
**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): November 5, 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 7.01 Regulation FD Disclosure

Executives of Xylem Inc. (the “Company”) will present an overview of the Company at the 2013 Robert W. Baird Industrial Conference on November 5, 2013. The presentation slides will be posted on the Company’s website and are attached hereto as Exhibit 99.1.

The information furnished pursuant to this Item 7.01 and Exhibit 99.1 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, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Caution Concerning 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 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.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit

No.	Description
99.1	Presentation posted by Xylem Inc. on November 5, 2013 (furnished pursuant to Item 7.01).

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: November 5, 2013

By: /s/ Christian S. Na

Christian S. Na
Senior Vice President, General Counsel and
Corporate Secretary
(Authorized Officer of Registrant)

EXHIBIT INDEX

Exhibit No.	Description
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XYLEM INC.

2013 ROBERT W. BAIRD INDUSTRIAL CONFERENCE

NOVEMBER 5, 2013



FORWARD-LOOKING STATEMENTS

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WHAT MAKES XYLEM UNIQUE?

GLOBAL LEADER IN WATER APPLICATION SOLUTIONS

\$3.8B

- Pure Water Play
- Leading Market Positions
- Fortress Brands & World Class Distribution
- Diverse Geographic & End Market Exposure
- Large Installed Base - Recurring Revenue ~37%
- Strong Cash Flow Generation



UNIQUELY POSITIONED TO SOLVE THE WORLD'S GROWING WATER CHALLENGES

SPECIALIZED BREADTH IN THE WATER CYCLE

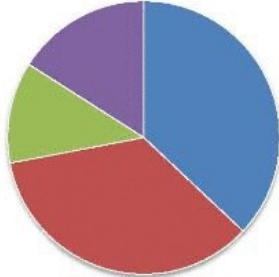


WE WORK TO ANTICIPATE OUR CUSTOMERS' NEEDS WITH OUR BROAD PRODUCT OFFERING & OUR APPLICATIONS EXPERTISE

BALANCED PORTFOLIO

(2012 Revenue)

GLOBAL MARKET BALANCE

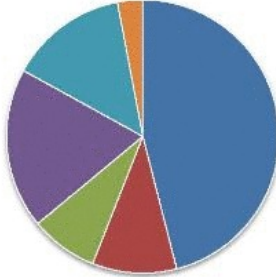


BY GEOGRAPHY

United States	37%
Europe	35%
Asia Pac	12%
Rest of World	16%

A Growing Emerging Market Presence ... Today ~20%

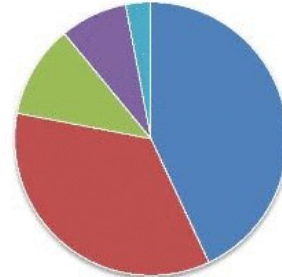
SERVING CRITICAL NEEDS



BY APPLICATION

Transport	46%
Treatment	10%
Test	8%
Building Svcs	19%
Industrial Water	14%
Irrigation	3%

