
**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 30, 2015

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))
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Item 2.02 Results of Operations and Financial Condition

On April 30, 2015, Xylem Inc. issued a press release announcing its financial results for the quarter ended March 31, 2015. A copy of the press release is furnished as Exhibit 99.1 to this report and incorporated by reference herein.

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, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit No.	Description
99.1	News Release issued by Xylem Inc. on April 30, 2015.

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, 2015

By: /s/ Michael T. Speetzen

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

EXHIBIT INDEX

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**Xylem Inc.**

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Xylem Inc. reports solid first quarter earnings

- **First quarter 2015 adjusted earnings per share (EPS) of \$0.33 were down three percent from the first quarter 2014, but up nine percent excluding foreign exchange headwinds; GAAP EPS were \$0.35, up eight cents or 30 percent**
- **First quarter 2015 revenue was \$837 million, an increase of one percent on an organic basis**
- **First quarter 2015 adjusted operating margin increased 40 basis points; up 150 basis points on a GAAP basis**

RYE BROOK, N.Y., April 30, 2015 – Xylem Inc. (NYSE: XYL), a leading global water technology company dedicated to solving the world’s most challenging water issues, today reported first quarter 2015 net income of \$64 million, or \$0.35 per share. Excluding the gain from the sale of businesses, restructuring and realignment charges and other special items, adjusted net income was \$60 million or \$0.33 per share, a decrease of one cent or three percent from the comparable period in 2014. First quarter revenue was \$837 million, up one percent organically, reflecting strength in emerging markets and the U.S. First quarter adjusted operating margin improved 40 basis points, driven by increased operating efficiencies and lower expenses.

“We are off to a solid start in 2015 as we continue to advance our strategy,” said Patrick Decker, President and Chief Executive Officer of Xylem. “We saw continued strength in emerging markets and growing momentum in the U.S. Our Water Infrastructure segment generated solid growth in orders during the quarter, including double-digit growth in treatment orders. A great example is the \$16 million order we secured to upgrade the drinking water treatment plants and distribution systems of a Canadian municipality.”

Decker continued, “Despite the ongoing negative impact of foreign exchange translation, the fundamentals of our core business continue to improve. This was evident in our ability to drive a nine-percent increase in year-over-year adjusted earnings per share in the first quarter, excluding these foreign exchange headwinds. Looking ahead, we will focus on accelerating operational improvements as we continue to strengthen key capabilities in the organization.”

During the first quarter 2015, Xylem repurchased 1.4 million shares of common stock under its stock repurchase program for an aggregate purchase price of \$50 million. As of March 31, 2015, Xylem had approximately \$50 million remaining under its current stock repurchase authorizations.

Full-year 2015 Outlook

Xylem is maintaining its operational outlook for its full-year guidance. The Company, however, is adjusting its 2015 guidance to reflect the significant foreign exchange fluctuations that have occurred since the Company’s previous forecast was announced in February. As a result of the projected unfavorable impact of foreign exchange translation, Xylem now expects full-year 2015 revenue of approximately \$3.7 billion, a decrease of seven to eight percent from the full-year 2014 results. On an organic basis, Xylem continues to anticipate revenue growth in the range of one to three percent.

Full-year 2015 adjusted operating income is now expected to be in the range of \$469 to \$494 million, resulting in adjusted earnings per share of \$1.80 to \$1.90. Excluding the projected unfavorable impact of foreign exchange translation, Xylem's adjusted earnings per share growth expectations remain unchanged in the range of five to 10 percent over the comparable full-year 2014 results. The Company's outlook for projected restructuring and realignment costs of \$20 million for the year also remains unchanged.

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 2015 Water Infrastructure revenue was \$500 million, flat relative to the prior year period on an organic basis. Growth in emerging markets was driven by continued investment in the development of water and wastewater infrastructure, which was offset by the timing of prior-year project deliveries in Australia as well as market softness there and in Canada.
- First quarter adjusted segment operating income was \$53 million, down from \$58 million in the prior year, reflecting the unfavorable impact of foreign exchange translation. Adjusted operating margin for the quarter increased 10 basis points to 10.6 percent, primarily driven by the impact of cost reductions, which was partially offset by inflation.

Applied Water

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

- First quarter 2015 revenue was \$337 million, up two percent organically compared with the first quarter 2014. This growth was driven by strength in our U.S. commercial building services business, partially offset by the impact of softening markets in agriculture.
- First quarter adjusted segment operating income was \$47 million, flat versus the comparable period last year. The impact of productivity actions and cost reductions helped to drive a 60-basis-point increase in the adjusted operating margin for the segment to 13.9 percent. This margin expansion included the absorption of a 30-basis-point negative impact from foreign exchange translation.

Supplemental information on Xylem's first quarter earnings and reconciliations for non-GAAP items are posted at <http://investors.xyleminc.com>.

