

**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): May 3, 2012

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 May 3, 2012, announcing the financial results for the first quarter ended March 31, 2012. 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 are earnings slides posted on Xylem Inc.'s website on May 3, 2012, summarizing Xylem Inc.'s financial results for the quarter ended March 31, 2012. 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 May 3, 2012.
99.2	Slides summarizing first quarter financial results posted by Xylem Inc. on May 3, 2012.

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: May 3, 2012

By: /s/ Frank R. Jimenez
Frank R. Jimenez
Senior Vice President, General Counsel and
Corporate Secretary
(Authorized Officer of Registrant)

EXHIBIT INDEX

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**Xylem**

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FOR IMMEDIATE RELEASE

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Xylem Inc. reports solid first quarter 2012 results; affirms previous full-year guidance

- **First quarter 2012 revenue up 6 percent in constant currencies to \$925 million; up 4 percent as reported**
- **First quarter 2012 adjusted net income of \$67 million or \$0.36 per share, up 9 percent on a normalized basis; \$63 million or \$0.34 per share as reported**
- **Orders for the quarter exceed \$1 billion for the first time; up 3 percent over Q1 2011**
- **YSI acquisition integration ahead of plan; accretive to earnings per share**

WHITE PLAINS, N.Y., May 3, 2012 – Xylem Inc. (NYSE: XYL), a leading global water technology company focused on solving the world’s most challenging water issues, today reported first quarter revenue of \$925 million, up 6 percent from the first quarter 2011 on a constant currency basis and up 4 percent on a reported basis. First quarter net income was \$63 million or \$0.34 per share. Adjusting for one-time separation costs resulting from the Xylem spinoff from ITT Corporation on October 31, 2011, net income was \$67 million or \$0.36 per share, up 9 percent or 3 cents per share over the first quarter 2011 on a normalized basis.*

“Our growth in revenue and operating earnings in the first quarter is a testament to the strength of our comprehensive water portfolio, particularly the investments we’ve made in expanding our analytics and dewatering platforms,” said Gretchen McClain, president and chief executive officer of Xylem. “We believe we are particularly well-positioned to capture growth opportunities from the diverse end markets we serve.”

“We continue to see strong growth in our businesses serving the industrial markets, our largest end market,” McClain continued. “We are gaining market share in commercial building services, bolstered by some of our new products including the energy-saving eSV multistage booster pump. Total orders for the quarter exceeded \$1 billion for the first time. And our latest acquisition, YSI, is already contributing to earnings and its integration into the rest of the business is ahead of plan. Solid free cash flow performance allows us to continue to make strategic investments and drive future growth.”

Xylem achieved free cash flow of \$41 million and an adjusted operating margin of 11.2 percent, excluding non-recurring separation costs. Operating margin was also impacted by incremental stand-alone costs of \$10 million, which reduced margin by 110 basis points.

* The 2011 normalized earnings per share reflect adjustments (including interest expense, stand-alone costs, and special tax items) to our GAAP results to better illustrate year-over-year performance. The normalized earnings are intended to give a representation of our performance had Xylem been a stand-alone company in 2011.

First Quarter Segment Results

Water Infrastructure

Xylem's Water Infrastructure businesses provide equipment and services focused on the transport, treatment and testing of water and wastewater in the public utility and industrial markets.

- First quarter 2012 segment revenue was \$584 million, up 8 percent from the first quarter of 2011 on a constant currency basis, and up 6 percent on a reported basis. This reflects the YSI acquisition, growth in industrial applications and growth in emerging markets.
- Segment orders were \$638 million for the quarter, up 4 percent over last year, reflecting the YSI acquisition.
- First quarter adjusted segment operating margin, excluding non-recurring separation costs but including the impact of stand-alone costs, expanded by 160 basis points from the first quarter 2011 to 13.2 percent, driven by price and productivity gains. Stand-alone costs impacted operating margin by 20 basis points for the first quarter 2012.

Applied Water

Xylem's Applied Water businesses provide equipment and services in the residential and commercial building services, general industrial and agricultural markets.

- First quarter 2012 segment revenue and orders were \$355 million and \$382 million, respectively, both up 1 percent over the first quarter of 2011 on an organic basis. Solid growth in general industry, commercial building services, and food and beverage was mostly offset by residential market weakness in Europe and the Middle East.
- First quarter adjusted segment operating margin, excluding non-recurring separation costs but including stand-alone costs, was 11.5 percent, down 150 basis points from the first quarter 2011, driven by lower volume in highly profitable HVAC products due to a warm winter in the U.S., lower marine volume and continued investment in the segment. Stand-alone costs impacted operating margin 60 basis points for the first quarter of 2012.

Affirming previous full-year 2012 guidance

Xylem is affirming previous guidance for full-year 2012 revenue in the range of \$3.9 billion – \$4.0 billion, representing year-over-year organic growth of 4 to 6 percent. Operating margins are anticipated to be in the range of 12.7 to 13.3 percent, excluding spinoff-related costs, but including incremental stand-alone costs of \$25 to \$30 million as Xylem completes its first full year as an independent company. These stand-alone costs will offset operating margin by 60 to 80 basis points. Full-year 2012 adjusted net income is forecast to be \$334 million to \$362 million, for adjusted earnings per share of \$1.80 to \$1.95 for the full year 2012, which reflects expected growth of 8 to 17 percent over normalized 2011. Reported net income, which includes one-time separation costs, is anticipated to range from \$319 million to \$350 million, or \$1.72 to \$1.89 per share.

More detail available

Supplemental information on Xylem's first quarter earnings, including reconciliations for certain non-GAAP items, is posted at investors.xyleminc.com.

About Xylem

Xylem (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. Launched in 2011 from the spinoff of the water-related businesses of ITT Corporation, Xylem is headquartered in White Plains, N.Y., with 2011 annual revenues of \$3.8 billion and 12,500 employees 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, the terms and the effect of the separation, the nature and impact of the separation, 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.

