

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 29, 2013

XYLEM INC.

(Exact name of registrant as specified in its charter)

Indiana
*(State or other jurisdiction
of incorporation)*

001-35229
*(Commission
File Number)*

45-2080495
*(IRS Employer
Identification No.)*

1133 Westchester Avenue, Suite N200
White Plains, New York
(Address of principal executive offices)

10604
(Zip Code)

(914) 323-5700
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

Attached hereto as Exhibit 99.1 and incorporated herein by reference is the news release issued by Xylem Inc. on October 29, 2013, announcing the financial results for the third quarter ended September 30, 2013. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

Item 7.01 Regulation FD Disclosure

Attached hereto as Exhibit 99.2 and incorporated herein by reference is an earnings presentation posted on Xylem Inc.'s website on October 29, 2013, summarizing Xylem Inc.'s financial results for the third quarter ended September 30, 2013. This information is furnished pursuant to Item 7.01 Regulation FD Disclosure. This information shall not be deemed filed for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	News Release issued by Xylem Inc. on October 29, 2013.
99.2	Presentation summarizing third quarter financial results posted by Xylem Inc. on October 29, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

XYLEM INC.

Date: October 29, 2013

By: /s/ Michael T. Speetzen

Michael T. Speetzen

Senior Vice President and Chief Financial Officer
(Authorized Officer of Registrant)

EXHIBIT INDEX

Exhibit No.	Description
99.1	News Release issued by Xylem Inc. on October 29, 2013.
99.2	Presentation summarizing third quarter financial results posted by Xylem Inc. on October 29, 2013.

**Xylem**

1133 Westchester Ave., White Plains, NY 10604
Tel +1.914.323.5700 Fax +1.914.696.2960

Contacts: Media
Tom Glover +1-914-323-5891
tom.glover@xylem.com

Investors
Phil DeSousa +1-914-323-5930
phil.desousa@xylem.com

Xylem Inc. delivers improvement in third quarter 2013 results

- **Third quarter 2013 adjusted net income was \$92 million or \$0.49 per share, up 11 percent or \$0.05 from third quarter 2012; GAAP net income was \$73 million or \$0.39 per share**
- **Third quarter 2013 revenue was \$965 million, up one percent organically, up 4 percent on constant currency basis**
- **Third quarter organic orders up 6 percent over comparable period 2012**
- **Company raises full year guidance to range of \$1.60 to \$1.65 per share**

WHITE PLAINS, N.Y., October 29, 2013 – Xylem Inc. (NYSE: XYL), a leading global water technology company dedicated to solving the world’s most challenging water issues, today reported third quarter 2013 net income of \$73 million, or \$0.39 per share. Adjusted net income was \$92 million, or \$0.49 per share, excluding the impact of restructuring and realignment charges, as well as special charges. Third quarter revenue was \$965 million, up \$34 million or 4 percent from third quarter 2012 on a constant currency basis, reflecting strong performance in emerging markets and better than expected activity in Europe. Third quarter 2013 adjusted operating margins were 13.5 percent, up 60 basis points over last year.

“We are pleased with the pickup in sales activity, and we’re encouraged by the immediate impact of operating improvements and cost control initiatives that are reflected in third quarter bottom line growth,” said Steve Loranger, chief executive officer and president of Xylem. “Emerging markets, particularly China with its continued investment in infrastructure, are driving organic revenue growth. Higher sales in northern and central Europe more than offset continued weakness in southern Europe in the quarter.”

Loranger said the business is seeing improved order activity, with third quarter orders up 6 percent organically, including some notable wins, such as a large ozone project in China and a comprehensive pumping and control system for the Singapore Transport Authority’s Downtown Line Mass Rapid Transit project. New products introduced in the quarter include laboratory and water analytical instruments and a more energy-efficient stainless steel pump for industrial applications.

In addition to delivering strong earnings this quarter, Loranger said that the company continues to enhance shareholder value through the active repurchase of Xylem shares on the open market since the approval of a \$250 million repurchase program in August.

“Our third quarter performance and ongoing cash generation are strong signs that we are regaining traction,” Loranger said. “They give us a solid base from which to execute our strategy and deliver improved operating performance in 2014 and beyond.”

FY 2013 Outlook

Loranger said that due to stronger third quarter performance, the impact of ongoing cost reductions, modestly improving market conditions and better visibility through year end, the company is raising its full year 2013 earnings forecast to a range of \$1.60 to \$1.65 per share on projected revenue of approximately \$3.8 billion.

Third Quarter Segment Results

Water Infrastructure

Xylem’s Water Infrastructure segment consists of its businesses serving clean water delivery, wastewater transport and treatment, dewatering and analytical instrumentation.

- Third quarter 2013 revenue was \$619 million, up one percent organically compared with the third quarter 2012, reflecting stronger performance in Europe and strength in emerging markets.
- Third quarter adjusted segment operating income was \$96 million. Adjusted operating margin was 15.5 percent, up 50 basis points over last year, reflecting a return to organic growth, improved execution and the impact of cost reductions.

Applied Water

Xylem’s Applied Water segment consists of its portfolio of businesses in residential and commercial building services, industrial and agricultural applications.

- Third quarter 2013 revenue was \$360 million, up two percent organically compared with the third quarter 2012, reflecting strong performance in emerging markets, especially China, and strength in U.S. commercial and agricultural end markets.
- Third quarter adjusted segment operating income was \$44 million. Adjusted operating margin was 12.2 percent, down 40 basis points from 2012, primarily driven by higher sales mix in emerging markets.

Supplemental information on Xylem’s third quarter earnings and reconciliations for certain non-GAAP items are posted at investors.xylem.com.

About Xylem

Xylem (NYSE: XYL) is a leading global water technology provider, enabling customers to transport, treat, test and efficiently use water in public utility, residential and commercial building services, industrial and agricultural settings. The company does business in more than 150 countries through a number of market-leading product brands, and its people bring broad applications expertise with

a strong focus on finding local solutions to the world's most challenging water and wastewater problems. Xylem is headquartered in White Plains, N.Y., with 2012 annual revenues of \$3.8 billion and approximately 12,900 employees worldwide. Xylem was named to the Dow Jones Sustainability World Index for the last two years for advancing sustainable business practices and solutions worldwide.

