

XYLEM INC.

INVESTOR PRESENTATION

BAIRD 2014 INDUSTRIAL CONFERENCE

NOVEMBER 11, 2014



xylem
Let's Solve Water

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 capitalization of Xylem Inc. (the “Company”), the Company’s restructuring and realignment, 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 for the year ended December 31, 2013, and those described from time to time in subsequent reports filed with the Securities and Exchange Commission.

WHY SHOULD YOU INVEST IN XYLEM?

INVESTMENT HIGHLIGHTS

- Focused Pure Water Play
- Leading Market Positions in Highly Fragmented Industry
- Fortress Brands & World Class Distribution
- Diverse Geographic & End Market Exposure
- ~40% Recurring Revenue Driven from Large Installed Base
- Strong Financial Position & Cash Flow Generation



STRONG FOUNDATION & FUNDAMENTALS WITH OPPORTUNITY TO OUTPERFORM

FOCUSED ON WATER CHALLENGES

PRODUCTIVITY



Problem:

Delivery and use of water as a factor of production is highly inefficient

Solutions:

- Energy efficient pumps
- Advanced water treatment
- Analytical instrumentation

QUALITY



Problem:

Management of wastewater is energy-intensive, expensive, and inefficient

Solutions:

- Smart pumps
- Advanced wastewater treatment
- Analytical instrumentation

RESILIENCE



Problem:

Communities face rising economic risks from water variability (flooding, scarcity)

Solutions:

- Dewatering pumps
- Advanced water treatment
- Analytical instrumentation

**BY ADDRESSING OUR CUSTOMERS BIGGEST WATER CHALLENGES WE WILL
CREATE ECONOMIC VALUE FOR OUR CUSTOMERS**

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

- Increase Emerging Market Penetration
- Drive a Focused Industrial Growth Strategy
- Integrate & Enhance Front End Capabilities
- Differentiated Investment Strategy to Rebalance the Portfolio and Drive Innovation

Improve Operating Cost Position

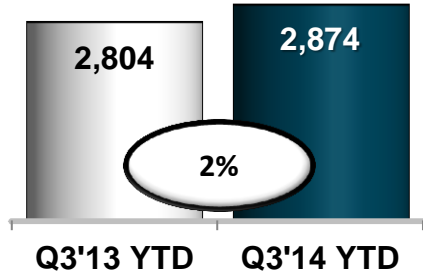
- Manage General & Administrative Costs
- Expand Global Sourcing Capabilities
- Drive Lean Six Sigma More Consistently, Deeper and Across the Entire Organization

FOCUSED ON EXECUTION & DRIVING ACCOUNTABILITY

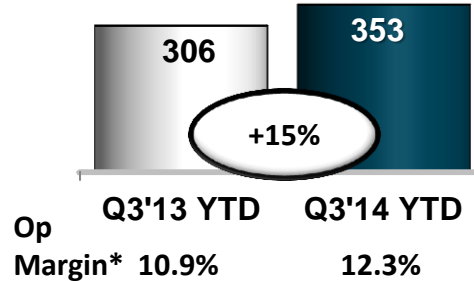
2014 FINANCIAL PERFORMANCE HIGHLIGHTS

(Dollars, In Millions, except EPS)

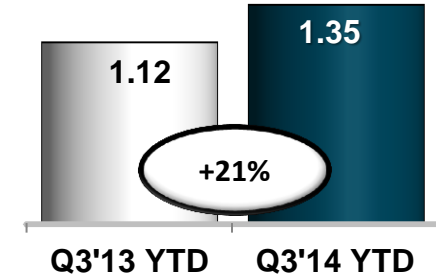
REVENUE



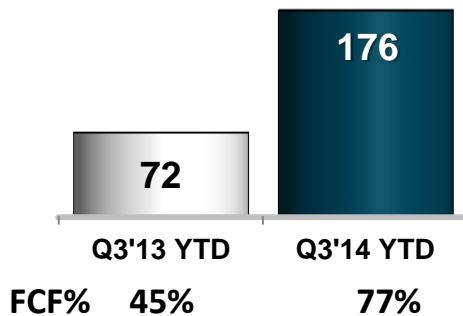
OPERATING INCOME*



EPS*



FREE CASH FLOW *



Highlights

- Strong 3Q Order growth, entering 4Q with solid backlog
- Significant operating margin improvement
- Improved cash flow generation & conversion
- Focused on efficient capital deployment; increased returns to shareholders

