

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

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported): April 30, 2013**

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**XYLEM INC.**

*(Exact name of registrant as specified in its charter)*

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**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)**

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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))

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**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 April 30, 2013, announcing the financial results for the first quarter ended March 31, 2013. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

**Item 7.01 Regulation FD Disclosure**

Attached hereto as Exhibit 99.2 and incorporated herein by reference is an earnings presentation posted on Xylem Inc.'s website on April 30, 2013, summarizing Xylem Inc.'s financial results for the first quarter ended March 31, 2013. This information is furnished pursuant to Item 7.01 Regulation FD Disclosure. This information shall not be deemed filed for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
99.1	News Release issued by Xylem Inc. on April 30, 2013.
99.2	Presentation summarizing first quarter financial results posted by Xylem Inc. on April 30, 2013.

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**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: April 30, 2013

By: /s/ Michael T. Speetzen

Michael T. Speetzen  
Senior Vice President and Chief Financial Officer  
(Authorized Officer of Registrant)

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**EXHIBIT INDEX**

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**Xylem**

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**Xylem Inc. reports first quarter 2013 results, affirms full-year guidance**

- **First quarter 2013 adjusted net income was \$50 million or \$0.27 per share, down \$0.09 from first quarter 2012; GAAP net income was \$41 million or \$0.22 per share, down \$0.12**
- **First quarter 2013 revenue was \$879 million, down \$46 million from first quarter 2012**
- **Xylem maintains FY 2013 EPS of \$1.79-\$1.89 on revenue midpoint of \$3.9 billion**

**WHITE PLAINS, N.Y., April 30, 2013** – Xylem Inc. (NYSE: XYL), a leading global water technology company dedicated to solving the world’s most challenging water issues, today reported first quarter 2013 net income of \$41 million, or \$0.22 per share. Adjusted net income was \$50 million, or \$0.27 per share, excluding the impact of special items that include restructuring and realignment charges, and special tax items. First quarter revenue was \$879 million, down \$46 million from the first quarter 2012, reflective of on-going European economic challenges, U.S. industrial weakness and lower shipments for treatment projects. First quarter 2013 adjusted operating margins were down 230 basis points, down 320 basis points as reported, resulting from lower volume, acquisition costs and continued investments in growth initiatives.

“We were pleased to deliver earnings in line with our expectations despite weaker revenue for the quarter than we had anticipated,” said Gretchen McClain, president and chief executive officer of Xylem Inc. “We’re addressing continued market challenges in several key regions of the world, especially Europe, and are taking assertive cost actions to reposition ourselves as a more competitive and efficient organization, and to create more value for our customers. We continue to pursue attractive acquisitions that will help to strengthen our portfolio. During the first quarter, we completed two acquisitions — PIMS, which bolsters our attractive service business; and MultiTrode, which enhances our global water and wastewater monitoring and control offering.”

“Exciting new product launches are winning in the market place, leading to share gains in key market segments,” McClain said. “We were proud to launch several innovative products this quarter, including new dewatering solutions from our Godwin and Flygt brands, as well as new analytical lab instruments from our YSI and OI

Analytical brands. As we look ahead to the remainder of 2013, we are focused on introducing additional new products, and continuing to expand geographically. Through these and other customer-focused solutions, we will continue to position Xylem as a global leader in the water industry.”

Xylem affirms full year guidance, forecasting full year 2013 revenue growth of 3 to 4 percent to approximately \$3.9 billion. Full year 2013 adjusted net income is forecast to grow 1 to 7 percent to \$333 to \$352 million, for adjusted earnings per share of \$1.79 to \$1.89 per share. The company anticipates that restructuring and realignment costs will range from \$60 to \$70 million for the year.

## **First Quarter Segment Results**

### **Water Infrastructure**

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

- First quarter 2013 revenue was \$551 million, down 6 percent compared with the first quarter 2012, reflecting U.S. industrial weakness, European economic challenges and decreased treatment shipments.
- First quarter adjusted segment operating income was \$52 million. Adjusted operating margin was 9.4 percent, reflecting lower volumes, acquisition impacts and continued investments.

### **Applied Water**

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

- First quarter 2013 revenue was \$345 million, down 3 percent compared with the first quarter 2012, reflecting weak industrial demand and European economic challenges, offset by strength in U.S. residential and agricultural end markets.
- First quarter adjusted segment operating income was \$42 million, up 2 percent versus the same period in 2012. Adjusted operating margin was 12.2 percent, reflecting strong operational performance.

Supplemental information on Xylem’s first quarter earnings and reconciliations for certain non-GAAP items are posted at [investors.xylem.com](http://investors.xylem.com).

## **About Xylem**

Xylem (NYSE: XYL) is a leading global water technology provider, enabling customers to transport, treat, test and efficiently use water in public utility, residential and commercial building services, industrial and agricultural settings. The company does business in more than 150 countries through a number of market-leading product brands, and its people bring broad applications expertise with a strong focus on finding local solutions to the world’s most challenging water and wastewater problems. Xylem is headquartered in White Plains, N.Y., with 2012 annual revenues of \$3.8 billion and approximately 12,700 employees worldwide. In 2012, Xylem was named to the Dow Jones Sustainability World Index for advancing sustainable business practices and solutions worldwide.