The name Xylem is derived from classical Greek and is the tissue that transports water in plants, highlighting the engineering efficiency of our water-centric business by linking it with the best water transportation of all — that which occurs in nature. For more information, please visit us at www.xyleminc.com.

Forward-Looking Statements

This document contains information that may constitute “forward-looking statements.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

These forward-looking statements include, but are not limited to, statements about the separation of Xylem Inc. (the “Company”) from ITT Corporation in 2011, capitalization of the Company, future strategic plans and other statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to orders, sales, operating margins and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements.

Caution should be taken not to place undue reliance on any such forward-looking statements because they involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those set forth in Item 1A in our Annual Report on Form 10-K, and those described from time to time in subsequent reports filed with the Securities and Exchange Commission.

###

XYLEM INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)

(in millions, except per share data)

For the periods ended September 30,	Three Months		Nine Months	
	2013	2012	2013	2012
Revenue	\$ 965	\$ 931	\$ 2,804	\$ 2,822
Cost of revenue	581	557	1,715	1,702
Gross profit	384	374	1,089	1,120
Selling, general and administrative expenses	256	231	744	682
Research and development expenses	24	24	78	80
Restructuring charges	5	4	30	4
Separation costs	1	4	3	15
Operating income	98	111	234	339
Interest expense	14	14	41	41
Other non-operating (expense) income, net	(1)	3	(2)	1
Income before taxes	83	100	191	299
Income tax expense	10	28	31	75
Net income	\$ 73	\$ 72	\$ 160	\$ 224
Earnings per share:				
Basic	\$ 0.39	\$ 0.39	\$ 0.86	\$ 1.20
Diluted	\$ 0.39	\$ 0.38	\$ 0.86	\$ 1.20
Weighted average number of shares:				
Basic	185.2	185.9	185.5	185.7
Diluted	186.0	186.3	186.2	186.2
Dividends declared per share	\$0.1164	\$0.1012	\$0.3492	\$0.3036

XYLEM INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 394	\$ 504
Receivables, less allowances for discounts and doubtful accounts of \$30 and \$34 in 2013 and 2012, respectively	845	776
Inventories, net	496	443
Prepaid and other current assets	120	110
Deferred income tax assets	44	41
Total current assets	1,899	1,874
Property, plant and equipment, net	478	487
Goodwill	1,704	1,647
Other intangible assets, net	497	484
Other non-current assets	206	187
Total assets	\$ 4,784	\$ 4,679
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 324	\$ 332
Accrued and other current liabilities	475	443
Short-term borrowings and current maturities of long-term debt	3	6
Total current liabilities	802	781
Long-term debt	1,199	1,199
Accrued postretirement benefits	400	400
Deferred income tax liabilities	173	173
Other non-current accrued liabilities	52	52
Total liabilities	2,626	2,605
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common Stock – par value \$0.01 per share:		
Authorized 750.0 shares, issued 186.8 shares and 186.2 shares in 2013 and 2012, respectively	2	2
Capital in excess of par value	1,729	1,706
Retained earnings	359	264
Treasury stock – at cost 2.3 shares and 0.5 shares in 2013 and 2012, respectively	(61)	(13)
Accumulated other comprehensive income	129	115
Total stockholders' equity	2,158	2,074
Total liabilities and stockholders' equity	\$ 4,784	\$ 4,679

XYLEM INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in millions)

For the nine months September 30,

	2013	2012
Operating Activities		
Net income	\$ 160	\$224
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	72	68
Amortization	38	35
Share-based compensation	21	16
Restructuring charges	30	4
Other, net	11	1
Payments for restructuring	(24)	—
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	(71)	(33)
Changes in inventories	(59)	(33)
Changes in accounts payable	4	(7)
Other, net	(19)	(45)
Net Cash — Operating activities	163	230
Investing Activities		
Capital expenditures	(91)	(81)
Acquisitions of businesses and assets, net of cash acquired	(81)	(12)
Proceeds from the sale of property, plant and equipment	7	4
Net Cash — Investing activities	(165)	(89)
Financing Activities		
Issuance of short-term debt	—	12
Principal payments of debt and capital lease obligations	(2)	(6)
Repurchase of common stock	(44)	(4)
Proceeds from exercise of employee stock options	2	22
Dividends paid	(65)	(56)
Other, net	—	(9)
Net Cash — Financing activities	(109)	(41)
Effect of exchange rate changes on cash	1	6
Net change in cash and cash equivalents	(110)	106
Cash and cash equivalents at beginning of year	504	318
Cash and cash equivalents at end of period	\$ 394	\$424
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 37	\$ 38
Income taxes (net of refunds received)	\$ 61	\$ 76

Xylem Inc. Non-GAAP Measures

Management views key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, free cash flow, working capital, and backlog, among others. In addition, we consider certain measures to be useful to management and investors evaluating our operating performance for the periods presented, and 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. 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 operations as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

“Organic revenue” and **“Organic orders”** defined as revenue and orders, respectively, excluding the impact of foreign currency fluctuations, intercompany transactions, and contributions from acquisitions and divestitures. Divestitures include sales of portions of our business that did not meet the criteria for classification as a discontinued operation or insignificant portions of our business that we did not classify as a discontinued operation. The period-over-period change resulting from foreign currency fluctuations assumes no change in exchange rates from the prior period.

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

“EBITDA” defined as earnings before interest, taxes, depreciation, amortization expense, and share-based compensation. **“Adjusted EBITDA”** reflects the adjustment to EBITDA to exclude for non-recurring separation costs associated with the Xylem spin-off from ITT Corporation as well as non-recurring restructuring and realignment costs.

“Adjusted Operating Income,” “Adjusted Segment Operating Income,” and **“Adjusted EPS”** defined as operating income and earnings per share, adjusted to exclude non-recurring separation costs associated with the Xylem spin-off from ITT Corporation, non-recurring restructuring and realignment costs and tax-related special items.

“Normalized EPS” defined as adjusted earnings per share, as well as adjustments to reflect the incremental current period amount of interest expense and stand alone costs in the prior comparable period.

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

“Realignment costs” defined as non-recurring costs not included in restructuring costs that are incurred as part of actions taken to reposition our business, including items such as professional fees, relocation, travel and other costs.

“Special charges” defined as costs incurred by the Company associated with the settlement of legal proceedings with Xylem Group LLC, as well as certain costs incurred for the change in chief executive officer made during the third quarter of 2013.