About Xylem

Xylem (XYL) is a leading global water technology provider, enabling customers to transport, treat, test and efficiently use water in public utility, residential and commercial building services, industrial and agricultural settings. The Company does business in more than 150 countries through a number of market-leading product brands, and its people bring broad applications expertise with a strong focus on finding local solutions to the world's most challenging water and wastewater problems. Xylem is headquartered in Rye Brook, New York, with 2014 revenues of \$3.9 billion and approximately 12,500 employees worldwide. Xylem was named to the Dow Jones Sustainability Index for the last three 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.

Forward-Looking Statements

This press release contains information that may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Act of 1995. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “target,” “will,” “could,” “would,” “should” 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 statements about the capitalization of 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. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future – including statements relating to orders, revenue, operating margins and earnings per share growth, and statements expressing general views about future operating results – are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Factors that could cause results to differ materially from those anticipated include: economic, political and other risks associated with our international operations, including military actions, economic sanctions or trade embargoes that could affect customer markets, and non-compliance with laws, including foreign corrupt practice laws, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; competition and pricing pressures in the markets we serve; the strength of housing and related markets; weather conditions; ability to retain and attract key members of management; our relationship with and the performance of our channel partners; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; changes in the value of goodwill or intangible assets; risks relating to product defects, product liability and recalls; governmental investigations; security breaches or other disruptions of our information technology systems; litigation and contingent liabilities; and other factors set forth under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014 and with subsequent filings we make with the Securities and Exchange Commission.

All forward-looking statements made herein are based on information available to the Company as of the date of this press release. 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.

XYLEM INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)

(in millions, except per share data)

For the three months ended March 31,	2015	2014
Revenue	\$ 837	\$ 906
Cost of revenue	522	564
Gross profit	315	342
Selling, general and administrative expenses	206	224
Research and development expenses	23	27
Restructuring charges	3	15
Operating income	83	76
Interest expense	14	14
Other non-operating (expense), net	(1)	(1)
Gain from sale of businesses	9	—
Income before taxes	77	61
Income tax expense	13	12
Net income	\$ 64	\$ 49
Earnings per share:		
Basic	\$ 0.35	\$ 0.27
Diluted	\$ 0.35	\$ 0.27
Weighted average number of shares:		
Basic	182.1	184.5
Diluted	183.1	185.8
Dividends declared per share	\$0.1408	\$0.1280

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

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 554	\$ 663
Receivables, less allowances for discounts and doubtful accounts of \$28 and \$34 in 2015 and 2014, respectively	738	771
Inventories	502	486
Prepaid and other current assets	141	144
Deferred income tax assets	38	38
Total current assets	1,973	2,102
Property, plant and equipment, net	434	461
Goodwill	1,582	1,635
Other intangible assets, net	446	470
Other non-current assets	185	192
Total assets	\$ 4,620	\$ 4,860
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 311	\$ 338
Accrued and other current liabilities	441	481
Short-term borrowings and current maturities of long-term debt	81	89
Total current liabilities	833	908
Long-term debt	1,195	1,195
Accrued postretirement benefits	374	388
Deferred income tax liabilities	152	158
Other non-current accrued liabilities	77	84
Total liabilities	2,631	2,733
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common Stock – par value \$0.01 per share:		
Authorized 750.0 shares, issued 189.4 shares and 188.9 shares in 2015 and 2014, respectively	2	2
Capital in excess of par value	1,807	1,796
Retained earnings	686	648
Treasury stock – at cost 8.1 shares and 6.6 shares in 2015 and 2014, respectively	(273)	(220)
Accumulated other comprehensive loss	(233)	(99)
Total stockholders' equity	1,989	2,127
Total liabilities and stockholders' equity	\$ 4,620	\$ 4,860

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

(in millions)

For the three months ended March 31,	2015	2014
Operating Activities		
Net income	\$ 64	\$ 49
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	24	23
Amortization	11	13
Share-based compensation	4	4
Restructuring charges	3	15
Gain from sale of businesses	(9)	—
Other, net	1	4
Payments for restructuring	(6)	(9)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	4	(5)
Changes in inventories	(33)	(42)
Changes in accounts payable	4	(2)
Other, net	(28)	(28)
Net Cash – Operating activities	<u>39</u>	<u>22</u>
Investing Activities		
Capital expenditures	(37)	(25)
Proceeds from sale of businesses	1	—
Proceeds from the sale of property, plant and equipment	—	1
Net Cash – Investing activities	<u>(36)</u>	<u>(24)</u>
Financing Activities		
Issuance of short-term debt	—	2
Repurchase of common stock	(53)	(51)
Proceeds from exercise of employee stock options	6	11
Dividends paid	(26)	(24)
Other, net	2	—
Net Cash – Financing activities	<u>(71)</u>	<u>(62)</u>
Effect of exchange rate changes on cash	<u>(41)</u>	<u>(3)</u>
Net change in cash and cash equivalents	(109)	(67)
Cash and cash equivalents at beginning of year	663	533
Cash and cash equivalents at end of period	<u>\$ 554</u>	<u>\$466</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 11	\$ 11
Income taxes (net of refunds received)	\$ 8	\$ 18

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 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 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 restructuring and realignment costs, gain on sale of businesses, 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 costs not included in restructuring costs that are incurred as part of actions taken to reposition our business, including items such as professional fees, severance, relocation, travel, facility set-up and other costs.

