

---

---

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

---

**FORM 8-K**

---

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

**Date of Report (Date of earliest event reported): April 29, 2014**

---

**XYLEM INC.**

(Exact name of registrant as specified in its charter)

---

**Indiana**  
(State or other jurisdiction  
of incorporation)

**001-35229**  
(Commission  
File Number)

**45-2080495**  
(IRS Employer  
Identification No.)

**1 International Drive**  
**Rye Brook, New York**  
(Address of principal executive offices)

**10573**  
(Zip Code)

**(914) 323-5700**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

---

**Item 2.02 Results of Operations and Financial Condition**

Attached hereto as Exhibit 99.1 and incorporated herein by reference is the news release issued by Xylem Inc. on April 29, 2014, announcing its financial results for the quarter ended March 31, 2014.

This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

**Exhibit**

No.	Description
99.1	News Release issued by Xylem Inc. on April 29, 2014.

---

**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 29, 2014

By: /s/ Michael T. Speetzen

Michael T. Speetzen

Senior Vice President and Chief Financial Officer (Authorized Officer  
of Registrant)

---

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	News Release issued by Xylem Inc. on April 29, 2014.

**Xylem Inc.**

1 International Drive, Rye Brook N.Y. 10573  
Tel +1.914.323.5700 Fax +1.914.696.2960

**Contacts:**

Media

Tom Glover +1 (914) 323-5891

[tom.glover@xylem.com](mailto:tom.glover@xylem.com)

Investors

Phil DeSousa +1 (914) 323-5930

[phil.desousa@xylem.com](mailto:phil.desousa@xylem.com)**Xylem Inc. reports improved first quarter earnings; maintains full-year outlook**

- **First quarter 2014 adjusted net income was \$63 million or \$0.34 per share, up 7 cents or 26 percent over first quarter 2013; GAAP net income was \$49 million or \$0.27 per share, up 5 cents or 23 percent**
- **First quarter 2014 revenue was \$906 million, up 3 percent organically from first quarter 2013; first quarter organic orders up 3 percent**
- **First quarter 2014 adjusted operating margin up 150 basis points; up 90 basis points as reported**
- **Xylem maintains full-year outlook; adjusted EPS of \$1.85 to \$2.00 on revenue of approximately \$4 billion**

**RYE BROOK, N.Y., April 29, 2014** – Xylem Inc. (NYSE: XYL), a leading global water technology company dedicated to solving the world’s most challenging water issues, today announced first quarter 2014 net income of \$49 million, or \$0.27 per share. Excluding the impact of restructuring and realignment costs, and special tax items, adjusted net income was \$63 million or \$0.34 per share, up 7 cents or 26 percent from the comparable period in 2013. First quarter revenue was \$906 million, up 3 percent organically, reflecting strength across both of the company’s business segments. First quarter adjusted operating margins improved 150 basis points, driven by increased volume and solid execution against operating efficiencies and ongoing initiatives to reduce costs.

“We are off to a good start in 2014. We had solid order activity during the quarter and strong sales execution, putting us on track to deliver our full-year commitments while maintaining our investments in those areas of the business with the most growth potential,” said Patrick Decker, president and chief executive officer of Xylem.

Decker said the company is moving ahead with initiatives to streamline operations, and is introducing new products to support growth for the full year.

“As I’ve travelled to many of our key sites in my first six weeks at Xylem, I’ve been impressed with our local teams’ knowledge, our passion for customer service, and the opportunities we have to bring further innovative solutions to our customers,” Decker said. “We’re winning business and growing our backlog. Clearly we have opportunity for continued operational improvements and efficiencies, and we will further embed a continuous improvement mindset across the company. We have a solid foundation from which to expand the business, and I’m confident that we will successfully execute our growth strategy.”