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

### **Forward-Looking Statements**

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

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

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

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

(in millions, except per share data)

<u>For the three months ended March 31,</u>	<u>2013</u>	<u>2012</u>
Revenue	<b>\$ 879</b>	<b>\$ 925</b>
Cost of revenue	<b>545</b>	<b>562</b>
Gross profit	<b>334</b>	<b>363</b>
Selling, general and administrative expenses	<b>236</b>	<b>231</b>
Research and development expenses	<b>26</b>	<b>28</b>
Restructuring charges	<b>5</b>	<b>—</b>
Separation costs	<b>1</b>	<b>5</b>
Operating income	<b>66</b>	<b>99</b>
Interest expense	<b>13</b>	<b>14</b>
Other non-operating (expense), net	<b>(2)</b>	<b>(1)</b>
Income before taxes	<b>51</b>	<b>84</b>
Income tax expense	<b>10</b>	<b>21</b>
Net income	<b>\$ 41</b>	<b>\$ 63</b>
Earnings per share:		
Basic	<b>\$ 0.22</b>	<b>\$ 0.34</b>
Diluted	<b>\$ 0.22</b>	<b>\$ 0.34</b>
Weighted average number of shares:		
Basic	<b>185.8</b>	<b>185.4</b>
Diluted	<b>186.4</b>	<b>185.9</b>
Dividends declared per share	<b>\$0.1164</b>	<b>\$0.1012</b>



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

	March 31, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 375	\$ 504
Receivables, less allowances for discounts and doubtful accounts of \$27 and \$34 in 2013 and 2012, respectively	767	776
Inventories, net	461	443
Prepaid and other current assets	111	110
Deferred income tax assets	43	41
<b>Total current assets</b>	<b>1,757</b>	<b>1,874</b>
Property, plant and equipment, net	474	487
Goodwill	1,669	1,647
Other intangible assets, net	504	484
Other non-current assets	185	187
<b>Total assets</b>	<b>\$ 4,589</b>	<b>\$ 4,679</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 309	\$ 332
Accrued and other current liabilities	406	443
Short-term borrowings and current maturities of long-term debt	6	6
<b>Total current liabilities</b>	<b>721</b>	<b>781</b>
Long-term debt	1,199	1,199
Accrued postretirement benefits	397	400
Deferred income tax liabilities	179	173
Other non-current accrued liabilities	53	52
<b>Total liabilities</b>	<b>2,549</b>	<b>2,605</b>
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common Stock — authorized 750.0 shares, par value \$0.01 per share:		
Issued 186.3 shares and 186.2 shares in 2013 and 2012, respectively	2	2
Capital in excess of par value	1,711	1,706
Retained earnings	283	264
Treasury stock – at cost 1.0 shares and 0.5 shares in 2013 and 2012, respectively	(28)	(13)
Accumulated other comprehensive income	72	115
<b>Total stockholders' equity</b>	<b>2,040</b>	<b>2,074</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,589</b>	<b>\$ 4,679</b>

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

(in millions)

For the three months ended March 31,

	<u>2013</u>	<u>2012</u>
<b>Operating Activities</b>		
Net income	\$ 41	\$ 63
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	25	23
Amortization	12	11
Share-based compensation	6	5
Restructuring charges	5	—
Payments for restructuring	(4)	—
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	1	7
Changes in inventories	(29)	(31)
Changes in accounts payable	(8)	14
Other, net	(29)	(31)
<b>Net Cash — Operating activities</b>	<u>20</u>	<u>61</u>
<b>Investing Activities</b>		
Capital expenditures	(30)	(31)
Acquisitions, net of cash acquired	(78)	—
Proceeds from the sale of property, plant and equipment	3	2
<b>Net Cash — Investing activities</b>	<u>(105)</u>	<u>(29)</u>
<b>Financing Activities</b>		
Repurchase of common stock	(15)	(1)
Proceeds from exercise of employee stock options	—	16
Dividends paid	(22)	(19)
Other, net	1	(6)
<b>Net Cash — Financing activities</b>	<u>(36)</u>	<u>(10)</u>
<b>Effect of exchange rate changes on cash</b>	<u>(8)</u>	<u>7</u>
Net change in cash and cash equivalents	(129)	29
Cash and cash equivalents at beginning of year	504	318
<b>Cash and cash equivalents at end of period</b>	<u>\$ 375</u>	<u>\$ 347</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 11	\$ 11
Income taxes (net of refunds received)	\$ 27	\$ 18

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## Xylem Inc. Non-GAAP Measures

Management views key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, free cash flow, working capital, and backlog, among others. In addition, we consider certain measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operations as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

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

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

**“EBITDA”** defined as earnings before interest, taxes, depreciation, amortization expense, and share-based compensation. **“Adjusted EBITDA”** reflects the adjustment to EBITDA to exclude for non-recurring separation costs associated with the Xylem spin-off from ITT Corporation (not excluded for 2013) as well as non-recurring restructuring and realignment costs.

**“Adjusted Operating Income”, “Adjusted Segment Operating Income”, and “Adjusted EPS”** defined as operating income and earnings per share, adjusted to exclude non-recurring separation costs associated with the Xylem spin-off from ITT Corporation (not excluded for 2013), non-recurring restructuring and realignment costs and tax-related special items.

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

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

	<u>(As Reported - GAAP)</u>				<u>(As Adjusted - Organic)</u>					<u>Constant Currency</u>
	<u>(A)</u>		<u>(B)</u>		<u>(C)</u>	<u>(D)</u>	<u>(E)</u>	<u>(F) = B+C+D+E</u>	<u>(G) = F/A</u>	<u>(H) = (B + D) / A</u>
	<u>Orders</u> 2013	<u>Orders</u> 2012	<u>Change</u> 2013 v. 2012	<u>% Change</u> 2013 v. 2012	<u>Acquisitions /</u> <u>Divestitures</u>	<u>FX Contribution</u>	<u>Eliminations</u>	<u>Change</u> Adj. 2013 v. 2012	<u>% Change</u> Adj. 2013 v. 2012	
<b>Quarter Ended</b>										
<b>March 31, 2013</b>										
<b>Xylem Inc.</b>	962	1,004	(42)	-4.2%	(26)	2	—	(66)	-6.6%	-4.0%
Water Infrastructure	601	638	(37)	-5.8%	(26)	2	—	(61)	-9.6%	-5.5%
Applied Water	378	382	(4)	-1.0%	—	—	(1)	(5)	-1.3%	-1.0%

