

Subject: Important Product Pricing and Component Updates



Dear valued customer,

Like countless other companies and sectors, Xylem is continuing to see advancing inflation impact our ability to deliver the products you need. Specifically, we have seen a rapid increase in the cost of components from 2021-2022 which far outpaced our end product price increases. We are addressing the issues from multiple angles, even though many elements are beyond our reasonable control.

Impact of Inflation

We have been monitoring the impact of inflationary pricing from component suppliers, transportation companies and others and have absorbed many of these increased costs into our business. For reference, we have included industrial indexes as a baseline, though these do not capture the additional cost increase from third party component brokers for supply constrained integrated circuit components.

Category	Index Number	YoY Inflation (Apr)	Index Reference
Ductile Iron	PCU3315113315111	19.1%	https://fred.stlouisfed.org/series/PCU3315113315111
Brass	WPU102502	17.5%	https://fred.stlouisfed.org/series/WPU102502
Electronic Components	IP8542	6.6%	https://fred.stlouisfed.org/series/IP8542
Thermoset Plastic	PCU3252113252111	6.8%	https://fred.stlouisfed.org/series/PCU3252113252111
LTL Freight	PCU4841224841221	15.0%	https://fred.stlouisfed.org/series/PCU4841224841221
Ocean Freight	PCU4831114831115	44.9%	https://fred.stlouisfed.org/series/PCU4831114831115
Labor	LCULMN01USQ661S	4.8%	https://fred.stlouisfed.org/series/LCULMN01USQ661S

What this Means for You

In order to continue delivering market-leading products and solutions, we must act to address inflation. Specifically, we have increased pricing to our VAR partners, effective August 15. This will apply to our current backlog, quotes and future pricing.

We understand that price increases are difficult for your organization and your stakeholders. We appreciate the understanding and patience you've expressed as we work together to address inflation. Know that we appreciate your partnership and are working to do this in a manner that is fair for our shared work.

Our commitment to you remains steadfast and we will continue to provide updates in a timely manner on inflation and its impact on future pricing. If you have questions or feedback, please reach out to your sales representative.

Sincerely,

Mark Newton
Vice President, Sales