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XYLEM INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED AND COMBINED INCOME STATEMENTS (Unaudited)**

(in millions, except per share data)

For the three months ended March 31,	2012	2011
Revenue	\$ 925	\$ 890
Cost of revenue	562	553
Gross profit	363	337
Selling, general and administrative expenses	231	210
Research and development expenses	28	24
Separation costs	5	3
Operating income	99	100
Interest expense	14	—
Other non-operating (expense) income, net	(1)	1
Income before taxes	84	101
Income tax expense	21	23
Net income	\$ 63	\$ 78
Earnings per share:		
Basic	\$ 0.34	\$ 0.42
Diluted	\$ 0.34	\$ 0.42
Weighted average number of shares – Basic	185.4	184.6
Weighted average number of shares – Diluted	185.9	184.6
Dividends declared per share	\$0.1012	\$ —

XYLEM INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(in millions)

For the three months ended March 31,	2012	2011
Net income	\$ 63	\$ 78
Other comprehensive income, before tax:		
Foreign currency translation adjustment	49	86
Net change in cash flow hedges:		
Unrealized gains (losses)	4	—
Net change in postretirement benefit plans:		
Amortization of net actuarial loss	2	—
Settlement	2	—
Other comprehensive income, before tax	57	86
Income tax expense related to items of other comprehensive income	2	—
Other comprehensive income, net of tax	55	86
Comprehensive income	<u>\$118</u>	<u>\$164</u>

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

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 347	\$ 318
Receivables, less allowances for discounts and doubtful accounts of \$32 and \$37 in 2012 and 2011, respectively	761	756
Inventories, net	465	426
Prepaid and other current assets	117	97
Deferred income tax assets	45	45
Total current assets	1,735	1,642
Property, plant and equipment, net	468	463
Goodwill	1,631	1,610
Other intangible assets, net	502	505
Other non-current assets	177	173
Total assets	\$ 4,513	\$ 4,393
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 329	\$ 322
Accrued and other current liabilities	486	490
Short-term borrowings and current maturities of long-term debt	4	5
Total current liabilities	819	817
Long-term debt	1,202	1,201
Accrued postretirement benefits	320	316
Deferred income tax liability	155	165
Other non-current accrued liabilities	68	67
Total liabilities	2,564	2,566
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common Stock – authorized 750.0 shares, par value \$0.01 per share:		
Issued 185.4 shares and 184.6 shares in 2012 and 2011, respectively	2	2
Capital in excess of par value	1,687	1,663
Retained earnings	84	40
Treasury stock – at cost 0.1 shares and 0 shares in 2012 and 2011, respectively	(1)	—
Accumulated other comprehensive income	177	122
Total stockholders' equity	1,949	1,827
Total liabilities and stockholders' equity	\$ 4,513	\$ 4,393

XYLEM INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS (Unaudited)**

(in millions)

For the three months ended March 31,	2012	2011
Operating Activities		
Net income	\$ 63	\$ 78
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34	33
Share-based compensation	5	3
Payments of restructuring	—	(5)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	7	(3)
Changes in inventories	(31)	(16)
Changes in accounts payable	14	(31)
Changes in accrued liabilities	(25)	(5)
Changes in accrued taxes	3	11
Net changes in other assets and liabilities	(9)	6
Net Cash - Operating activities	61	71
Investing Activities		
Capital expenditures	(31)	(19)
Proceeds from the sale of property, plant and equipment	2	2
Other, net	—	(1)
Net Cash - Investing activities	(29)	(18)
Financing Activities		
Net transfer (to)/from former parent	(6)	(33)
Issuance of short-term debt	3	—
Principal payments of debt and capital lease obligations	(3)	—
Purchase of common stock	(1)	—
Proceeds from exercise of employee stock options	16	—
Tax impact from equity compensation activity	(1)	—
Dividends paid	(19)	—
Other, net	1	—
Net Cash - Financing activities	(10)	(33)
Effect of exchange rate changes on cash	7	3
Net change in cash and cash equivalents	29	23
Cash and cash equivalents at beginning of year	318	131
Cash and cash equivalents at end of year	\$347	\$154
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 11	\$ —
Income taxes (net of refunds received)	\$ 18	\$ 9

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 revenues, 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 by translating current period and prior period activity using the same currency conversion rate. This approach is used for countries where the functional currency is the local currency.

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

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

“Normalized EPS” defined as earnings per share, adjusted to exclude one-time separation costs associated with the Xylem spin-off from ITT Corporation and tax-related special items, as well as an adjustment 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.

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

	<u>(As reported - GAAP)</u>				<u>(As Adjusted - Organic)</u>					<u>Constant</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>Currency</u>	
	<u>Orders</u>	<u>Orders</u>	<u>Change</u>	<u>% Change</u>	<u>Acquisitions /</u>	<u>FX Contribution</u>	<u>Eliminations</u>	<u>Change</u>	<u>% Change</u>	<u>(H) = (B + D) / A</u>	
<u>2012</u>	<u>2011</u>	<u>2012 v. 2011</u>	<u>2012 v. 2011</u>	<u>Divestitures</u>			<u>Adj. 2012 v.</u>	<u>Adj. 2012 v. 2011</u>			
							<u>2011</u>				
Orders											
Quarter Ended											
March 31, 2012											
Xylem Inc.	1,004	978	26	2.7%	(37)	18	—	7	0.7%	4.5%	
Water infrastructure	638	612	26	4.2%	(37)	13	—	2	0.3%	6.4%	
Applied Water	382	381	1	0.3%	—	5	(1)	5	1.3%	1.6%	

	<u>Revenue</u>		<u>Change</u>	<u>% Change</u>	<u>Acquisitions /</u>	<u>FX Contribution</u>	<u>Eliminations</u>	<u>Change</u>	<u>% Change</u>		
	<u>2012</u>	<u>2011</u>	<u>2012 v. 2011</u>	<u>2012 v. 2011</u>	<u>Divestitures</u>			<u>Adj. 2012 v.</u>	<u>Adj. 2012 v. 2011</u>		
								<u>2011</u>			
Revenue											
Quarter Ended											
March 31, 2012											
Xylem Inc.	925	890	35	3.9%	(34)	14	—	15	1.7%	5.5%	
Water infrastructure	584	551	33	6.0%	(34)	10	1	10	1.8%	7.8%	
Applied Water	355	355	—	0.0%	—	5	—	5	1.4%	1.4%	