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

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

	<u>(As Reported - GAAP)</u>				<u>(As Adjusted - Organic)</u>					<u>Constant Currency</u>
	<u>(A)</u>		<u>(B)</u>		<u>(C)</u>	<u>(D)</u>	<u>(E)</u>	<u>(F) = B+C+D+E</u>	<u>(G) = F/A</u>	<u>(H) = (B + D) / A</u>
	<u>Revenue</u> 2013	<u>Revenue</u> 2012	<u>Change</u> <u>2013 v. 2012</u>	<u>% Change</u> <u>2013 v. 2012</u>	<u>Acquisitions /</u> <u>Divestitures</u>	<u>FX Contribution</u>	<u>Eliminations</u>	<u>Change</u> <u>Adj. 2013 v.</u> <u>2012</u>	<u>% Change</u> <u>Adj. 2013 v. 2012</u>	
<b>Quarter Ended</b>										
<b>March 31, 2013</b>										
<b>Xylem Inc.</b>	879	925	(46)	-5.0%	(23)	2	—	(67)	-7.2%	-4.8%
Water Infrastructure	551	584	(33)	-5.7%	(23)	1	—	(55)	-9.4%	-5.5%
Applied Water	345	355	(10)	-2.8%	—	—	(2)	(12)	-3.4%	-2.8%

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	
	'13	'12
<b>Total Revenue</b>		
• Total Xylem	879	925
• Water Infrastructure	551	584
• Applied Water	345	355
<b>Operating Income</b>		
• Total Xylem	66	99
• Water Infrastructure	42	75
• Applied Water	40	40
<b>Operating Margin</b>		
• Total Xylem	7.5%	10.7%
• Water Infrastructure	7.6%	12.8%
• Applied Water	11.6%	11.3%
<b>Separation Costs</b>		
• Total Xylem	—	5
• Water Infrastructure	—	2
• Applied Water	—	1
<b>Restructuring &amp; Realignment Costs</b>		
• Total Xylem	12	—
• Water Infrastructure	10	—
• Applied Water	2	—
<b>Adjusted Operating Income*</b>		
• Total Xylem	78	104
• Water Infrastructure	52	77
• Applied Water	42	41
<b>Adjusted Operating Margin*</b>		
• Total Xylem	8.9%	11.2%
• Water Infrastructure	9.4%	13.2%
• Applied Water	12.2%	11.5%

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

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

	Q1 2012			Q1 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	925		925	879		879
Operating Income	99	5a	104	66	12c	78
Operating Margin	10.7%		11.2%	7.5%		8.9%
Interest Expense	(14)		(14)	(13)		(13)
Other Non-Operating Income (Expense)	(1)		(1)	(2)		(2)
Income before Taxes	84	5	89	51	12	63
Provision for Income Taxes	(21)	(1)b	(22)	(10)	(3)d	(13)
Net Income	63	4	67	41	9	50
Diluted Shares	185.9		185.9	186.4		186.4
<b>Diluted EPS</b>	<b>\$ 0.34</b>	<b>\$ 0.02</b>	<b>\$ 0.36</b>	<b>\$ 0.22</b>	<b>\$ 0.05</b>	<b>\$ 0.27</b>

- a One time separation costs
- b Net tax impact of separation costs
- c Restructuring & realignment costs
- d Tax impact of restructuring & realignment costs

Xylem Inc. Non-GAAP Reconciliation  
Net Cash - Operating Activities vs. Free Cash Flow  
Three Months Ended March 31, 2013 and 2012  
(\$ Millions)

	<u>Three Months Ended</u>	
	<u>2013</u>	<u>2012</u>
<b>Net Cash - Operating Activities</b>	20	61
Capital Expenditures	(30)	(31)
Free Cash Flow, including separation costs	(10)	30
Cash Paid for Separation Costs (incl. Capex)	—	11
<b>Free Cash Flow, excluding separation costs*</b>	<u>(10)</u>	<u>41</u>
Net Income	41	63
Separation Costs, net of tax (incl. tax friction)	—	4
<b>Net Income, excluding separation costs*</b>	<u>41</u>	<u>67</u>
<b>Free Cash Flow Conversion</b>	<u>-24%</u>	<u>61%</u>

\* Separation costs are not excluded in 2013



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

<u>2013 Guidance</u>	<u>FY '12</u>			<u>Illustration of Mid Point Guidance</u>		
	<u>As Reported</u>	<u>Adjustments</u>	<u>Adjusted</u>	<u>As Projected</u>	<u>Adjustments</u>	<u>Adjusted</u>
Total Revenue	3,791		3,791	3,925		3,925
Segment Operating Income	512	30a	542	484	65d	549
Segment Operating Margin	13.5%		14.3%	12.3%		14.0%
Corporate Expense	69	(16)b	53	59	—	59
Operating Income	443	46	489	425	65	490
Operating Margin	11.7%		12.9%	10.8%		12.5%
Interest Expense	(55)		(55)	(55)		(55)
Other Non-Operating Income (Expense)	—		—	(2)		(2)
Income before Taxes	388	46	434	368	65	433
Provision for Income Taxes	(91)	(13)c	(104)	(72)	(19)c	(91)
Net Income	297	33	330	296	46	342
Diluted Shares	186.2		186.2	186.4		186.4
<b>Diluted EPS</b>	<b>\$ 1.59</b>	<b>\$ 0.18</b>	<b>\$ 1.77</b>	<b>\$ 1.59</b>	<b>\$ 0.25</b>	<b>\$ 1.84</b>

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Mid Point Guidance</u> <u>2013E</u>
<b>Revenue</b>	3,291	2,849	3,202	3,803	3,791	3,925
<b>Operating Income</b>	315	276	388	395	443	425
<b>Operating Margin</b>	9.6%	9.7%	12.1%	10.4%	11.7%	10.8%
<b>Restructuring &amp; Realignment</b>	41	31	15	—	24	65
<b>Separation Costs</b>	—	—	—	87	22	—
<b>Adjusted Operating Income</b>	356	307	403	482	489	490
<b>Adjusted Operating Margin</b>	10.8%	10.8%	12.6%	12.7%	12.9%	12.5%
<b>Standalone Costs</b>	—	—	—	5	28	—
<b>Adj. Operating Income, excl. Standalone Costs</b>	356	307	403	487	517	490
<b>Adjusted Operating Margin, excl. Standalone Costs</b>	10.8%	10.8%	12.6%	12.8%	13.6%	12.5%

# **XYLEM INC.**

## **Q1 2013 EARNINGS RELEASE**

**APRIL 30, 2013**



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# 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.