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

	<u>(As Reported - GAAP)</u>				<u>(As Adjusted - Organic)</u>					<u>Constant Currency</u>
	<u>(A)</u>		<u>(B)</u>		<u>(C)</u>	<u>(D)</u>	<u>(E)</u>	<u>(F) = B+C+D+E</u>	<u>(G) = F/A</u>	<u>(H) = (F - C) / A</u>
	<u>Orders</u> <u>2013</u>	<u>Orders</u> <u>2012</u>	<u>Change</u> <u>2013 v. 2012</u>	<u>% Change</u> <u>2013 v. 2012</u>	<u>Acquisitions /</u> <u>Divestitures</u>	<u>FX Contribution</u>	<u>Eliminations</u>	<u>Change</u> <u>Adj. 2013 v.</u> <u>2012</u>	<u>% Change</u> <u>Adj. 2013 v.</u> <u>2012</u>	
<u>Nine Months Ended</u>										
<u>September 30</u>										
Xylem Inc.	2,926	2,856	70	2%	(71)	1	—	—	0%	2%
Water Infrastructure	1,865	1,819	46	3%	(71)	4	—	(21)	-1%	3%
Applied Water	1,111	1,086	25	2%	—	(4)	1	22	2%	2%
<u>Quarter Ended</u>										
<u>September 30</u>										
Xylem Inc.	955	882	73	8%	(20)	1	—	54	6%	8%
Water Infrastructure	617	564	53	9%	(20)	3	—	36	6%	10%
Applied Water	355	334	21	6%	—	(3)	1	19	6%	6%
<u>Quarter Ended</u>										
<u>June 30</u>										
Xylem Inc.	1,009	970	39	4%	(25)	(2)	—	12	1%	4%
Water Infrastructure	647	617	30	5%	(25)	(1)	—	4	1%	5%
Applied Water	378	370	8	2%	—	(1)	1	8	2%	2%
<u>Quarter Ended</u>										
<u>March 31</u>										
Xylem Inc.	962	1,004	(42)	-4%	(26)	2	—	(66)	-7%	-4%
Water Infrastructure	601	638	(37)	-6%	(26)	2	—	(61)	-10%	-5%
Applied Water	378	382	(4)	-1%	—	—	(1)	(5)	-1%	-1%

Note: Due to rounding the sum of segment amounts may not agree to Xylem totals.

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

	<u>(As Reported - GAAP)</u>				<u>(As Adjusted - Organic)</u>				<u>Constant Currency</u>	
	(A)	(B)	(B)	(B)	(C)	(D)	(E)	(F) = B+C+D+E	(G) = F/A	(H) = (F - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /	FX Contribution	Eliminations	Change	% Change	
	2013	2012	2013 v. 2012	2013 v. 2012	Divestitures			Adj. 2013 v.	Adj. 2013 v.	
								2012	2012	
Nine Months Ended										
September 30										
Xylem Inc.	2,804	2,822	(18)	-1%	(67)	(2)	—	(87)	-3%	-1%
Water Infrastructure	1,766	1,788	(22)	-1%	(67)	2	1	(86)	-5%	-1%
Applied Water	1,086	1,078	8	1%	—	(5)	(4)	(1)	0%	0%
Quarter Ended										
September 30										
Xylem Inc.	965	931	34	4%	(21)	—	—	13	1%	4%
Water Infrastructure	619	595	24	4%	(21)	3	1	7	1%	5%
Applied Water	360	350	10	3%	—	(4)	—	6	2%	2%
Quarter Ended										
June 30										
Xylem Inc.	960	966	(6)	-1%	(23)	(4)	—	(33)	-3%	-1%
Water Infrastructure	596	609	(13)	-2%	(23)	(2)	—	(38)	-6%	-2%
Applied Water	381	373	8	2%	—	(1)	(2)	5	1%	1%
Quarter Ended										
March 31										
Xylem Inc.	879	925	(46)	-5%	(23)	2	—	(67)	-7%	-5%
Water Infrastructure	551	584	(33)	-6%	(23)	1	—	(55)	-9%	-5%
Applied Water	345	355	(10)	-3%	—	—	(2)	(12)	-3%	-3%

Note: Due to rounding the sum of segment amounts may not agree to Xylem totals.

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

	Q3		Q3 YTD	
	'13	'12	'13	'12
Total Revenue				
• Total Xylem	965	931	2,804	2,822
• Water Infrastructure	619	595	1,766	1,788
• Applied Water	360	350	1,086	1,078
Operating Income				
• Total Xylem	98	111	234	339
• Water Infrastructure	88	85	171	253
• Applied Water	40	43	125	135
Operating Margin				
• Total Xylem	10.2%	11.9%	8.3%	12.0%
• Water Infrastructure	14.2%	14.3%	9.7%	14.1%
• Applied Water	11.1%	12.3%	11.5%	12.5%
Separation Costs				
• Total Xylem	—	4	—	15
• Water Infrastructure	—	—	—	3
• Applied Water	—	1	—	2
Special Charges				
• Total Xylem	20	—	20	—
• Water Infrastructure	—	—	—	—
• Applied Water	—	—	—	—
Restructuring & Realignment Costs				
• Total Xylem	12	5	52	5
• Water Infrastructure	8	4	40	4
• Applied Water	4	—	12	—
Adjusted Operating Income*				
• Total Xylem	130	120	306	359
• Water Infrastructure	96	89	211	260
• Applied Water	44	44	137	137
Adjusted Operating Margin*				
• Total Xylem	13.5%	12.9%	10.9%	12.7%
• Water Infrastructure	15.5%	15.0%	11.9%	14.5%
• Applied Water	12.2%	12.6%	12.6%	12.7%

* Adjusted Operating Income excludes restructuring & realignment costs and special charges in 2013 and excludes restructuring & realignment costs and non-recurring separation costs in 2012.