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

**Xylem Inc. Non-GAAP Reconciliation
Adjusted Diluted EPS
For The Three Months Ended 2012 & 2011
(\$ Millions, except per share amounts)**

	Q1 2012	Q1 2011
Net Income	<u>63</u>	<u>78</u>
Separation costs, net of tax	<u>4</u>	<u>2</u>
Adjusted Net Income before Special Tax Items	<u>67</u>	<u>80</u>
Special Tax Items	<u>—</u>	<u>—</u>
Adjusted Net Income	<u>67</u>	<u>80</u>
Diluted Earnings per Share	<u>\$ 0.34</u>	<u>\$ 0.42</u>
Separation costs per Share	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Adjusted diluted EPS before Special Tax Items	<u>\$ 0.36</u>	<u>\$ 0.43</u>
Special Tax Items per Share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Adjusted diluted EPS	<u>\$ 0.36</u>	<u>\$ 0.43</u>

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

	Q1 2011					Q1 2012		
	<u>As Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>Adjustments</u>	<u>Normalized</u>	<u>As Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>
Total Revenue	890		890		890	925		925
Operating Income	100	3a	103	(10)c	93	99	5a	104
Operating Margin	11.2%		11.6%		10.4%	10.7%		11.2%
Interest Expense	—		—	(13)d	(13)	(14)		(14)
Other Non-Operating Income (Expense)	1		1		1	(1)		(1)
Income before Taxes	101	3	104	(23)	81	84	5	89
Provision for Income Taxes	(23)	(1)b	(24)	5e	(19)	(21)	(1)b	(22)
Net Income	78	2	80	(18)	62	63	4	67
Diluted Shares	184.6				184.6	185.9		185.9
Diluted EPS	\$ 0.42	\$ 0.01	\$ 0.43	\$ (0.10)	\$ 0.33	\$ 0.34	\$ 0.02	\$ 0.36

a One time separation costs

b Tax impact of one time separation costs

c Incremental stand alone costs incurred in 2012

d Incremental interest expense on long-term debt incurred in 2012

e Tax impact of incremental interest expense and stand alone costs incurred in 2012

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

Adjusted Segment Operating Income

	Q1		Q2		Q3		Q4	
	'12	'11	'12	'11	'12	'11	'12	'11
Total Revenue								
• Water Infrastructure	584	551	—	602	—	584	—	679
• Applied Water	355	355	—	385	—	368	—	336
Operating Income								
• Water Infrastructure	75	64	—	94	—	87	—	98
• Applied Water	40	46	—	50	—	37	—	27
Separation Costs								
• Water Infrastructure	2	—	—	2	—	8	—	6
• Applied Water	1	—	—	—	—	9	—	4
Adjusted Operating Income*								
• Water Infrastructure	77	64	—	96	—	95	—	104
• Applied Water	41	46	—	50	—	46	—	31
Operating Margin								
• Water Infrastructure	12.8%	11.6%		15.6%		14.9%		14.4%
• Applied Water	11.3%	13.0%		13.0%		10.0%		8.0%
Adjusted Operating Margin*								
• Water Infrastructure	13.2%	11.6%		15.9%		16.3%		15.3%
• Applied Water	11.5%	13.0%		13.0%		12.5%		9.2%

* Adjusted Operating Income excludes non-recurring separation costs

Xylem Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Free Cash Flow
For The Three Months Ended 2012 & 2011
(\$ Millions)

	Three Months Ended	
	2012	2011
Net Cash - Operating Activities	61	71
Capital Expenditures	(31)	(19)
Free Cash Flow, including separation costs	30	52
Separation Costs (Cash Paid incl. Capex)	11	2
Free Cash Flow, excluding separation costs	<u>41</u>	<u>54</u>
Net Income	63	78
Separation Costs, net of tax	4	2
Adjusted Net Income	<u>67</u>	<u>80</u>
Free Cash Flow Conversion	<u>61%</u>	<u>68%</u>



Q1 2012 Earnings Release

May 3, 2012









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, the terms and the effect of the separation, the nature and impact of the separation, 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.

Q1'12 Financial Performance Summary

	Orders	> \$1B	Record Milestone; Book to Bill 1.09
	Revenue	\$925M	+6% (Constant Currency Basis)*
	Gross Margin	39.2%	+130 bps
	Operating Margin *	11.2%	12.3% ex. Stand-Alone Costs; +70 bps
	EPS *	\$0.36	+9% Normalized Growth
	Free Cash Flow *	\$41M	61% Conversion ... Typical Seasonality

Solid Q1 Performance ... Confident in Ability to Deliver a Strong 2012

Q1'12 Performance Summary

Advancing Our Strategic Position

- YSI Acquisition ...EPS Accretive ... Integration Ahead of Plan, Launched Cross Branded Products
- Recognizing Revenue Synergies Across Analytics
- Opened New Distribution and Customer Service Center in Russia

Deploying Innovation & New Product Applications and Services

- Bell & Gossett Awarded the PM Engineer Magazine Product of the Year Award
- Bell & Gossett Little Red School House® Recognized as a Certified LEED (Leading Energy and Engineering Design) Education Provider
- Flygt Exterior -2012 Ringier Technology Innovation Award

Continued Strong Execution

- Deployment of Commercial Excellence ... Continued Strong Price Realization
- Operational Initiatives Underway To Drive a More Competitive Cost Structure

Making Significant Progress on Key Focus Priorities

Geographic and End Market Q1'12 Performance

Geographic Region

- + U.S.
- = Europe
- + Emerging Markets
 - + Lat. Am., Asia Pac., E. Europe
 - Middle East