# Q1'13 XYLEM RESULTS

FINANCIAL PERFORMANCE SUMMARY			
Orders	\$962M	Book to Bill 1.09	
Revenue	\$879M	-5% <small>Constant Currency Basis *</small>	European Market Weakness, Project Timing
Gross Margin	38.0%	-120 bps	Volume Decline & Continued Investment Partially Offset by Cost Reductions
Operating Margin*	8.9%	-230 bps	Restructuring & Realignment Actions Underway
EPS *	\$0.27	In Line with Expectations	
Free Cash Flow *	- \$10M	Normal Seasonality, Lower Income, Timing of Tax Payments	

# BUSINESS UPDATE



## DELIVER CUSTOMER VALUE

- Enhancing Aftermarket Capabilities (PIMS Acquisition/TotalCare)
- Focused on Ensuring Robust Delivery and Responsiveness

## DRIVE PROFITABLE GROWTH

- Advancing Acquisition Strategy
- New Product Launches Gaining Traction
- Accelerating Geographic Expansion

## IMPROVE BUSINESS SUSTAINABILITY

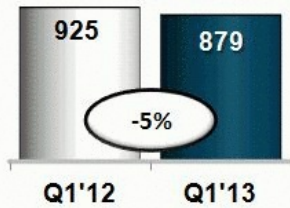
- Executing Restructuring & Realignment Plans
- Continuing to Drive Cost Savings Through Lean Six Sigma and Global Sourcing Initiatives
- Focused on Business Simplification Initiatives

**SIGNIFICANT PROGRESS MADE ON CRITICAL 2013 ACTIVITIES**

# Q1'13 XYLEM PERFORMANCE

## REVENUE

(Dollars, In Millions)



## Q1 GROWTH

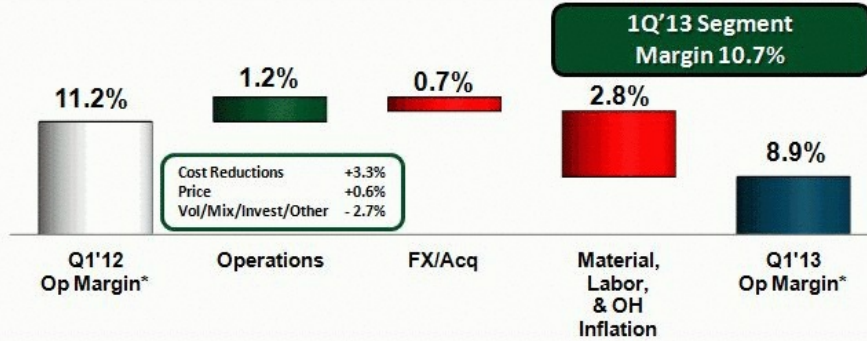
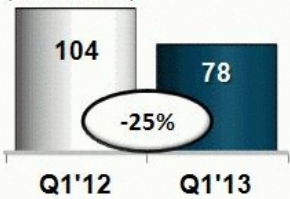
Organic	-7%
Acquisition	2%
Constant Currency	-5%

## ORGANIC PERFORMANCE

By End Market	By Geography
- Industrial	- Europe
- Public Utility	- U.S.
- Commercial	- Emerging Markets
- Residential	+ China, Russia
+ Agriculture	- Project Timing

## OPERATING INCOME\*

(Dollars, In Millions)



## MANAGING THROUGH MARKET CONDITIONS & TOUGH PRIOR YEAR COMPS

# Q1'13 XYLEM PERFORMANCE

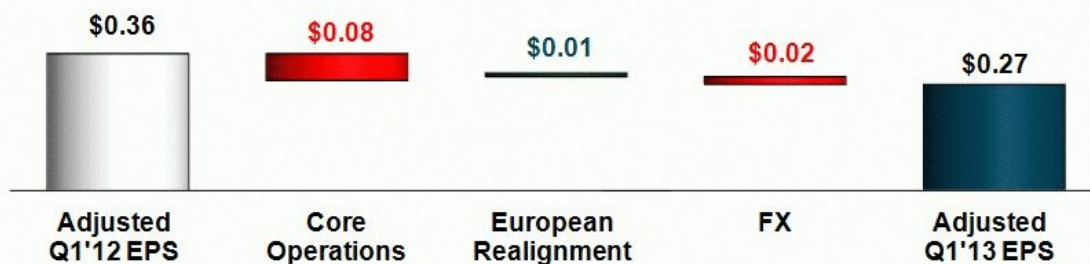
## EPS\*

### Tailwinds

- + Acquisition (Volume)
- + New Product Launches
- + Cost Reductions (Lean/Six Sigma)
- + Restructuring Savings
- + European Realignment Benefit

### Headwinds

- Volume (Market Conditions/Tough PY Comps)
- 1x Acquisition Costs
- Investments in Growth Platforms
- Inflation
- Foreign Exchange



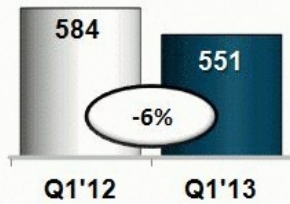
Q1 EPS PERFORMANCE IN LINE WITH EXPECTATIONS