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

	Q3 2012			Q3 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	931		931	965		965
Operating Income	111	9a	120	98	32c	130
Operating Margin	11.9%		12.9%	10.2%		13.5%
Interest Expense	(14)		(14)	(14)		(14)
Other Non-Operating Income (Expense)	3		3	(1)		(1)
Income before Taxes	100	9	109	83	32	115
Provision for Income Taxes	(28)	2b	(26)	(10)	(13)d	(23)
Net Income	72	11	83	73	19	92
Diluted Shares	186.3		186.3	186.0		186.0
Diluted EPS	\$ 0.38	\$ 0.06	\$ 0.44	\$ 0.39	\$ 0.10	\$ 0.49
	Q3 YTD 2012			Q3 YTD 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	2,822		2,822	2,804		2,804
Operating Income	339	20a	359	234	72c	306
Operating Margin	12.0%		12.7%	8.3%		10.9%
Interest Expense	(41)		(41)	(41)		(41)
Other Non-Operating Income (Expense)	1		1	(2)		(2)
Income before Taxes	299	20	319	191	72	263
Provision for Income Taxes	(75)	(2)b	(77)	(31)	(24)d	(55)
Net Income	224	18	242	160	48	208
Diluted Shares	186.2		186.2	186.2		186.2
Diluted EPS	\$ 1.20	\$ 0.09	\$ 1.29	\$ 0.86	\$ 0.26	\$ 1.12

- a One-time separation costs and restructuring & realignment costs
b Net tax impact of separation costs, restructuring & realignment costs and special tax items
c Restructuring & realignment costs and special charges
d Net tax impact of restructuring & realignment costs, special charges and special tax items

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

	Nine Months Ended	
	2013	2012
Net Cash - Operating Activities	\$ 163	\$ 230
Capital Expenditures	(91)	(81)
Free Cash Flow, including separation costs	72	149
Cash Paid for Separation Costs (incl. Capex)	—	22
Free Cash Flow, excluding separation costs*	\$ 72	\$ 171
Net Income	160	224
Separation Costs, net of tax (incl. tax friction)	—	11
Net Income, excluding separation costs*	\$ 160	\$ 235
Free Cash Flow Conversion	45%	73%

* Separation costs are not excluded in 2013

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

2013 Guidance

	FY '12			Illustration of Mid Point Guidance FY '13		
	As Reported	Adjustments	Adjusted	As Projected	Adjustments	Adjusted
	Total Revenue	3,791		3,791	3,770	
Segment Operating Income	512	30a	542	425	73c	498
Segment Operating Margin	13.5%		14.3%	11.3%		13.2%
Corporate Expense	69	(16)b	53	78	(20)d	58
Operating Income	443	46	489	347	93	440
Operating Margin	11.7%		12.9%	9.2%		11.7%
Interest Expense	(55)		(55)	(55)		(55)
Other Non-Operating Income (Expense)	—		—	(3)		(3)
Income before Taxes	388	46	434	289	93	382
Provision for Income Taxes	(91)	(13)e	(104)	(48)	(32)e	(80)
Net Income	297	33	330	241	61	302
Diluted Shares	186.2		186.2	186.0		186.0
Diluted EPS	\$ 1.59	\$ 0.18	\$ 1.77	\$ 1.30	\$ 0.33	\$ 1.63

- a One-time separation, restructuring and realignment costs incurred at the segment level
- b One-time separation, restructuring and realignment costs incurred at the corporate level
- c Restructuring and realignment costs incurred at the segment level
- d Special charges incurred at the corporate level
- e Net tax impact of above items, plus the addition of special tax items

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

	2008	2009	2010	2011	2012	Mid Point Guidance 2013E
Revenue	3,291	2,849	3,202	3,803	3,791	3,770
Operating Income	315	276	388	395	443	347
<i>Operating Margin</i>	9.6%	9.7%	12.1%	10.4%	11.7%	9.2%
Restructuring, Realignment & Special Charges	41	31	15	—	24	93
Separation Costs*	—	—	—	87	22	—
Adjusted Operating Income	356	307	403	482	489	440
<i>Adjusted Operating Margin</i>	10.8%	10.8%	12.6%	12.7%	12.9%	11.7%
Standalone Costs	—	—	—	5	28	—
Adj. Operating Income, excl. Standalone Costs	356	307	403	487	517	440
<i>Adjusted Operating Margin, excl. Standalone Costs</i>	10.8%	10.8%	12.6%	12.8%	13.6%	11.7%

* 2013 separation costs are not excluded from adjusted operating income.

XYLEM INC.

Q3 2013 EARNINGS RELEASE

OCTOBER 29, 2013



FORWARD-LOOKING STATEMENTS

This document contains information that may constitute “forward-looking statements.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target” and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

These forward-looking statements include, but are not limited to, statements about the separation of Xylem Inc. (the “Company”) from ITT Corporation in 2011, capitalization of the Company, future strategic plans and other statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals, and any discussion of future operating or financial performance. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to orders, revenues, operating margins and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements.

Caution should be taken not to place undue reliance on any such forward-looking statements because they involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company’s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those set forth in Item 1A of our Annual Report on Form 10-K, and those described from time to time in subsequent reports filed with the Securities and Exchange Commission.

Q3'13 BUSINESS UPDATE

Strong 3rd Quarter Performance

- Return to Organic Revenue* Growth (+1%); Organic Orders* (+6%) ... Solid Backlog
- Operating Margin * of 13.5% (Up 60 Bps), With Strong Incremental Performance
- EPS* \$0.49 Up 11% ... Raising Full Year Guidance
- Enhancing Shareholder Returns ... Deploying Capital into Share Repurchases

Looking Ahead – Next Steps

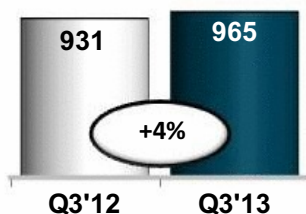
- Improving Emerging Markets Conditions, U.S. Stable & Europe Better Than Expected
- Prioritizing Initiatives & Driving Productivity
- Focused on Execution & Accountability to Provide for Better Visibility
- Identifying Actions to Drive Stronger 2014 Performance
- Committed to Long-Term Strategy & Financial Targets

GAINING TRACTION & BUILDING MOMENTUM

Q3'13 XYLEM PERFORMANCE

REVENUE

(Dollars, In Millions)



Q3 GROWTH

Organic	+1%
Acquisitions	+2%
Constant Currency	+4%

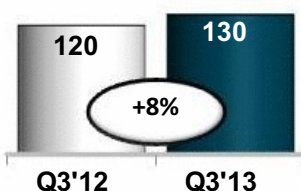
(Note Rounding Impacts Sum Total)