“Special charges” defined as costs incurred by the Company, such as legal and professional fees, associated with the Korea matters, as well as costs incurred for the contractual indemnification of tax obligations to ITT.

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</u>		<u>Currency</u> (G) = (E – C) / A
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E – C) / A		
	<u>Orders</u> 2015	<u>Orders</u> 2014	<u>Change</u> 2015 v. 2014	<u>%</u> Change 2015 v. 2014	<u>Acquisitions /</u> <u>Divestitures</u>	<u>FX Contribution</u>	<u>Change</u> Adj. 2015 v. 2014	<u>%</u> Change Adj. 2015 v. 2014	
Quarter Ended March 31									
Xylem Inc.	915	993	(78)	-8%	5	77	4	0%	0%
Water infrastructure	562	597	(35)	-6%	—	56	21	4%	4%
Applied Water	353	396	(43)	-11%	5	21	(17)	-4%	-6%

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

	(As Reported – GAAP)				(As Adjusted – Organic)				Constant
	(A)		(B)		(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E – C) / A
	<u>Revenue</u> 2015	<u>Revenue</u> 2014	Change 2015 v. 2014	% Change 2015 v. 2014	<u>Acquisitions / Divestitures</u>	<u>FX Contribution</u>	Change Adj. 2015 v. 2014	% Change Adj. 2015 v. 2014	
Quarter Ended March 31									
Xylem Inc.	837	906	(69)	-8%	5	73	9	1%	0%
Water infrastructure	500	552	(52)	-9%	—	54	2	0%	0%
Applied Water	337	354	(17)	-5%	5	19	7	2%	1%

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

	Q1	
	2015	2014
Total Revenue		
•Total Xylem	837	906
•Water Infrastructure	500	552
•Applied Water	337	354
Operating Income		
•Total Xylem	83	76
•Water Infrastructure	47	46
•Applied Water	46	41
•Total Segments	93	87
Operating Margin		
•Total Xylem	9.9%	8.4%
•Water Infrastructure	9.4%	8.3%
•Applied Water	13.6%	11.6%
•Total Segments	<u>11.1%</u>	<u>9.6%</u>
Special Charges		
•Total Xylem	1	—
•Water Infrastructure	1	—
•Applied Water	—	—
•Total Segments	1	—
Restructuring & Realignment Costs		
•Total Xylem	6	18
•Water Infrastructure	5	12
•Applied Water	1	6
•Total Segments	6	18
Adjusted Operating Income*		
•Total Xylem	90	94
•Water Infrastructure	53	58
•Applied Water	47	47
•Total Segments	100	105
Adjusted Operating Margin*		
•Total Xylem	10.8%	10.4%
•Water Infrastructure	10.6%	10.5%
•Applied Water	13.9%	13.3%
•Total Segments	<u>11.9%</u>	<u>11.6%</u>

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

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

	Q1 2014			Q1 2015		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	906		906	837		837
Operating Income	76	18a	94	83	7a	90
Operating Margin	8.4%		10.4%	9.9%		10.8%
Interest Expense	(14)		(14)	(14)		(14)
Other Non-Operating Income (Expense)	(1)		(1)	(1)	1b	—
Gain from sale of businesses	—		—	9	(9)	0
Income before Taxes	61	18	79	77	(1)	76
Provision for Income Taxes	(12)	(4)c	(16)	(13)	(3)c	(16)
Net Income	49	14	63	64	(4)	60
Diluted Shares	185.8		185.8	183.1		183.1
Diluted EPS	\$ 0.27	\$ 0.07	\$ 0.34	\$ 0.35	\$ (0.02)	\$ 0.33
Currency translation impact on current year diluted EPS				\$ (0.04)		\$ (0.04)
Diluted EPS at Constant Currency				\$ 0.39		\$ 0.37

a Restructuring & realignment costs in 2014 and 2015 and special charges in 2015

b Special charges

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

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

	Three Months Ended	
	<u>2015</u>	<u>2014</u>
Net Cash – Operating Activities	\$ 39	\$ 22
Capital Expenditures	<u>(37)</u>	<u>(25)</u>
Free Cash Flow	<u>\$ 2</u>	<u>\$ (3)</u>
Net Income	64	49
Gain from sale of businesses	9	—
Net Income, excluding gain on sale of businesses	<u>\$ 55</u>	<u>\$ 49</u>
Free Cash Flow Conversion	<u>4%</u>	<u>-6%</u>