# Q1'13 WATER INFRASTRUCTURE PERFORMANCE

## REVENUE

(Dollars, In Millions)



## Q1 GROWTH

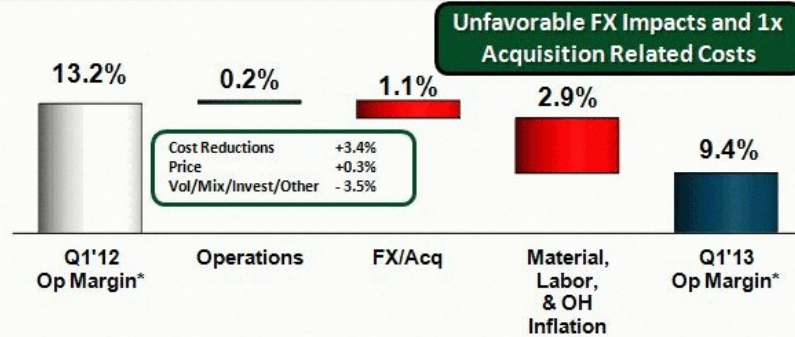
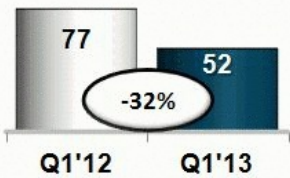
Organic	-9%
Acquisition	+4%
Constant Currency	-5%

## (Organic Performance)

- Transport -7%; Treatment -22%; Test -8%
- + U.S. Public Utility OPEX Activity Up
  - + Sandy Disaster Recovery Dewatering Projects
  - Europe Market Weakness (Transport & Treatment)
  - Middle East & Asia Pac Tough PY Comp (Projects)
  - U.S. Industrial Dewatering (Fracking/Destocking)
  - Analytics Europe (YOY Project Timing)

## OPERATING INCOME\*

(Dollars, In Millions)

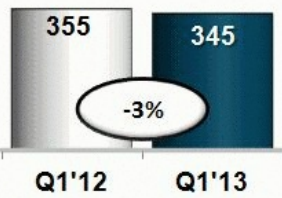


## MAINTAINING INVESTMENT DESPITE LOWER VOLUME

# Q1'13 APPLIED WATER PERFORMANCE

## REVENUE

(Dollars, In Millions)



## Q1 GROWTH

Organic	-3%
Acquisition	0%
Constant Currency	-3%

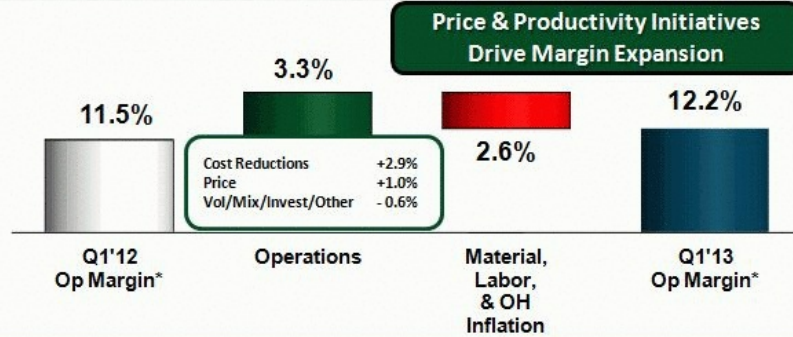
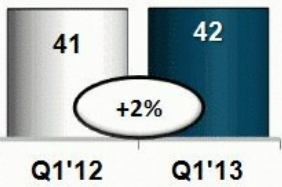
## (Organic Performance)

Building Svcs -3%; Ind'l Water -6%; Irrigation +7%

- + U.S. Residential & Agriculture Market Strength
- + Share Gains from New Product Launches
- + Emerging Market Growth
- European Weakness
- U.S. Com'l Activity Slow, Positive Leading Indicators
- Weakness in Marine

## OPERATING INCOME\*

(Dollars, In Millions)

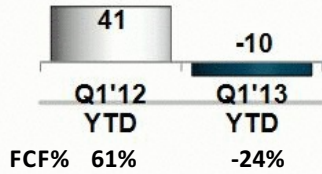


## CUSTOMER EXCELLENCE & PRODUCTIVITY DRIVE MARGIN PERFORMANCE

# XYLEM FINANCIAL POSITION

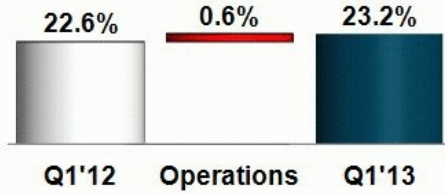
## Free Cash Flow \*

(Dollars, in Millions)



- Free Cash Flow Decline
  - Lower Income
  - Timing of Tax Payments
- Capex > 1 reinvestment ratio

## Working Capital as % Revenue \*\*



March 31, 2013

(Dollars, in Millions)

Cash	375
Debt	1,205
Net Debt	830
Shareholders' Equity	2,040
Net Capital	2,870
Net Debt to Net Capital	29%

## Capital Summary/Liquidity

- Strong cash position
  - No Significant Debt Maturities Until 2016
- 1.3x Net Debt/Adj. TTM EBITDA
- \$600M Revolving Credit Facility - Unutilized
- Access to Commercial Paper - Unutilized

