

XYLEM INC.

INVESTOR PRESENTATION

2014 ELECTRICAL PRODUCTS GROUP CONFERENCE

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.

CEO PERSPECTIVE

Patrick Decker, President & Chief Executive Officer

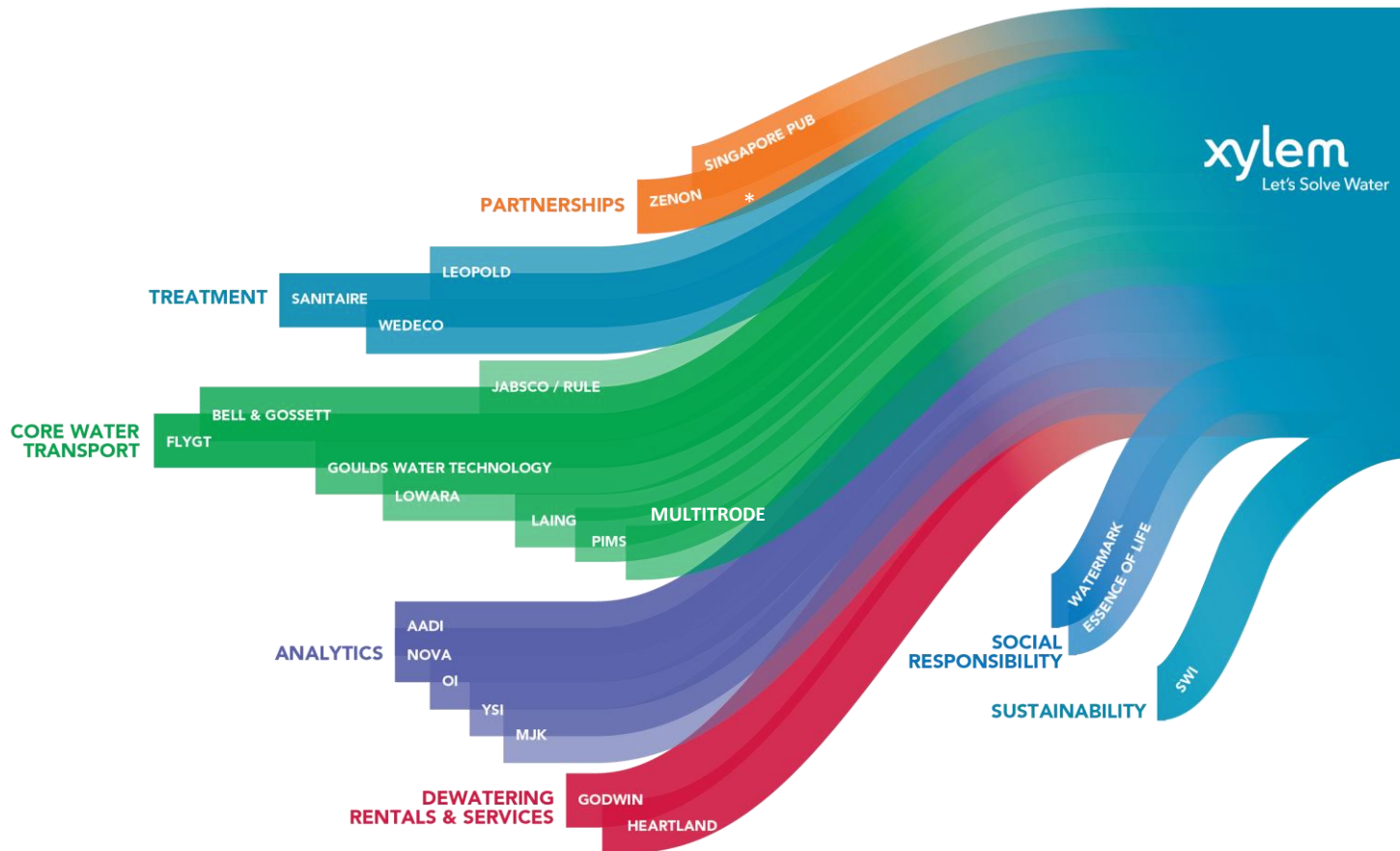
- **XYL Start Date: March 17, 2014**
- **Prior Experiences:**
 - **Harsco (CEO), Tyco Flow Control, Bristol-Myers Squibb**
 - **Success in Driving Transformative Initiatives**
 - **10+ Years of International Assignments**

“Listening Tour” Observations

- **We have an impressive portfolio of high quality products & services**
- **Our people are passionate about “solving water”**
- **We have a lot to get done ... We are on the “right” path**

WE HAVE AN EXCITING ROAD AHEAD ... I AM CONFIDENT ABOUT OUR FUTURE

JOURNEY FROM A PORTFOLIO OF BUSINESSES TO A SOLUTION PORTFOLIO



EVOLUTION TO A LEADING GLOBAL WATER TECHNOLOGY PROVIDER

WHY SHOULD YOU INVEST IN XYLEM?

\$3.8B

- Focused Pure Water Play
- Leading Market Positions
- Fortress Brands & World Class Distribution
- Diverse Geographic & End Market Exposure
- Large Installed Base Drives Recurring Revenue
- Strong Financial Position & Cash Flow Generation



STRONG FOUNDATION & FUNDAMENTALS WITH OPPORTUNITY TO OUTPERFORM

HOW WILL XYLEM IMPROVE PERFORMANCE?

REIGNITE “XMS”

The Xylem Management System (“XMS”) defines how we create value.

It integrates our key strategic operating processes to drive superior growth and operational excellence, efficient capital deployment, and strong, consistent leadership

TOP PRIORITIES

Accelerate Revenue Growth

- Optimize Integrated Front End
 - *Invest & Implement Global CRM Tool*
- Rebalance Portfolio & Product Investments
 - *Differentiated Product Innovation*
 - *Emerging Market Expansion*

Improve Operating Cost Position

- Expand Global Sourcing Capabilities
- Drive Lean Six Sigma More Consistently, Deeper and Across the Entire Organization
- Manage General & Administrative Costs

FOCUSED ON EXECUTION & DRIVING ACCOUNTABILITY

BUSINESS UPDATE

1Q Highlights

- Strong Finish to the Quarter
- Improving Operating Performance
- Solid Financial Position