ORGANIC PERFORMANCE

By End Market	By Geography
+ Industrial	+ Europe
+ Public Utility	- U.S.
+ Commercial	+ Emerging Markets
- Residential	+ Double-Digit Growth in Eastern Europe & Asia Pac (China Up Over 40%)
+ Agriculture	

OPERATING INCOME*

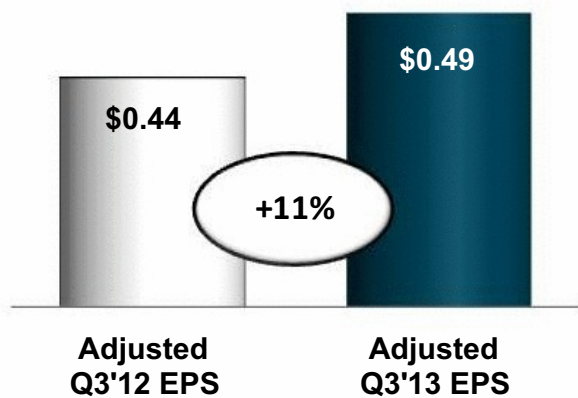
(Dollars, In Millions)



STRONG OPERATING PERFORMANCE

Q3'13 XYLEM PERFORMANCE

EPS*



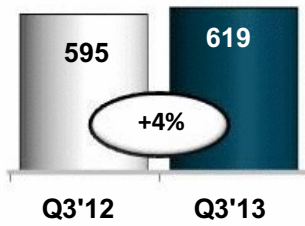
- + Organic Revenue Growth
- + Strong Incremental Margins Driven by Productivity & Strict Cost Management
- + Restructuring Savings \$0.03
- + European Realignment \$0.01
- Unfavorable Mix/Price \$0.02
- Pension/1x Separation Headwind \$0.01

STRONG PERFORMANCE ON MODEST REVENUE GROWTH

Q3'13 WATER INFRASTRUCTURE PERFORMANCE

REVENUE

(Dollars, In Millions)



Q3 GROWTH

Organic	+1%
Acquisitions	+4%
Constant Currency	+5%

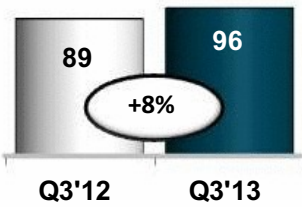
(Organic Performance)

Transport+2%; Treatment -2%; Test Flat

- + Europe Up Low Single Digits
 - + Transport North/Central Strength... South Weak
 - Treatment... PY Biogas & UK Projects Compare
- U.S. Down 1%
 - Treatment... Project Delays, Funding Constraints
 - = Transport Flat ... Dewatering Up MSD (Sandy, Fracking), Offset by Capex Decline
- + Emerging Markets Up High Single Digits
 - + Asia Pac (China Up Over 30%)
 - + Eastern Europe (Capex Projects, Russia Share Gains)

OPERATING INCOME*

(Dollars, In Millions)

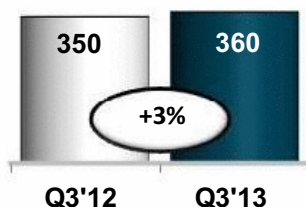


ORGANIC GROWTH & COST ACTIONS DRIVING IMPROVED PERFORMANCE

Q3'13 APPLIED WATER PERFORMANCE

REVENUE

(Dollars, In Millions)



Q3 GROWTH

Organic	+2%
Acquisition	0%
Constant Currency	+2%

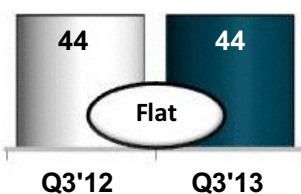
(Organic Performance)

Building Svcs +1%; Ind'l Water +2%; Irrigation +2%

- + Emerging Markets Up Double-Digits
 - + China Exceptionally Strong ... Industrial Water Projects (Offshore O&G Fire Pump Projects) & Commercial Building Market Share Gains
- + U.S. Commercial (Timing/Promotions) & Agriculture (Favorable Weather Conditions)
- U.S. Residential Slowing ... Southern Europe Weak
- Continued U.S. Industrial Weakness

OPERATING INCOME*

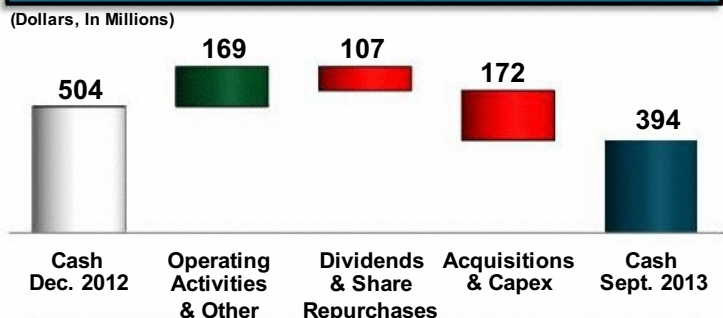
(Dollars, In Millions)



STRONG EMERGING MARKETS PERFORMANCE ... MIX DRIVES MARGIN DECLINE

XYLEM FINANCIAL POSITION

CASH DRIVERS

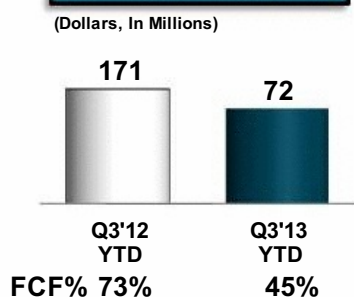


CAPITAL SUMMARY

September 30, 2013 (Dollars, In Millions)

Cash	394
Debt	1,202
Net Debt	808
Shareholders' Equity	2,158
Net Capital	2,966
Net Debt to Net Capital	27%

FREE CASH FLOW *



CASH BALANCE (GEOGRAPHIC)

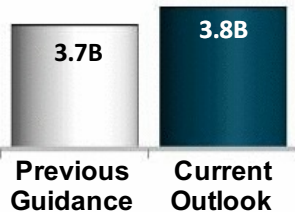


- Strong Cash Position
- Enhancing Shareholder Returns ... Deployed \$107M in Dividends & Repurchases vs. \$58M in YTD'12
- Free Cash Flow Decline Driven by Lower Income, Higher Restructuring Payments, & Unfavorable Working Capital