# 2013 FINANCIAL GUIDANCE SUMMARY

	2013 Full Year Financial Outlook	Growth 2013E vs. 2012			
<b>Revenue</b>	(Mid-Point)	<b>Total Growth</b>	<b>Organic</b>	<b>Acquisition</b>	<b>FX</b>
Xylem Consolidated	~\$3,925M	~3 to 4%	0 to 1%	2%	1%
Water Infrastructure	~\$2,540M	~4 to 5%	0 to 1%	3%	1%
Applied Water	~\$1,450M	~1 to 2%	0 to 1%	0%	1%
<b>Segment Margin *</b>	13.7% to 14.2%	-60 bps to -10 bps			
<b>Operating Margin *</b>	12.2% to 12.7%	-70 bps to -20 bps			
<b>EPS *</b>	\$1.79 to \$1.89	\$1.84 Mid Point			
<b>Free Cash Flow Conversion</b>	~95%	Restructuring Pmts, Realignment Capex, & CHQ Relocation			
<b>Guidance Assumptions:</b>					
Operating Tax Rate	~21%	1H'13 Rate: ~22%; 2H'13 Rate: ~20%			
Share Count	~186.4M	Share Repurchase Program Maintains Current Share Count			
<b>Items Excluded from EPS:</b>					
Restructuring & Realignment Costs	~\$60M to \$70M	Restructuring Costs: ~\$40M to \$50M			

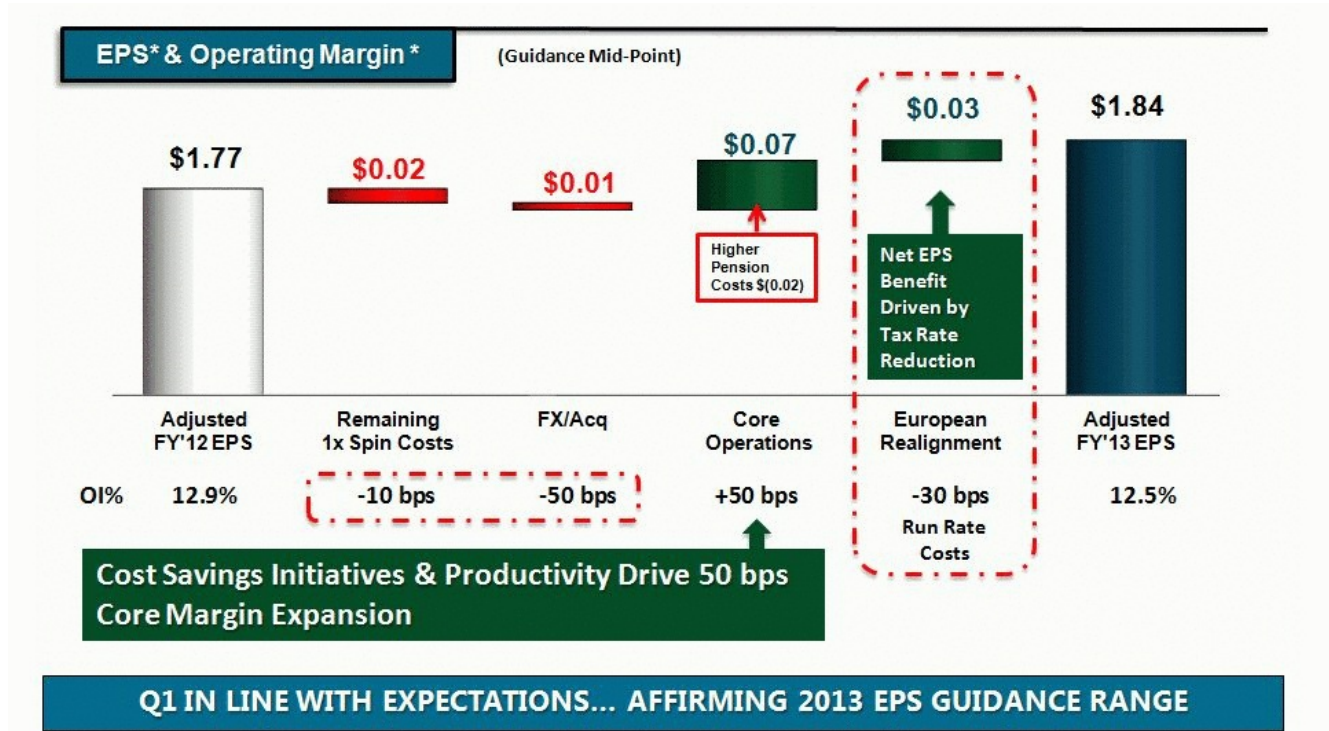
# REVENUE OUTLOOK BY END MARKET

	FY'13 vs. PY	vs. Previous Outlook	Planning Assumptions
<b>Industrial</b>	Flat to Up Low Single Digit	==	<ul style="list-style-type: none"> <li>• 2H U.S. Improvement/Easier Comps</li> <li>• Europe Challenged</li> </ul>
<b>Public Utility</b>	Flat	==	<ul style="list-style-type: none"> <li>• Stable OPEX Market</li> <li>• Modest Improvement in U.S. Capital Projects</li> </ul>
<b>Commercial</b>	Flat to Up Low Single Digit	==	<ul style="list-style-type: none"> <li>• Modest 2H U.S. Improvement</li> <li>• Successful Launch of New Products</li> </ul>
<b>Residential</b>	Flat to Up Low Single Digit	==	<ul style="list-style-type: none"> <li>• U.S. Markets Continue to Improve</li> <li>• Europe Stabilizes</li> </ul>
<b>Agriculture</b>	Flat	==	<ul style="list-style-type: none"> <li>• Good Q1 Start /Tough FY Comparison</li> </ul>

**PLANNING ASSUMPTIONS SUPPORT MODEST SECOND HALF RECOVERY**



# 2013 EPS GUIDANCE



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# SUMMARY

## Q1 PERFORMANCE

- Completed PIMS and MultiTrod Acquisitions ... Integration Underway
- Orders/Revenue Slightly Weaker Than Expected
- Operations & Cost Reduction Activities Deliver EPS In Line with Expectations
- Successful Product Launches

## 2013 OUTLOOK

- Continuing to Invest for Growth ... Expect Additional Product Launches in 2013
- Focused on Driving Cost Savings Through Lean Six Sigma and Global Sourcing Initiatives
- Executing 2013 Restructuring & Realignment Actions
- Acquisition Pipeline Robust

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# APPENDIX



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# NON-GAAP MEASURES

Management views key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, free cash flow, working capital, and backlog, among others. In addition, we consider certain measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operations as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

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

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

**“EBITDA”** defined as earnings before interest, taxes, depreciation, amortization expense, and share-based compensation. **“Adjusted EBITDA”** reflects the adjustment to EBITDA to exclude for non-recurring separation costs associated with the Xylem spin-off from ITT Corporation (not excluded for 2013) as well as non-recurring restructuring and realignment costs.