FOCUSED ON MEETING 2014 COMMITMENTS ... SETTING THE STAGE FOR 2015

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Let's Solve Water

THANK YOU FOR YOUR INTEREST

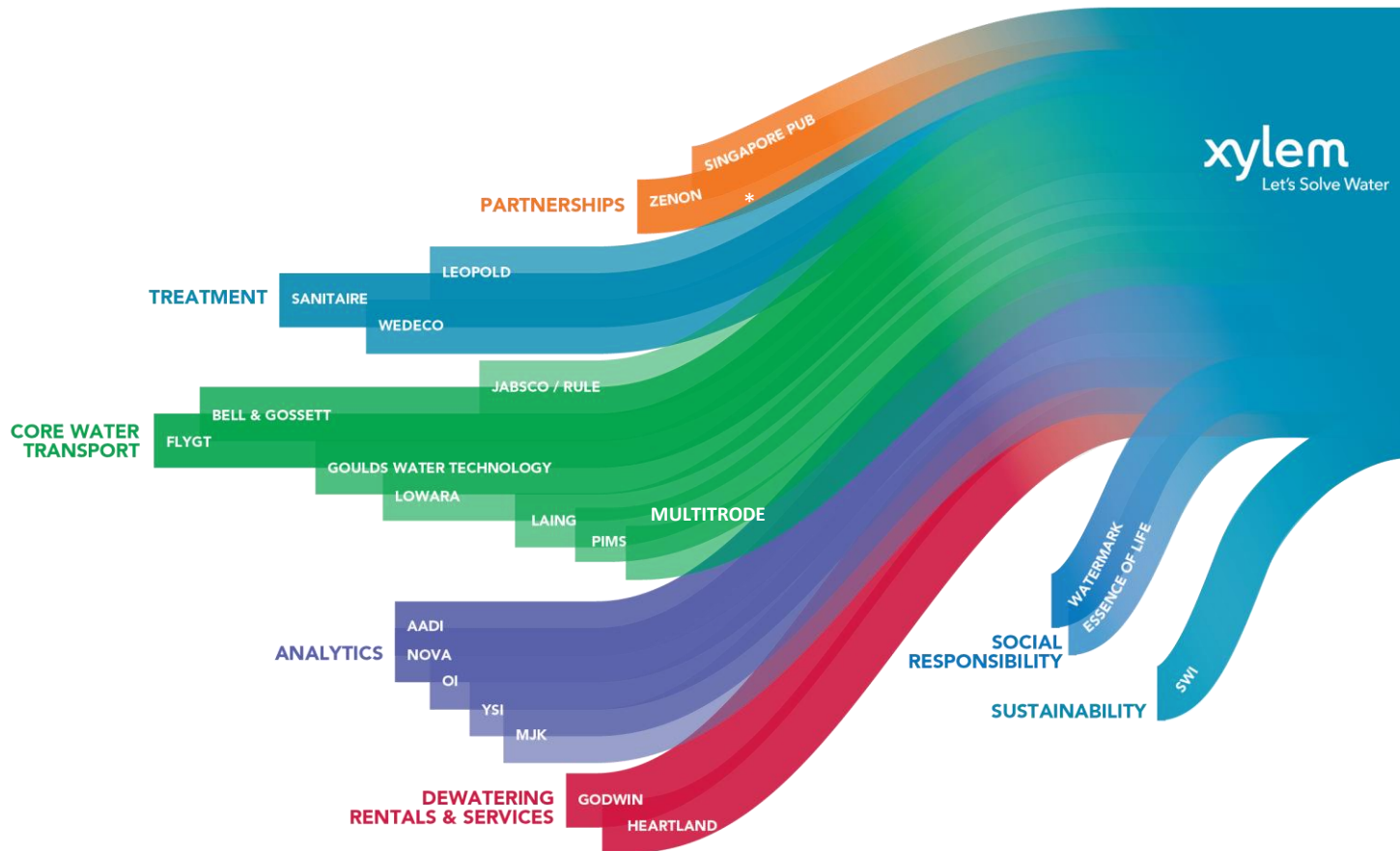
APPENDIX

XYLEM OVERVIEW



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Let's Solve Water

JOURNEY FROM A PORTFOLIO OF BUSINESSES TO A SOLUTION PORTFOLIO



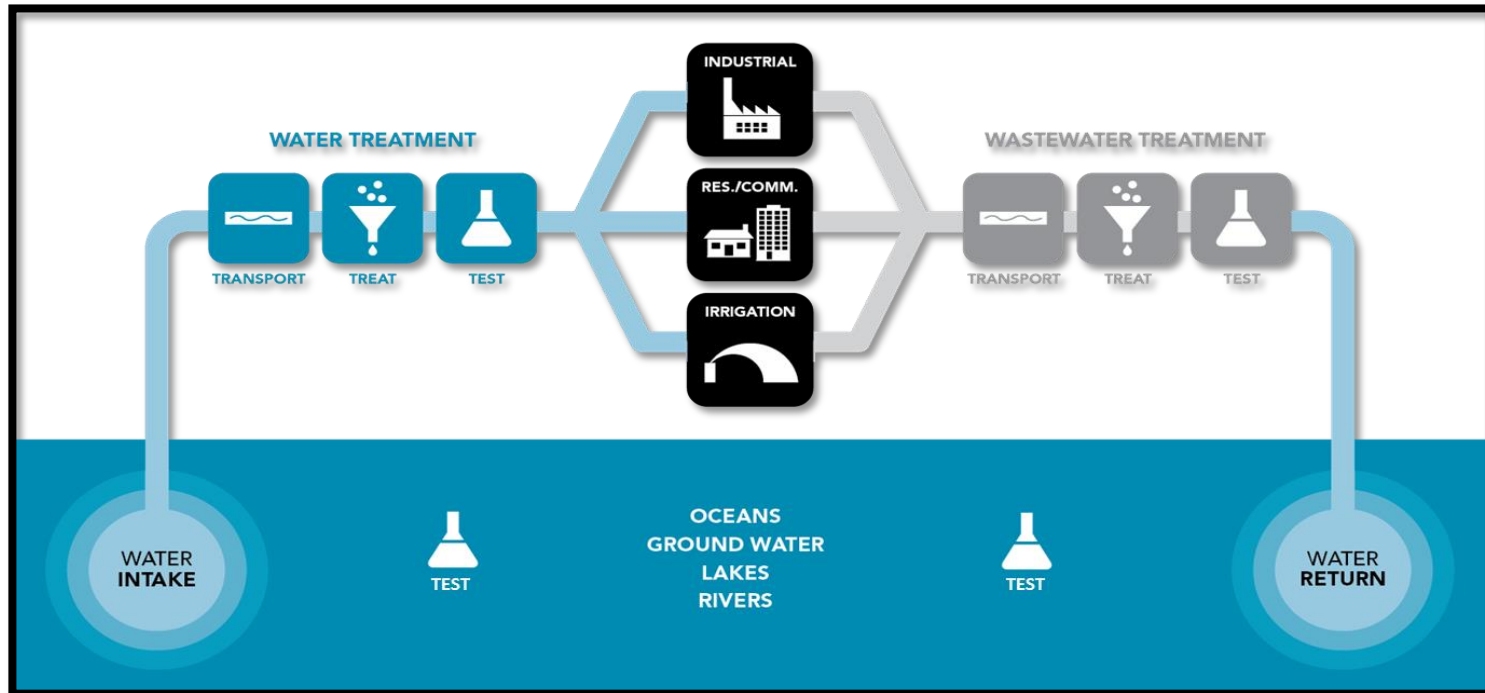
EVOLUTION TO A LEADING GLOBAL WATER TECHNOLOGY PROVIDER

SECULAR DRIVERS PROVIDE FOR COMPELLING LONG-TERM GROWTH



- We acknowledge that these compelling long-term secular drivers will provide for long-term growth opportunities
- We focus on addressing water challenges across diversified & cyclical end markets

SPECIALIZED BREADTH IN THE WATER CYCLE



- **Global Water Industry: \$500B**
 - *Public Utilities*
 - *Design & Build Firms*
 - *Equipment & Service Providers*

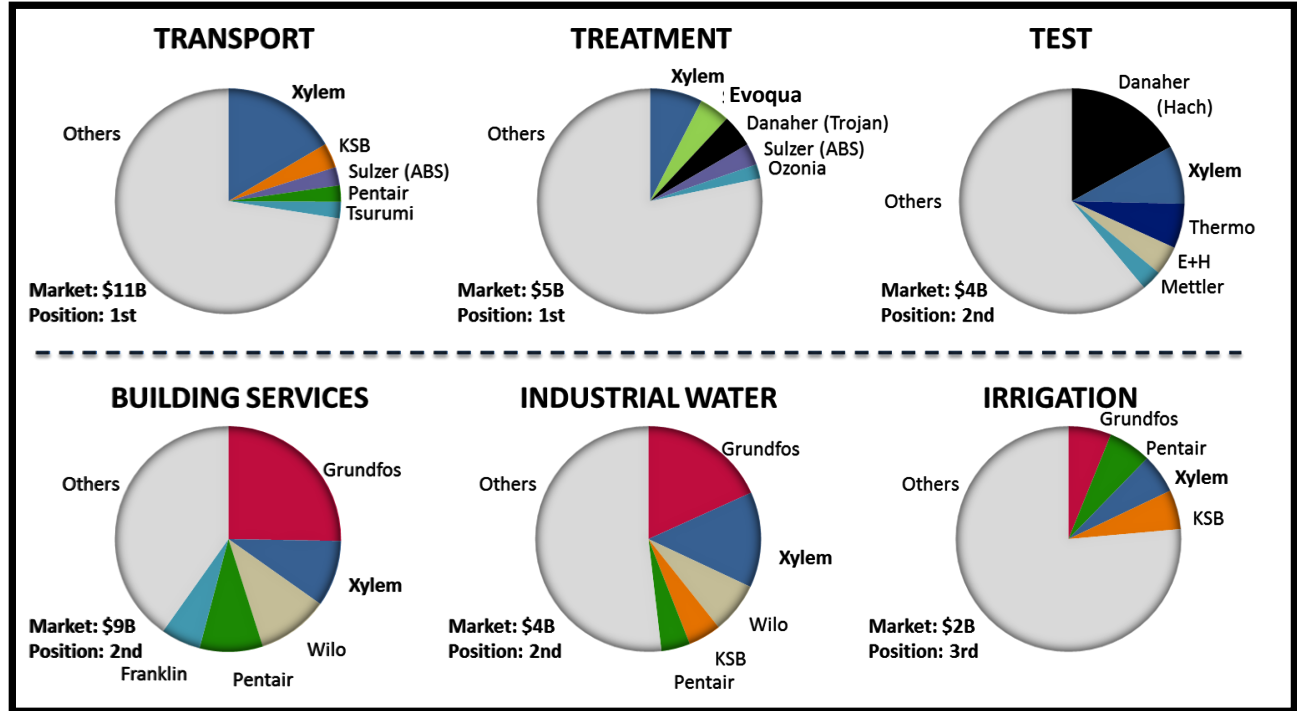
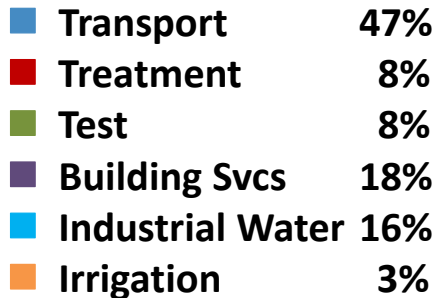
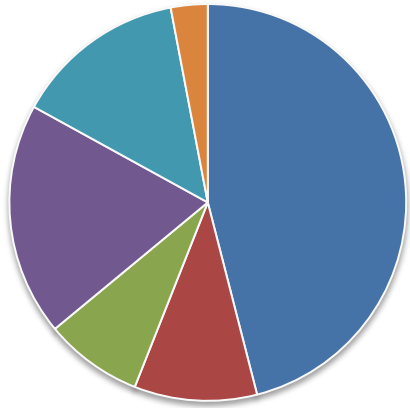
- **Xylem's SAM: \$35B**
 - *Technology Intensive*
 - *Critical Applications*
 - *Knowledge-Based Services*

