's termination of employment,

(ii) two (2) times the current target Annual Incentive Plan amount, and

(iii) the target Annual Incentive Plan amount prorated based on time employed for the current fiscal year.

C. Benefits

Continued health and life insurance benefits for a two (2) year period following the Executive's termination of employment at the same cost to the Executive, and at the same coverage levels, as provided to the Executive (and the Executive's eligible dependents) immediately prior to his or her termination of employment. In the event the Company changes health and/or life insurance programs, coverage levels, benefit providers and/or modifies benefit contributions, the Executive would be treated consistent with other Band A executives. In the event continuation of health and/or life insurance is not permissible, the Company may provide alternative benefits or payments as described under the subheading "General" below.

D. Outplacement – Outplacement services for one year following the Executive's termination of employment.

General

If, for any reason at any time the Company is unable to treat the Executive as being eligible for ongoing participation in the health and life insurance benefit plans in existence immediately prior to the termination of employment of the Executive, and if, as a result, the Executive does not receive a benefit or receives a reduced benefit, the Company will provide such benefits by making available equivalent benefits from other sources or making cash payments for the equivalent value (as reasonably determined in good faith by the Company) in a manner consistent with Section 15 below.

6. Form of Payment of Severance Pay

Severance Pay will be paid in a lumpsum within thirty (30) calendar days after the date the employment of the Executive terminates. The timing of payments will be subject to Section 15, in all respects.

7. Termination of Employment — Other

The Severance Benefits will only be payable upon an Executive's termination of employment due to a Qualifying Termination; provided, that if, following the occurrence of a Change in Control, an Executive is terminated due to the Executive's death or disability (as defined in the long-term disability plan that the Executive is entitled to participate (whether or not the Executive voluntarily participates in such plan)) and, at the time of such termination, the Executive had grounds to resign with Good Reason, such termination of employment will be deemed to be a Qualifying Termination.

8. Administration of Plan

This Plan will be administered by the Company's Human Resources Department, who will have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations and decisions by the Company will be final, conclusive and binding on all parties affected thereby.

Notwithstanding the preceding paragraph, following a Change in Control, any controversy or claim arising out of or relating to this Plan, or the breach thereof, will be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the entire cost thereof will be borne by the Company. The location of the arbitration proceedings will be reasonably acceptable to the Executive. Judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company will pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are incurred in good faith by

the Executive as a result of the Company's refusal to provide any of the Severance Benefits to which the Executive becomes entitled under this Plan, or as a result of the Company's (or any third party's) contesting the validity, enforceability, or interpretation of this Plan, or as a result of any conflict between the Executive and the Company pertaining to this Plan. The Company will pay such fees and expenses from the general assets of the Company.

9. Termination or Amendment

Xylem may terminate or amend this Plan ("**Plan Change**") at any time except that following the occurrence of (i) Change in Control or (ii) a Potential Change in Control, no Plan Change that would adversely affect any Executive may be made without the prior written consent of such Executive affected thereby; provided, however, that (ii) above will cease to apply if such Potential Change in Control does not result in the occurrence of a Change in Control.

10. Offset

Any Severance Benefits provided to an Executive under this Plan will be offset in a manner consistent with Section 15 by reducing (x) any Severance Pay hereunder by any severance pay, salary continuation pay, termination pay or similar pay or allowance and (y) any other Severance Benefits hereunder by corresponding employee benefits, or outplacement services, which the Executive receives or is entitled to receive, (i) under the Xylem Senior Executive Severance Plan; (ii) pursuant to any other Company policy, practice, program or arrangement; (iii) pursuant to any Company employment agreement or other agreement with the Company; or (iv) by virtue of any law, custom or practice excluding, however, any unemployment compensation in the United States, unless the Executive voluntarily expressly waives (which the Executive will have the exclusive right to do) in writing any such respective entitlement.

11. Excise Tax

If it is determined that any Payment would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate of all Payments will be reduced so that the Present Value of the aggregate of all Payments does not exceed the Safe Harbor Amount; provided, however, that no such reduction will be effected if the Net After-tax Benefit to the Executive of receiving all of the Payments exceeds the Net After-tax Benefit to the Executive resulting from having such Payments so reduced. In the event a reduction is required pursuant hereto, the order of reduction will be first all cash payments on a pro rata basis, then any equity compensation on a pro rata basis, and lastly medical and dental coverage.