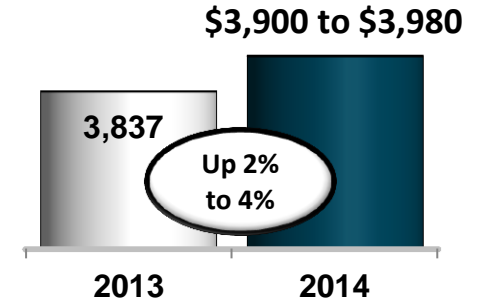
2014 Goals

- Deliver on our financial commitments
- Optimize integrated front end to accelerate growth
- Reignite the Xylem Management System
- Rebalance portfolio and product Investments
- Develop stronger global sourcing and Lean/Six Sigma capability to deliver higher productivity

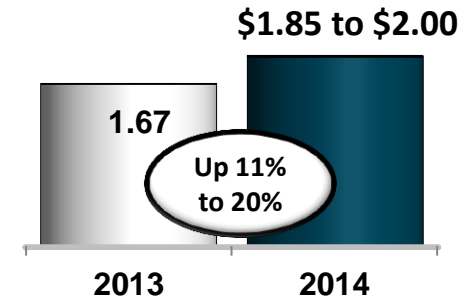
FY'14 Guidance as
of April 29, 2014

REVENUE

(Dollars, In Millions)



EPS*



SOLID 1ST QUARTER PERFORMANCE ... ON TRACK TO DELIVER 2014

2014 GROWTH PROFILE (As of April 29, 2014)

Xylem 2014
Organic Growth



Industrial

(45% of '13 Revenue)

- Improving global Capex environment
- Driving market share gains
- Mining headwinds continue

Up Low
Single Digit



Public Utility

(34% of '13 Revenue)

- Emerging Market infrastructure investment; Slow Capex recovery in U.S./Europe
- Opex stable in US & Europe

Up Low
Single Digit



Commercial

(11% of '13 Revenue)

- Emerging Market growth & new product launches
- Weak U.S. institutional bldg mkt; Europe slow to recover

Up Low
Single Digit



Residential

(7% of '13 Revenue)

- Cold winter subsidies in U.S.; U.S. housing recovery moderates; Europe stabilizes
- Tough 2Q comp (2Q'13 U.S. +18% vs. PY)

Up Low
Single Digit



Agriculture

(3% of '13 Revenue)

- Tough year-over-year comparison following strong 2012 & 2013 performance

Flat to Up
Low Single
Digit

STABLE MARKET CONDITIONS ... EXPECTATIONS REMAIN UNCHANGED

FOCUSED ON KEY GROWTH END MARKETS

(2013 Revenue)

INDUSTRIAL (\$1.7B)



- **Strong Brands**
- **Diverse Market Applications**
 - *Light Industrial*
 - *Energy*
 - *Mining*
 - *Construction*
 - *Food & Beverage*
 - *Marine*
- **LT Growth Opportunities**
 - *Underserved Markets*
 - *Adjacent Mkt Expansion*

PUBLIC UTILITY (\$1.3B)



- **Market Leading Positions**
- **Large Installed Base**
- **LT Growth Opportunities**
 - *US & Europe Pent-Up Demand*
 - *Emerging Market Infrastructure Development*
 - *Steady Growth from Maintenance & Repair Business*

COMMERCIAL (\$400M)



- **Market Leading Positions**
- **Large Installed Base**
- **LT Growth Opportunities**
 - *New Product Launches*
 - *Demand for Energy Efficient Solutions*
 - *Regulatory Standards*
 - *Emerging Market Key Account Strategy*

LEADING POSITIONS & ATTRACTIVE LONG-TERM GROWTH OPPORTUNITIES

STRONG FINANCIAL POSITION

CAPITAL SUMMARY

March 31, 2014

Cash	466
Debt	1,243
Net Debt	777
Shareholders' Equity	2,229
Net Capital	3,006
Net Debt to Net Capital	26%

Liquidity and Cash Management

- Access to Revolver and Commercial Paper for Short-Term Liquidity Requirements
- No Debt Maturities Until 2016 & 2021

Pension & OPEB

- Status: 103% (Funded Plans); 67% (Overall)

CAPITAL DEPLOYMENT STRATEGY

Invest in Organic Growth Initiatives

- Differentiated Product Development
- Maintenance & Investment Capex

Return Capital to Shareholders

- Dividends
- Share Repurchase Programs

Inorganic Growth Investments

- Acquire Bolt-on and Close-to-Core Companies
- Strategic & Financial Filters Drive Disciplined Approach
- Proven Track Record

BALANCED CAPITAL DEPLOYMENT TO ENHANCE SHAREHOLDER RETURNS

xylem
Let's Solve Water

THANK YOU FOR YOUR INTEREST

APPENDIX

GLOBAL BUSINESS OVERVIEW

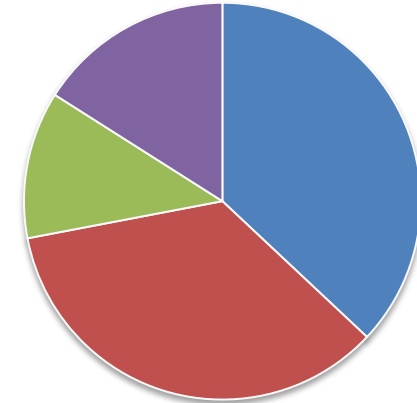
GLOBAL MARKET PRESENCE



- **360+ Global Locations**
 - *50 Emerging Market Sales & Service Centers*
 - *11 Emerging Market Production Facilities*
- **Reaching Customers in More Than 150 Countries**

REVENUE BY GEOGRAPHY

(2013 Revenue)



United States	38%
Europe	36%
Asia Pac	12%
Rest of World	14%

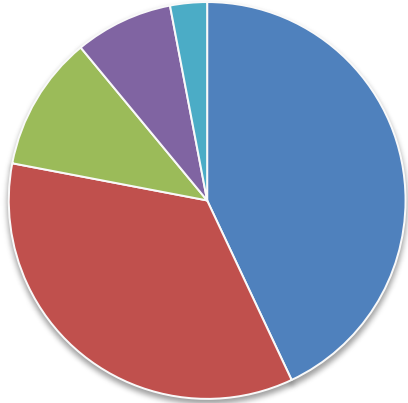
A Growing Emerging Market Presence ... Today ~20%

GLOBAL SCALE & LOCAL PRESENCE PROVIDE A COMPETITIVE ADVANTAGE

DIVERSE CUSTOMER BASE

REVENUE BY END MARKET

(2013 Revenue)