End Market (% of 2011 Revenue)

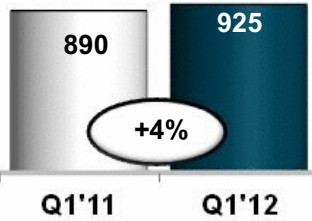
- + Industrial (~40%)
- = Public Utility (~36%)
- + Commercial (~12%)
- Residential (~9%)
- Agriculture (~3%)

Performance In-Line With Expectations

Q1'12 Xylem Performance

Revenue

(Dollars, In Millions)



Q1 Growth

Organic	+2%
FX	-2%
Acquisition	+4%
Total	+4%

Q1 Performance Drivers

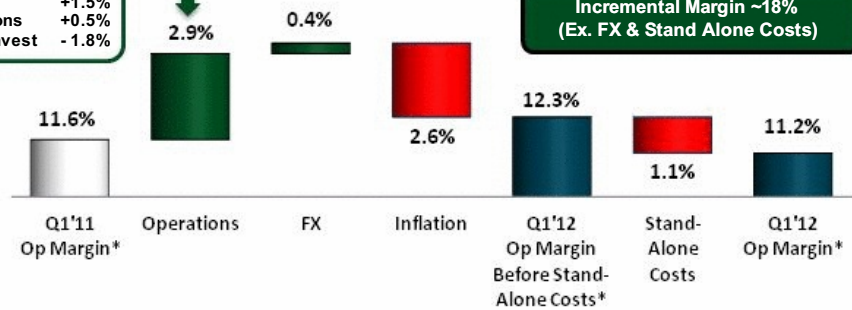
- + Industrial & Commercial Strength
- + YSI Acquisition Adds 4%
- = Public Utility Stable
- Residential Market Headwind
- + Building Backlog ...Record Orders \$1B

Operating Income *

(Dollars, In Millions)



Cost Reductions	+2.7%
Price	+1.5%
Acquisitions	+0.5%
Vol/Mix/Invest	-1.8%



Delivered Mid-Single Digit Top Line Growth ... Solid Operating Performance

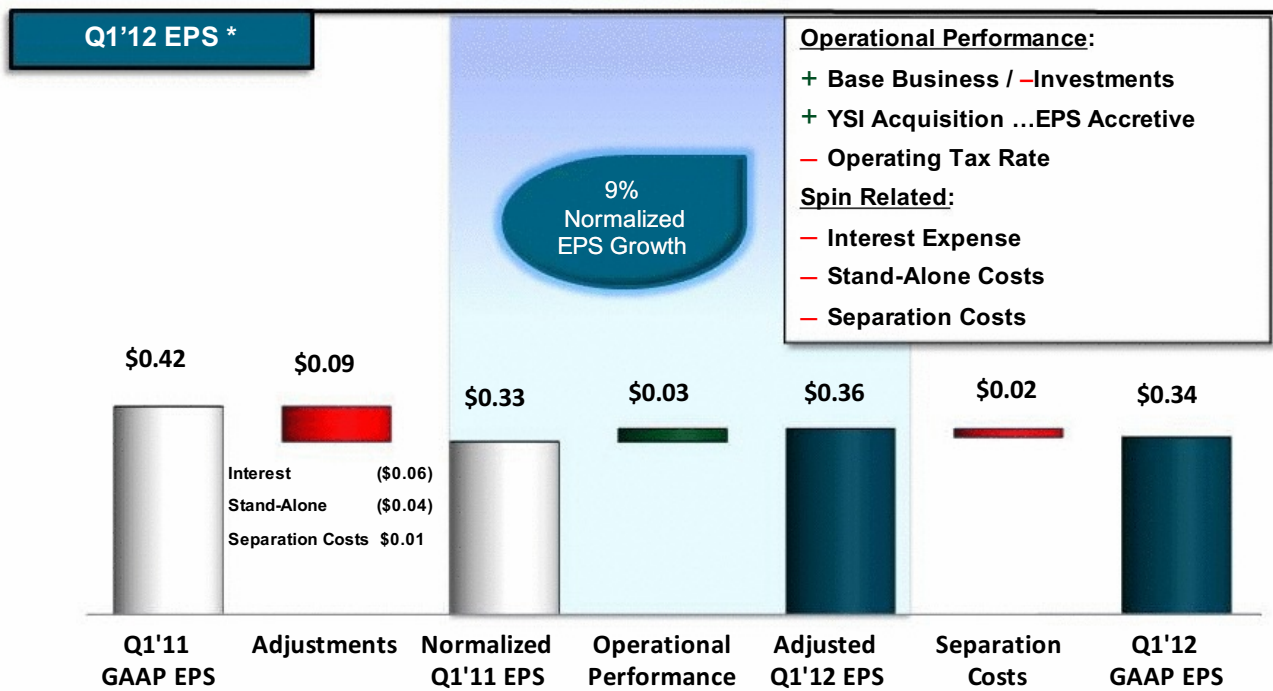
6

See appendix for non-GAAP reconciliations

* Excludes non-recurring separation costs of \$5M and \$3M in Q1 2012 and Q1 2011, respectively