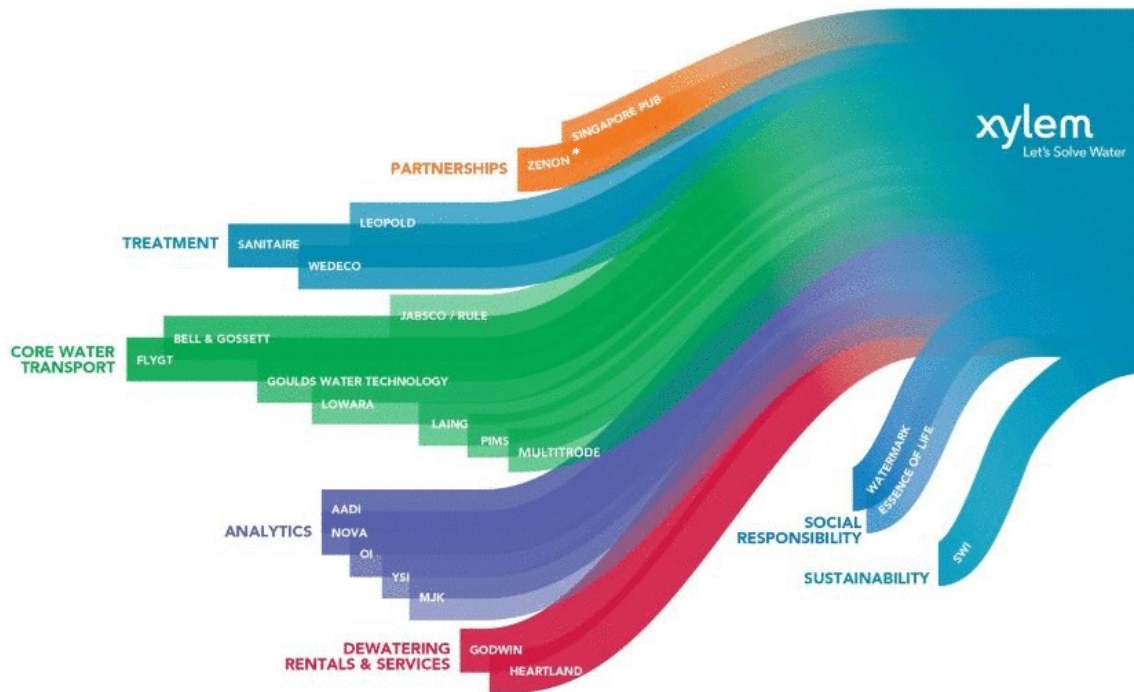
DIVERSE CUSTOMER BASE



BY END MARKET

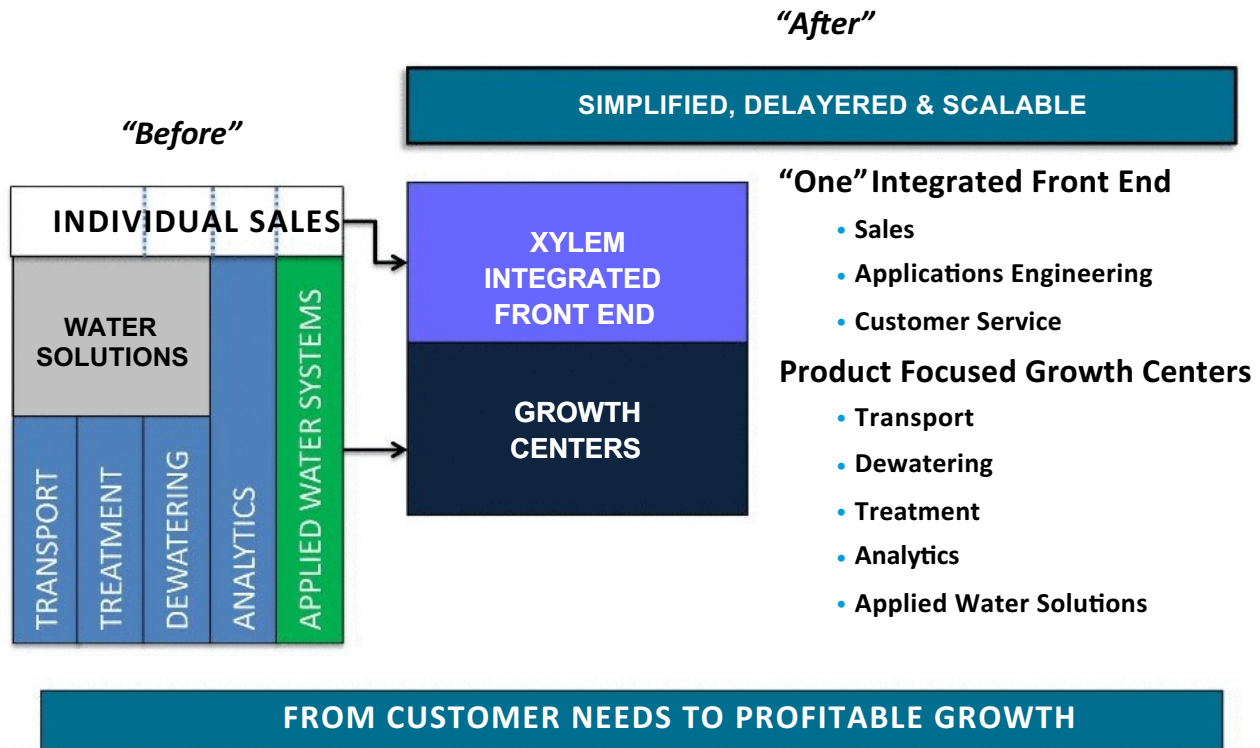
Industrial	43%
Public Utility	35%
Commercial	11%
Residential	8%
Agriculture	3%

EVOLUTION TO A LEADING GLOBAL WATER TECHNOLOGY PROVIDER



* Zenon is a registered trademark of GE

XYLEM OPERATING MODEL



SEGMENT OVERVIEW

WATER INFRASTRUCTURE

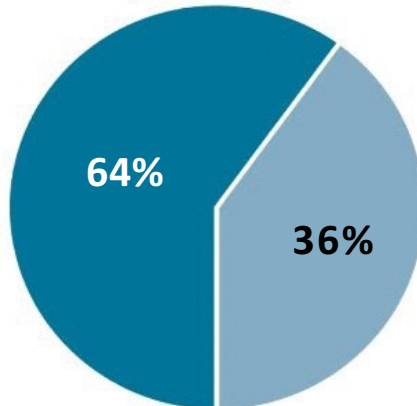
Market Size: \$20B

2012 Revenues: \$2.4B

2012 Op Margin*: 15.1%

- World's Largest Waste Water Pump & Dewatering Services Provider
- Broad Portfolio of Filtration, Biological and Disinfection Technologies
- Industry-Leading Water & Environment Analytics Platform

Segment Split



APPLIED WATER

Market Size: \$15B

2012 Revenues: \$1.4B

2012 Op Margin*: 12.4%

- Leading Global Provider of a Broad Range of Energy-Efficient Solutions with a Large & Diverse Customer Base
- U.S. Leader in Building Services Equipment & Solutions
- U.S. Leader in Industrial Water Technologies



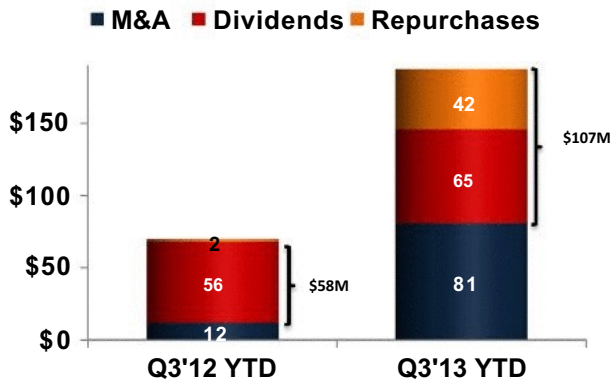
UNIQUE PORTFOLIO PROVIDES FOR INNOVATIVE SOLUTIONS



BROAD PRODUCT PORTFOLIO BACKED BY APPLICATION EXPERTISE

CAPITAL DEPLOYMENT

\$ Millions



2013 Highlights

- **Enhancing Shareholder Returns**
 - Announced a 15% Dividend Increase
 - Announced \$250 million Share Repurchase Program
- Completed 3 Acquisitions to Date