UNIQUELY POSITIONED TO SOLVE THE WORLD'S GROWING WATER CHALLENGES

SERVING CRITICAL NEEDS

REVENUE BY APPLICATION

(2013 Revenue)

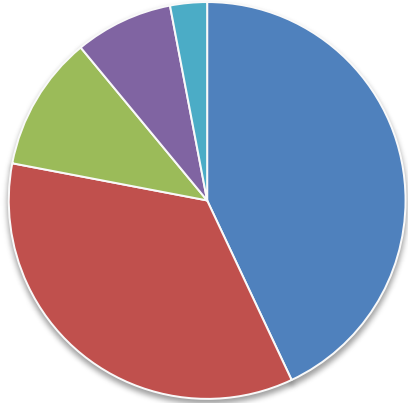


SIGNIFICANT GROWTH OPPORTUNITY IN HIGHLY FRAGMENTED INDUSTRY

DIVERSE CUSTOMER BASE

REVENUE BY END MARKET

(2013 Revenue)



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



The Coca-Cola Company



OUR BROAD PORTFOLIO ALLOWS US TO ADDRESS A DIVERSE SET OF END MARKETS ... AND PROVIDES FOR A UNIQUE INVESTMENT OPPORTUNITY

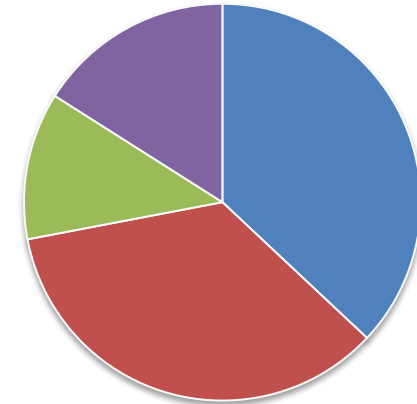
GLOBAL MARKET PRESENCE



- **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%

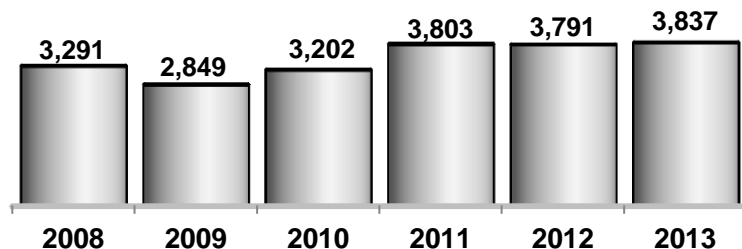
GLOBAL SCALE & LOCAL PRESENCE PROVIDE A COMPETITIVE ADVANTAGE

FINANCIAL OVERVIEW

HISTORICAL XYLEM PERFORMANCE

REVENUE

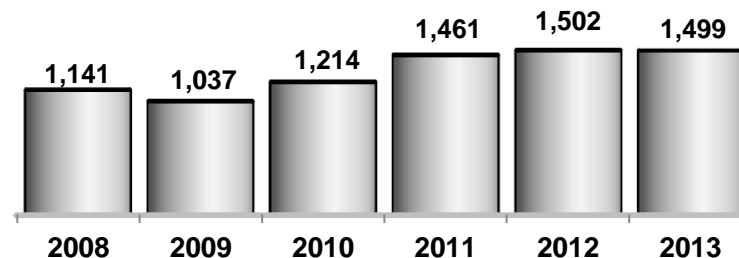
\$M



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

GROSS PROFIT & MARGIN

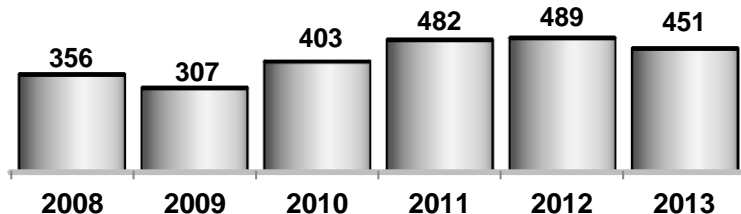
\$M



	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

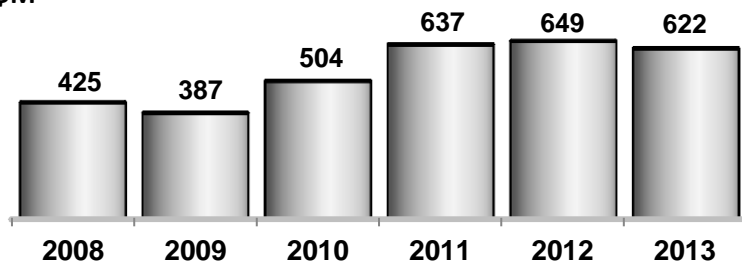
- Pricing Improvements; Lean & Global Sourcing
- Deployed ~\$100M in Restructuring
- Includes \$33M Stand-Alone Costs
- 2013 impacted by lower Public Utility CAPEX spending and weak European market conditions

OPPORTUNITY TO ACCELERATE GROWTH AND IMPROVE OPERATING PERFORMANCE

HISTORICAL XYLEM PERFORMANCE

EBITDA*

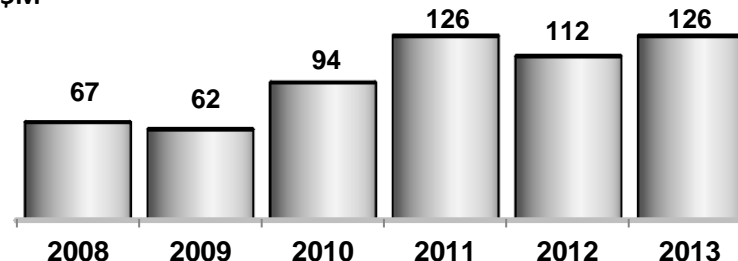
\$M



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

CAPEX

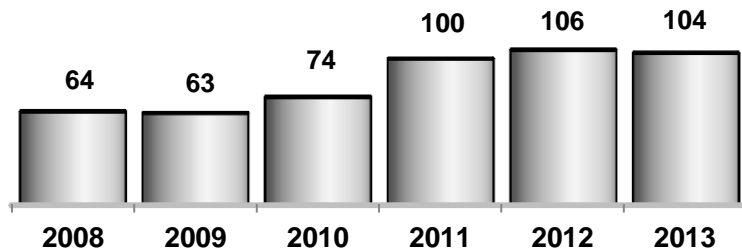
\$M



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

CAPITAL SUMMARY

Sept. 30, 2014	(\$ Millions)
Cash	529
Debt	1,240
Net Debt	711
Shareholders' Equity	2,193
Net Capital	2,904
Net Debt to Net Capital	24%

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

Inorganic Growth Investments

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

Return Capital to Shareholders

- Dividends
- Share Repurchase Programs

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	✓	●	●	●	●	✗

SEGMENT OVERVIEW & FINANCIAL PERFORMANCE

SEGMENT OVERVIEW

WATER INFRASTRUCTURE

Market Size: \$20B

2013 Revenues: \$2.5B

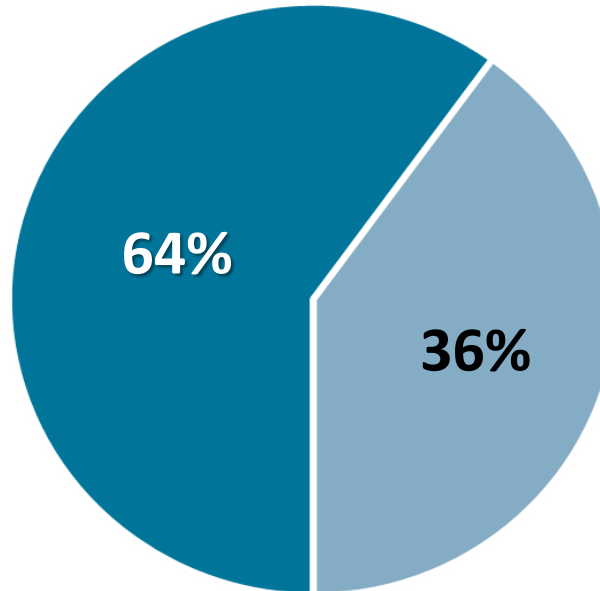
2013 Op Margin*: 13.1%

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



UNIQUE PORTFOLIO PROVIDES FOR INNOVATIVE SOLUTIONS

Segment Split
(3rd Party Revenue)