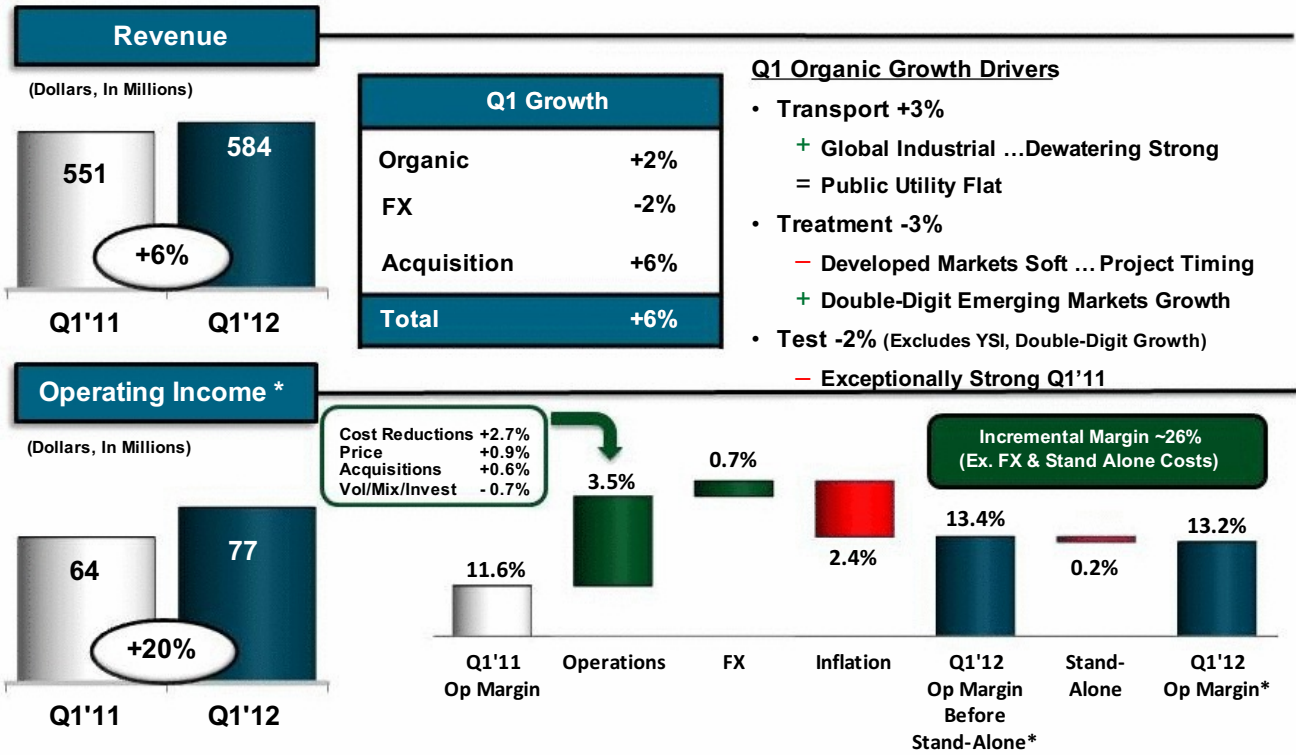


Q1'12 Xylem Performance



9% Normalized EPS Growth

Q1'12 Water Infrastructure Performance

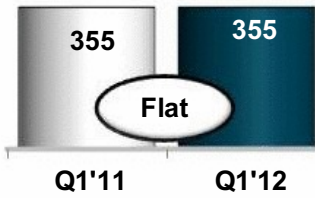


Significant Margin Expansion Driven by Strategic Acquisitions & Initiatives

Q1'12 Applied Water Performance

Revenue

(Dollars, In Millions)

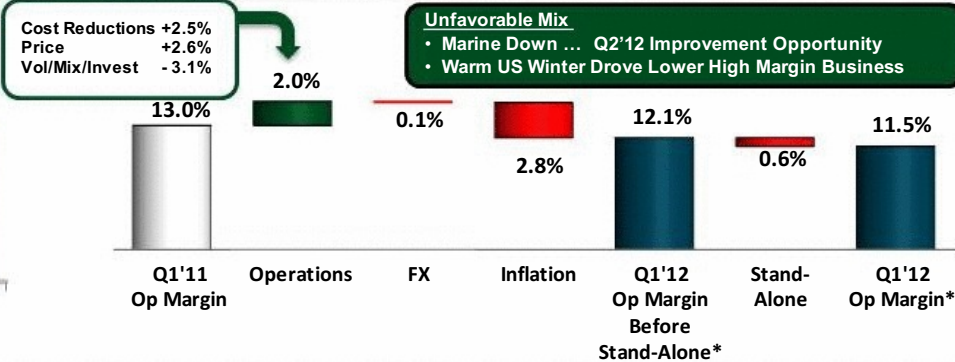
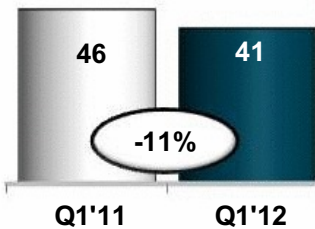


Q1 Growth	
Organic	+1%
FX	-1%
Acquisition	-
Total	Flat

- **Building Services +2%**
 - + Commercial Market Share Gains
 - Residential Weakness ... Europe & Warm US Winter
 - Emerging Markets Down ... Middle East Instability
- **Industrial Water +2%**
 - + General Industrial and Food & Beverage Strength
 - Leisure Marine
- **Irrigation -4%**
 - = Continued Strength in US ... Strong Q1'11

Operating Income *

(Dollars, In Millions)



Cost Reductions +2.5%
Price +2.6%
Vol/Mix/Invest -3.1%

Unfavorable Mix
• Marine Down ... Q2'12 Improvement Opportunity
• Warm US Winter Drove Lower High Margin Business

Results As Expected ... Confident in Delivering Operational Improvement

Xylem Financial Position

Free Cash Flow *

(Dollars, In Millions)



Q1'11

Q1'12

FCF% 68%

61%

- **Free Cash Flow \$41M**

- Typical Seasonality
- Impact of Stand-Alone Costs & Interest
- Working Capital Investment
- Increased Capex for Growth Initiatives

- **Capex > 1 Reinvestment Ratio**

Working Capital

(Dollars, In Millions)



Q1'11

Q1'12

W/C%** 24.1%

23.1%

Capital Summary/Liquidity

March 31, 2012

(Dollars, In Millions)

Cash	347
Debt	1,206
Net Debt	859
Shareholders' Equity	1,949
Net Capital	2,808
Net Debt to Net Capital	31%