ACQUISITIONS SINCE 2010

(Dollars, in Billions)

Dollars Invested

Analytics	\$0.7
Dewatering	\$0.6
Advanced Services	\$0.1
Total	\$1.4

- Acquisitions Performing to Plan
- Key Criteria:
 - Strategic Fit
 - Gross Margin Accretive
 - IRR > Risk Adj. Cost of Capital
 - Mid-teens ROIC
 - Cash Returns 7-9 Years
 - EPS Accretive After Yr. 1

CAPITAL DEPLOYMENT ACCELERATED IN 2013 WITH A BALANCED APPROACH

XYLEM FINANCIAL POSITION

CAPITAL SUMMARY

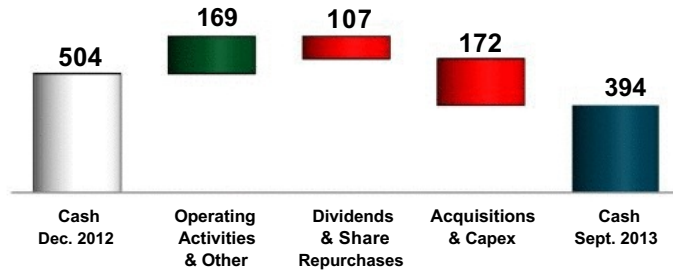
(Dollars, in Millions)

September 30, 2013

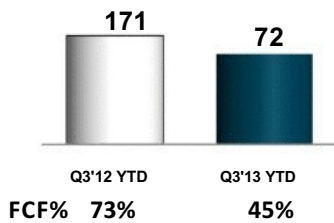
Cash	394
Debt	1,202
Net Debt	808
Shareholders' Equity	2,158
Net Capital	2,966
Net Debt to Net Capital	27%

CASH DRIVERS

(Dollars, in Millions)



FREE CASH FLOW *



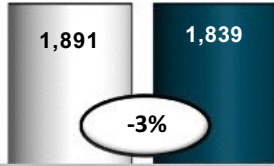
- Strong Cash Position
- No Significant Debt Maturities Until 2016
- \$600M Revolving Credit Facility – Un-utilized
- Access to Commercial Paper - Un-utilized

XYLEM FINANCIAL PERFORMANCE

1H'12 vs. 1H'13

(Dollars, in Millions except EPS)

Revenue



Adj. EPS*



1H'12

1H'13

1H'12

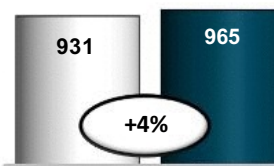
1H'13

- Weak Industrial & Public Utility Markets
- Challenging European Market Conditions
- Emerging Markets Revenue Declined
- Unfavorable Foreign Exchange
- Early Traction with Cost Reductions
- Executing on Restructuring and Realignment

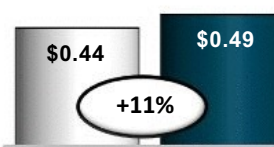
Q3'12 vs. Q3'13

(Dollars, in Millions except EPS)

Revenue



Adj. EPS*



Q3'12

Q3'13

Q3'12

Q3'13

- Industrial & Public Utility Markets Showing Slight Improvements Vs. 1H
- Stabilizing European Conditions
- Emerging Markets Revenue Growth With Particularly Strong Growth in China
- Internal Sales Organization Initiatives
- Strong Incremental Margins and Benefits of Previous Restructuring and Realignment

KEY FINANCIAL PROJECTIONS

	2013 FY Guidance As of Oct. 29 th , 2013 *	2017 Long-Term Targets **
Revenues	~\$3.8B (mid-point)	\$4.7B to \$5.5B
Op. Margin*	11.5% to 11.8%	14% to 15%
EPS*	\$1.60 to \$1.65	\$2.50 to \$3.40

2013 GUIDANCE HIGHLIGHTS*

- Revenue Down Slightly Year-Over-Year
- Europe Stabilizing, U.S. Stable & Emerging Markets Continue to Grow
- '13 Restructuring & Realignment Actions Generate Annual Cost Savings of ~\$35M
- European Realignment Drives Decline in Operating Tax Rate from ~24% to 21%
- 90% Free Cash Flow Conversion

LONG-TERM PERFORMANCE TARGETS**

- 2013-2017 Revenue CAGR of 5-9%
- Core Operating Margin Expands 50-75 Bps/Yr Partially Offset by 1x Acquisition Impacts
- 2013-2017 EPS CAGR of 7-14%
- Strong Free Cash Flow (100% Conversion)
- Disciplined Capital Deployment
- ROIC Accelerates from 10.8% in 2012 to 13% - 14% by 2017

