

Xylem Inc.
Form 10-Q
April 30, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-35229

Xylem Inc.

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of incorporation or
organization)

45-2080495

(I.R.S. Employer Identification No.)

1133 Westchester Avenue, Suite N200, White Plains, NY 10604

(address of principal executive offices and zip code)

Telephone number: (914) 323-5700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 26, 2013, there were 185,291,257 outstanding shares of the registrant's common stock, par value \$0.01 per share.

Xylem Inc.

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PART I

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

XYLEM INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)

(in millions, except per share data)

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

XYLEM INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
 (in millions)

For the three months ended March 31,	2013	2012
Net income	\$41	\$63
Other comprehensive income, before tax:		
Foreign currency translation adjustment	(43) 49
Net change in cash flow hedges:		
Unrealized (losses) gains	(2) 4
Amount of gain reclassified into net income	(1) —
Net change in postretirement benefit plans:		
Amortization of net actuarial loss	4	2
Settlement	—	2
Other comprehensive (loss) income, before tax	(42) 57
Income tax expense related to items of other comprehensive income	1	2
Other comprehensive (loss) income, net of tax	(43) 55
Comprehensive (loss) income	\$(2) \$118
See accompanying notes to condensed consolidated financial statements.		

XYLEM INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except per share amounts)

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
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
Total current assets	1,757	1,874
Property, plant and equipment, net	474	487
Goodwill	1,669	1,647
Other intangible assets, net	504	484
Other non-current assets	185	187
Total assets	\$4,589	\$4,679
LIABILITIES AND STOCKHOLDERS' EQUITY		
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
Total current liabilities	721	781
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
Total liabilities	2,549	2,605
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Common Stock – par value \$0.01 per share:		