- **Strong Cash Position**

- No Significant Debt Maturities Until 2016

- **31% Net Debt to Net Capital**

- **1.3x Net Debt/Adj. TTM EBITDA**

- **\$600M Revolving Credit Facility Undrawn**

- **Access to Commercial Paper**

Strong Cash Flow ... Healthy Balance Sheet ... Providing Flexibility

2012 Guidance

2012 Financial Guidance Summary

	2012 Full Year Financial Outlook	Growth 2012E vs. 2011
Total Revenue	\$3.9B - \$4.0B	4% - 6% (Organic)
Water Infrastructure	\$2.5B - \$2.6B	5% - 7% (Organic)
Applied Water	\$1.4B - \$1.5B	2% - 6% (Organic)
Segment Margin*	14.5% - 15.0%	+50 to +100 bps
Operating Margin*	12.7% - 13.3%	Flat to +60 bps (incl. incremental stand-alone costs \$25M-\$30M)
EPS *	\$1.80 - \$1.95	-7% to +1% on Adjusted Basis +8% to +17% on Normalized Basis
Free Cash Flow Conversion	95%	Excluding one-time separation costs

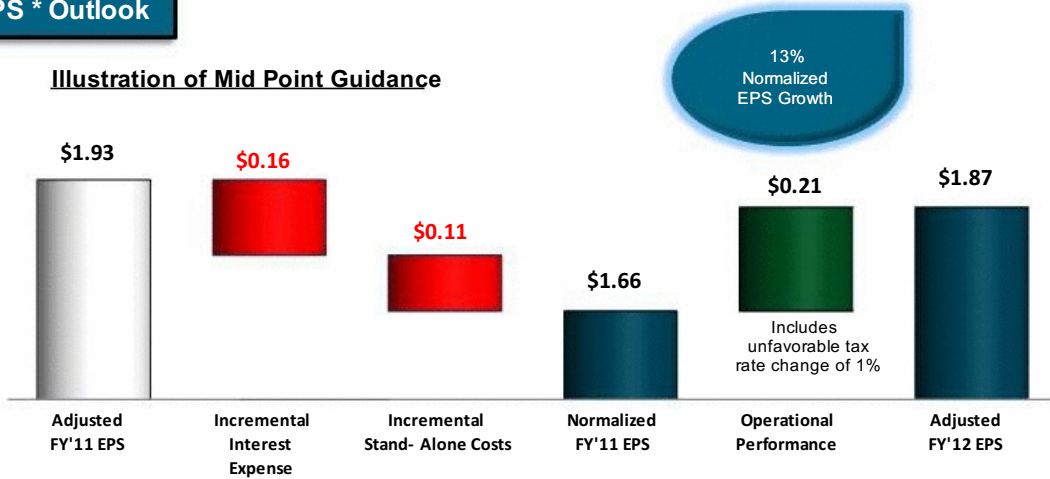
Solid Q1'12 Performance ... Affirming Full Year Guidance

* See Appendix for Non-GAAP Reconciliations

2012 Xylem Performance

2012 EPS * Outlook

Illustration of Mid Point Guidance



- Operational performance \$0.21, includes YSI contribution, FX art&dx headwind
- Projected structural tax rate ~25%
- Nine months incremental interest expense normalization
- Full year impact of stand alone costs .in line with expectations

Affirming 2012 EPS Outlook

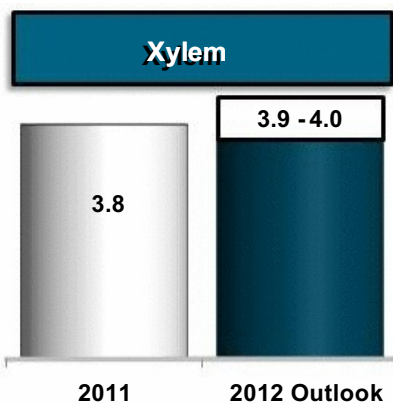
Key Takeaways

- **Solid Q1 Performance ... As Expected**
- **End Market Conditions Consistent with 2012 Guidance Assumptions**
- **YSI ... Further Demonstrates Inorganic Growth Capabilities, and Our Ability to Acquire & Effectively Integrate**
- **Strong Financial Position & Strong Cash Flow Generation**
- **Confident in Ability to Deliver a Strong 2012**

Appendix

2012 Revenue Outlook

(Dollars, In Billions)



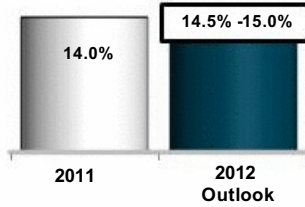
	2011	2012	Comments
Organic Growth	7%	4-6%	- 1H'12 tough compare vs. strong 1H'11 - 2H'12 stronger than 1H
FX (Translation)	4%	(3)%	~65% international revenues Top foreign currencies: Euro, CAD, AUD, GBP, SEK
Acquisition	8%	2%	2012 represents YSI 2011 represents incremental Godwin, Nova, OI Analytics and YSI
Total Growth	19%	3-5%	

Quarterly Revenue Profile (% of FY Revenue)	Q1	Q2	Q3	Q4
2009-2011 Composite	22%	25%	25%	28%

Strong Underlying Growth ... FX Shift from Tailwind to Headwind

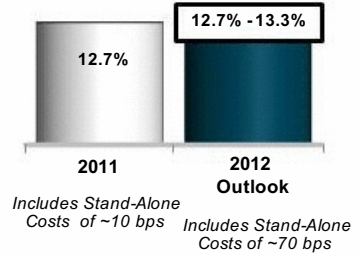
2012 Margin Outlook

Segment Margin *

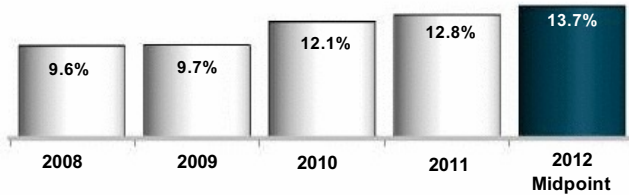


- **Segment Op Margin 14.5% - 15.0%**
 - Comm'l & Oper'l Excellence Initiatives
 - Acquisition margin accretive
 - Organic growth investments
 - Inflation ~3%
- **Operating Margin 12.7% - 13.3%**
 - Includes stand-alone costs ~\$25M-\$30M

