

Edgar Filing: Xylem Inc. - Form 10-Q

Xylem Inc.

Form 10-Q

October 30, 2018

false--12-31Q320180001524472falseLarge Accelerated

FilerfalseP18YP10YP17YP3YP3YP20Y35000000340000000.180.180.210.210.010.01750000000.0750000000.0192300000.0

0001524472 2018-01-01 2018-09-30 0001524472 2018-10-26 0001524472 2017-01-01 2017-09-30 0001524472

2018-07-01 2018-09-30 0001524472 2017-07-01 2017-09-30 0001524472 2017-12-31 0001524472 2018-09-30

0001524472 2017-09-30 0001524472 2016-12-31 0001524472 us-gaap:NewAccountingPronouncementMember

2017-01-01 2017-12-31 0001524472 us-gaap:NewAccountingPronouncementMember 2016-01-01 2016-03-31

0001524472 xyl:AccountingStandardsUpdate201802Member

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001524472

xyl:AccountingStandardsUpdate201802Member us-gaap:RetainedEarningsMember 2017-12-31 0001524472

us-gaap:NewAccountingPronouncementMember 2016-10-01 2016-12-31 0001524472

us-gaap:NewAccountingPronouncementMember 2017-07-01 2017-09-30 0001524472

us-gaap:NewAccountingPronouncementMember 2017-10-01 2017-12-31 0001524472

us-gaap:NewAccountingPronouncementMember 2016-07-01 2016-09-30 0001524472

us-gaap:NewAccountingPronouncementMember 2016-04-01 2016-06-30 0001524472

us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember xyl:PrecisionDieCastingMember

2017-01-01 2017-12-31 0001524472 xyl:PureTechnologiesLtdMember 2018-01-31 2018-01-31 0001524472

xyl:PureTechnologiesLtdMember 2018-07-01 2018-09-30 0001524472

us-gaap:SeriesOfIndividuallyImmaterialBusinessAcquisitionsMember 2018-07-01 2018-09-30 0001524472

us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember

xyl:UKandPolandBasedMembranesBusinessMember 2017-02-17 2017-02-17 0001524472

us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember

xyl:UKandPolandBasedMembranesBusinessMember 2016-01-01 2016-12-31 0001524472

us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember

xyl:UKandPolandBasedMembranesBusinessMember 2017-02-17 0001524472

us-gaap:SeriesOfIndividuallyImmaterialBusinessAcquisitionsMember 2018-01-01 2018-09-30 0001524472

xyl:PureTechnologiesLtdMember 2018-01-01 2018-09-30 0001524472

us-gaap:DisposalGroupDisposedOfBySaleNotDiscontinuedOperationsMember xyl:PrecisionDieCastingMember

2018-07-01 2018-09-30 0001524472 xyl:PureTechnologiesLtdMember

us-gaap:TechnologyBasedIntangibleAssetsMember 2016-10-31 0001524472 xyl:PureTechnologiesLtdMember

us-gaap:TradeNamesMember 2016-10-31 0001524472 xyl:PureTechnologiesLtdMember 2016-10-31 0001524472

xyl:PureTechnologiesLtdMember us-gaap:CustomerRelationshipsMember 2016-10-31 0001524472

xyl:PureTechnologiesLtdMember us-gaap:SoftwareDevelopmentMember 2016-10-31 0001524472

xyl:PureTechnologiesLtdMember 2018-01-31 0001524472 xyl:PureTechnologiesLtdMember 2017-01-01 2017-09-30

0001524472 xyl:PureTechnologiesLtdMember 2017-07-01 2017-09-30 0001524472 srt:MaximumMember

xyl:PureTechnologiesLtdMember us-gaap:CustomerRelationshipsMember 2018-01-01 2018-09-30 0001524472

srt:MinimumMember xyl:PureTechnologiesLtdMember us-gaap:SoftwareDevelopmentMember 2018-01-01