CLOSING REMARKS



QUESTIONS & ANSWERS

xylem
Let's Solve Water



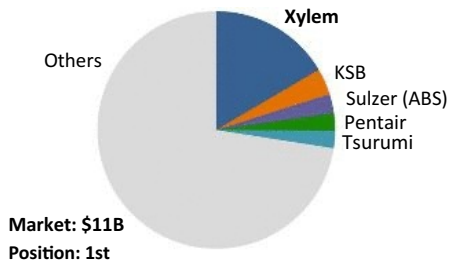
APPENDIX



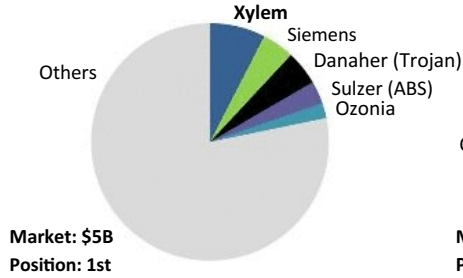
COMPETITIVE LANDSCAPE

LEADING POSITIONS IN KEY APPLICATIONS

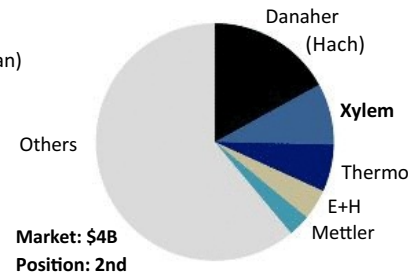
TRANSPORT



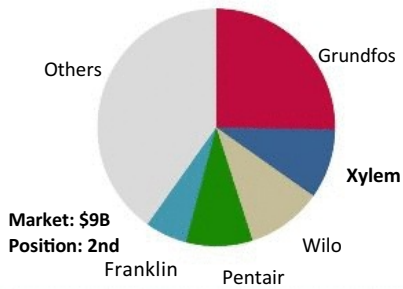
TREATMENT



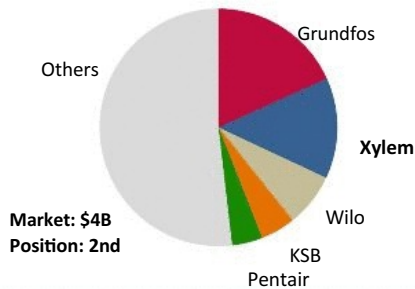
TEST



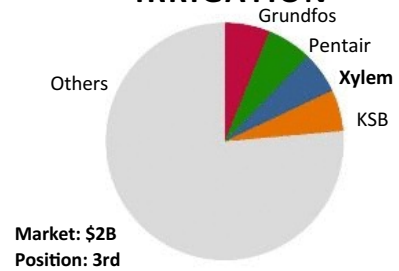
BUILDING SERVICES



INDUSTRIAL WATER






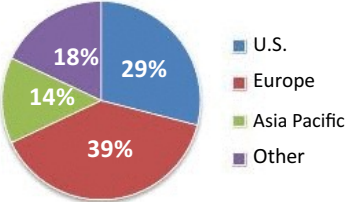
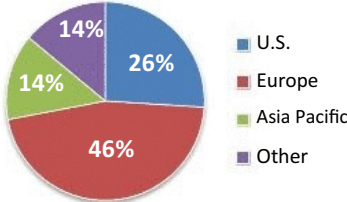


IRRIGATION



WATER INFRASTRUCTURE

BUSINESS OVERVIEW

	TRANSPORT	TREATMENT
Market Size:	\$11B	\$5B
2012 Revenues:	\$1,745M	\$366M
Key Products & Services:	Waste Water Pumps Dewatering (Sales & Rentals) Aftermarket Parts & Services	Biological U.V. and Ozone Disinfection Filtration
Key Brands:	 	  
Key Facilities:	Emmaboda, Sweden; Baroda, India; Shenyang, China; Bridgeport, NJ	Herford, Germany; Brown Deer, WI; Zelienople, PA
2012 Revenues by Geography:		

WATER INFRASTRUCTURE

BUSINESS OVERVIEW

DEWATERING

Market Size: \$3B
 2012 Revenues: \$659M

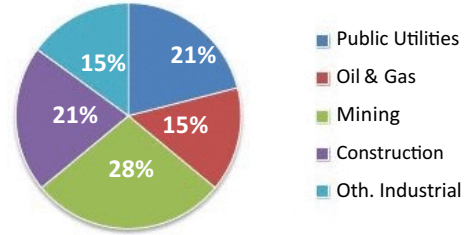
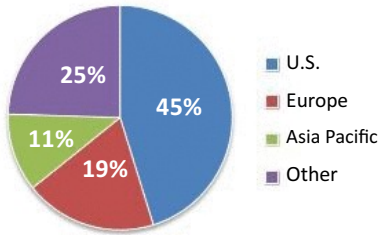
Key Products & Services: Sales & Rentals
 Dry Prime, Submersible & Slurry Pumps
 Aftermarket Parts & Services

Key Brands:  

Key Facilities: Bridgeport, NJ; Emmaboda, Sweden;
 Quenington, UK

- 24/7 Service Capabilities
- Leverages Xylem’s Footprint
- High ROIC Business When Operating with Scale Advantage
- Diverse End Markets
- ~40% Rental Revenue

2012 Revenues by Geography & End Market:



WATER INFRASTRUCTURE

BUSINESS OVERVIEW

TEST

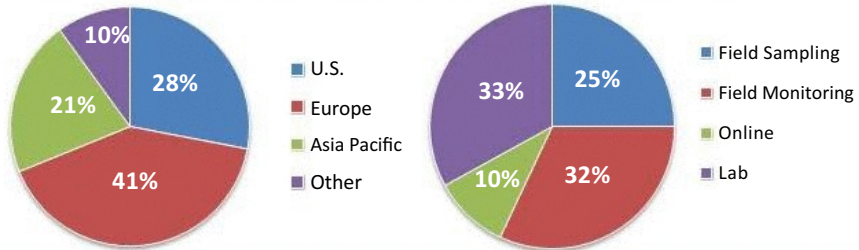
Market Size: \$4B
 2012 Revenues: \$298M