For purposes of this Section 11, the following terms have the following meanings:

(i) "**Net After-tax Benefit**" will mean the Present Value of a Payment net of all federal state and local income, employment and excise taxes imposed on Executive with respect thereto, determined by applying the highest marginal rate(s) applicable to an individual for the Executive's taxable year that the Qualifying Termination occurs.

(ii) "**Payment**" means any payment or distribution or provision of benefits by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any reductions required by this Section 11.

(iii) "**Present Value**" will mean such value determined in accordance with Section 280G(d)(4) of the Code.

(iv) "**Safe Harbor Amount**" will be an amount expressed in Present Value which maximizes the aggregate Present Value of Payments without causing any Payment to be subject to excise tax under Section 4999 of the Code or the deduction limitation of Section 280G of the Code.

All determinations required to be made under this Section 11, including whether and when a reduction is required and the amount of such reduction and the assumptions to be utilized in arriving at such determination, will be made by a nationally recognized accounting firm mutually agreed to by the Executive and the Company (the "Accounting Firm") which will provide detailed supporting calculations both to the Company and the Executive within ten (10) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company; provided that for purposes of determining the amount of any

reduction, the Executive will be deemed to pay federal income tax at the highest marginal rates applicable to individuals in the calendar year that any such Qualifying Termination occurs.

All fees and expenses of the Accounting Firm will be borne solely by the Company. If the Accounting Firm determines that no excise tax is payable by the Executive, it will so indicate to the Executive in writing. Any determination by the Accounting Firm will be binding upon the Company and the Executive.

12. Miscellaneous

The Executive will not be entitled to any notice of termination or pay in lieu thereof.

Severance Benefits under this Plan are paid entirely by the Company or successor from its general assets.

This Plan is not a contract of employment, does not guarantee the Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Executive at any time.

If an Executive should die while any amount is still payable to the Executive hereunder had the Executive continued to live, all such amounts will be paid in accordance with this Plan to the Executive's designated heirs or, in the absence of such designation, to the Executive's estate.

The numbered section headings contained in this Plan are included solely for convenience of reference and will not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan will be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision will to the full extent consistent with law remain in full force and effect.

All payments and benefits provided under this Plan shall be subject to applicable provisions of the Company's Compensation Recoupment ("Clawback") Policy 40-05, as such policy may be amended from time to time, as well as any applicable requirements imposed under applicable laws, rules, regulations, or stock exchange listing requirements.

The Plan will be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of law provisions thereof.

The Plan will be binding on all successors and assigns of the Xylem Inc. and an Executive.

13. Notices

Any notice and all other communication provided for in this Plan will be in writing and will be deemed to have been duly given when delivered by hand or overnight courier or three (3) days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address will be effective only upon receipt.

If to the Company:	If to Executive:
Xylem Inc. 301 Water Street SE Washington DC, 20003 Attention: Chief Legal Officer	To the most recent address of Executive set forth in the personnel records of the Company.

14. Adoption and Amendments

This Plan was initially adopted by Xylem Inc. on October 31, 2011 (the "**Adoption Date**") and subsequently amended on each of March 26, 2012, October 14, 2014, and February 24, 2016, and most recently amended on January 1, 2026.

15. Section 409A

This Plan is intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Executive's termination of employment with the Company the Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Executive) until the date that is the earlier of (a) the 1st day of the 7th month following the Executive's termination of employment with the Company and (b) the Executive's death, at which point all payments deferred pursuant to this Section 15 will be paid to the Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits will be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits will be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute "deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits will be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Plan will be designated as a "separate payment" within the meaning of Section 409A of the Code. The Company will consult with Executives in good faith regarding the implementation of the provisions of this Section; provided that neither the Company nor any of its employees or representatives will have any liability to Executives with respect to this Section.

Exhibit 10.7

XYLEM
SENIOR EXECUTIVE SEVERANCE PLAN

1. Purpose

The purpose of this Xylem Senior Executive Severance Plan ("**Plan**") is to assist in occupational transition by providing severance pay for employees covered by this Plan whose employment is terminated under the conditions described in this Plan.