## Full-year 2014 Outlook

Xylem also today reaffirmed full-year guidance, forecasting full-year 2014 revenue growth of 2 to 4 percent to approximately \$4 billion. Full-year 2014 adjusted net income is expected to be in the range of \$345 to \$370 million, for adjusted earnings per share of \$1.85 to \$2.00, reflecting 11 to 20 percent growth over 2013. The company anticipates that restructuring and realignment costs will range from \$40 to \$50 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 2014 revenue was \$568 million, up 3 percent compared with the first quarter 2013. Strong growth in emerging markets and more modest growth in Europe more than offset weather-related revenue declines in the U.S. dewatering rental business.
- First quarter adjusted segment operating income, which excludes \$12 million of restructuring and realignment costs, was \$58 million, up 12 percent over the same period in 2013. Adjusted operating margin for the quarter increased 80 basis points, reflecting higher volume and significant benefits from cost reduction actions, partially offset by unfavorable mix and negative impact of foreign exchange.

### 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 2014 revenue was \$355 million, up 3 percent compared with the first quarter 2013, with continued strength in U.S. residential building services and irrigation applications, and growth in industrial and residential in the emerging markets.
- First quarter adjusted segment operating income, which excludes \$6 million of restructuring and realignment costs, was \$47 million, 12 percent higher than the comparable period last year. Adjusted operating margin grew 100 basis points primarily driven by modest volume growth, price and the positive impact of cost reduction actions.

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

## About Xylem

Xylem (XYL) is a leading global water technology provider, enabling customers to transport, treat, test and efficiently use water in public utility, residential and commercial building services, industrial and agricultural settings. The company does business in more than 150 countries through a number of market-leading product brands, and its people bring broad applications expertise with a strong focus on finding local solutions to the world's most challenging water and wastewater problems. Xylem is headquartered in Rye Brook, N.Y., with 2013 revenues of \$3.8 billion and more than 12,500 employees worldwide. Xylem was named to the Dow Jones Sustainability World Index for the last two years 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.xylem.com](http://www.xylem.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 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, and those described from time to time in subsequent reports filed with the Securities and Exchange Commission.

###

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

(in millions, except per share data)

<b>For the three months ended March 31,</b>	<b>2014</b>	<b>2013</b>
Revenue	<b>\$ 906</b>	<b>\$ 879</b>
Cost of revenue	<b>564</b>	<b>545</b>
Gross profit	<b>342</b>	<b>334</b>
Selling, general and administrative expenses	<b>224</b>	<b>237</b>
Research and development expenses	<b>27</b>	<b>26</b>
Restructuring charges	<b>15</b>	<b>5</b>
Operating income	<b>76</b>	<b>66</b>
Interest expense	<b>14</b>	<b>13</b>
Other non-operating (expense), net	<b>(1)</b>	<b>(2)</b>
Income before taxes	<b>61</b>	<b>51</b>
Income tax expense	<b>12</b>	<b>10</b>
Net income	<b>\$ 49</b>	<b>\$ 41</b>
Earnings per share:		
Basic	<b>\$ 0.27</b>	<b>\$ 0.22</b>
Diluted	<b>\$ 0.27</b>	<b>\$ 0.22</b>
Weighted average number of shares:		
Basic	<b>184.5</b>	<b>185.8</b>
Diluted	<b>185.8</b>	<b>186.4</b>
Dividends declared per share	<b>\$0.1280</b>	<b>\$0.1164</b>



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

	<b>March 31,</b> <b>2014</b>	December 31,
	(Unaudited)	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 466	\$ 533
Receivables, less allowances for discounts and doubtful accounts of \$25 and \$31 in 2014 and 2013, respectively	803	817
Inventories, net	516	475
Prepaid and other current assets	166	143
Deferred income tax assets	40	41
<b>Total current assets</b>	<b>1,991</b>	<b>2,009</b>
Property, plant and equipment, net	476	488
Goodwill	1,719	1,718
Other intangible assets, net	480	488
Other non-current assets	221	193
<b>Total assets</b>	<b>\$ 4,887</b>	<b>\$ 4,896</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 325	\$ 332
Accrued and other current liabilities	488	479
Short-term borrowings and current maturities of long-term debt	44	42
<b>Total current liabilities</b>	<b>857</b>	<b>853</b>
Long-term debt	1,199	1,199
Accrued postretirement benefits	348	348
Deferred income tax liabilities	198	191
Other non-current accrued liabilities	56	64
<b>Total liabilities</b>	<b>2,658</b>	<b>2,655</b>
Commitments and contingencies		
Stockholders' equity:		
Common Stock – par value \$0.01 per share:		
Authorized 750.0 shares, issued 188.2 shares and 187.6 shares in 2014 and 2013, respectively	2	2
Capital in excess of par value	1,768	1,753
Retained earnings	430	405
Treasury stock – at cost 4.4 shares and 3.0 shares in 2014 and 2013, respectively	(137)	(86)
Accumulated other comprehensive income	166	167
<b>Total stockholders' equity</b>	<b>2,229</b>	<b>2,241</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,887</b>	<b>\$ 4,896</b>