Industrial	45%
Public Utility	34%
Commercial	11%
Residential	7%
Agriculture	3%



The Coca-Cola Company

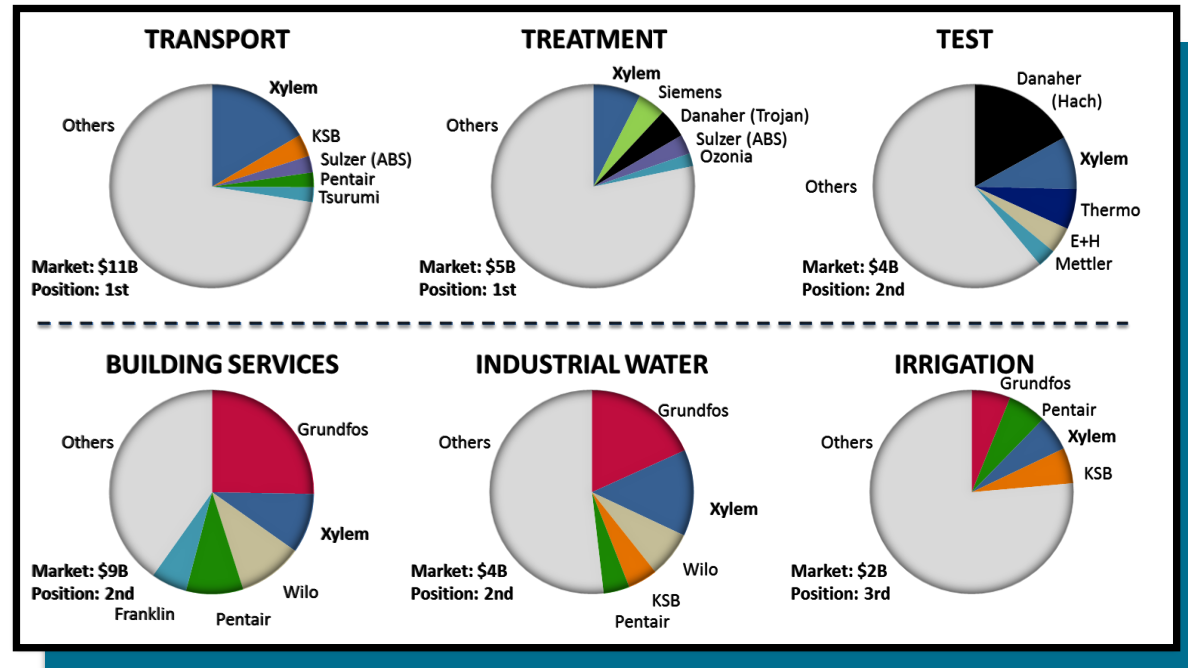
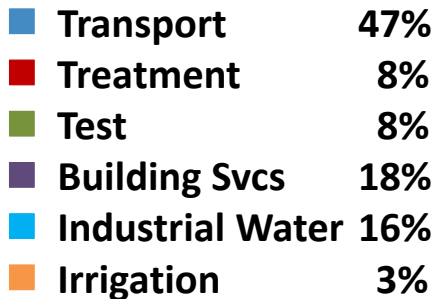
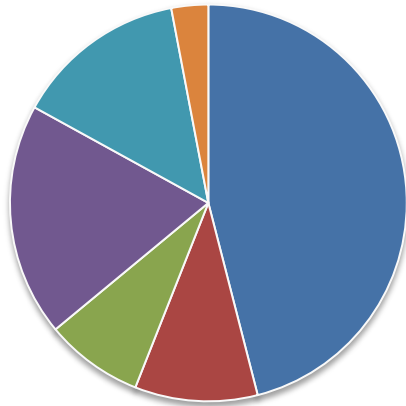


UNDERSTANDING & ANTICIPATING OUR CUSTOMERS NEEDS

SERVING CRITICAL NEEDS

REVENUE BY APPLICATION

(2013 Revenue)



Water Infrastructure Includes Transport, Treatment and Test Applications ... Which Are Integrated into the Most Critical Water Infrastructure Systems for Both Public Utility and Large Industrial Customers

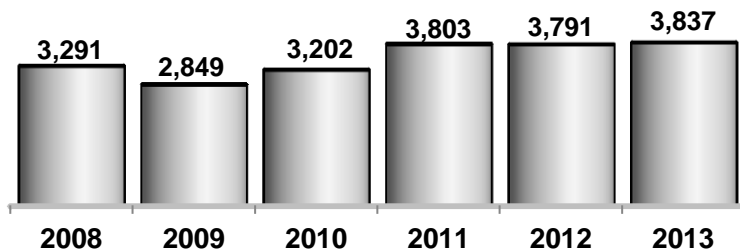
Applied Water Includes Building Services, Industrial Water and Irrigation Applications ... Which Are Key Elements Systems for Commercial, Residential, Industrial and Ag Customers

GLOBAL LEADER IN WATER APPLICATION SOLUTIONS

HISTORICAL XYLEM PERFORMANCE

REVENUE

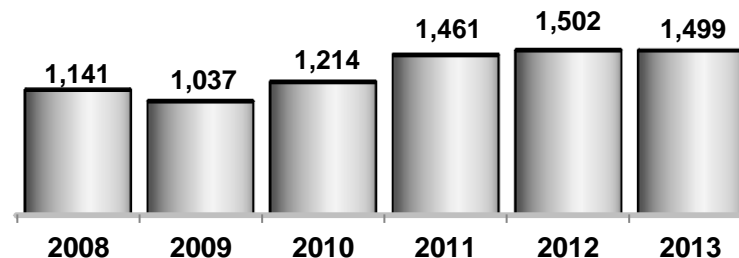
\$M



	2008	2009	2010	2011	2012	2013
Growth:		-13%	12%	19%	0%	1%
Organic*:		-9%	3%	7%	0%	-1%

GROSS PROFIT & MARGIN

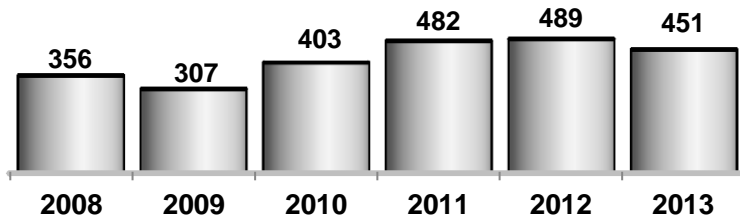
\$M



	2008	2009	2010	2011	2012	2013
GM%:	34.7%	36.4%	37.9%	38.4%	39.6%	39.1%

OPERATING INCOME & MARGIN*

\$M



	2008	2009	2010	2011	2012	2013
OM%:	10.8%	10.8%	12.6%	12.7%	12.9%	11.8%

'08-'13 Revenue up 17%; 3% CAGR

- New Product Development
- Emerging Market Growth
- Analytics and Dewatering Platforms

