



Sensus Historical Financial Data

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Xylem Non-GAAP MEASURES

The schedules in this document represent historical Sensus financial information on a standalone, unaudited basis prior to the acquisition by Xylem on October 31, 2016. The schedules contain certain non-GAAP (or "adjusted") measures, which can be useful to management and investors in evaluating Sensus historical operating performance for the periods presented. [These measures may also provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing financial performance. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

"EBITDA" defined as earnings before interest, taxes, depreciation, amortization expense, and share-based compensation. **"Adjusted EBITDA"** reflects the adjustment to EBITDA to exclude the reversal of product warranty reserves, restructuring and realignment costs, Sensus transaction related charges, management fees, and other non-recurring charges.

"Adjusted Operating Income", "Adjusted Segment Operating Income", "Adjusted Net Income" and "Adjusted EPS" defined as operating income, segment operating income, adjusted net income and earnings per share, adjusted to exclude the reversal of product warranty reserves, restructuring and realignment costs, Sensus transaction related charges, management fees, and other non-recurring charges.

Sensus Historical Non_GAAP Reconciliation
Adjusted Operating Income
(\$ Millions)

	(Unaudited)				YTD 12/31/16
	QTR 3/31/16	QTR 6/30/16	QTR 9/30/16	QTD 12/31/16	
Revenue	228	236	227	200	891
Operating Income	49	40	30	(50)	69
Operating Margin	21.5%	16.9%	13.2%	-25.0%	7.7%
Reversal of product warranty reserve	(27)	-	-	-	(27)
Restructuring & realignment costs	3	1	-	1	5
Sensus transaction related charges (a)	-	-	1	63	64
Management fees	2	2	1	-	5
Other non-recurring charges	1	-	-	-	1
Adjusted Operating Income	28	43	32	14	117
Adjusted Operating Margin	12.3%	18.2%	14.1%	7.0%	13.1%

(a) Includes Sensus seller transaction expenses and change in control retention compensation charges for the period prior to acquisition of \$39 million.

Sensus Historical Non_GAAP Reconciliation
Adjusted EBITDA
(\$ Millions)

	(Unaudited)				
	<u>QTR 3/31/16</u>	<u>QTR 6/30/16</u>	<u>QTR 9/30/16</u>	<u>QTD 12/31/16</u>	<u>YTD 12/31/16</u>
Pre-Tax Income	41	24	18	(92)	(9)
Interest Expense (Income), Net	9	15	12	30	66
Depreciation and Amortization	15	15	15	26	71
EBITDA	<u>65</u>	<u>54</u>	<u>45</u>	<u>(36)</u>	<u>128</u>
Reversal of product warranty reserve	(27)	-	-	-	(27)
Restructuring & realignment costs	3	1	-	1	5
Sensus transaction related charges (a)	-	-	1	56	57
Management fees	2	2	1	-	5
Other non-recurring charges (b)	1	-	-	12	13
Adjusted EBITDA	<u><u>44</u></u>	<u><u>57</u></u>	<u><u>47</u></u>	<u><u>33</u></u>	<u><u>181</u></u>
Revenue	228	236	227	200	891
Adjusted EBITDA Margin	<u>19.3%</u>	<u>24.2%</u>	<u>20.7%</u>	<u>16.5%</u>	<u>20.3%</u>

(a) Includes Sensus seller transaction expenses and change in control retention compensation charges for the period prior to acquisition of \$39 million.

(b) Includes a write-down on a minority owned joint venture in October 2016

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