The Plan first became effective as of October 31, 2011 following the spin-off of Xylem Inc. from ITT Corporation on October 31, 2011.

2. Covered Employees

Covered employees under this Plan ("**Executives**") are full-time, regular salaried employees of Xylem Inc. ("**Xylem**") or of any Xylem subsidiary company ("Affiliate") (collectively or individually as the context requires the "**Company**") who are designated as covered employees in Band A under the Plan by the Leadership Development and Compensation Committee of Xylem's Board of Directors. Executives who are employed outside of the United States are eligible for country specific severance benefits (only) if the country specific severance benefits are higher than the severance benefits listed below.

3. Severance Pay Upon Termination of Employment

If the Company terminates an Executive's employment, the Executive will be provided severance pay in accordance with the terms of this Plan except where the Executive:

- is terminated for Cause; "**Cause**" means (i) the Executive's willful and continued failure to substantially perform his or her duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness) or (ii) the Executive willfully engaging in conduct that demonstrably and materially injures the Company or its Affiliates, monetarily or otherwise. "Willful" means the action is done or omitted in bad faith or without reasonable belief that the action or omission was in the best interests of the Company,
- accepts employment or refuses comparable employment with a purchaser as provided in Section 7, "Divestiture", or
- voluntarily terminates employment with the Company prior to the date the Company selects as the Executive's last day of active employment ("Scheduled Termination Date").

No severance pay will be provided under this Plan where the Executive terminates employment by:

- voluntarily resigning or retiring, or
- failing to return from an approved leave of absence (including a medical leave of absence).

No severance pay will be provided under this Plan on any termination of employment as a result of the Executive's death or disability.

4. Severance Benefits

A. Severance Pay is the sum of:

(i) for the Chief Executive Officer, two (2) times, and for all other Band A executives, one (1) times the current annual base salary rate paid or in effect (whether or not deferred) with respect to the Executive at the time of the Executive's termination of employment, and

(ii) the target Annual Incentive Plan amount prorated based on time employed for the current fiscal year.

B. Benefits

Continued health and life insurance benefits for a two (2) year period for the Chief Executive Officer and a one (1) year period for all other Band A executives, following the Executive's termination of employment at the same cost to the Executive, and at the same coverage levels, as provided to the Executive (and the Executive's eligible dependents) immediately prior to his or her termination of employment. In the event the Company changes health and/or life insurance programs, coverage levels, benefit providers and/or modifies benefit contributions, the Executive would be treated consistent with other Band A executives. In the event continuation of health and/or life insurance is not permissible, the Company may provide alternative benefits or payments as described under the subheading "General" below.

C. Outplacement – Outplacement services for one (1) year following the Executive's termination of employment.

General

If, for any reason at any time, the Company is unable to treat the Executive as being eligible for ongoing participation in the health and life insurance benefit plans in existence immediately prior to the termination of employment of the Executive, and if, as a result, the Executive does not receive a benefit or receives a reduced benefit, the Company will provide such benefits by making available equivalent benefits from other sources or making cash payments providing equivalent value (as reasonably determined in good faith by the Company) in a manner consistent with Section 15 below.

5. Form of Payment of Severance Pay

Severance Pay will be paid in the form of salary continuation or a lump sum as determined by the Company.

In the event of an Executive's death during the period the Executive is receiving Severance Pay, the amount of severance pay remaining will be paid in a discounted lump sum to the Executive's spouse or to such other beneficiary or beneficiaries designated by the Executive in writing, or, if the Executive is not married and failing such designation, to the estate of the Executive. Any discounted lump sum paid under this Plan will be equal to the present value of the remaining periodic payments of severance pay as determined by Xylem using an interest rate equal to the prime rate at Citibank in effect on the date of the Executive's death.

If an Executive is receiving Severance Pay, the Executive must continue to be available to render to the Company reasonable assistance, consistent with the level of the Executive's prior position with the Company, at times and locations that are mutually acceptable. In requesting such services, the Company will take into account any other commitments that the Executive may have. After the Scheduled Termination Date and normal wind up of the Executive's former duties, the Executive will not be required to perform any regular services for the Company. In the event the Executive secures other employment during the period the Executive is receiving Severance Pay, the Executive must promptly notify the Company.