100 Bps Operating Margin Expansion

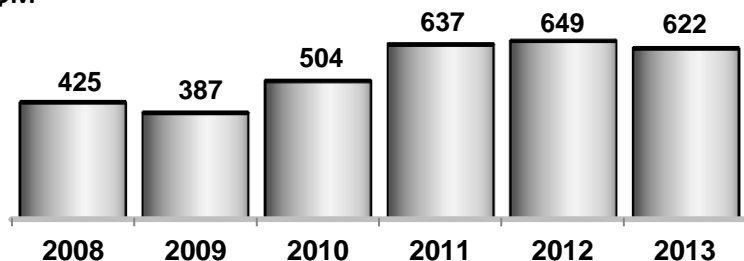
- Pricing Improvements; Lean & Global Sourcing
- Deployed ~\$100M in Restructuring
- Includes \$33M Stand-Alone Costs
- 2013 impacted by lower Public Utility CAPEX spending and weak European market conditions

OPPORTUNITY TO ACCELERATE GROWTH AND IMPROVE OPERATING PERFORMANCE

HISTORICAL XYLEM PERFORMANCE

EBITDA*

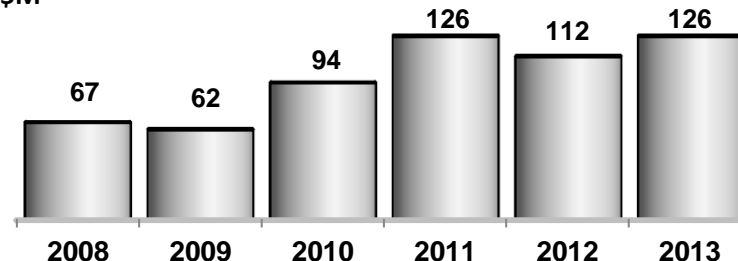
\$M



Margin %: 12.9% 13.6% 15.7% 16.7% 17.1% 16.2%

CAPEX

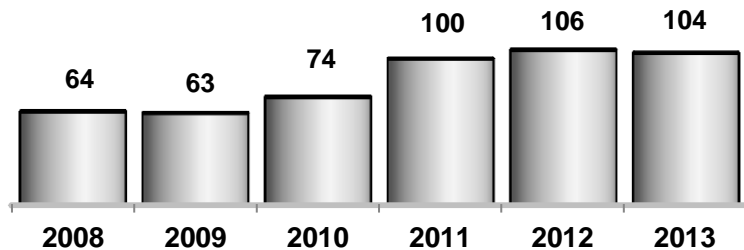
\$M



Reinvest %: 1.2x 1.2x 1.5x 1.4x 1.2x 1.3x
Ratio

R&D

\$M



% of Revenue: 1.9% 2.2% 2.3% 2.6% 2.8% 2.7%

Strong Operating Cash Flow Generation

- EBITDA Up 47% Since 2008; 8% CAGR
- Better Price Execution
- Increase in Portfolio Profitability
- Improved Productivity

Generate, Reinvest, Grow

- Increasing R&D Investment
- Capex Reinvestment Ratio >1

STRONG CASH GENERATION FUNDS CONTINUED GROWTH INVESTMENT

STRONG FINANCIAL POSITION

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BALANCED CAPITAL DEPLOYMENT TO ENHANCE SHAREHOLDER RETURNS

ACQUISITION SCORECARD

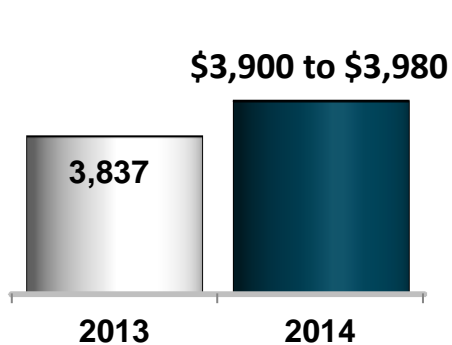
✓ Completed ✗ Not Achieved
● On Track

Acquisition	Invested \$M	Year Completed	Strategic Fit	Gross Margin Accretive	IRR > Risk Adj. Cost of Capital	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	✓	●	●	●	●	✓
MultiTrode	\$26	2013	✓	●	●	●	●	✗

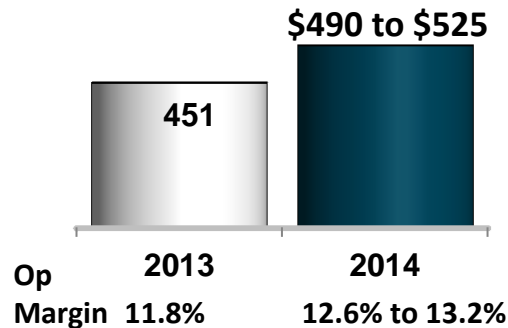
2014 XYLEM OUTLOOK (As of April 29, 2014)

(Dollars, In Millions, except EPS)