2018-09-30 0001524472 xyl:PureTechnologiesLtdMember us-gaap:TradeNamesMember 2018-01-01 2018-09-30

0001524472 srt:MinimumMember xyl:PureTechnologiesLtdMember us-gaap:CustomerRelationshipsMember

2018-01-01 2018-09-30 0001524472 srt:MaximumMember xyl:PureTechnologiesLtdMember

us-gaap:TechnologyBasedIntangibleAssetsMember 2018-01-01 2018-09-30 0001524472 srt:MinimumMember

xyl:PureTechnologiesLtdMember us-gaap:TechnologyBasedIntangibleAssetsMember 2018-01-01 2018-09-30

0001524472 srt:MaximumMember 2018-09-30 0001524472 srt:MinimumMember 2018-09-30 0001524472

xyl:IndustrialWaterMember xyl:AppliedWaterMember 2018-01-01 2018-09-30 0001524472 xyl:TransportMember

xyl:WaterInfrastructureMember 2018-01-01 2018-09-30 0001524472 us-gaap:PublicUtilitiesInventoryWaterMember

xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30 0001524472 xyl:TransportMember

xyl:WaterInfrastructureMember 2018-07-01 2018-09-30 0001524472 xyl:ResidentialBuildingServicesMember

xyl:AppliedWaterMember 2018-01-01 2018-09-30 0001524472 us-gaap:PublicUtilitiesInventoryWaterMember

xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472 xyl:ElectricMember

Edgar Filing: Xylem Inc. - Form 10-Q

xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30 0001524472 xyl:TreatmentMember
xyl:WaterInfrastructureMember 2018-01-01 2018-09-30 0001524472 xyl:ElectricMember
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472 xyl:GasMember
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472 xyl:GasMember
xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30 0001524472 xyl:IndustrialWaterMember
xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472 xyl:CommercialBuildingServicesMember
xyl:AppliedWaterMember 2018-01-01 2018-09-30 0001524472 xyl:CommercialBuildingServicesMember
xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472 xyl:TreatmentMember
xyl:WaterInfrastructureMember 2018-07-01 2018-09-30 0001524472 xyl:TestMember
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472
xyl:ResidentialBuildingServicesMember xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472
xyl:SoftwareAndServicesOtherMember xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30
0001524472 xyl:SoftwareAndServicesOtherMember xyl:MeasurementandControlSolutionsMember 2018-07-01
2018-09-30 0001524472 xyl:TestMember xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30
0001524472 srt:EuropeMember xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472
xyl:EmergingMarketsAndOtherMember xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30
0001524472 xyl:EmergingMarketsAndOtherMember xyl:WaterInfrastructureMember 2018-01-01 2018-09-30
0001524472 srt:EuropeMember xyl:WaterInfrastructureMember 2018-01-01 2018-09-30 0001524472 country:US
xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30 0001524472
xyl:EmergingMarketsAndOtherMember xyl:AppliedWaterMember 2018-01-01 2018-09-30 0001524472
srt:EuropeMember xyl:WaterInfrastructureMember 2018-07-01 2018-09-30 0001524472 country:US
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472
xyl:EmergingMarketsAndOtherMember xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30
0001524472 xyl:EmergingMarketsAndOtherMember xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472
srt:EuropeMember xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30 0001524472 country:US
xyl:WaterInfrastructureMember 2018-07-01 2018-09-30 0001524472 country:US xyl:WaterInfrastructureMember
2018-01-01 2018-09-30 0001524472 xyl:EmergingMarketsAndOtherMember xyl:WaterInfrastructureMember
2018-07-01 2018-09-30 0001524472 srt:EuropeMember xyl:AppliedWaterMember 2018-01-01 2018-09-30
0001524472 country:US xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472 country:US
xyl:AppliedWaterMember 2018-01-01 2018-09-30 0001524472 srt:EuropeMember
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472 xyl:WaterInfrastructureMember
2018-07-01 2018-09-30 0001524472 us-gaap:CorporateMember 2017-07-01 2017-09-30 0001524472
xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-09-30 0001524472 xyl:AppliedWaterMember
2017-07-01 2017-09-30 0001524472 xyl:WaterInfrastructureMember 2017-07-01 2017-09-30 0001524472
us-gaap:CorporateMember 2017-01-01 2017-09-30 0001524472 xyl:MeasurementandControlSolutionsMember
2018-07-01 2018-09-30 0001524472 xyl:WaterInfrastructureMember 2018-01-01 2018-09-30 0001524472
xyl:MeasurementandControlSolutionsMember 2017-07-01 2017-09-30 0001524472
xyl:MeasurementandControlSolutionsMember 2017-01-01 2017-09-30 0001524472 xyl:AppliedWaterMember
2017-01-01 2017-09-30 0001524472 us-gaap:CorporateMember 2018-07-01 2018-09-30 0001524472
xyl:WaterInfrastructureMember 2017-01-01 2017-09-30 0001524472 us-gaap:CorporateMember 2018-01-01
2018-09-30 0001524472 xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472 xyl:AppliedWaterMember
2018-01-01 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSeventeenRestructuringPlanMember xyl:MeasurementandControlSolutionsMember 2018-09-30
0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-09-30 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandEighteenRestructuringPlanMember 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandEighteenRestructuringPlanMember xyl:AppliedWaterMember 2018-01-01 2018-03-31 0001524472
us-gaap:CorporateNonSegmentMember xyl:TwoThousandSixteenRestructuringPlanMember 2018-07-01 2018-09-30
0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:AppliedWaterMember 2017-01-01 2017-12-31 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandSixteenRestructuringPlanMember 2018-01-01 2018-03-31 0001524472