XYLEM GUIDANCE UPDATE

FY REVENUE

Mid - Point

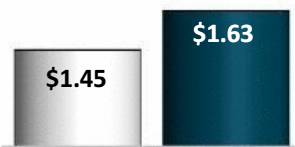


Previous
Guidance

Current
Outlook

FY EPS*

Mid - Point



Previous
Guidance

Current
Outlook

- **Internal Growth Initiatives & Improved Market Conditions Drive Top Line Revision**
 - Europe Stabilizing, U.S. Stable, Emerging Markets Continue to Grow
- **Implied 4Q Revenue \$965M; EPS* \$0.51**
 - Solid Backlog of \$752M ... \$470M Shippable Up 2%
- **Focused Execution & Disciplined Cost Management Drives Solid Operating Performance**
 - On Track to Deliver Full Year Restructuring Savings; Incremental Actions Identified
- **European Realignment Delivers Benefits As Previously Expected**

**FOCUSED EXECUTION DRIVING PERFORMANCE ...
RAISING FULL YEAR EXPECTATIONS**

2013 FINANCIAL GUIDANCE SUMMARY

(Dollars In Millions, Except per Share Data)	2013 Full Year Financial Outlook		Growth 2013E vs. 2012		
	(Mid-Point)	Total Growth	Organic	Acquisition	FX
Revenue					
Xylem Consolidated	~\$3,770	~ -1%	~ -2%	2%	-1%
Water Infrastructure	~\$2,405	~ -1%	~ -3%	3%	-1%
Applied Water	~\$1,430	Flat	Flat	Flat	Flat
Segment Margin *	13.1% to 13.3%	-120 bps to -100 bps			
Operating Margin *	11.5% to 11.8%	-140 bps to -110 bps			
EPS *	\$1.60 to \$1.65	\$1.63 Mid-Point			
Free Cash Flow Conversion	~90%	Restructuring Pmts, Realignment Capex, & 1x Spin Capex			
Guidance Assumptions:					
Operating Tax Rate	~21%	4Q Tax Rate of 21%			
Share Count	~186.0	4Q Assumption ~185.0			
Restructuring & Realignment Costs *	~\$65 to \$80	'13 Net Cost Savings \$14 to \$15; Realignment Cost \$25-\$30			

XYLEM 3Q EARNINGS SUMMARY

- **Strong 3rd Quarter Performance ... Raising 2013 Guidance**
- **Enhancing Shareholder Returns ... Deploying Capital into Share Repurchases**
- **Prioritizing Initiatives & Driving Productivity**
- **Focused on Execution & Accountability to Provide for Better Visibility**
- **Identifying Actions to Drive Stronger 2014 Performance**
- **Committed to Long-Term Strategy & Financial Targets**

NON-GAAP MEASURES

Management views key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, free cash flow, working capital, and backlog among others. In addition, we consider certain measures to be useful to management and investors evaluating our operating performance for the period presented and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measure our ability to generate capital for deployment among competing strategic alternatives and initiatives. 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 operations as determined in accordance with GAAP. We consider the following non-GAAP measures which may not be comparable to similarly titled measures reported by other companies to be key performance indicators:

“Organic revenue” and **“Organic orders”** defined as revenue and orders, respectively, excluding the impact of foreign currency fluctuations, intercompany transactions and contributions from acquisitions and divestitures. Divestitures include sales of portions of our business that did not meet the criteria for classification as a discontinued operation or insignificant portion of our business that we did not classify as a discontinued operation. The period-over-period change resulting from foreign currency fluctuations assumes no change in exchange rates from the prior period.

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

“EBITDA” defined as earnings before interest, taxes, depreciation, amortization expense, and share-based compensation. **“Adjusted EBITDA”** reflects the adjustment to EBITDA to exclude non-recurring separation costs associated with the Xylem spin-off from ITT Corporation as well as non-recurring restructuring and realignment costs.

“Adjusted Operating Income,” “Adjusted Segment Operating Income,” and **“Adjusted EPS”** defined as operating income and earnings per share, adjusted to exclude non-recurring separation costs associated with the Xylem spin-off from ITT Corporation, non-recurring restructuring and realignment costs and tax-related special items.

“Normalized EPS” defined as adjusted earnings per share, as well as adjustments to reflect the incremental current period amount of interest expense and stand-alone costs in the prior comparable period.

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

“Realignment costs” defined as non-recurring costs not included in restructuring costs that are incurred as part of actions taken to reposition our business including items such as professional fees, relocation travel and other costs.

“Special charges” defined as costs incurred by the Company associated with the settlement of legal proceedings with Xylem Group LLC, as well as certain costs incurred for the change in chief executive officer made during the third quarter of 2013.

NON-GAAP RECONCILIATION: ORGANIC & CONSTANT CURRENCY REVENUE GROWTH

Reported vs. Organic & Constant Currency Revenue
(\$ Millions)

	(As Reported - GAAP)		(As Adjusted - Organic)						Constant Currency	
	(A)	(B)	(C)			(D)	(E)	(F) = B+C+D+E	(G) = F/A	(H) = (F - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /	FX Contribution	Eliminations	Change	% Change	
2013	2012	2013 v. 2012	2013 v. 2012	Divestitures			Adj. 2013 v. 2012	Adj. 2013 v. 2012		
Nine Months Ended September 30										
Xylem Inc.	2,804	2,822	(18)	-1%	(67)	(2)	-	(87)	-3%	-1%
Water Infrastructure	1,766	1,788	(22)	-1%	(67)	2	1	(86)	-5%	-1%
Applied Water	1,086	1,078	8	1%	-	(5)	(4)	(1)	0%	0%
Quarter Ended September 30										
Xylem Inc.	965	931	34	4%	(21)	-	-	13	1%	4%
Water Infrastructure	619	595	24	4%	(21)	3	1	7	1%	5%
Applied Water	360	350	10	3%	-	(4)	-	6	2%	2%
Quarter Ended June 30										
Xylem Inc.	960	966	(6)	-1%	(23)	(4)	-	(33)	-3%	-1%
Water Infrastructure	596	609	(13)	-2%	(23)	(2)	-	(38)	-6%	-2%
Applied Water	381	373	8	2%	-	(1)	(2)	5	1%	1%
Quarter Ended March 31										
Xylem Inc.	879	925	(46)	-5%	(23)	2	-	(67)	-7%	-5%
Water Infrastructure	551	584	(33)	-6%	(23)	1	-	(55)	-9%	-5%
Applied Water	345	355	(10)	-3%	-	-	(2)	(12)	-3%	-3%

Note: Due to rounding the sum of segment amounts may not agree to Xylem totals.