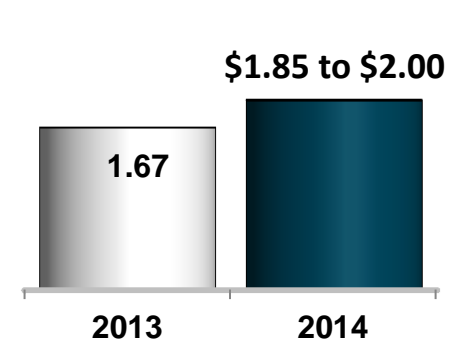
REVENUE



OPERATING INCOME*

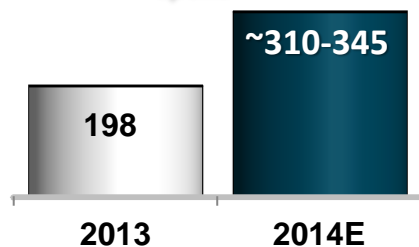


EPS*



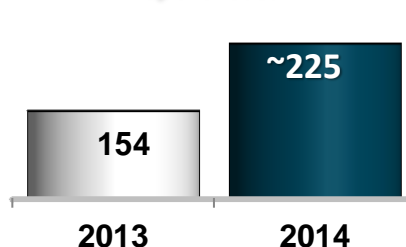
FREE CASH FLOW*

Higher Income, Working Cap Improvement, and Lower Capex Spend



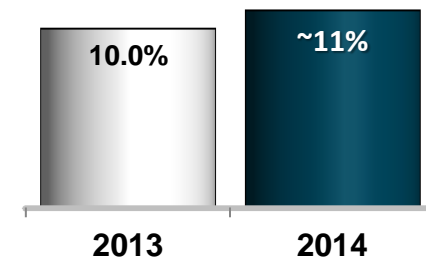
DIVIDENDS/SHARE REPURCHASES

Expected 10% Annual Dividend Increase, ~\$130M for Share Repurchases



ROIC

Targeting 100 Bps Improvement



**COST FOCUS EXPECTED TO DRIVE SOLID EARNINGS GROWTH ...
MARKET RECOVERY FUELS UPSIDE**

2014 FINANCIAL GUIDANCE SUMMARY

(As of April 29, 2014)

(Dollars In Millions, Except per Share Data)	2014 Full Year Financial Outlook	Growth 2014E vs. 2013		
Revenue		<u>Total Growth</u>	<u>Organic</u>	<u>FX/Acquisition</u>
Xylem Consolidated	\$3,900 to \$3,980	2% to 4%	1% to 3%	1%
Water Infrastructure	\$2,500 to \$2,540	2% to 4%	2% to 3%	1%
Applied Water	\$1,470 to \$1,490	2% to 3%	1% to 2%	1%
Segment Margin *	14.1% to 14.6%	+90 bps to +140 bps		
Operating Margin *	12.6% to 13.2%	+80 bps to +140 bps		
EPS *	\$1.85 to \$2.00	Up 11% to 20%		
Free Cash Flow Conversion	~100%			
Guidance Assumptions:				
Operating Tax Rate *	~21%	Unchanged from 2013		
Share Count	~185M	Q2: 185.5; ~\$130M for Share Repurchases in 2014		
Restructuring & Realignment Costs	~\$40 to \$50	'14 Rest. Savings ~\$15M; Realignment Cost \$10-\$15		

SOLID START TO 2014 ... AFFIRMING FULL YEAR GUIDANCE

SEGMENT OVERVIEW

SEGMENT OVERVIEW

WATER INFRASTRUCTURE

Market Size: \$20B

2013 Revenues: \$2.5B

2013 Op Margin*: 13.1%

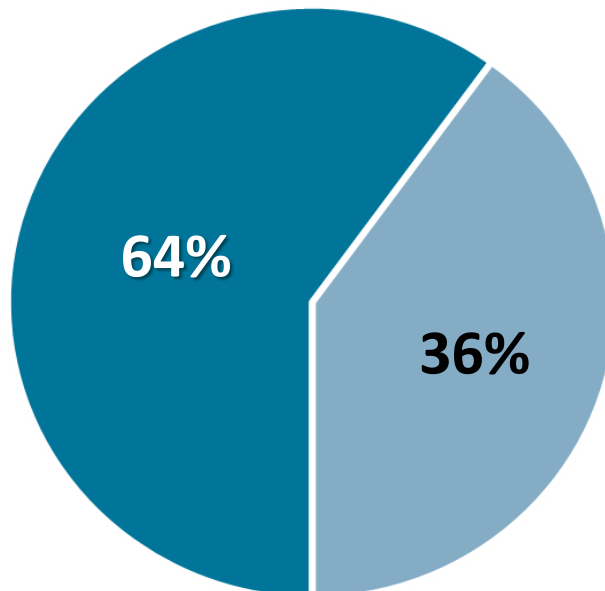
- World's Largest Waste Water Pump & Dewatering Services Provider
- Broad Portfolio of Filtration, Biological and Disinfection Technologies
- Industry-Leading Water & Environment Analytics Platform



WEDECO



Segment Split
(3rd Party Revenue)



APPLIED WATER

Market Size: \$15B

2013 Revenues: \$1.4B

2013 Op Margin*: 12.7%

- 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








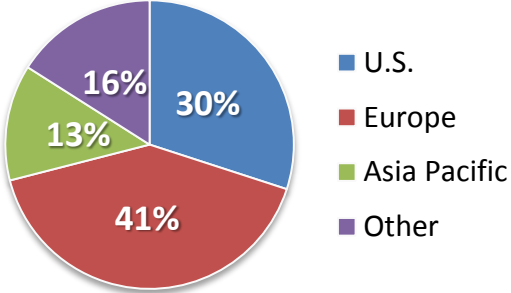
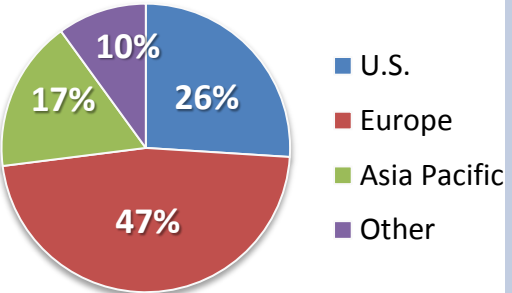
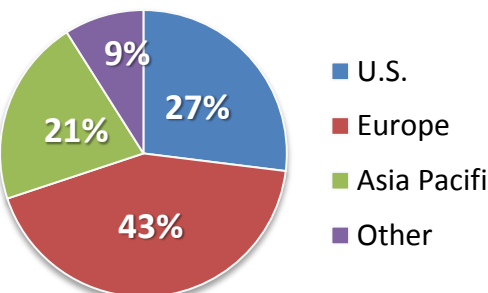