Key Products & Services: Field, Online, and Laboratory Analytical Instrumentation
 Meters, Sensors, Spectrophotometers, and Refractometers
 Temperature, Data Loggers, Doppler and Level Measurement
 Water Quality and Environmental Monitoring Systems

Key Brands:   

Key Facilities: Yellow Springs, OH; Weilheim, Germany; Bergen, Norway

2012 Revenues
 by Geography &
 Segment:



DELIVER CUSTOMER VALUE

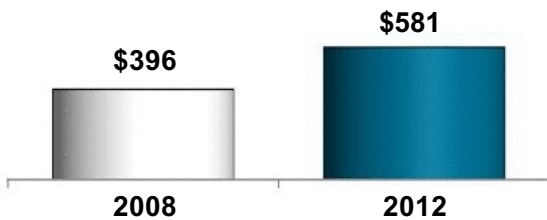
ENHANCING AFTERMARKET CAPABILITIES

INSTALLED BASE DRIVES REPLACEMENT SALES

- Brand Loyalty Driven
- Like-for-Like Replacement
- Opportunity for Upgrades
- Next-Generation Installations

GROWING AFTERMARKET PARTS & SERVICES

\$M



~37% RECURRING REVENUE BASE

INTRODUCING XYLEM TOTALCARE

- Comprehensive Integrated Services Portfolio
- Systems Knowledge & Application Expertise
- Leverages World's Largest Installed Base
- Provides Customers with Operational Security, Cost Savings Opportunities, and Improved Operating Efficiencies

ACCELERATING OPPORTUNITIES THROUGH ACQUISITIONS



a xylem brand



**INCREASING PROFITABLE
AFTERMARKET OPPORTUNITIES**

APPLIED WATER SYSTEMS

BUSINESS OVERVIEW

	BUILDING SERVICES	INDUSTRIAL WATER	IRRIGATION
Market Size:	\$9B	\$4B	\$2B
2012 Revenues:	\$736M	\$550M	\$96M
Key Products & Services:	HVAC Pumps, Valves & Heat Exchangers, Drives & Controls, Waste Water Pumps, Pressure Boosters, Fire Protection	Pumps & Pumping Systems, Heat Exchangers, Drives & Controls, Membrane Filtration, Fire Protection	Groundwater & Surface Pumps, Packaged Systems, Drives & Controls

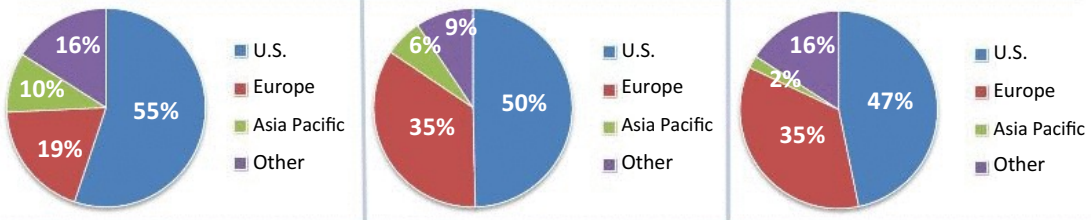
Key Brands:



Key Facilities:

Auburn, NY; Buffalo, NY; Cegled, Hungary; Chihuahua, Mexico; Dallas, TX; Hoddesdon, UK; Montecchio, Italy; Morton Grove, IL; Nanjing, China; Stockerau, Austria; Strzelin, Poland; Wolverhampton, UK

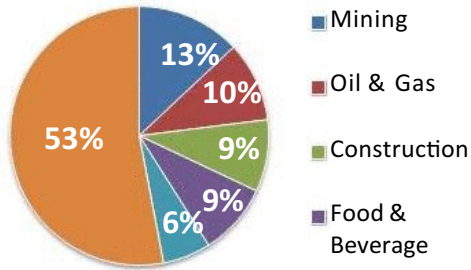
2012 Revenues by Geography:



KEY END MARKETS

INDUSTRIAL

Xylem 2012 Revenue: \$1.6B



- Strong Brands
- Deep Application Knowledge
- Broad Product Portfolio
- Improving Vitality Index
- Expansion of Existing Products in Adjacent Markets