APPLIED WATER

Market Size: \$15B

2013 Revenues: \$1.4B

2013 Op Margin*: 12.7%







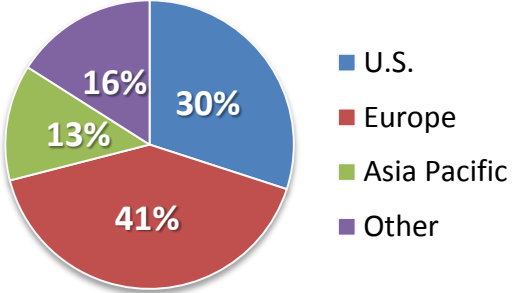
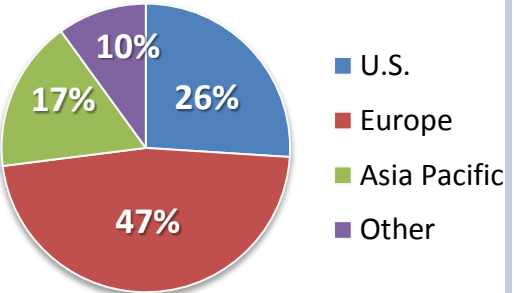
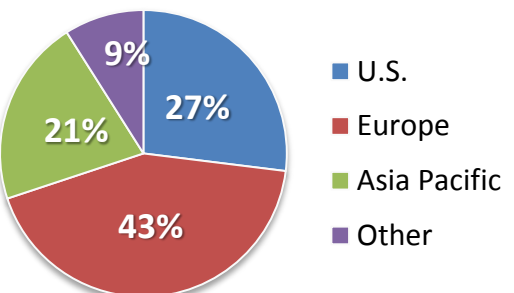
- Leading Global Provider of a Broad Range of Energy-Efficient Solutions with a Large & Diverse Customer Base
- U.S. Leader in Building Services Equipment & Solutions
- U.S. Leader in Industrial Water Technologies



BROAD PRODUCT PORTFOLIO BACKED BY APPLICATION EXPERTISE

WATER INFRASTRUCTURE

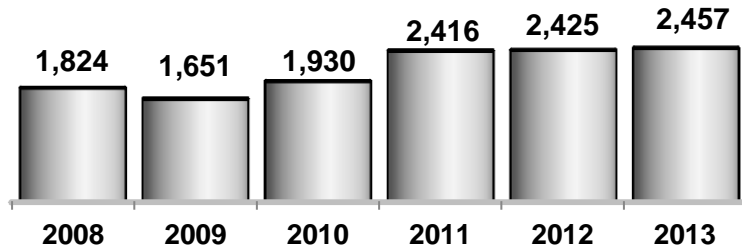
SEGMENT OVERVIEW

	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:	 	  WEDECO a xylem brand	  AANDERAA
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

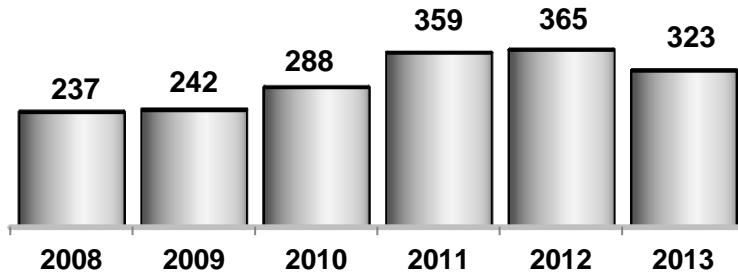
\$M



	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 ACCELRATE 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

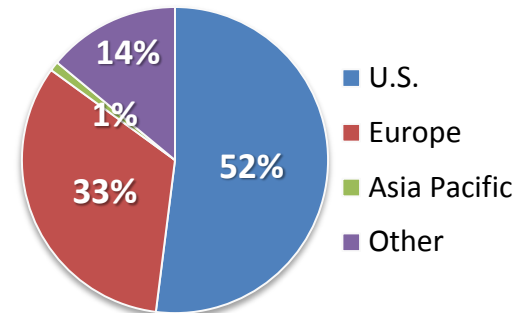
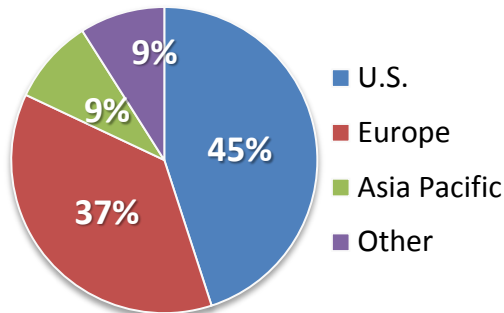
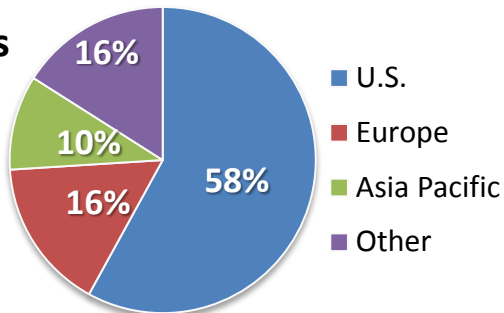
Key Brands:



Key Facilities:

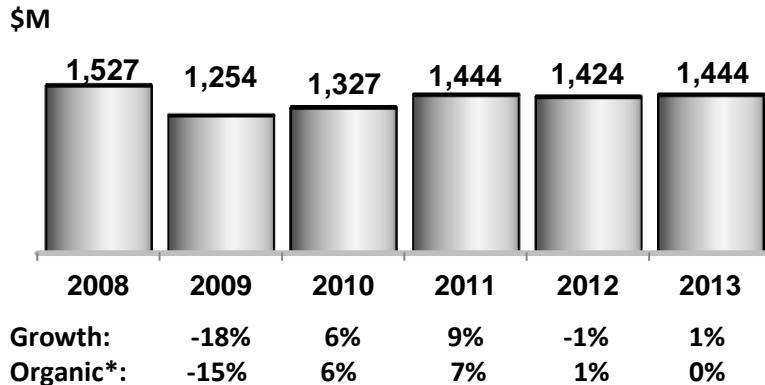
Auburn, NY; Buffalo, NY; Cegled, Hungary; Chihuahua, Mexico; Dallas, TX; Hoddesdon, UK; Montecchio, Italy; Morton Grove, IL; Nanjing, China; Stockerau, Austria; Strzelin, Poland; Wolverhampton, UK

2013 Revenues by Geography:

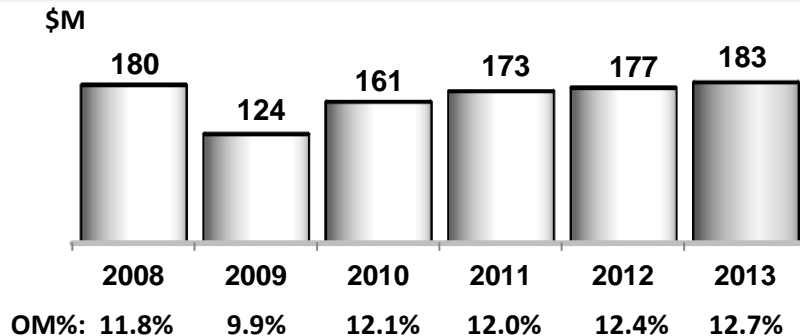


APPLIED WATER

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

REVIEW OF 3Q EARNINGS PERFORMANCE & 2014 OUTLOOK

Note: Forward Looking information presented on slides 36-38 and 41-42 were as of October 28, 2014. Please review the Forward Looking Statements on slide 2, and note that 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.