**“Adjusted Operating Income”, “Adjusted Segment Operating Income”, and “Adjusted EPS”** defined as operating income and earnings per share, adjusted to exclude non-recurring separation costs associated with the Xylem spin-off from ITT Corporation (not excluded for 2013), non-recurring restructuring and realignment costs and tax-related special items.

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

# NON-GAAP RECONCILIATION: ORGANIC & CONSTANT CURRENCY REVENUE GROWTH

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

	(A) (As Reported - GAAP)		(B) (As Adjusted - Organic)					(C) Constant Currency		
	Revenue	Revenue	Change	% Change	Acquisitions / Divestitures	FX Contribution	Eliminations	Change	% Change	
	2013	2012	2013 v. 2012	2013 v. 2012				Adj. 2013 v. 2012	Adj. 2013 v. 2012	
<b>Quarter Ended March 31, 2013</b>										
Xylem Inc.	879	925	(46)	-5.0%	(23)	2	-	(67)	-7.2%	-4.8%
Water infrastructure	551	584	(33)	-5.7%	(23)	1	-	(55)	-9.4%	-5.5%
Applied Water	345	355	(10)	-2.8%	-	-	(2)	(12)	-3.4%	-2.8%

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

# NON-GAAP RECONCILIATION: ORGANIC & CONSTANT CURRENCY ORDER GROWTH

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) = (B + D) / A
	Orders	Orders	Change	% Change				Change	% Change		
2013	2012	2013 v. 2012	2013 v. 2012	Acquisitions / Divestitures	FX Contribution	Eliminations	Adj. 2013 v. 2012	Adj. 2013 v. 2012			
<b>Quarter Ended March 31, 2013</b>											
Xylem Inc.	962	1,004	(42)	-4.2%	(26)	2	-	(66)	-6.6%	-4.0%	
Water infrastructure	601	638	(37)	-5.8%	(26)	2	-	(61)	-9.6%	-5.5%	
Applied Water	378	382	(4)	-1.0%	-	-	(1)	(5)	-1.3%	-1.0%	

Note: Due to rounding 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  
(\$ Millions, except per share amounts)

	Q1 2012			Q1 2013		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	925		925	879		879
Operating Income	99	5 a	104	66	12 c	78
Operating Margin	10.7%		11.2%	7.5%		8.9%
Interest Expense	(14)		(14)	(13)		(13)
Other Non-Operating Income (Expense)	(1)		(1)	(2)		(2)
Income before Taxes	84	5	89	51	12	63
Provision for Income Taxes	(21)	(1) b	(22)	(10)	(3) d	(13)
Net Income	63	4	67	41	9	50
Diluted Shares	185.9		185.9	186.4		186.4
<b>Diluted EPS</b>	<b>\$ 0.34</b>	<b>\$ 0.02</b>	<b>\$ 0.36</b>	<b>\$ 0.22</b>	<b>\$ 0.05</b>	<b>\$ 0.27</b>

a One time separation costs

b Net tax impact of separation costs

c Restructuring & realignment costs

d Tax impact of restructuring & realignment costs

# NON-GAAP RECONCILIATION: ADJUSTED OPERATING INCOME

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

	Q1	
	'13	'12
Total Revenue		
• Total Xylem	879	925
• Water Infrastructure	551	584
• Applied Water	345	355
<b>Operating Income</b>		
• Total Xylem	66	99
• Water Infrastructure	42	75
• Applied Water	40	40
<b>Operating Margin</b>		
• Total Xylem	7.5%	10.7%
• Water Infrastructure	7.6%	12.8%
• Applied Water	11.6%	11.3%
<b>Separation Costs</b>		
• Total Xylem	-	5
• Water Infrastructure	-	2
• Applied Water	-	1
<b>Restructuring &amp; Realignment Costs</b>		
• Total Xylem	12	-
• Water Infrastructure	10	-
• Applied Water	2	-
<b>Adjusted Operating Income*</b>		
• Total Xylem	78	104
• Water Infrastructure	52	77
• Applied Water	42	41
<b>Adjusted Operating Margin*</b>		
• Total Xylem	8.9%	11.2%
• Water Infrastructure	9.4%	13.2%
• Applied Water	12.2%	11.5%

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

# NON-GAAP RECONCILIATION: FREE CASH FLOW

Xylem Inc. Non-GAAP Reconciliation  
 Net Cash - Operating Activities vs. Free Cash Flow  
 Three Months Ended March 31, 2013 and 2012  
 (\$ Millions)

	Three Months Ended	
	2013	2012
<b>Net Cash - Operating Activities</b>	20	61
Capital Expenditures	(30)	(31)
Free Cash Flow, including separation costs	<u>(10)</u>	<u>30</u>
Cash Paid for Separation Costs (incl. Capex)	-	11
<b>Free Cash Flow, excluding separation costs*</b>	<u>(10)</u>	<u>41</u>
Net Income	41	63
Separation Costs, net of tax (incl. tax friction)	-	4
<b>Net Income, excluding separation costs*</b>	<u>41</u>	<u>67</u>
<b>Free Cash Flow Conversion</b>	<u>-24%</u>	<u>61%</u>