Edgar Filing: Xylem Inc. - Form 10-Q

us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandEighteenRestructuringPlanMember xyl:WaterInfrastructureMember 2018-07-01 2018-09-30
0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-09-30 0001524472
xyl:TwoThousandSixteenRestructuringPlanMember 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSeventeenRestructuringPlanMember xyl:WaterInfrastructureMember 2018-04-01 2018-06-30
0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-01-01 2018-03-31 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSixteenRestructuringPlanMember xyl:MeasurementandControlSolutionsMember 2018-04-01
2018-06-30 0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-04-01 2018-06-30 0001524472
us-gaap:CorporateNonSegmentMember xyl:TwoThousandSixteenRestructuringPlanMember 2018-09-30 0001524472
xyl:TwoThousandSixteenRestructuringPlanMember 2017-01-01 2017-12-31 0001524472
xyl:TwoThousandSixteenRestructuringPlanMember 2018-04-01 2018-06-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2016-01-01 2016-12-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:AppliedWaterMember 2018-09-30 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandEighteenRestructuringPlanMember 2018-07-01 2018-09-30 0001524472
xyl:TwoThousandSeventeenRestructuringPlanMember 2017-01-01 2017-12-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-07-01 2018-09-30 0001524472
xyl:TwoThousandSixteenRestructuringPlanMember 2016-01-01 2016-12-31 0001524472
xyl:TwoThousandSixteenRestructuringPlanMember 2018-01-01 2018-03-31 0001524472
us-gaap:CorporateNonSegmentMember xyl:TwoThousandEighteenRestructuringPlanMember 2018-01-01
2018-03-31 0001524472 xyl:TwoThousandEighteenRestructuringPlanMember 2018-07-01 2018-09-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember xyl:AppliedWaterMember
2018-09-30 0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-09-30 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandSixteenRestructuringPlanMember 2016-01-01 2016-12-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember xyl:AppliedWaterMember
2018-09-30 0001524472 us-gaap:CorporateNonSegmentMember xyl:TwoThousandSixteenRestructuringPlanMember
2018-04-01 2018-06-30 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandSeventeenRestructuringPlanMember 2018-01-01 2018-03-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472 xyl:TwoThousandEighteenRestructuringPlanMember
2018-09-30 0001524472 xyl:TwoThousandEighteenRestructuringPlanMember 2018-04-01 2018-06-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-01-01 2018-03-31 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandSixteenRestructuringPlanMember 2017-01-01 2017-12-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember xyl:AppliedWaterMember
2018-04-01 2018-06-30 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandSeventeenRestructuringPlanMember 2017-01-01 2017-12-31 0001524472
xyl:TwoThousandSeventeenRestructuringPlanMember 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandEighteenRestructuringPlanMember xyl:WaterInfrastructureMember 2018-09-30 0001524472
xyl:TwoThousandSixteenRestructuringPlanMember 2018-07-01 2018-09-30 0001524472