DIVERSE MARKET DRIVERS

MINING

- Commodity Demand

OIL & GAS

- Natural Gas Fracking Activity

CONSTRUCTION

- Commercial & Residential Construction
- Weather

FOOD & BEVERAGE

- Changing Dietary Habits
- Emergence of Middle Class in EM

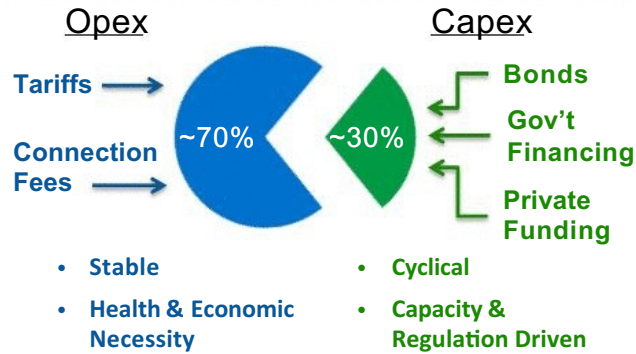
GENERAL INDUSTRY

- Paper
- Power
- Manufacturing
- Chemicals
- Pharma

KEY END MARKETS

PUBLIC UTILITY

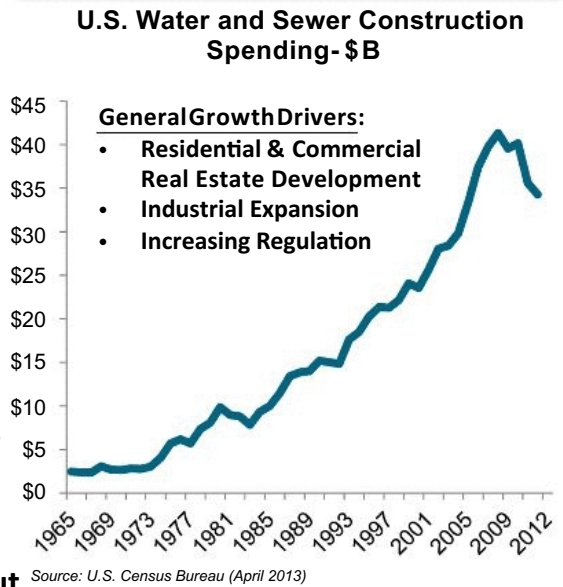
PUBLIC UTILITY DYNAMICS



Source: Strategic Analytics Inc.

- Large Installed Base with Loyal Customers
- Consistent Tariff Increases
- 70-80% of Revenues from Opex
- Capex Spending Below Historical Levels but Bid Activity Remains Strong

U.S. CAPEX SPENDING



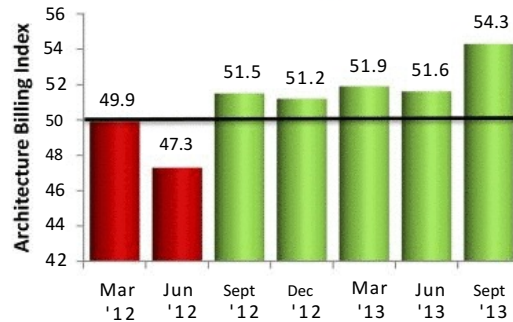
KEY END MARKETS

COMMERCIAL BUILDINGS

INTEGRATED SOLUTIONS



ARCHITECTURE BILLING INDEX



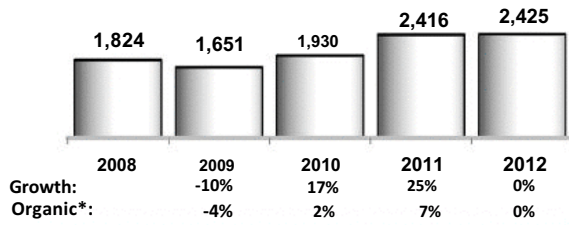
Source: AIA. Index Value of 50=No change from previous period.

- **Products for the Heating, Cooling and Protection of Commercial Buildings**
- **Broadest Offering Allows for Optimizing Interaction of Key Building Components**
- **Demand for Energy Efficient Solutions has Driven Retrofit Activity During the Recent Multi-Year New Building Construction Slowdown**
- **Application Expertise Makes Xylem a Strong Partner for Specifying Engineers**

WATER INFRASTRUCTURE

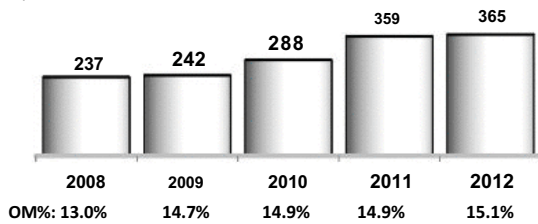
REVENUE

\$M



OP INCOME & MARGIN*

\$M



HIGHLIGHTS

'08-'12 Revenue up 33%; 7% CAGR

- Resilient Through the Downturn
- Growth Driven by Acquisitions, Emerging Markets & Product Launches
- Public Utility CAPEX Slowdown
- European Crisis

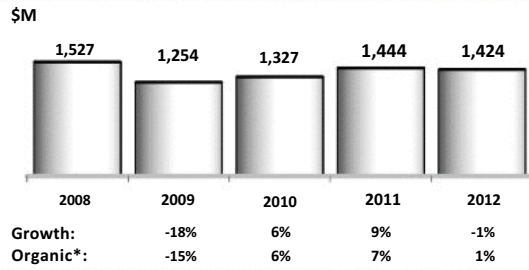
Strong Operating Margin Expansion

- Operating Productivity Funds
- Incremental Strategic Investments

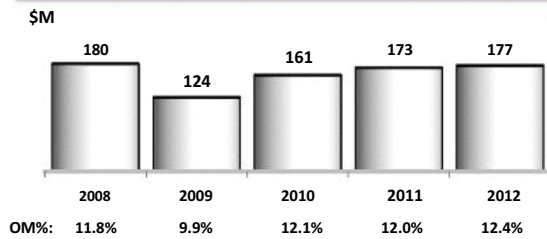
STRONG TOP LINE GROWTH, OP MARGIN +210 BPS