Severance Pay will cease if an Executive is rehired by the Company.

6. Divestiture

If a Xylem subsidiary or division of Xylem where an Executive is employed is sold or divested and if (i) the Executive accepts employment or continued employment with the purchaser or (ii) refuses employment or continued employment with the purchaser on terms and conditions substantially comparable to those in effect immediately preceding the sale or divestiture, the Executive will not be provided severance pay under this Plan. The provisions of this Section apply to divestitures accomplished through sales of assets or through sales of corporate entities.

7. Disqualifying Conduct

In partial consideration for the severance pay contemplated by the Plan, if during the period an Executive is receiving Severance Pay, the Executive (i) directly or indirectly, hires or solicits or arranges for the hiring or solicitation of any employee or customer of the Company or its Affiliates, or encourages any employee to leave the Company; (ii) directly or indirectly, assist in soliciting in competition with the Company the business of any current customer, distributor or dealer or other sales or distribution channel partners of the Company; (iii) engages in,

becomes affiliated with, or becomes employed by any business competitive with the Company, without the Company's prior written consent; (iv) uses, discloses, misappropriates or transfers confidential or proprietary information concerning the Company or its Affiliates (except as required by the Executive's work responsibilities with the Company or its Affiliates); (iv) disparages the Company; or (v) engages in any activity in violation of Company policies, including the Company's Code of Conduct, or engages in conduct materially adverse to the best interests of the Company or its Affiliates; the Company will have no further obligation to provide severance pay.

The obligations in this Section are in addition to any other agreements related to non-competition, non-solicitation and preservation of Company confidential and proprietary information entered into between the Executive and the Company, or otherwise applicable to the Executive, and nothing in this Agreement is intended to waive, modify, alter or amend the terms of any such other agreement. THE EXECUTIVE UNDERSTANDS THAT THIS PARAGRAPH IS NOT INTENDED TO AND DOES NOT PROHIBIT THE CONDUCT DESCRIBED, BUT PROVIDES FOR THE CESSATION OF SEVERANCE PAY IF THE EXECUTIVE SHOULD CHOOSE TO VIOLATE THIS PARAGRAPH WHILE RECEIVING SEVERANCE PAY. Nothing in this Agreement prohibits the Executive from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

8. Release

The Company will not be required to make or continue any severance payments under this Plan unless the Executive executes and delivers to Xylem, within 45 days (or as specified in termination agreement for Executives who are employed outside of the United States) following the Scheduled Termination Date, an irrevocable release, satisfactory to Xylem, in which the Executive discharges and releases the Company and the Company's directors, officers, employees and employee benefit plans from all claims (other than for benefits to which Executive is entitled under any Company employee benefit plan) arising out of Executive's employment or termination of employment.

9. Administration of Plan

This Plan will be administered by the Company's Human Resources Department, which will have the exclusive right to interpret this Plan, adopt any rules and regulations for carrying out this Plan as may be appropriate and decide any and all matters arising under this Plan, including but not limited to the right to determine appeals. Subject to applicable Federal and state law, all interpretations will be final, conclusive and binding.

10. Termination or Amendment

Xylem may terminate or amend this Plan ("**Plan Change**") at any time except that no Plan Change may reduce or adversely affect severance pay for any Executive whose employment terminates within two years of the effective date of the Plan Change provided that the Executive was a covered employee under this Plan on the date of the Plan Change.

11. Offset

Any severance pay provided to an Executive under this Plan will be offset in a manner consistent with Section 15 by reducing such severance pay by any severance pay, salary continuation, termination pay or similar pay or allowance that the Executive receives or is entitled to receive (i) under any other Company plan, policy practice, program, arrangement; (ii) pursuant to any employment agreement or other agreement with the Company; (iii) by virtue of any law, custom or practice. Any severance pay provided to Executive under this Plan will also be offset by reducing such severance pay by any severance pay, salary continuation pay, termination pay or similar pay or allowance received by the Executive as a result of any prior termination of employment with the Company.