BUSINESS UPDATE

3rd Quarter Highlights

- Strong Order growth, Book-to-Bill 1.07 ... Entering 4Q with solid backlog
- Organic Revenue growth in line with expectations
- Record 3rd quarter Operating Margin & Earnings Per Share
- Tightening guidance range ... Maintaining Earnings Per Share mid-point at \$1.95

3rd Quarter Financial Summary

- Orders of \$1,027M, organic* growth of \$79M or 8%
- Revenue of \$963M, organic* growth of \$7M or 1%
- Operating Margin* of 13.9%, up 40 bps
- Earnings Per Share* \$0.53 up 8%
- YTD Free Cash Flow* \$176M up \$104M ... Conversion 77%

ON TRACK TO DELIVER ON OUR 2014 FINANCIAL COMMITMENTS

CEO UPDATE

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

3rd Quarter Update

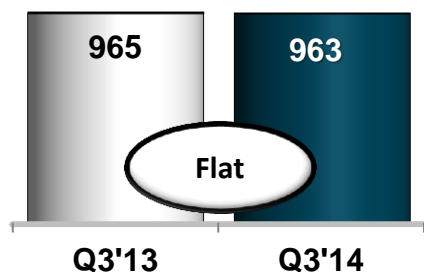
- Commenced Customer Relationship Management software roll-out
- Operating improvements remain on track to deliver full year savings
- Deploying capital, increasing returns to shareholders
- Continuing to develop M&A pipeline

FOCUSED ON ACHIEVING OUR GOALS

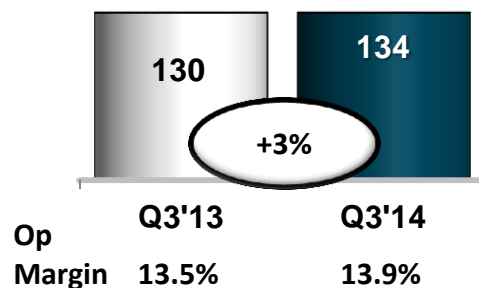
Q3'14 XYLEM PERFORMANCE

(Dollars, In Millions, except EPS)

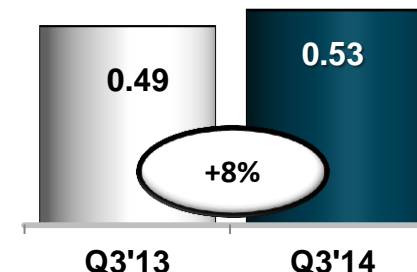
REVENUE



OPERATING INCOME*



EPS*



Org. Revenue Growth* +1%

Key Organic Growth Drivers

+ Industrial	+3%
+ Commercial	+6%
- Public Utility	-3%
- Residential	-5%

Organic Growth by Region

+ U.S.	+4%
+ Emerging	+10%
- Europe	-6%

Key Performance Drivers

+ Core Operations	+0.3%
+ Cost Reductions	+4.8%
- Cost Inflation	-2.7%
- Vol/Price/Mix/Other	-1.8%
+ FX	0.1%

**Segment Margin* up 110 Bps
Partially Offset By Tough PY
Corporate Spend Comparison**

Key Performance Drivers

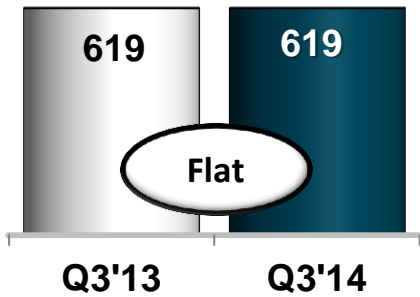
+ Core Operations	+\$0.03
+ Rest. Savings	+\$0.04
+ Vol/Price/Mix/Other	+\$0.02
- Corp Spend	-\$0.03
+ Share Count	+\$0.01
• Tax Rate	19.8%
• Share Count	183.4M

RECORD 3rd QUARTER OP MARGIN DRIVEN BY COST REDUCTION INITIATIVES

Q3'14 WATER INFRASTRUCTURE PERFORMANCE

REVENUE

(Dollars, In Millions)



Organic Growth* +1%

By Application

- + Test +4%
- + Transport +3%
- Treatment -15%

By Regions

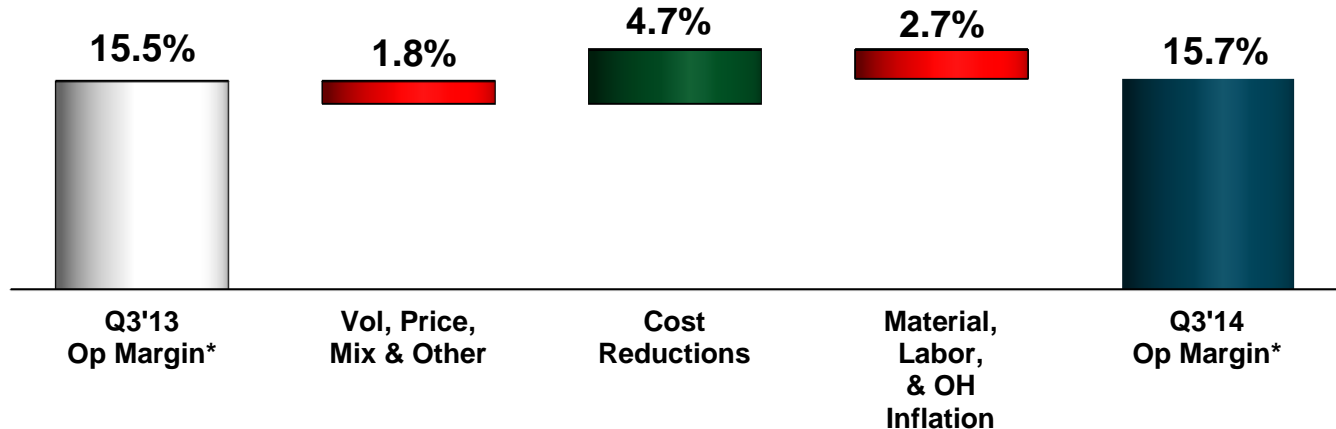
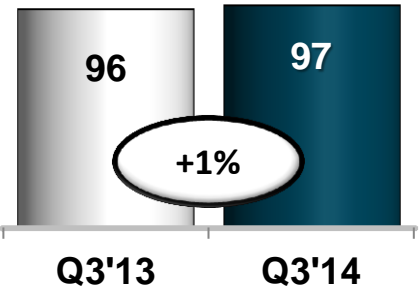
- + Emerging +13%
- + U.S. +7%
- Europe -7%

Highlights

- + Emerging Markets up with strength across most applications
- + Strength in Test applications; Tracking to record FY revenue
- + U.S. Transport up due to strength in Industrial dewatering applications, and Public Utility pump & aftermarket sales
- European Transport weak due to low book & bill activity in France & slowing U.K. AMP cycle
- Treatment down reflecting lower level of deliverable project backlog & project delays; Project pipeline & backlog growing

OPERATING INCOME*

(Dollars, In Millions)

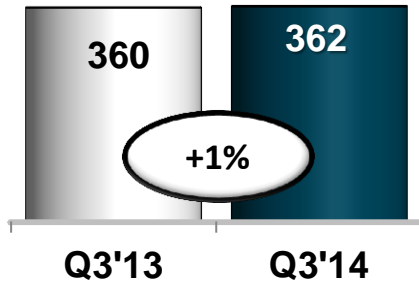


COST REDUCTION INITIATIVES DRIVE MODEST MARGIN EXPANSION DESPITE MIXED REGIONAL MARKET CONDITIONS

Q3'14 APPLIED WATER PERFORMANCE

REVENUE

(Dollars, In Millions)



Organic Growth* +1%

By Application

- + Bldg Svcs +2%
- = Ind'l Water Flat
- Irrigation -2%

By Regions

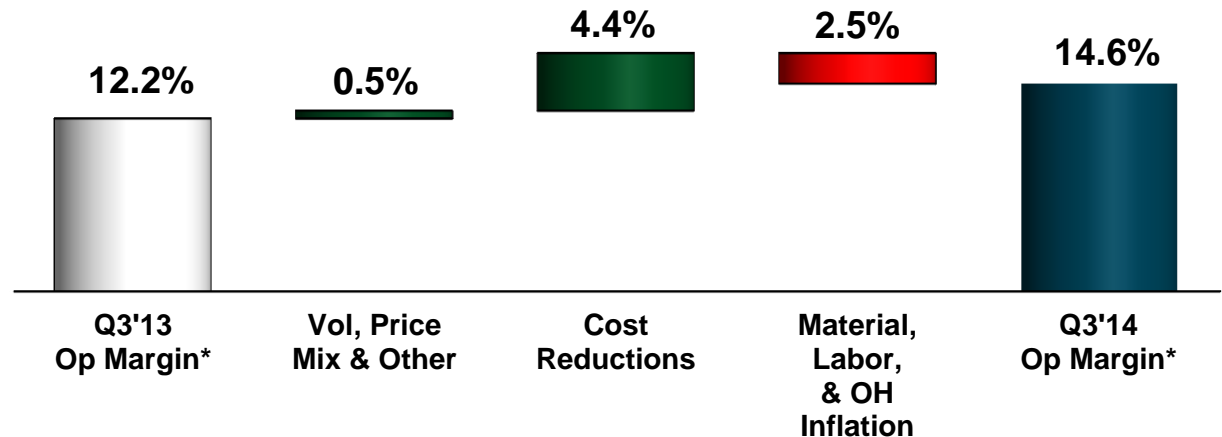
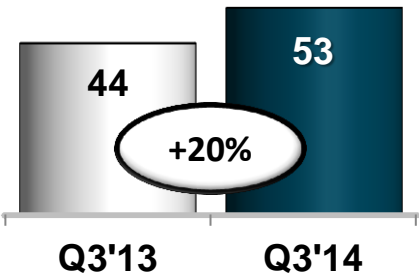
- + U.S. +2%
- + Emerging +2%
- Europe -1%