APPLIED WATER

REVENUE



OP INCOME & MARGIN*



HIGHLIGHTS

'08-'12 Revenue Down 7%

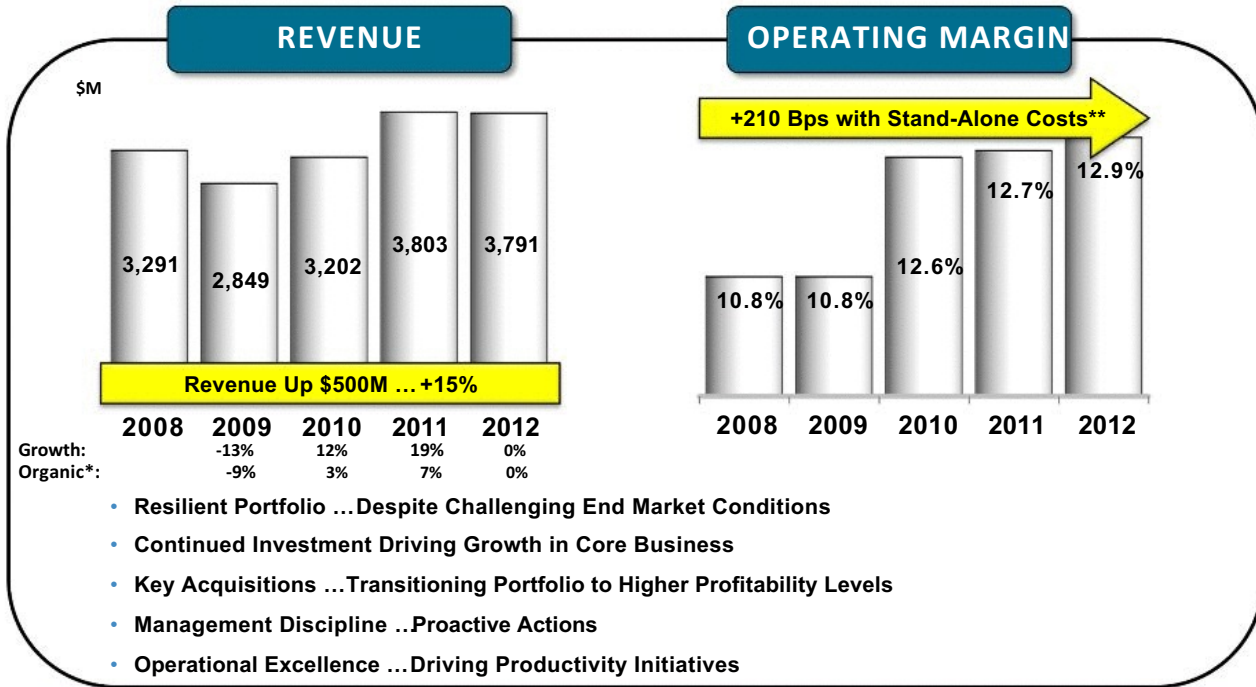
- Residential & Commercial Building Decline
- Growth Driven By New Product Launches
 - Energy-Efficient Solutions
 - Emerging Markets Penetration

Strong Operating Performance

- Margin Expansion Driven by Customer & Operational Excellence Initiatives
- Continued to Fund Future Growth Investments

STRONG OPERATING PERFORMANCE

XYLEM FINANCIAL SUMMARY



STRONG TRACK RECORD OF FINANCIAL PERFORMANCE




2013 FINANCIAL GUIDANCE SUMMARY

(As of Oct. 29th 2013)

(Dollars In Millions, Except per Share Data)	2013 Full Year	Growth			
	Financial Outlook	2013E vs. 2012			
Revenue	(Mid-Point)	<u>Total Growth</u>	<u>Organic</u>	<u>Acquisition</u>	<u>FX</u>
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			

DRIVE PROFITABLE GROWTH

EXECUTING ACQUISITION STRATEGY

	ANALYTICS	DEWATERING
Revenue (2012)	\$298M	\$659M
Capital Deployed*	\$732M	\$614M
Key Brands		
Opportunity	<ul style="list-style-type: none"> • Products have Higher Market Growth Rates and Margins • Fill Product or Technology Gaps and Sell Through Existing Channels • Drive Sustainable Water Projects • International Expansion 	<ul style="list-style-type: none"> • High ROIC Business When Operating With Scale Advantage • Leverage Xylem's Footprint and Replicate 24/7 Service Expertise • International Expansion
Recent Transactions		<ul style="list-style-type: none"> • Heartland Pump

ACQUISITION SCORECARD

✓ Completed ✗ Not Achieved
● On Track

Acquisition	Invested \$M	Year Completed	Strategic Fit	Gross Margin Accretive	IRR >Risk Adj. Cost of Cap.	Mid-Teens ROIC	Cash Return 7-9 Years	EPS Accretive After Yr 1
Laing	\$30	2009	✓	✗	✓	✓	✗	✗
Nova	\$384	2010	✓	✓	✓	●	●	✓
Godwin	\$585	2010	✓	✓	✓	●	●	✓
OI	\$25	2010	✓	✓	✓	●	●	✓
YSI	\$310	2011	✓	✓	✓	●	●	✓
Through 2012				Added ~200 Bps				Added ~\$0.45
MJK	\$13	2012	✓	●	●	●	●	●
Heartland	\$29	2012	✓	●	●	●	●	●
PIMS	\$57	2013	✓	RECENTLY ACQUIRED				
MultiTrode	\$26	2013	✓					
Pollmann-Pumpen	\$3	2013	✓					

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 (not excluded for 2013) 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 (not excluded for 2013), non-recurring restructuring and realignment costs and tax-related special items.