UNIQUE PORTFOLIO PROVIDES FOR INNOVATIVE SOLUTIONS

BROAD PRODUCT PORTFOLIO BACKED BY APPLICATION EXPERTISE

WATER INFRASTRUCTURE

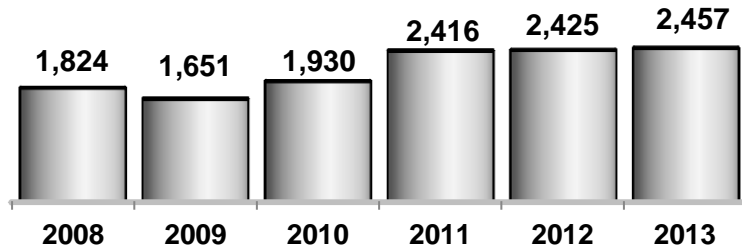
SEGMENT OVERVIEW

	TRANSPORT	TREATMENT	TEST
Market Size:	\$11B	\$5B	\$4B
2013 Revenues:	\$1,812M	\$329M	\$298M
Key Products & Services:	Water & Waste Water Pumps Dewatering (Sales & Rentals) Aftermarket Parts & Services	Biological U.V. and Ozone Disinfection Filtration	Analytical Instrumentation, Doppler and Level Measurement, Water Quality and Environmental Monitoring Systems
Key Brands:	 	  a xylem brand a xylem brand	  
Key Facilities:	Emmaboda, Sweden; Baroda, India; Shenyang, China; Bridgeport, NJ	Herford, Germany; Brown Deer, WI; Zelienople, PA	Yellow Springs, OH; Weilheim, Germany; Bergen, Norway
2013 Revenues by Geography:	 <ul style="list-style-type: none"> U.S. 30% Europe 41% Asia Pacific 13% Other 16% 	 <ul style="list-style-type: none"> U.S. 26% Europe 47% Asia Pacific 17% Other 10% 	 <ul style="list-style-type: none"> U.S. 27% Europe 43% Asia Pacific 21% Other 9%

WATER INFRASTRUCTURE

REVENUE

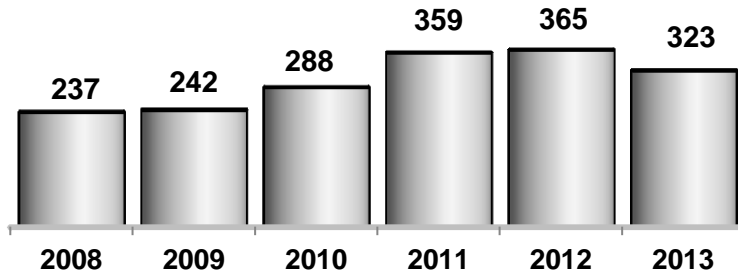
\$M



	2009	2010	2011	2012	2013
Growth:	-10%	17%	25%	0%	1%
Organic*:	-4%	2%	7%	0%	-2%

OPERATING INCOME & MARGIN*

\$M



Year	OM%
2008	13.0%
2009	14.7%
2010	14.9%
2011	14.9%
2012	15.1%
2013	13.1%

HIGHLIGHTS

'08-'13 Revenue up 35%; 6% CAGR

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

Recent Market Conditions Negatively Impacted Operating Margins

- Operating Productivity Funds Incremental Strategic Investments
- Decline in Dewatering related to Fracking along with weak Public Utility CAPEX and European market conditions impacted 2013

LEVERAGE & RECENT COST REDUCTION ACTIONS ACCELERATE LONG-TERM GROWTH

APPLIED WATER SYSTEMS

SEGMENT OVERVIEW

	BUILDING SERVICES	INDUSTRIAL WATER	IRRIGATION
Market Size:	\$9B	\$4B	\$2B
2013 Revenues:	\$696M	\$600M	\$102M
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

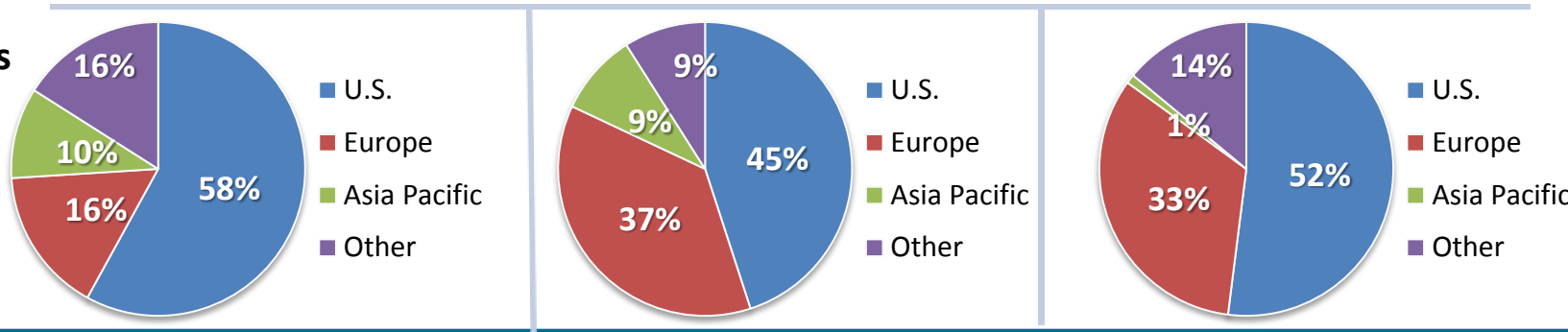
Key Brands:



Key Facilities:

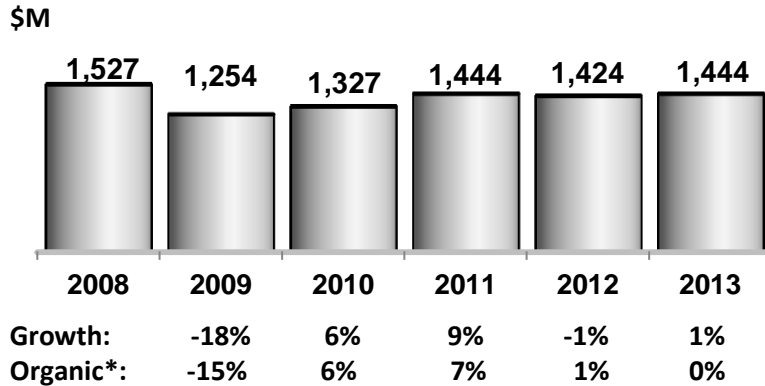
Auburn, NY; Buffalo, NY; Cegled, Hungary; Chihuahua, Mexico; Dallas, TX; Hoddesdon, UK; Montecchio, Italy; Morton Grove, IL; Nanjing, China; Stockerau, Austria; Strzelin, Poland; Wolverhampton, UK

2013 Revenues by Geography:

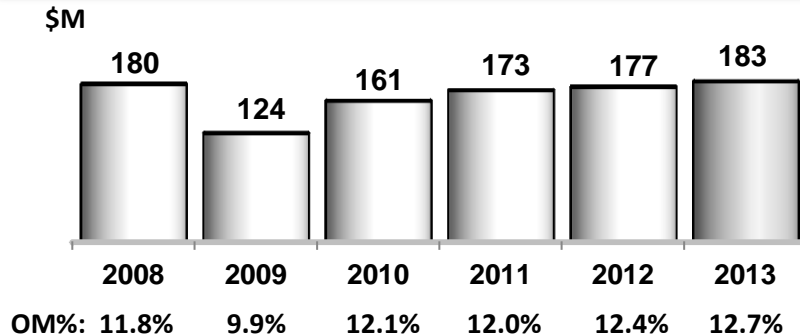


APPLIED WATER

REVENUE



OPERATING INCOME & MARGIN*



HIGHLIGHTS

'08-'13 Revenue Down 5%

- 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 DESPITE CHALLENGED MARKETS

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 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 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.