Operating Margin *



Op Margin Expansion (Ex. Stand Alone Costs) **



Driving Consistent Improvements ... On Track to Meet Long Term Objective

Solid Margin Performance ...On Track to Meet Long Term Objective

Quarterly Financial Performance

(\$M, Except EPS)	Q1'10	Q2'10	Q3'10	Q4'10	FY'10	Q1'11	Q2'11	Q3'11	Q4'11	FY'11	Q1'12
Revenue	686	775	806	935	3,202	890	971	939	1,003	3,803	925
COGS	431	484	497	576	1,988	553	592	574	623	2,342	562
Gross Profit	255	291	309	359	1,214	337	379	365	380	1,461	363
SG&A	164	170	183	220	737	210	219	215	233	877	231
R&D	18	17	18	21	74	24	26	23	27	100	28
Separation Costs	-	-	-	-	-	3	18	46	20	87	5
Restructuring & Asset Impairment Charges, net	4	3	1	7	15	-	-	2	-	2	-
Op Income	69	101	107	111	388	100	116	79	100	395	99
Interest Expense	-	-	-	-	-	-	1	1	15	17	14
Other Non-Op	-2	-1	3	-	-	1	-	4	-	5	(1)
Income before Tax	67	100	110	111	388	101	115	82	85	383	84
Tax	11	15	19	14	59	23	43	5	33	104	21
Net Income	56	85	91	97	329	78	72	77	52	279	63
EPS – Diluted *	\$0.30	\$0.46	\$0.49	\$0.53	\$1.78	\$0.42	\$0.39	\$0.42	\$0.28	\$1.50	\$0.34

* On October 31, 2011, Xylem Inc. completed the spin-off through a tax-free stock dividend to ITT Corporation's shareholders. ITT Corporation shareholders received one share of our common stock for each share of ITT common stock. As a result on October 31, 2011, we had 184.6 million shares of common stock outstanding and this share amount is being utilized to calculate earnings per share for all periods presented prior to the spin-off.

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 revenues, 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 by translating current period and prior period activity using the same currency conversion rate. This approach is used for countries where the functional currency is the local currency.

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

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

“Normalized EPS” defined as earnings per share, adjusted to exclude one-time separation costs associated with the Xylem spin-off from ITT Corporation and tax-related special items, as well as an adjustment 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.

Non-GAAP Reconciliation: Organic & Constant Currency Revenue / Order Growth

Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency Revenue / Order 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
Orders			Change	% Change	Acquisitions /			Change	% Change	
	Orders	Orders	2012 v. 2011	2012 v. 2011	Divestitures	FX Contribution	Eliminations	Adj. 2012 v. 2011	Adj. 2012 v. 2011	
Quarter Ended March 31, 2012	2012	2011								
Xylem Inc.	1,004	978	26	2.7%	(37)	18	-	7	0.7%	4.5%
Water infrastructure	638	612	26	4.2%	(37)	13	-	2	0.3%	6.4%
Applied Water	382	381	1	0.3%	-	5	(1)	5	1.3%	1.6%
Revenue			Change	% Change	Acquisitions /			Change	% Change	
	Revenue	Revenue	2012 v. 2011	2012 v. 2011	Divestitures	FX Contribution	Eliminations	Adj. 2012 v. 2011	Adj. 2012 v. 2011	
Quarter Ended March 31, 2012	2012	2011								
Xylem Inc.	925	890	35	3.9%	(34)	14	-	15	1.7%	5.5%
Water infrastructure	584	551	33	6.0%	(34)	10	1	10	1.8%	7.8%
Applied Water	355	355	-	0.0%	-	5	-	5	1.4%	1.4%

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

Non-GAAP Reconciliation: Adjusted Diluted EPS

Xylem Inc. Non-GAAP Reconciliation
Adjusted Diluted EPS
For The Three Months Ended 2012 & 2011
(\$ Millions, except per share amounts)

	Q1 2012	Q1 2011
Net Income	63	78
Separation costs, net of tax	4	2
<u>Adjusted Net Income before Special Tax Items</u>	<u>67</u>	<u>80</u>
Special Tax Items	-	-
<u>Adjusted Net Income</u>	<u>67</u>	<u>80</u>
Diluted Earnings per Share	\$0.34	\$0.42
Separation costs per Share	<u>\$0.02</u>	<u>\$0.01</u>
Adjusted diluted EPS before Special Tax Items	\$0.36	\$0.43
<u>Special Tax Items per Share</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>Adjusted diluted EPS</u>	<u>\$0.36</u>	<u>\$0.43</u>

Non-GAAP Reconciliation: Normalized EPS

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

	Q1 2011					Q1 2012		
	As Reported	Adjustments	Adjusted	Adjustments	Normalized	As Reported	Adjustments	Adjusted
Total Revenue	890		890		890	925		925
Operating Income	100	3 a	103	(10) c	93	99	5 a	104
Operating Margin	11.2%		11.6%		10.4%	10.7%		11.2%
Interest Expense	-		-	(13) d	(13)	(14)		(14)
Other Non-Operating Income (Expense)	1		1		1	(1)		(1)
Income before Taxes	101	3	104	(23)	81	84	5	89
Provision for Income Taxes	(23)	(1) b	(24)	5 e	(19)	(21)	(1) b	(22)
Net Income	78	2	80	(18)	62	63	4	67
Diluted Shares	184.6				184.6	185.9		185.9
Diluted EPS	\$ 0.42	\$ 0.01	\$ 0.43	\$ (0.10)	\$ 0.33	\$ 0.34	\$ 0.02	\$ 0.36

a One time separation costs

b Tax impact of one time separation costs

c Incremental stand alone costs incurred in 2012

d Incremental interest expense on long-term debt incurred in 2012

e Tax impact of incremental interest expense and stand alone costs incurred in 2012