NON-GAAP RECONCILIATION: ORGANIC & CONSTANT CURRENCY ORDER GROWTH

Reported vs. Organic & Constant Currency Order Growth
(\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)					Constant Currency (H) = (F - C) / A
	(A)		(B)		(C)	(D)	(E)	(F) = B+C+D+E	(G) = F/A	
	Orders 2013	Orders 2012	Change 2013 v. 2012	% Change 2013 v. 2012	Acquisitions / Divestitures	FX Contribution	Eliminations	Change Adj. 2013 v. 2012	% Change Adj. 2013 v. 2012	
Nine Months Ended September 30										
Xylem Inc.	2,926	2,856	70	2%	(71)	1	-	-	0%	2%
Water Infrastructure	1,865	1,819	46	3%	(71)	4	-	(21)	-1%	3%
Applied Water	1,111	1,086	25	2%	-	(4)	1	22	2%	2%
Quarter Ended September 30										
Xylem Inc.	955	882	73	8%	(20)	1	-	54	6%	8%
Water Infrastructure	617	564	53	9%	(20)	3	-	36	6%	10%
Applied Water	355	334	21	6%	-	(3)	1	19	6%	6%
Quarter Ended June 30										
Xylem Inc.	1,009	970	39	4%	(25)	(2)	-	12	1%	4%
Water Infrastructure	647	617	30	5%	(25)	(1)	-	4	1%	5%
Applied Water	378	370	8	2%	-	(1)	1	8	2%	2%
Quarter Ended March 31										
Xylem Inc.	962	1,004	(42)	-4%	(26)	2	-	(66)	-7%	-4%
Water Infrastructure	601	638	(37)	-6%	(26)	2	-	(61)	-10%	-5%
Applied Water	378	382	(4)	-1%	-	-	(1)	(5)	-1%	-1%

Note: Due to rounding the sum of segment amounts may not agree to Xylem totals.

NON-GAAP RECONCILIATION: ADJUSTED DILUTED EPS

(\$ Millions, except per share amounts)

	Q3 2012			Q3 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	931		931	965		965
Operating Income	111	9 a	120	98	32 c	130
Operating Margin	11.9%		12.9%	10.2%		13.5%
Interest Expense	(14)		(14)	(14)		(14)
Other Non-Operating Income (Expense)	3		3	(1)		(1)
Income before Taxes	100	9	109	83	32	115
Provision for Income Taxes	(28)	2 b	(26)	(10)	(13) d	(23)
Net Income	72	11	83	73	19	92
Diluted Shares	186.3		186.3	186.0		186.0
Diluted EPS	\$ 0.38	\$ 0.06	\$ 0.44	\$ 0.39	\$ 0.10	\$ 0.49

	Q3 YTD 2012			Q3 YTD 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	2,822		2,822	2,804		2,804
Operating Income	339	20 a	359	234	72 c	306
Operating Margin	12.0%		12.7%	8.3%		10.9%
Interest Expense	(41)		(41)	(41)		(41)
Other Non-Operating Income (Expense)	1		1	(2)		(2)
Income before Taxes	299	20	319	191	72	263
Provision for Income Taxes	(75)	(2) b	(77)	(31)	(24) d	(55)
Net Income	224	18	242	160	48	208
Diluted Shares	186.2		186.2	186.2		186.2
Diluted EPS	\$ 1.20	\$ 0.09	\$ 1.29	\$ 0.86	\$ 0.26	\$ 1.12

a One-time separation costs and restructuring & realignment costs

b Net tax impact of separation costs, restructuring & realignment costs and special tax items

c Restructuring & realignment costs and special charges

d Net tax impact of restructuring & realignment costs, special charges and special tax items

NON-GAAP RECONCILIATION: ADJ. OPERATING INCOME AND MARGIN

(\$ Millions)

	Q3		Q3 YTD	
	'13	'12	'13	'12
Total Revenue				
• Total Xylem	965	931	2,804	2,822
• Water Infrastructure	619	595	1,766	1,788
• Applied Water	360	350	1,086	1,078
Operating Income				
• Total Xylem	98	111	234	339
• Water Infrastructure	88	85	171	253
• Applied Water	40	43	125	135
Operating Margin				
• Total Xylem	10.2%	11.9%	8.3%	12.0%
• Water Infrastructure	14.2%	14.3%	9.7%	14.1%
• Applied Water	11.1%	12.3%	11.5%	12.5%
Separation Costs				
• Total Xylem	-	4	-	15
• Water Infrastructure	-	-	-	3
• Applied Water	-	1	-	2
Special Charges				
• Total Xylem	20	-	20	-
• Water Infrastructure	-	-	-	-
• Applied Water	-	-	-	-
Restructuring & Realignment Costs				
• Total Xylem	12	5	52	5
• Water Infrastructure	8	4	40	4
• Applied Water	4	-	12	-
Adjusted Operating Income*				
• Total Xylem	130	120	306	359
• Water Infrastructure	96	89	211	260
• Applied Water	44	44	137	137
Adjusted Operating Margin*				
• Total Xylem	13.5%	12.9%	10.9%	12.7%
• Water Infrastructure	15.5%	15.0%	11.9%	14.5%
• Applied Water	12.2%	12.6%	12.6%	12.7%

*Adjusted Operating Income excludes restructuring & realignment costs and special charges in 2013 and excludes restructuring & realignment costs and non-recurring separation costs in 2012.