“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.

Xylem Inc. Non-GAAP Reconciliation
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 Current Year	Revenue Prior Year	Change CY v. PY	% Change CY v. PY	Acquisitions / Divestitures	FX Contribution	Eliminations	Change Adj. CY v. PY	% Change Adj. CY v. PY	
<u>Year Ended December 31, 2013</u>										
Xylem Inc.	3,837	3,791	46	1%	(82)	(3)	-	(39)	-1%	1%
Water infrastructure	2,457	2,425	32	1%	(82)	4	-	(46)	-2%	1%
Applied Water	1,444	1,424	20	1%	-	(9)	(6)	5	0%	0%
<u>Year Ended December 31, 2012</u>										
Xylem Inc.	3,791	3,803	(12)	0%	(94)	108	-	2	0%	3%
Water infrastructure	2,425	2,416	9	0%	(94)	80	(1)	(6)	0%	4%
Applied Water	1,424	1,444	(20)	-1%	-	32	(3)	9	1%	1%
<u>Year Ended December 31, 2011</u>										
Xylem Inc.	3,803	3,202	601	19%	(264)	(111)	-	226	7%	15%
Water Infrastructure	2,416	1,930	486	25%	(264)	(87)	2	137	7%	21%
Applied Water	1,444	1,327	117	9%	-	(28)	(1)	88	7%	7%
<u>Year Ended December 31, 2010</u>										
Xylem Inc.	3,202	2,849	353	12%	(263)	6	-	96	3%	13%
Water infrastructure	1,930	1,651	279	17%	(247)	(8)	-	24	1%	16%
Applied Water	1,327	1,254	73	6%	(16)	15	-	72	6%	7%
<u>Year Ended December 31, 2009</u>										
Xylem Inc.	2,849	3,291	(442)	-13%	(7)	158	-	(291)	-9%	-9%
Water infrastructure	1,651	1,824	(173)	-9%	-	109	(1)	(65)	-4%	-4%
Applied Water	1,254	1,527	(273)	-18%	(7)	53	-	(227)	-15%	-14%

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

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

	2008	2009	2010	2011	2012	2013
Revenue	3,291	2,849	3,202	3,803	3,791	3,837
Operating Income	315	276	388	395	443	363
<i>Operating Margin</i>	9.6%	9.7%	12.1%	10.4%	11.7%	9.5%
Restructuring & Realignment Separation Costs*	41 -	31 -	15 -	- 87	24 22	64 -
Special Charges	-	-	-	-	-	24
Adjusted Operating Income	356	307	403	482	489	451
<i>Adjusted Operating Margin</i>	10.8%	10.8%	12.6%	12.7%	12.9%	11.8%
Standalone Costs	-	-	-	5	28	-
Adj. Operating Income, excl. Standalone Costs	356	307	403	487	517	451
<i>Adjusted Operating Margin, excl. Standalone Costs</i>	10.8%	10.8%	12.6%	12.8%	13.6%	11.8%

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Revenue						
• Total Xylem	3,837	3,791	3,803	3,202	2,849	3,291
• Water Infrastructure	2,457	2,425	2,416	1,930	1,651	1,824
• Applied Water	1,444	1,424	1,444	1,327	1,254	1,527
Operating Income						
• Total Xylem	363	443	395	388	276	315
• Water Infrastructure	271	342	343	276	227	220
• Applied Water	167	170	160	158	109	162
Operating Margin						
• Total Xylem	9.5%	11.7%	10.4%	12.1%	9.7%	9.6%
• Water Infrastructure	11.0%	14.1%	14.2%	14.3%	13.7%	12.1%
• Applied Water	11.6%	11.9%	11.1%	11.9%	8.7%	10.6%
Separation Costs						
• Total Xylem	-	22	87	-	-	-
• Water Infrastructure	-	4	16	-	-	-
• Applied Water	-	2	13	-	-	-
Special Charges						
• Total Xylem	24	-	-	-	-	-
• Water Infrastructure	4	-	-	-	-	-
• Applied Water	-	-	-	-	-	-
Restructuring & Realignment Costs						
• Total Xylem	64	24	-	15	31	41
• Water Infrastructure	48	19	-	12	15	17
• Applied Water	16	5	-	3	15	18
Adjusted Operating Income*						
• Total Xylem	451	489	482	403	307	356
• Water Infrastructure	323	365	359	288	242	237
• Applied Water	183	177	173	161	124	180
Adjusted Operating Margin*						
• Total Xylem	11.8%	12.9%	12.7%	12.6%	10.8%	10.8%
• Water Infrastructure	13.1%	15.1%	14.9%	14.9%	14.7%	13.0%
• Applied Water	12.7%	12.4%	12.0%	12.1%	9.9%	11.8%

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

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

	Year Ended					
	2013	2012	2011	2010	2009	2008
Net Cash - Operating Activities	324	396	449	395	370	408
Capital Expenditures	(126)	(112)	(126)	(94)	(62)	(67)
Free Cash Flow, including separation costs	<u>198</u>	<u>284</u>	<u>323</u>	<u>301</u>	<u>308</u>	<u>341</u>
Cash Paid for Separation Costs (incl. Capex)	-	28	65	-	-	-
Free Cash Flow, excluding separation costs*	<u><u>198</u></u>	<u><u>312</u></u>	<u><u>388</u></u>	<u><u>301</u></u>	<u><u>308</u></u>	<u><u>341</u></u>
Net Income	228	297	279	329	263	224
Separation Costs, net of tax (incl. tax friction)	<u>-</u>	<u>16</u>	<u>72</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Income, excluding separation costs*	<u><u>228</u></u>	<u><u>313</u></u>	<u><u>351</u></u>	<u><u>329</u></u>	<u><u>263</u></u>	<u><u>224</u></u>
Free Cash Flow Conversion	<u><u>87%</u></u>	<u><u>100%</u></u>	<u><u>111%</u></u>	<u><u>91%</u></u>	<u><u>117%</u></u>	<u><u>152%</u></u>