Highlights

- + Strength across all U.S. end markets, including Commercial and Industrial Water applications
- + Emerging market performance driven by China (key account growth), partially offset by weakness in Eastern Europe and Latin America
- Europe down overall ... weakness in Residential and General Industrial markets, partially offset by Commercial strength driven by new high energy efficient product launches

OPERATING INCOME*

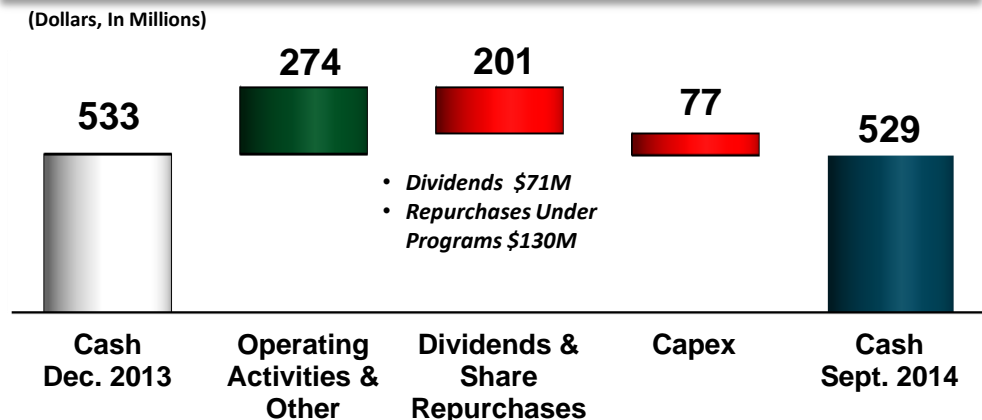
(Dollars, In Millions)



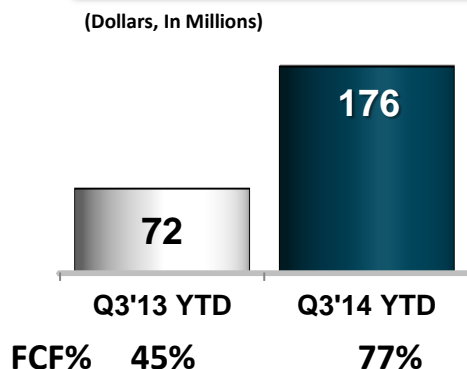
RECORD OPERATING MARGIN PERFORMANCE OF 14.6%, UP 240 BPS

XYLEM FINANCIAL POSITION

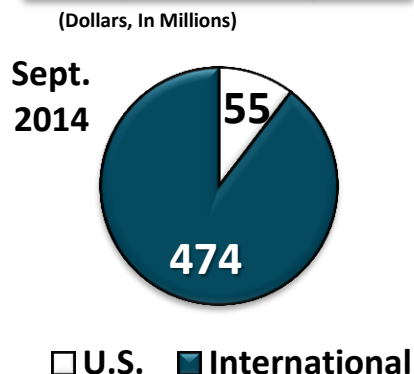
CASH DRIVERS



FREE CASH FLOW *



CASH BALANCE (GEOGRAPHIC)



CAPITAL SUMMARY

Sept 30, 2014 (Dollars, In Millions)

Cash	529
Debt	1,240
Net Debt	711
Shareholders' Equity	2,193
Net Capital	2,904
Net Debt to Net Capital	24%

- Strong cash position
- Increased return to shareholders
 - Dividends of \$71M; up 10% per share
 - Share repurchases of \$130M; up \$88M or 210% vs. prior year
- Improved Free Cash Flow performance, largely reflecting higher income and \$14M in lower Capex spend

2014 FINANCIAL GUIDANCE SUMMARY

(Dollars In Millions, Except per Share Data)	2014 Full Year Financial Outlook	Growth 2014E vs. 2013		
		<u>Total Growth</u>	<u>Organic</u>	<u>FX/Acq/Div</u>
Revenue				
Xylem Consolidated	\$3,885 to \$3,915	1% to 2%	2% to 3%	-1%
Water Infrastructure	\$2,500 to \$2,520	2% to 3%	3% to 4%	-1%
Applied Water	\$1,450 to \$1,460	Flat to 1%	Flat to 1%	-1% to Flat
Segment Margin *	14.3% to 14.6%	+110 bps to +140 bps (vs. prior year 13.2%)		
Operating Margin *	12.9% to 13.2%	+110 bps to +140 bps (vs. prior year 11.8%)		
EPS *	\$1.92 to \$1.98	Up 15% to 19% (vs. prior year \$1.67)		
Free Cash Flow Conversion	~100%	September 2014 year-to-date conversion of 77%		
Guidance Assumptions:				
Operating Tax Rate *	~21%	September 2014 year-to-date ~21%		
Share Count	~184.5M			
Restructuring & Realignment Costs	~\$40 to \$50	'14 Rest. Savings ~\$17; Realignment Cost \$10-\$15		

GUIDANCE RANGE TIGHTENED ... MAINTAINING \$1.95 EPS MID-POINT

2014 GROWTH PROFILE

Xylem FY 2014
Organic Growth



Industrial

(45% of '13 Revenue)

- Strength in U.S. & Emerging Markets
- Monitoring European conditions

Up Low
Single Digit



Public Utility

(34% of '13 Revenue)

- Stable U.S. & Europe Opex
- 4Q project timing/shipment risk
- 2015 Outlook remains positive

Up Low
Single Digit



Commercial

(11% of '13 Revenue)

- New product launches & improved U.S. Commercial outlook
- Monitoring European conditions

Flat



Residential

(7% of '13 Revenue)

- U.S. market strength continues
- Expecting continued weakness in Southern Europe

Up Low
Single Digit



Agriculture

(3% of '13 Revenue)

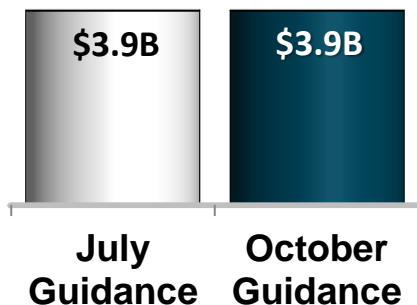
- Tough year-over-year comparison following strong 2013 performance

Flat

**MARKET CONDITIONS MIXED BY REGION;
U.S. NON-RES CONSTRUCTION IMPROVING ... MONITORING EUROPE CLOSELY**

XYLEM GUIDANCE UPDATE (Mid-Point Illustration)

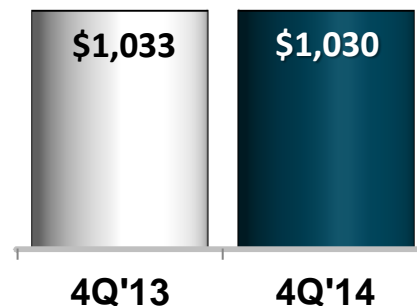
FY REVENUE



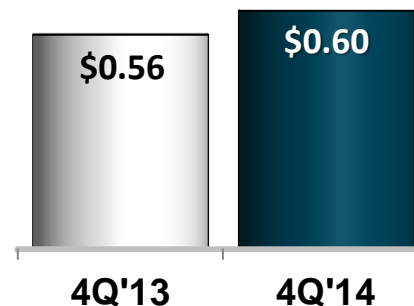
FY EPS



4Q REVENUE



4Q EPS



Full Year Guide Rollforward

• Original Mid-Point	\$1.93
• 1H Performance	\$0.03
• UK Valves Divestiture	-\$0.01
• Mid-Point – July 2014 Guide	\$1.95
• 3Q FX Translation Headwind	-\$0.01
• 4Q FX Translation Headwind	-\$0.03
• 2H Performance	\$0.04
• Mid-Point – October Guide	\$1.95