Non-GAAP Reconciliation: Segment Operating Income

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

Adjusted Segment Operating Income

	Q1	
	'12	'11
Total Revenue		
• Water Infrastructure	584	551
• Applied Water	355	355
Operating Income		
• Water Infrastructure	75	64
• Applied Water	40	46
Separation Costs		
• Water Infrastructure	2	-
• Applied Water	1	-
Adjusted Operating Income*		
• Water Infrastructure	77	64
• Applied Water	41	46
Operating Margin		
• Water Infrastructure	12.8%	11.6%
• Applied Water	11.3%	13.0%
Adjusted Operating Margin*		
• Water Infrastructure	13.2%	11.6%
• Applied Water	11.5%	13.0%

*Adjusted Operating Income excludes non-recurring separation costs

Non-GAAP Reconciliation: Free Cash Flow

Xylem Inc. Non-GAAP Reconciliation
Net Cash - Operating Activities vs. Free Cash Flow
For The Three Months Ended 2012 & 2011
(\$ Millions)

	Three Months Ended	
	2012	2011
Net Cash - Operating Activities	61	71
Capital Expenditures	(31)	(19)
Free Cash Flow, including separation costs	30	52
Separation Costs (Cash Paid incl. Capex)	11	2
Free Cash Flow, excluding separation costs	<u>41</u>	<u>54</u>
Net Income	63	78
Separation Costs, net of tax	4	2
Adjusted Net Income	<u>67</u>	<u>80</u>
Free Cash Flow Conversion	<u>61%</u>	<u>68%</u>

Non-GAAP Reconciliation: Xylem EBITDA & Adj. EBITDA

Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Total Xylem
(\$ Millions)

	2012	2011				Total
	Q1	Q1	Q2	Q3	Q4	
Pre-Tax Net Income	84	101	115	82	85	383
Interest, net	13	-	-	1	16	17
Depreciation	23	22	25	25	21	93
Amortization	11	11	10	11	12	44
Stock Compensation	5	3	2	2	6	13
EBITDA	136	137	152	121	140	550
Separation Costs	5	3	18	46	20	87
Adjusted EBITDA	141	140	170	167	160	637
Revenues	925	890	971	939	1,003	3,803
Adjusted EBITDA Margin	15.2%	15.7%	17.5%	17.8%	16.0%	16.7%

Non-GAAP Reconciliation: Water Infrastructure EBITDA & Adj. EBITDA

Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Water Infrastructure
(\$ Millions)

	2012	2011				Total
	Q1	Q1	Q2	Q3	Q4	
Pre-Tax Net Income	75	65	93	88	99	345
Interest, net	-	-	-	(1)	-	(1)
Depreciation	16	16	19	19	14	68
Amortization	10	9	9	9	9	36
Stock Compensation	1	-	-	1	1	2
EBITDA	102	90	121	116	123	450
Separation Costs	2	-	2	8	6	16
Adjusted EBITDA	104	90	123	124	129	466
Revenues	584	551	602	584	679	2,416
Adjusted EBITDA Margin	17.8%	16.3%	20.4%	21.2%	19.0%	19.3%

Non-GAAP Reconciliation: Applied Water EBITDA & Adj. EBITDA

Xylem Inc. Non-GAAP Reconciliation
EBITDA and Adjusted EBITDA by Quarter
Applied Water
(\$ Millions)

	2012	2011				Total
	Q1	Q1	Q2	Q3	Q4	
Pre-Tax Net Income	40	46	51	37	25	159
Interest, net	-	-	-	-	-	-
Depreciation	6	6	6	6	7	25
Amortization	1	2	1	2	1	6
Stock Compensation	1	-	-	1	1	2
EBITDA	48	54	58	46	34	192
Separation Costs	1	-	-	9	4	13
Adjusted EBITDA	49	54	58	55	38	205
Revenues	355	355	385	368	336	1,444
Adjusted EBITDA Margin	13.8%	15.2%	15.1%	14.9%	11.3%	14.2%

Non-GAAP Reconciliation: Guidance

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

2012 Guidance

Illustration of Mid Point Guidance

	FY '11					FY '12		
	As Reported	Adjustments	Adjusted	Adjustments	Normalized	As Reported	Adjustments	Adjusted
Total Revenue	3,803		3,803		3,803	3,950		3,950
Segment Operating Income	503	29 a	532	(8) d	524	577	8 h	585
Segment Operating Margin	13.2%		14.0%		13.8%	14.6%		14.8%
Corporate Expense	108	(58) b	50	20 e	70	81	(10) h	71
Operating Income	395	87	482	(28)	454	496	18	514
Operating Margin	10.4%		12.7%		11.9%	12.6%		13.0%
Interest Expense	(17)		(17)	(39) f	(56)	(51)		(51)
Other Non-Operating Income (Expense)	5		5		5	-		-
Income before Taxes	383	87	470	(67)	403	445	18	463
Provision for Income Taxes	(104)	(7) c	(111)	16 g	(95)	(111)	(5) i	(116)
Net Income	279	80	359	(51)	308	334	13	347
Diluted Shares (j)	185.3				185.3	185.9		185.9
Diluted EPS	\$ 1.50	\$ 0.43	\$ 1.93	\$ (0.27)	1.66	1.80	0.07	1.87

a One time separation costs incurred at the segment level

b One time separation costs incurred at the corporate level

c Net tax impact of above items, plus the addition of 2011 special tax items

d Incremental stand alone costs to be incurred in 2012 at the segment level (\$8M)

e Incremental stand alone costs to be incurred in 2012 at the corporate level (\$20M)

f Incremental interest expense on long-term debt to be incurred in 2012

g Tax impact of incremental interest expense and stand alone costs to be incurred in 2012

h Expected one time separation costs of \$8M and \$10M to be incurred at the segments and headquarters, respectively.

i Tax impact of one time separation costs expected to be incurred in 2012.

j Full year 2012 diluted shares outstanding are based on diluted shares outstanding for quarter ended March 31, 2012



NYSE: XYL

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