\* Separation costs are not excluded in 2013

# NON-GAAP RECONCILIATION: XYLEM EBITDA & ADJ. EBITDA

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

	2013				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Net Income	51				
Interest Expense (Income), net	12				
Depreciation	25				
Amortization	12				
Stock Compensation	6				
<b>EBITDA</b>	<b>106</b>				
Restructuring & Realignment	12				
<b>Adjusted EBITDA</b>	<b>118</b>				
Revenues	879				
<b>Adjusted EBITDA Margin</b>	<b>13.4%</b>				
	2012				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Net Income	84	115	100	89	388
Interest Expense (Income), net	13	13	12	13	51
Depreciation	23	21	24	26	94
Amortization	11	12	12	13	48
Stock Compensation	5	5	6	6	22
<b>EBITDA</b>	<b>136</b>	<b>166</b>	<b>154</b>	<b>147</b>	<b>603</b>
Separation Costs	5	6	4	7	22
Restructuring & Realignment	-	-	5	19	24
<b>Adjusted EBITDA</b>	<b>141</b>	<b>172</b>	<b>163</b>	<b>173</b>	<b>649</b>
Revenues	925	966	931	969	3,791
<b>Adjusted EBITDA Margin</b>	<b>15.2%</b>	<b>17.8%</b>	<b>17.5%</b>	<b>17.9%</b>	<b>17.1%</b>

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

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

	Q1	Q2	2013 Q3	Q4	Total
Pre-Tax Net Income	42				
Interest Expense (Income), net	-				
Depreciation	19				
Amortization	9				
Stock Compensation	1				
<b>EBITDA</b>	<b>71</b>				
Restructuring & Realignment	10				
<b>Adjusted EBITDA</b>	<b>81</b>				
Revenues	551				
<b>Adjusted EBITDA Margin</b>	<b>14.7%</b>				
	Q1	Q2	2012 Q3	Q4	Total
Pre-Tax Net Income	75	93	86	88	342
Interest Expense (Income), net	-	-	(1)	-	(1)
Depreciation	16	15	17	20	68
Amortization	10	9	10	10	39
Stock Compensation	1	1	3	-	5
<b>EBITDA</b>	<b>102</b>	<b>118</b>	<b>115</b>	<b>118</b>	<b>453</b>
Separation Costs	2	1	-	1	4
Restructuring & Realignment	-	-	4	15	19
<b>Adjusted EBITDA</b>	<b>104</b>	<b>119</b>	<b>119</b>	<b>134</b>	<b>476</b>
Revenues	584	609	595	637	2,425
<b>Adjusted EBITDA Margin</b>	<b>17.8%</b>	<b>19.5%</b>	<b>20.0%</b>	<b>21.0%</b>	<b>19.6%</b>



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

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

	Q1	Q2	2013 Q3	Q4	Total
Pre-Tax Net Income	40				
Interest, net	-				
Depreciation	6				
Amortization	2				
Stock Compensation	1				
<b>EBITDA</b>	<b>49</b>				
Restructuring & Realignment	2				
<b>Adjusted EBITDA</b>	<b>51</b>				
Revenues	345				
Adjusted EBITDA Margin	14.8%				

	Q1	Q2	2012 Q3	Q4	Total
Pre-Tax Net Income	40	52	43	35	170
Interest, net	-	-	-	-	-
Depreciation	6	6	6	5	23
Amortization	1	1	1	2	5
Stock Compensation	1	-	2	(1)	2
<b>EBITDA</b>	<b>48</b>	<b>59</b>	<b>52</b>	<b>41</b>	<b>200</b>
Separation Costs	1	-	1	-	2
Restructuring & Realignment	-	-	-	5	5
<b>Adjusted EBITDA</b>	<b>49</b>	<b>59</b>	<b>53</b>	<b>46</b>	<b>207</b>
Revenues	355	373	350	346	1,424
Adjusted EBITDA Margin	13.8%	15.8%	15.1%	13.3%	14.5%

# NON-GAAP RECONCILIATION: GUIDANCE

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

## 2013 Guidance

## Illustration of Mid Point Guidance

	FY '12			FY '13		
	As Reported	Adjustments	Adjusted	As Projected	Adjustments	Adjusted
Total Revenue	3,791		3,791	3,925		3,925
Segment Operating Income	512	30 a	542	484	65 d	549
Segment Operating Margin	13.5%		14.3%	12.3%		14.0%
Corporate Expense	69	(16) b	53	59	-	59
Operating Income	443	46	489	425	65	490
Operating Margin	11.7%		12.9%	10.8%		12.5%
Interest Expense	(55)		(55)	(55)		(55)
Other Non-Operating Income (Expense)	-		-	(2)		(2)
Income before Taxes	388	46	434	368	65	433
Provision for Income Taxes	(91)	(13) c	(104)	(72)	(19) c	(91)
Net Income	297	33	330	296	46	342
Diluted Shares	186.2		186.2	186.4		186.4
Diluted EPS	\$ 1.59	\$ 0.18	\$ 1.77	\$ 1.59	\$ 0.25	\$ 1.84

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

# NON-GAAP RECONCILIATION: ADJ. OPERATING INCOME AND MARGIN

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

	2008	2009	2010	2011	2012	Mid Point Guidance 2013E
Revenue	3,291	2,849	3,202	3,803	3,791	3,925
Operating Income	315	276	388	395	443	425
<i>Operating Margin</i>	9.6%	9.7%	12.1%	10.4%	11.7%	10.8%
Restructuring & Realignment Separation Costs	41	31	15	-	24	65
	-	-	-	87	22	-
Adjusted Operating Income	356	307	403	482	489	490
<i>Adjusted Operating Margin</i>	10.8%	10.8%	12.6%	12.7%	12.9%	12.5%
Standalone Costs	-	-	-	5	28	-
Adj. Operating Income, excl. Standalone Costs	356	307	403	487	517	490
<i>Adjusted Operating Margin, excl. Standalone Costs</i>	10.8%	10.8%	12.6%	12.8%	13.6%	12.5%

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# xylem

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NYSE: XYL

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You may scan the QR code for direct access to the Xylem IR app for iPad® mobile devices.



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