Key Fourth Quarter Assumptions

• Foreign Exchange Rates	
• Euro FX Rate	\$1.27
• Organic Growth Rates:	
• U.S.	Up LSD
• Europe	Down LSD to Flat
• Emerging Markets	10%+
• Other Assumptions:	
• Tax Rate	21%
• Share Count	~183M

MAINTAINING MID-POINT EPS GUIDANCE

SUMMARY

- **Solid execution across all businesses**
- **On track to deliver record full year Revenue & EPS**
- **Tightening guidance range ... Maintaining EPS mid-point at \$1.95**
- **Focused on efficient capital deployment; increasing returns to shareholders**

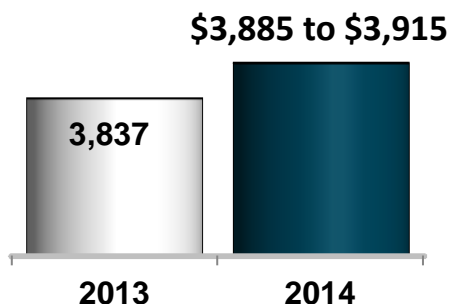
FOCUSED ON MEETING 2014 COMMITMENTS ... SETTING THE STAGE FOR 2015

APPENDIX

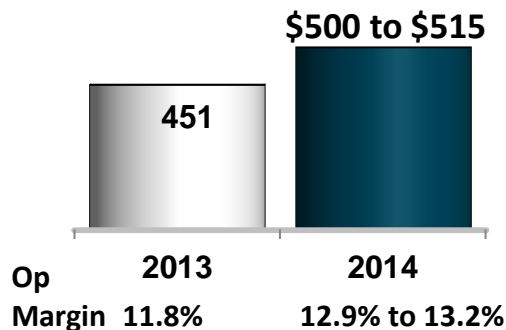
FY'14 XYLEM OUTLOOK

(Dollars, In Millions, except EPS)

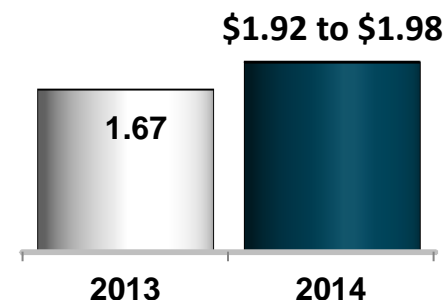
REVENUE



OPERATING INCOME*



EPS*



Highlights

- Revenue Growth 1% to 2%
- Organic Growth 2% to 3%
 - Water Infrastructure 3% to 4%
 - Applied Water Flat to 1%
- FX/Acq./Divest. -1%

Volume Increase Partially Offset by Negative Mix/Price and FX

Strong Incremental Margin Performance Driven by Restructuring Savings

- Partially offset by Price Headwind, & Mix
- Lean & Global Sourcing Offsets Cost Inflation
- Restructuring Savings of \$42M

Highlights

EPS Growth 15% to 19%

Key Performance Drivers

- + Core Ops \$0.28 to \$0.34
- + 1x/Rest. Savings \$0.20
- 4Q FX Translation - \$0.03
- Tax Rate ~21%
- Share Count ~184.5M

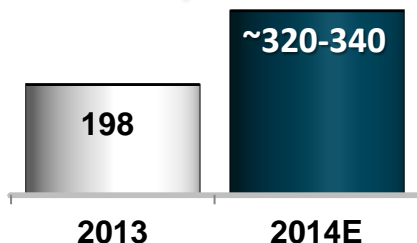
COST FOCUS EXPECTED TO DRIVE SOLID EARNINGS GROWTH

DISCIPLINED CAPITAL DEPLOYMENT

(Dollars, In Millions, except EPS)

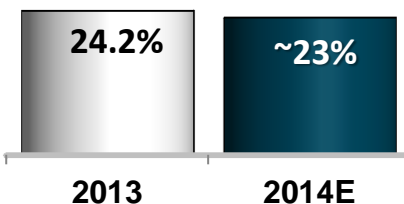
FREE CASH FLOW*

Higher Income, Working Cap Improvement, and Lower Capex Spend



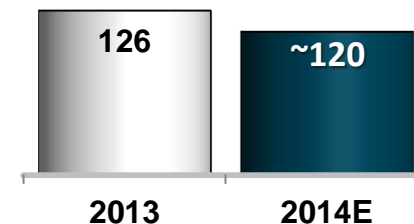
WORKING CAPITAL As % of Revenue**

Increased Focus on Inventory Management, and A/R & A/P Processes



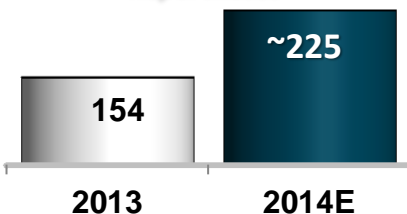
CAPEX

Approximately 3% of Revenue, Funds Growth & Maintenance



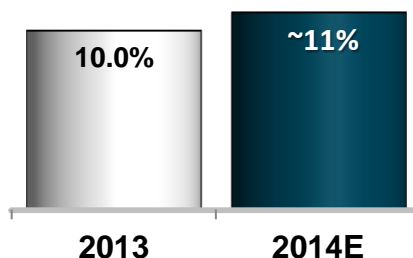
DIVIDENDS/SHARE REPURCHASES

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



ROIC***

Targeting 100 Bps Improvement



2014 Capital Deployment Strategy

- 1) Invest in Organic Growth Initiatives
- 2) Enhance Shareholder Returns
- 3) Cultivate and Acquire Bolt-On Acquisitions

EFFICIENT CAPITAL ALLOCATION TO DRIVE VALUE CREATION

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, gain on sale of business and special charges.

“Adjusted Operating Income”, “Adjusted Segment Operating Income”, and “Adjusted EPS” defined as operating income, segment operating income and earnings per share, adjusted to exclude non-recurring restructuring and realignment costs, gain on sale of business, special charges and tax-related special items, as applicable.

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

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

“Special charges” defined as costs incurred by the Company associated with the settlement of legal proceedings with Xylem Group LLC and certain costs incurred for the change in chief executive officer made during the third quarter of 2013, as well as costs incurred in the fourth quarter of 2013 for the contractual indemnification of federal tax obligations to ITT and costs associated with a legal judgment arising from a historical acquisition matter.