* Separation costs are not excluded in 2013

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

	2008	2009	2010	2011	2012	2013
Net Income	224	263	329	279	297	228
Separation Costs, Net of Tax*	-	-	-	72	16	-
Restructuring & Realignment, Net of Tax	28	22	11	-	17	46
Special Charges, Net of Tax	-	-	-	-	-	23
<u>Adjusted Net Income before Special Tax Items</u>	<u>252</u>	<u>285</u>	<u>340</u>	<u>351</u>	<u>330</u>	<u>297</u>
Special Tax Items	-	(61)	(43)	7	-	14
<u>Adjusted Net Income</u>	<u>252</u>	<u>224</u>	<u>297</u>	<u>358</u>	<u>330</u>	<u>311</u>
Diluted Earnings per Share	\$1.22	\$1.42	\$1.78	\$1.50	\$1.59	\$1.22
Separation Costs per Share*	\$0.00	\$0.00	\$0.00	\$0.39	\$0.09	\$0.00
Restructuring & Realignment Costs per Share	\$0.14	\$0.11	\$0.06	\$0.00	\$0.09	\$0.25
Special Charges per Share	-	-	-	-	-	\$0.13
Adjusted Diluted EPS before Special Tax Items	\$1.36	\$1.53	\$1.84	\$1.89	\$1.77	\$1.60
<u>Special Tax Items per Share</u>	<u>\$0.00</u>	<u>(\$0.32)</u>	<u>(\$0.23)</u>	<u>\$0.04</u>	<u>\$0.00</u>	<u>\$0.07</u>
<u>Adjusted Diluted EPS</u>	<u>\$1.36</u>	<u>\$1.21</u>	<u>\$1.61</u>	<u>\$1.93</u>	<u>\$1.77</u>	<u>\$1.67</u>

* Separation costs are not excluded in 2013

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Pre-Tax Income	312	277	388	383	388	298
Interest Expense (Income), net	-	-	-	17	51	52
Depreciation and Amortization	72	79	101	137	142	149
Stock Compensation	-	-	-	13	22	27
EBITDA	<u>384</u>	<u>356</u>	<u>489</u>	<u>550</u>	<u>603</u>	<u>526</u>
Separation Costs*	-	-	-	87	22	64
Restructuring & Realignment	41	31	15	-	24	32
Adjusted EBITDA	<u><u>425</u></u>	<u><u>387</u></u>	<u><u>504</u></u>	<u><u>637</u></u>	<u><u>649</u></u>	<u><u>622</u></u>
Revenue	<u>3,291</u>	<u>2,849</u>	<u>3,202</u>	<u>3,803</u>	<u>3,791</u>	<u>3,837</u>
Adjusted EBITDA Margin	<u>12.9%</u>	<u>13.6%</u>	<u>15.7%</u>	<u>16.7%</u>	<u>17.1%</u>	<u>16.2%</u>

* Separation costs are not excluded in 2013

Xylem Inc. Non-GAAP Reconciliation
Reported vs. Organic & Constant Currency 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) = (F - C) / A	
Orders	Orders	Change	% Change	Acquisitions /	FX Contribution	Eliminations	Change	% Change		
2014	2013	2014 v. 2013	2014 v. 2013	Divestitures			Adj. 2014 v. 2013	Adj. 2014 v. 2013		
Quarter Ended March 31										
Xylem Inc.	993	962	31	3%	(7)	3	-	27	3%	4%
Water infrastructure	619	601	18	3%	(7)	6	2	19	3%	4%
Applied Water	394	378	16	4%	-	(4)	(3)	9	2%	2%

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)

(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		
2014	2013	2014 v. 2013	2014 v. 2013	Divestitures			Adj. 2014 v. 2013	Adj. 2014 v. 2013		
Quarter Ended March 31										
Xylem Inc.	906	879	27	3%	(5)	4	-	26	3%	4%
Water infrastructure	568	551	17	3%	(5)	7	1	20	4%	5%
Applied Water	355	345	10	3%	-	(3)	(1)	6	2%	2%

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

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

	Q1	
	2014	2013
Total Revenue		
• Total Xylem	906	879
• Water Infrastructure	568	551
• Applied Water	355	345
Operating Income		
• Total Xylem	76	66
• Water Infrastructure	46	42
• Applied Water	41	40
Operating Margin		
• Total Xylem	8.4%	7.5%
• Water Infrastructure	8.1%	7.6%
• Applied Water	11.5%	11.6%
Restructuring & Realignment Costs		
• Total Xylem	18	12
• Water Infrastructure	12	10
• Applied Water	6	2
Adjusted Operating Income*		
• Total Xylem	94	78
• Water Infrastructure	58	52
• Applied Water	47	42
Adjusted Operating Margin*		
• Total Xylem	10.4%	8.9%
• Water Infrastructure	10.2%	9.4%
• Applied Water	13.2%	12.2%

*Adjusted Operating Income excludes restructuring & realignment costs.

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

	Q1 2013			Q1 2014		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	879		879	906		906
Operating Income	66	12 a	78	76	18 a	94
Operating Margin	7.5%		8.9%	8.4%		10.4%
Interest Expense	(13)		(13)	(14)		(14)
Other Non-Operating Income (Expense)	(2)		(2)	(1)		(1)
Income before Taxes	51	12	63	61	18	79
Provision for Income Taxes	(10)	(3) b	(13)	(12)	(4) b	(16)
Net Income	41	9	50	49	14	63
Diluted Shares	186.4		186.4	185.8		185.8
Diluted EPS	\$ 0.22	\$ 0.05	\$ 0.27	\$ 0.27	\$ 0.07	\$ 0.34

a Restructuring & realignment costs

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

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

	Three Months Ended	
	2014	2013
Net Cash - Operating Activities	\$ 22	\$ 20
Capital Expenditures	(25)	(30)
Free Cash Flow	\$ (3)	\$ (10)
Net Income	\$ 49	\$ 41
Free Cash Flow Conversion	-6%	-24%

xylem

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