NON-GAAP RECONCILIATION: FREE CASH FLOW

Net Cash - Operating Activities vs. Free Cash Flow
(\$ Millions)

	Nine Months Ended	
	2013	2012
Net Cash - Operating Activities	\$ 163	\$ 230
Capital Expenditures	(91)	(81)
Free Cash Flow, including separation costs	<u>72</u>	<u>149</u>
Cash Paid for Separation Costs (incl. Capex)	-	22
Free Cash Flow, excluding separation costs*	<u>\$ 72</u>	<u>\$ 171</u>
Net Income	160	224
Separation Costs, net of tax (incl. tax friction)	-	<u>11</u>
Net Income, excluding separation costs*	<u>\$ 160</u>	<u>\$ 235</u>
Free Cash Flow Conversion	<u>45%</u>	<u>73%</u>

* Separation costs are not excluded in 2013

NON-GAAP RECONCILIATION: XYLEM EBITDA & ADJ. EBITDA

EBITDA and Adjusted EBITDA by Quarter
(\$ Millions)

	2013				Total
	Q1	Q2	Q3	Q4	
Pre-Tax Income	51	57	83		191
Interest Expense (Income), net	12	13	14		39
Depreciation	25	24	23		72
Amortization	12	13	13		38
Stock Compensation	6	6	9		21
EBITDA	106	113	142		361
Restructuring & Realignment	12	28	12		52
Special Charges	-	-	20		20
Adjusted EBITDA	118	141	174		433
Revenue	879	960	965		2,804
Adjusted EBITDA Margin	13.4%	14.7%	18.0%		15.4%
	2012				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	84	115	100	89	388
Interest Expense (Income), net	13	13	12	13	51
Depreciation	23	21	24	26	94
Amortization	11	12	12	13	48
Stock Compensation	5	5	6	6	22
EBITDA	136	166	154	147	603
Separation Costs	5	6	4	7	22
Restructuring & Realignment	-	-	5	19	24
Adjusted EBITDA	141	172	163	173	649
Revenue	925	966	931	969	3,791
Adjusted EBITDA Margin	15.2%	17.8%	17.5%	17.9%	17.1%

NON-GAAP RECONCILIATION: WATER INFRASTRUCTURE EBITDA & ADJ. EBITDA

(\$ Millions)

	2013				Total
	Q1	Q2	Q3	Q4	
Pre-Tax Income	42	43	87		172
Interest Expense (Income), net	-	(1)	-		(1)
Depreciation	19	17	16		52
Amortization	9	11	11		31
Stock Compensation	1	1	1		3
EBITDA	71	71	115		257
Restructuring & Realignment	10	22	8		40
Adjusted EBITDA	81	93	123		297
Revenue	551	596	619		1,766
Adjusted EBITDA Margin	14.7%	15.6%	19.9%		16.8%
	2012				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	75	93	86	88	342
Interest Expense (Income), net	-	-	(1)	-	(1)
Depreciation	16	15	17	20	68
Amortization	10	9	10	10	39
Stock Compensation	1	1	3	-	5
EBITDA	102	118	115	118	453
Separation Costs	2	1	-	1	4
Restructuring & Realignment	-	-	4	15	19
Adjusted EBITDA	104	119	119	134	476
Revenue	584	609	595	637	2,425
Adjusted EBITDA Margin	17.8%	19.5%	20.0%	21.0%	19.6%

NON-GAAP RECONCILIATION: APPLIED WATER EBITDA & ADJ. EBITDA

(\$ Millions)

	2013				Total
	Q1	Q2	Q3	Q4	
Pre-Tax Income	40	45	40		125
Interest, net	-	-	-		-
Depreciation	6	5	6		17
Amortization	2	1	1		4
Stock Compensation	1	-	1		2
EBITDA	49	51	48		148
Restructuring & Realignment	2	6	4		12
Adjusted EBITDA	51	57	52		160
Revenue	345	381	360		1,086
Adjusted EBITDA Margin	14.8%	15.0%	14.4%		14.7%
	2012				Total
	Q1	Q2	Q3	Q4	
Pre-Tax Income	40	52	43	35	170
Interest, net	-	-	-	-	-
Depreciation	6	6	6	5	23
Amortization	1	1	1	2	5
Stock Compensation	1	-	2	(1)	2
EBITDA	48	59	52	41	200
Separation Costs	1	-	1	-	2
Restructuring & Realignment	-	-	-	5	5
Adjusted EBITDA	49	59	53	46	207
Revenue	355	373	350	346	1,424
Adjusted EBITDA Margin	13.8%	15.8%	15.1%	13.3%	14.5%

NON-GAAP RECONCILIATION: GUIDANCE

Guidance
(\$ Millions, except per share amounts)

2013 Guidance

Illustration of Mid Point Guidance

	FY '12			FY '13		
	As Reported	Adjustments	Adjusted	As Projected	Adjustments	Adjusted
Total Revenue	3,791		3,791	3,770		3,770
Segment Operating Income	512	30 a	542	425	73 c	498
Segment Operating Margin	13.5%		14.3%	11.3%		13.2%
Corporate Expense	69	(16) b	53	78	(20) d	58
Operating Income	443	46	489	347	93	440
Operating Margin	11.7%		12.9%	9.2%		11.7%
Interest Expense	(55)		(55)	(55)		(55)
Other Non-Operating Income (Expense)	-		-	(3)		(3)
Income before Taxes	388	46	434	289	93	382
Provision for Income Taxes	(91)	(13) e	(104)	(48)	(32) e	(80)
Net Income	297	33	330	241	61	302
Diluted Shares	186.2		186.2	186.0		186.0
Diluted EPS	\$ 1.59	\$ 0.18	\$ 1.77	\$ 1.30	\$ 0.33	\$ 1.63

- a One-time separation, restructuring and realignment costs incurred at the segment level
b One-time separation, restructuring and realignment costs incurred at the corporate level
c Restructuring and realignment costs incurred at the segment level
d Special charges incurred at the corporate level
e Net tax impact of above items, plus the addition of special tax items

NON-GAAP RECONCILIATION: ADJUSTED OPERATING INCOME

(\$ Millions)

	2008	2009	2010	2011	2012	Mid Point Guidance 2013E
Revenue	3,291	2,849	3,202	3,803	3,791	3,770
Operating Income	315	276	388	395	443	347
Operating Margin	9.6%	9.7%	12.1%	10.4%	11.7%	9.2%
Restructuring, Realignment & Special Charges	41	31	15	-	24	93
Separation Costs*	-	-	-	87	22	-
Adjusted Operating Income	356	307	403	482	489	440
Adjusted Operating Margin	10.8%	10.8%	12.6%	12.7%	12.9%	11.7%
Standalone Costs	-	-	-	5	28	-
Adj. Operating Income, excl. Standalone Costs	356	307	403	487	517	440
Adjusted Operating Margin, excl. Standalone Costs	10.8%	10.8%	12.6%	12.8%	13.6%	11.7%

* 2013 separation costs are not excluded from adjusted operating income.