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

(in millions)

<b>For the three months ended March 31,</b>	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
Net income	\$ 49	\$ 41
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	23	25
Amortization	13	12
Share-based compensation	4	6
Restructuring charges	15	5
Other, net	4	—
Payments for restructuring	(9)	(4)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	(5)	1
Changes in inventories	(42)	(29)
Changes in accounts payable	(2)	(8)
Other, net	(28)	(29)
<b>Net Cash – Operating activities</b>	<b>22</b>	<b>20</b>
<b>Investing Activities</b>		
Capital expenditures	(25)	(30)
Acquisitions of businesses and assets, net of cash acquired	—	(78)
Proceeds from the sale of property, plant and equipment	1	3
<b>Net Cash – Investing activities</b>	<b>(24)</b>	<b>(105)</b>
<b>Financing Activities</b>		
Issuance of short-term debt	2	—
Repurchase of common stock	(51)	(15)
Proceeds from exercise of employee stock options	11	—
Dividends paid	(24)	(22)
Excess tax benefit from share based compensation	1	—
Other, net	(1)	1
<b>Net Cash – Financing activities</b>	<b>(62)</b>	<b>(36)</b>
<b>Effect of exchange rate changes on cash</b>	<b>(3)</b>	<b>(8)</b>
Net change in cash and cash equivalents	(67)	(129)
Cash and cash equivalents at beginning of year	533	504
<b>Cash and cash equivalents at end of period</b>	<b>\$ 466</b>	<b>\$ 375</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 11	\$ 11
Income taxes (net of refunds received)	\$ 18	\$ 27

---

## 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 non-recurring restructuring and realignment costs.

**“Adjusted Operating Income”, “Adjusted Segment Operating Income”, and “Adjusted EPS”** defined as operating income and earnings per share, adjusted to exclude non-recurring restructuring and realignment costs and tax-related special items.

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

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

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

	<u>(As Reported – GAAP)</u>		<u>(As Adjusted – Organic)</u>					<u>Constant Currency</u>		
	(A)	(B)	(C)	(D)	(E)	(F) = B+C+D+E	(G) = F/A	(H) = (F – C) / A		
	<u>Orders</u> 2014	<u>Orders</u> 2013	<u>Change</u> 2014 v. 2013	<u>% Change</u> 2014 v. 2013	<u>Acquisitions /</u> <u>Divestitures</u>	<u>FX</u> <u>Contribution</u>	<u>Eliminations</u>	<u>Change</u> Adj. 2014 v. 2013	<u>% Change</u> Adj. 2014 v. 2013	
<b>Quarter Ended</b>										
<b>March 31</b>										
<b>Xylem Inc.</b>	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)

	<u>(As Reported – GAAP)</u>		<u>(As Adjusted – Organic)</u>					<u>Constant</u>		
	(A)	(B)	(C)	(D)	(E)	(F) = B+C+D+E	(G) = F/A %	(H) = (F –C) / A		
	<u>Revenue</u>	<u>Revenue</u>	Change	%	Acquisitions		Change	Change		
	<u>2014</u>	<u>2013</u>	2014 v. 2013	2014 v. 2013	Divestitures /	<u>FX Contribution</u>	Adj. 2014 v. 2013	Adj. 2014 v. 2013		
<b>Quarter Ended March 31</b>										
<b>Xylem Inc.</b>	906	879	27	3%	(5)	4	—	26	3%	4%
Water infrastructure	568	551	17	3%	(5)	7	1	20	4%	5%
Applied Water	355	345	10	3%	—	(3)	(1)	6	2%	2%

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

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

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

\* Adjusted Operating Income excludes restructuring & realignment costs.

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

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

a Restructuring & realignment costs

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

---

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

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