"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.

NON-GAAP RECONCILIATION: ORGANIC & CONSTANT CURRENCY REVENUE GROWTH

(\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)					Constant Currency	
	(A)		(B)		(C)	(D)	(E)	(F) = B+C+D+E		(G) = F/A	(H) = (B + D) / A
	Revenue	Revenue	Change	% Change	Acquisitions /	FX Contribution	Eliminations	Change	% Change		
	Current Year	Prior Year	CY v. PY	CY v. PY	Divestitures			Adj. CY v. PY	Adj. CY v. PY		
Year Ended December 31, 2012											
Xylem Inc.	3,791	3,803	(12)	-0.3%	(94)	108	-	2	0.1%	2.5%	
Water infrastructure	2,425	2,416	9	0.4%	(94)	80	(1)	(6)	-0.2%	3.7%	
Applied Water	1,424	1,444	(20)	-1.4%	-	32	(3)	9	0.6%	0.8%	
Year Ended December 31, 2011											
Xylem Inc.	3,803	3,202	601	18.8%	(264)	(111)	-	226	7.1%	15.3%	
Water Infrastructure	2,416	1,930	486	25.2%	(264)	(87)	2	137	7.1%	20.7%	
Applied Water	1,444	1,327	117	8.8%	-	(28)	(1)	88	6.6%	6.7%	
Year Ended December 31, 2010											
Xylem Inc.	3,202	2,849	353	12.4%	(263)	6	-	96	3.4%	12.6%	
Water infrastructure	1,930	1,651	279	16.9%	(247)	(8)	-	24	1.5%	16.4%	
Applied Water	1,327	1,254	73	5.8%	(16)	15	-	72	5.7%	7.0%	
Year Ended December 31, 2009											
Xylem Inc.	2,849	3,291	(442)	-13.4%	(7)	158	-	(291)	-8.8%	-8.6%	
Water infrastructure	1,651	1,824	(173)	-9.5%	-	109	(1)	(65)	-3.6%	-3.5%	
Applied Water	1,254	1,527	(273)	-17.9%	(7)	53	-	(227)	-14.9%	-14.4%	

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Revenue					
• Total Xylem	3,791	3,803	3,202	2,849	3,291
• Water Infrastructure	2,425	2,416	1,930	1,651	1,824
• Applied Water	1,424	1,444	1,327	1,254	1,527
Operating Income					
• Total Xylem	443	395	388	276	315
• Water Infrastructure	342	343	276	227	220
• Applied Water	170	160	158	109	162
Operating Margin					
• Total Xylem	11.7%	10.4%	12.1%	9.7%	9.6%
• Water Infrastructure	14.1%	14.2%	14.3%	13.7%	12.1%
• Applied Water	11.9%	11.1%	11.9%	8.7%	10.6%
Separation Costs					
• Total Xylem	22	87	-	-	-
• Water Infrastructure	4	16	-	-	-
• Applied Water	2	13	-	-	-
Restructuring & Realignment Costs					
• Total Xylem	24	-	15	31	41
• Water Infrastructure	19	-	12	15	17
• Applied Water	5	-	3	15	18
Adjusted Operating Income*					
• Total Xylem	489	482	403	307	356
• Water Infrastructure	365	359	288	242	237
• Applied Water	177	173	161	124	180
Adjusted Operating Margin*					
• Total Xylem	12.9%	12.7%	12.6%	10.8%	10.8%
• Water Infrastructure	15.1%	14.9%	14.9%	14.7%	13.0%
• Applied Water	12.4%	12.0%	12.1%	9.9%	11.8%

*Adjusted Operating Income excludes non-recurring separation, restructuring & realignment costs

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				Total
	Q1	Q2	Q3	Q4	
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: ADJUSTED DILUTED EPS

(\$ Millions, except per share amounts)

	Q2 2012			Q2 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	966		966	960		960
Operating Income	129	6 ^a	135	70	28 ^c	98
Operating Margin	13.4%		14.0%	7.3%		10.2%
Interest Expense	(13)		(13)	(14)		(14)
Other Non-Operating Income (Expense)	(1)		(1)	1		1
Income before Taxes	115	6 ^a	121	57	28 ^c	85
Provision for Income Taxes	(26)	(3) ^b	(29)	(11)	(8) ^d	(19)
Net Income	89	3	92	46	20	66
Diluted Shares	186.2		186.2	186.1		186.1
Diluted EPS	\$ 0.48	\$ 0.01	\$ 0.49	\$ 0.25	\$ 0.11	\$ 0.36

	Q2 YTD 2012			Q2 YTD 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,891		1,891	1,839		1,839
Operating Income	228	11 ^a	239	136	40 ^c	176
Operating Margin	12.1%		12.6%	7.4%		9.6%
Interest Expense	(27)		(27)	(27)		(27)
Other Non-Operating Income (Expense)	(2)		(2)	(1)		(1)
Income before Taxes	199	11 ^a	210	108	40 ^c	148
Provision for Income Taxes	(47)	(4) ^b	(51)	(21)	(11) ^d	(32)
Net Income	152	7	159	87	29	116
Diluted Shares	186.1		186.1	186.3		186.3
Diluted EPS	\$ 0.82	\$ 0.03	\$ 0.85	\$ 0.47	\$ 0.15	\$ 0.62

a One time separation costs

b Net tax impact of separation costs and special tax items

c Restructuring & realignment costs

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

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: 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: 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	72	149
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)	-	11
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

xylem

Let's Solve Water

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