Coordination of severance pay with any pay or benefits provided by any applicable Xylem short-term or long-term disability plan will be in accordance with the provisions of those plans.

12. Miscellaneous

Except as provided in this Plan, the Executive will not be entitled to any notice of termination or pay in lieu thereof. In cases where severance pay is provided under this Plan, pay in lieu of any unused current year vacation

entitlement will be paid to the Executive in a lump sum. Benefits under this Plan are paid for entirely by the Company from its general assets. This Plan is not a contract of employment, does not guarantee the Executive employment for any specified period and does not limit the right of the Company to terminate the employment of the Executive at any time. The numbered section headings contained in this Plan are included solely for convenience of reference and will not in any way affect the meaning of any provision of this Plan.

If, for any reason, any one or more of the provisions or part of a provision contained in this Plan will be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision or part of a provision of this Plan not held so invalid, illegal or unenforceable, and each other provision or part of a provision will to the full extent consistent with law remain in full force and effect.

All payments and benefits provided under this Plan shall be subject to applicable provisions of the Company's Compensation Recoupment ("Clawback") Policy 40-05, as such policy may be amended from time to time, as well as any applicable requirements imposed under applicable laws, rules, regulations, or stock exchange listing requirements.

The Plan will be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of law provisions thereof.

The Plan will be binding on all successors and assigns of the Xylem Inc. and an Executive.

13. Notices

Any notice and all other communication provided for in this Plan will be in writing and will be deemed to have been duly given when delivered by hand or overnight courier or three (3) days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address will be effective only upon receipt.

If to the Company:	If to Executive:
Xylem Inc. 301 Water Street SE Washington DC, 20003 Attention: Chief Legal Officer	To the most recent address of Executive set forth in the personnel records of the Company.

14. Adoption and Amendments

This Plan was initially adopted by Xylem Inc. on October 31, 2011 (the "**Adoption Date**") and subsequently amended on February 24, 2016 and January 1, 2026.

15. Section 409A

This Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") and will be interpreted in a manner intended to comply with Section 409A of the Code. Notwithstanding anything herein to the contrary, (i) if at the time of the Executive's termination of employment with the Company the Executive is a "specified employee" as defined in Section 409A of the Code (and any related regulations or other pronouncements thereunder) and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Executive) until a date that is the earlier of (a) the 1st day of the seventh month following the Executive's termination of employment with the Company and (b) the Executive's death, at which point all payments deferred pursuant to this Section will be paid to the Executive in a lump sum and (ii) if any other payments of money or other benefits due hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits will be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits will be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due under this Plan constitute

"deferred compensation" under Section 409A of the Code, any such reimbursements or in-kind benefits will be paid in a manner consistent with Treas. Reg. Section 1.409A-3(i)(l)(iv). Each payment made under this Plan will be designated as a separate payment" within the meaning of Section 409A of the Code. The Company will consult with Executives in good faith regarding the implementation of the provisions of this Section; provided that neither the Company nor any of its employees or representatives will have any liability to Executives with respect to the provisions of this Section.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT*