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 2014	Orders 2013	Change 2014 v. 2013	% Change 2014 v. 2013	Acquisitions / Divestitures	FX Contribution	Eliminations	Change Adj. 2014 v. 2013	% Change Adj. 2014 v. 2013	
<u>Nine Months Ended September 30</u>										
Xylem Inc.	3,051	2,926	125	4%	(3)	(3)	-	119	4%	4%
Water infrastructure	1,973	1,865	108	6%	(8)	7	3	110	6%	6%
Applied Water	1,135	1,111	24	2%	5	(11)	(9)	9	1%	0%
<u>Quarter Ended September 30</u>										
Xylem Inc.	1,027	955	72	8%	5	2	-	79	8%	8%
Water infrastructure	680	617	63	10%	-	4	1	68	11%	11%
Applied Water	363	355	8	2%	5	(2)	-	11	3%	2%
<u>Quarter Ended June 30</u>										
Xylem Inc.	1,031	1,009	22	2%	(1)	(8)	-	13	1%	1%
Water infrastructure	674	647	27	4%	(1)	(3)	-	23	4%	4%
Applied Water	378	378	-	0%	-	(5)	(6)	(11)	-3%	-3%
<u>Quarter Ended March 31</u>										
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 2014 v. 2013	% Change 2014 v. 2013	Acquisitions / Divestitures	FX Contribution	Eliminations	Change Adj. 2014 v. 2013	% Change Adj. 2014 v. 2013	
2014	2013									
<u>Nine Months Ended September 30</u>										
Xylem Inc.	2,874	2,804	70	2%	1	(1)	-	70	2%	2%
Water infrastructure	1,823	1,766	57	3%	(6)	9	3	63	4%	4%
Applied Water	1,105	1,086	19	2%	7	(11)	(7)	8	1%	0%
<u>Quarter Ended September 30</u>										
Xylem Inc.	963	965	(2)	0%	7	2	-	7	1%	0%
Water infrastructure	619	619	-	0%	-	4	-	4	1%	1%
Applied Water	362	360	2	1%	7	(2)	(3)	4	1%	-1%
<u>Quarter Ended June 30</u>										
Xylem Inc.	1,005	960	45	5%	(1)	(7)	-	37	4%	4%
Water infrastructure	636	596	40	7%	(1)	(2)	2	39	7%	7%
Applied Water	388	381	7	2%	-	(6)	(3)	(2)	-1%	-1%
<u>Quarter Ended March 31</u>										
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		Q2		Q3		YTD	
	2014	2013	2014	2013	2014	2013	2014	2013
Total Revenue								
• Total Xylem	906	879	1,005	960	963	965	2,874	2,804
• Water Infrastructure	568	551	636	596	619	619	1,823	1,766
• Applied Water	355	345	388	381	362	360	1,105	1,086
Operating Income								
• Total Xylem	76	66	116	70	130	98	322	234
• Water Infrastructure	46	42	77	41	94	88	217	171
• Applied Water	41	40	52	45	52	40	145	125
• Total Segments	87	82	129	86	146	128	362	296
Operating Margin								
• Total Xylem	8.4%	7.5%	11.5%	7.3%	13.5%	10.2%	11.2%	8.3%
• Water Infrastructure	8.1%	7.6%	12.1%	6.9%	15.2%	14.2%	11.9%	9.7%
• Applied Water	11.5%	11.6%	13.4%	11.8%	14.4%	11.1%	13.1%	11.5%
• Total Segments	9.6%	9.3%	12.8%	9.0%	15.2%	13.3%	12.6%	10.6%
Special Charges								
• Total Xylem	-	-	-	-	-	20	-	20
Restructuring & Realignment Costs								
• Total Xylem	18	12	9	28	4	12	31	52
• Water Infrastructure	12	10	5	22	3	8	20	40
• Applied Water	6	2	4	6	1	4	11	12
• Total Segments	18	12	9	28	4	12	31	52
Adjusted Operating Income*								
• Total Xylem	94	78	125	98	134	130	353	306
• Water Infrastructure	58	52	82	63	97	96	237	211
• Applied Water	47	42	56	51	53	44	156	137
• Total Segments	105	94	138	114	150	140	393	348
Adjusted Operating Margin*								
• Total Xylem	10.4%	8.9%	12.4%	10.2%	13.9%	13.5%	12.3%	10.9%
• Water Infrastructure	10.2%	9.4%	12.9%	10.6%	15.7%	15.5%	13.0%	11.9%
• Applied Water	13.2%	12.2%	14.4%	13.4%	14.6%	12.2%	14.1%	12.6%
• Total Segments	11.6%	10.7%	13.7%	11.9%	15.6%	14.5%	13.7%	12.4%

*Adjusted Operating Income excludes restructuring & realignment costs and special charges.

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

	Q3 2013			Q3 2014		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	965		965	963		963
Operating Income	98	32	130	130	4	134
Operating Margin	10.2%		13.5%	13.5%		13.9%
Interest Expense	(14)		(14)	(14)		(14)
Other Non-Operating Income (Expense)	(1)		(1)	1		1
Gain on sale of business	-		-	11	(11)	-
Income before Taxes	83	32	115	128	(7)	121
Provision for Income Taxes	(10)	(13)	(23)	(22)	(2)	(24)
Net Income	73	19	92	106	(9)	97
Diluted Shares	186.0		186.0	183.4		183.4
Diluted EPS	\$ 0.39	\$ 0.10	\$ 0.49	\$ 0.58	\$ (0.05)	\$ 0.53

	Q3 YTD 2013			Q3 YTD 2014		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	2,804		2,804	2,874		2,874
Operating Income	234	72	306	322	31	353
Operating Margin	8.3%		10.9%	11.2%		12.3%
Interest Expense	(41)		(41)	(41)		(41)
Other Non-Operating Income (Expense)	(2)		(2)	1		1
Gain on sale of business	-		-	11	(11)	-
Income before Taxes	191	72	263	293	20	313
Provision for Income Taxes	(31)	(24)	(55)	(52)	(13)	(65)
Net Income	160	48	208	241	7	248
Diluted Shares	186.2		186.2	184.6		184.6
Diluted EPS	\$ 0.86	\$ 0.26	\$ 1.12	\$ 1.31	\$ 0.04	\$ 1.35

a Restructuring & realignment costs and special charges

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

c Restructuring & realignment costs

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

	Nine Months Ended	
	2014	2013
Net Cash - Operating Activities	\$ 253	\$ 163
Capital Expenditures	(77)	(91)
Free Cash Flow	<u>\$ 176</u>	<u>\$ 72</u>
Net Income	241	160
Gain on Sale of Business	<u>11</u>	<u>-</u>
Net Income, excluding gain on sale of business	<u>\$ 230</u>	<u>\$ 160</u>
Free Cash Flow Conversion	<u>77%</u>	<u>45%</u>

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

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

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

	2014		
	Q1	Q2	Q3
Pre-Tax Income	61	104	128
Interest Expense (Income), net	13	14	12
Depreciation	23	24	23
Amortization	13	12	12
Stock Compensation	4	5	5
EBITDA	114	159	180
Restructuring & Realignment	18	9	4
Gain on Sale of Business	-		(11)
Adjusted EBITDA	132	168	173
Revenue	906	1,005	963
Adjusted EBITDA Margin	14.6%	16.7%	18.0%
	2013		
	Q1	Q2	Q3
Pre-Tax Income	51	57	83
Interest Expense (Income), net	12	13	14
Depreciation	25	24	23
Amortization	12	13	13
Stock Compensation	6	6	9
EBITDA	106	113	142
Restructuring & Realignment	12	28	12
Special Charges	-	-	20
Adjusted EBITDA	118	141	174
Revenue	879	960	965
Adjusted EBITDA Margin	13.4%	14.7%	18.0%

	2014		
	Q1	Q2	Q3
Pre-Tax Income	46	78	94
Interest Expense (Income), net	-		(1)
Depreciation	17	17	17
Amortization	10	10	10
Stock Compensation	1	1	-
EBITDA	74	106	120
Restructuring & Realignment	12	5	3
Adjusted EBITDA	86	111	123
Revenue	568	636	619
Adjusted EBITDA Margin	15.1%	17.5%	19.9%
	2013		
	Q1	Q2	Q3
Pre-Tax Income	42	43	87
Interest Expense (Income), net	-	(1)	-
Depreciation	19	17	16
Amortization	9	11	11
Stock Compensation	1	1	1
EBITDA	71	71	115
Restructuring & Realignment	10	22	8
Adjusted EBITDA	81	93	123
Revenue	551	596	619
Adjusted EBITDA Margin	14.7%	15.6%	19.9%

	2014		
	Q1	Q2	Q3
Pre-Tax Income	41	52	63
Interest, net	-		-
Depreciation	6	6	6
Amortization	1	1	1
Stock Compensation	-	1	1
EBITDA	48	60	71
Restructuring & Realignment	6	4	1
Gain on sale of business	-	-	(11)
Adjusted EBITDA	54	64	61
Revenue	355	388	362
Adjusted EBITDA Margin	15.2%	16.5%	16.9%
	2013		
	Q1	Q2	Q3
Pre-Tax Income	40	45	40
Interest, net	-	-	-
Depreciation	6	5	6
Amortization	2	1	1
Stock Compensation	1	-	1
EBITDA	49	51	48
Restructuring & Realignment	2	6	4
Adjusted EBITDA	51	57	52
Revenue	345	381	360
Adjusted EBITDA Margin	14.8%	15.0%	14.4%

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						
<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)

	2008	2009	2010	2011	2012	2013
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	-
Restructuring & Realignment	41	31	15	-	24	64
Special Charges	-	-	-	-	-	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

Let's Solve Water

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