Legal Name	Jurisdiction	Name Under Which Doing Business
Aanderaa Data Instruments AS	Norway	
Anadolu Flygt Pompa Pazarlama Ve Ticaret A.Ş.	Turkey	
AYC Sinergia, S.L.	Spain	
Caribe Water Technology, Inc.	Puerto Rico	
Cleverpy Machine Learning. S.L.	Spain	
CMS Research Corporation	Alabama	
EMX HOLDINGS, INC.	Delaware	
Ensai Ingenieria, S.L.	Spain	
EnviroMix, Inc.	Delaware	
Evoqua Finance LLC	Delaware	
Evoqua Pension Trustees Limited	England & Wales	
Evoqua Water Technologies (Shanghai) Co., Ltd.	China	
Evoqua Water Technologies Canada Ltd.	Nova Scotia	
Evoqua Water Technologies Corp.	Delaware	
Evoqua Water Technologies GmbH	Germany	
Evoqua Water Technologies India Private Limited	India	
Evoqua Water Technologies Ireland Limited	Ireland	
Evoqua Water Technologies Limited	England & Wales	
Evoqua Water Technologies LLC	Delaware	
Evoqua Water Technologies Ltd.	Canada (Federally Chartered)	
Evoqua Water Technologies Pte. Ltd.	Singapore	
Evoqua Water Technologies Pty Ltd	Australia	
EWT Holdings II Corp.	Delaware	
EWT Holdings III Corp.	Delaware	
Faradyne Motors (Suzhou) Co. Ltd.	China	
Faradyne Motors LLC	Delaware	
Flow Control LLC	Delaware	
Fluid Handling, LLC	Delaware	
Global Omnium Idrica HK Limited	Hong Kong	
Global Omnium Idrica, S.L.	Spain	
GoAigua Inc.	Delaware	
GoAigua Mex, S.A. de C.V.	Mexico	
GoAigua Solutions Inc.	Canada (Federally Chartered)	
Goulds Water Technology Philippines, Inc	Philippines	
Heusser Water Solutions AG	Switzerland	
Idrica Chile SPA	Chile	
Idrica Colombia S.A.S.	Colombia	

*Each of the named subsidiaries is not necessarily a “significant subsidiary” as defined in Rule 1-02(w) of Regulation S-X, and the Company has several additional subsidiaries not named above. The unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a “significant subsidiary” at the end of the year covered by this report.

Legal Name	Jurisdiction	Name Under Which Doing Business
Idrica do Brasil Saneamiento Digital Ltda.	Brazil	
Idrica for Contracting and Consulting W.L.L.	Qatar	
Idrica Peru, S.A.C.	Peru	
Idrica Sociedad de Responsabilidad Limitada	Costa Rica	
IMT B.V.	Netherlands	
Jabsco Marine Italia s.r.l.	Italy	
Jabsco S. de R.L. De C.V.	Mexico	
Lowara s.r.l. Unipersonale	Italy	Lowara
Lowara UK Ltd	England & Wales	
Lowara Vogel Polska SP.ZO.O.	Poland	
MAGNETO international B.V.	Netherlands	
Multitrode Pty Ltd	Queensland	
Neptune Benson, Inc.	Delaware	
Nova Analytics Europe, LLC	Delaware	
Pac Machine Co., Inc.	California	
Pension Trustee Management Ltd	England & Wales	
Pipeline Technologies Philippines Corp	Philippines	
PT Xylem Water Solutions Indonesia	Indonesia	
Pure Holding Inc.	Delaware	
Pure Technologies Abu Dhabi	United Arab Emirates	
Pure Technologies Ltd.	Alberta	
Pure Technologies U.S. Inc.	Delaware	Wachs Water Services
PureHM Inc.	Alberta	
PureHM U.S. Inc.	Delaware	
Sensus (Nanjing) Trading Co., Ltd.	China	
Sensus (UK Holdings) Ltd.	England & Wales	
Sensus Canada Inc.	Federally Chartered	
Sensus Chile SpA	Chile	
Sensus France Holdings SAS	France	
Sensus France SAS	France	
Sensus Germany GmbH & Co. KG	Ludwigshafen	
Sensus Germany GP GmbH	Germany	
Sensus GmbH Hannover	Germany	
Sensus GmbH Ludwigshafen	Germany	
Sensus International Australia Pty. Ltd.	Australia	
Sensus International S.a.r.l.	Luxembourg	
Sensus International S.A.S.	Colombia	
Sensus Italia S.R.L.	Italy	
Sensus Maroc SA	Morocco	
SENSUS METERING ESPAÑA, S.L.	Spain	

*Each of the named subsidiaries is not necessarily a “significant subsidiary” as defined in Rule 1-02(w) of Regulation S-X, and the Company has several additional subsidiaries not named above. The unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a “significant subsidiary” at the end of the year covered by this report.

Legal Name	Jurisdiction	Name Under Which Doing Business
Sensus Metering India Private Limited	India	
Sensus Metering Systems (LuxCo 2) S.ar.l	Luxembourg	
Sensus Metering Systems (LuxCo 3) S.àr.l	Luxembourg	
Sensus Meters USA LLC	Delaware	
Sensus Polska Sp. z o.o.	Poland	
Sensus Services Deutschland GmbH	Germany	
Sensus Singapore Pte. Ltd.	Singapore	
Sensus Slovensko a.s.	Slovak Republic	
Sensus South Africa (Pty) Ltd	South Africa	
Sensus SPA (Algeria)	Algeria	
Sensus Spectrum LLC	Delaware	
Sensus UK Systems Limited	England & Wales	
Sensus USA Inc.	Delaware	
Sentec Limited	England & Wales	
Simply Clean Air and Water, Inc.	Connecticut	
Smith-Blair, Inc.	Delaware	
Vacom Systems, LLC	Utah	
Water Technologies U.K. Ltd	England & Wales	
WTG Holdco Australia Pty Ltd	Australia	
WTG Holdings BV	Netherlands	
Xylem (Beijing) Technology Co. Ltd	China	
Xylem (China) Company Limited	China	
Xylem (Hong Kong) Limited	Hong Kong	
Xylem (Nanjing) Co., Ltd	China	
Xylem Analytics Beijing Co., Ltd.	China	
Xylem Analytics Germany GmbH	Germany	
Xylem Analytics Germany Sales GmbH & Co. KG	Germany	
Xylem Analytics IP GmbH & Co. KG	Germany	
Xylem Analytics IP Management GmbH	Germany	
Xylem Analytics UK Limited	England & Wales	
Xylem Australia Holdings PTY LTD	New South Wales	
Xylem Brasil Soluções para Água Ltda	Brazil	
Xylem Canada GP ULC	Alberta	
Xylem Canada LP	Ontario	
Xylem Canada Ltd.	Alberta	
Xylem Central Asia Limited Liability Partnership	Kazakhstan	
Xylem Česká republika spol. s r.o.	Czech Republic	
Xylem Chihuahua S. de R.L. de C.V.	Mexico City	
Xylem China LLC	Delaware	
Xylem Cote d'Ivoire	Ivory Coast	

*Each of the named subsidiaries is not necessarily a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X, and the Company has several additional subsidiaries not named above. The unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" at the end of the year covered by this report.

Legal Name	Jurisdiction	Name Under Which Doing Business
Xylem Dewatering Solutions UK Ltd	England & Wales	
Xylem Dewatering Solutions, Inc.	New Jersey	Godwin Pumps of America
Xylem Egypt LLC	Egypt	
Xylem Egypt Manufacturing LLC	Egypt	
Xylem Europe GmbH	Switzerland	
Xylem Global S.àr.l	Luxembourg	
Xylem Holdings Egypt LLC	Egypt	
Xylem Inc.	Indiana	
Xylem Industries Malta Limited	Malta	
Xylem Industries Singapore Pte. Ltd.	Singapore	
Xylem International Inc.	Delaware	
Xylem International S.àr.l	Luxembourg	
Xylem IP Holdings LLC	Delaware	
Xylem IP UK S.àr.l	Luxembourg	
Xylem Israel Ltd.	Israel	
Xylem Japan K.K.	Japan	
Xylem Luxembourg 1	Luxembourg	
Xylem Manufacturing Middle East Region FZCO	United Arab Emirates	
Xylem Middle East Water Equipment Trading & Rental LLC	United Arab Emirates	
Xylem Monterrey, S. de R.L. de C.V.	Mexico	
Xylem Ontario Inc.	Ontario	
Xylem Rus LLC	Russian Federation	
Xylem Saudi	Saudi Arabia	
Xylem Service Italia Srl	Italy	
Xylem Services USA LLC	Delaware	
Xylem South Africa Trust	South Africa	
Xylem Switzerland 1 GmbH	Switzerland	
Xylem Switzerland 2 GmbH	Switzerland	
Xylem Switzerland 3 GmbH	Switzerland	
Xylem Switzerland 4 GmbH	Switzerland	
Xylem Switzerland 5 GmbH	Switzerland	
Xylem Vue Inc.	Delaware	
Xylem Water Holdings Ltd	England & Wales	
Xylem Water Services Ltd	England & Wales	
Xylem Water Solutions (Thailand) Co., Ltd.	Thailand	
Xylem Water Solutions Argentina S.R.L.	Argentina	
Xylem Water Solutions Australia Limited	New South Wales	
Xylem Water Solutions Austria GmbH	Austria	
Xylem Water Solutions Belgium BV	Belgium	
Xylem Water Solutions Chile S.A.	Chile	

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Legal Name	Jurisdiction	Name Under Which Doing Business
Xylem Water Solutions Colombia S.A.S.	Colombia	
Xylem Water Solutions Denmark ApS	Denmark	
Xylem Water Solutions Deutschland GmbH	Germany	Flygt
Xylem Water Solutions España, S.L.U	Spain	
Xylem Water Solutions France SAS	France	
Xylem Water Solutions Global Services AB	Sweden	
Xylem Water Solutions Herford GmbH	Germany	
Xylem Water Solutions India Pvt. Ltd.	Vadodara	
Xylem Water Solutions Ireland Ltd.	Ireland	
Xylem Water Solutions Italia S.r.l.	Italy	Flygt
Xylem Water Solutions Kenya Limited	Kenya	
Xylem Water Solutions Korea Co., Ltd.	South Korea	
Xylem Water Solutions Magyarorszag Kft.	Hungary	
Xylem Water Solutions Malaysia SDN. BHD.	Malaysia	
Xylem Water Solutions Manufacturing AB	Sweden	
Xylem Water Solutions Metz SAS	France	
Xylem Water Solutions Mexico S.de R.L. de C.V.	Mexico	
Xylem Water Solutions Middle East Region FZCO	United Arab Emirates	
Xylem Water Solutions Nederland BV	Netherlands	Flygt
Xylem Water Solutions New Zealand Limited	New Zealand	
Xylem Water Solutions Norge AS	Norway	
Xylem Water Solutions Panama s.r.l.	Panama	
Xylem Water Solutions Peru S.A.	Peru	
Xylem Water Solutions Polska Sp. z o.o.	Poland	
Xylem Water Solutions Portugal Unipessoal Lda.	Portugal	
Xylem Water Solutions Romania SRL	Romania	
Xylem Water Solutions Singapore PTE Ltd.	Singapore	
Xylem Water Solutions South Africa (Pty) Ltd.	South Africa	
Xylem Water Solutions Suomi Oy	Finland	
Xylem Water Solutions Sweden AB	Sweden	
Xylem Water Solutions U.S.A., Inc.	Delaware	
Xylem Water Solutions UK Holdings Ltd	England & Wales	
Xylem Water Solutions UK Ltd	England & Wales	
Xylem Water Solutions Zelienople LLC	Delaware	
Xylem Water Solutions(Shenyang) CO., Ltd.	China	
Xylem Water Systems Hungary Kft.	Hungary	
Xylem Water Systems International, Inc.	Delaware	
Xylem Water Systems U.S.A., LLC	Delaware	
YSI (China) Limited	Hong Kong	
YSI Incorporated	Ohio	

*Each of the named subsidiaries is not necessarily a “significant subsidiary” as defined in Rule 1-02(w) of Regulation S-X, and the Company has several additional subsidiaries not named above. The unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a “significant subsidiary” at the end of the year covered by this report.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-273653 on Form S-3 and Registration Statement No. 333-272165, 333-272166 and No. 333-268476 on Form S-8 of our reports dated February 25, 2026, relating to the financial statements of Xylem Inc. and the effectiveness of Xylem Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ Deloitte & Touche LLP

Stamford, Connecticut
February 25, 2026

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 Annual Report on Form 10-K of Xylem Inc. for the period ended December 31, 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.

Date: February 25, 2026

/s/ Matthew F. Pine

Matthew F. Pine
President and Chief Executive Officer

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 Annual Report on Form 10-K of Xylem Inc. for the period ended December 31, 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 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.

Date: February 25, 2026

/s/ William K. Grogan

William K. Grogan
Executive Vice President, Chief Financial Officer

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 Annual Report on Form 10-K of Xylem Inc. (the "Company") for the period ended December 31, 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
February 25, 2026

/s/ William K. Grogan

William K. Grogan
Executive Vice President, Chief Financial Officer
February 25, 2026

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.