Edgar Filing: Xylem Inc. - Form 10-Q

xyl:TwoThousandSeventeenRestructuringPlanMember 2018-01-01 2018-03-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:WaterInfrastructureMember 2016-01-01 2016-12-31 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSeventeenRestructuringPlanMember xyl:MeasurementandControlSolutionsMember 2017-01-01
2017-12-31 0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-03-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-07-01 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSixteenRestructuringPlanMember xyl:MeasurementandControlSolutionsMember 2018-01-01
2018-03-31 0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:AppliedWaterMember 2018-07-01 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSixteenRestructuringPlanMember xyl:AppliedWaterMember 2018-04-01 2018-06-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-01-01 2018-03-31 0001524472
us-gaap:CorporateNonSegmentMember xyl:TwoThousandSeventeenRestructuringPlanMember 2018-07-01
2018-09-30 0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-01-01 2018-03-31 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSeventeenRestructuringPlanMember xyl:AppliedWaterMember 2018-04-01 2018-06-30
0001524472 us-gaap:CorporateNonSegmentMember xyl:TwoThousandSeventeenRestructuringPlanMember
2018-04-01 2018-06-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSixteenRestructuringPlanMember xyl:AppliedWaterMember 2017-01-01 2017-12-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2017-01-01 2017-12-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember
xyl:MeasurementandControlSolutionsMember 2018-07-01 2018-09-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSixteenRestructuringPlanMember xyl:AppliedWaterMember
2018-01-01 2018-03-31 0001524472 us-gaap:CorporateNonSegmentMember
xyl:TwoThousandEighteenRestructuringPlanMember 2018-04-01 2018-06-30 0001524472
xyl:TwoThousandEighteenRestructuringPlanMember 2018-01-01 2018-03-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:AppliedWaterMember 2018-01-01 2018-03-31 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSixteenRestructuringPlanMember xyl:WaterInfrastructureMember 2017-01-01 2017-12-31
0001524472 xyl:TwoThousandSeventeenRestructuringPlanMember 2018-07-01 2018-09-30 0001524472
us-gaap:CorporateNonSegmentMember xyl:TwoThousandSeventeenRestructuringPlanMember 2018-09-30
0001524472 xyl:TwoThousandSeventeenRestructuringPlanMember 2018-04-01 2018-06-30 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandSeventeenRestructuringPlanMember
xyl:WaterInfrastructureMember 2017-01-01 2017-12-31 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSixteenRestructuringPlanMember xyl:WaterInfrastructureMember 2018-04-01 2018-06-30
0001524472 us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember
xyl:WaterInfrastructureMember 2018-04-01 2018-06-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandSixteenRestructuringPlanMember xyl:AppliedWaterMember 2016-01-01 2016-12-31 0001524472
us-gaap:OperatingSegmentsMember xyl:TwoThousandEighteenRestructuringPlanMember xyl:AppliedWaterMember
2018-07-01 2018-09-30 0001524472 us-gaap:OperatingSegmentsMember
xyl:TwoThousandEighteenRestructuringPlanMember xyl:MeasurementandControlSolutionsMember 2018-04-01
2018-06-30 0001524472 xyl:WaterInfrastructureMember 2017-09-30 0001524472 xyl:AppliedWaterMember
2017-09-30 0001524472 xyl:RegionalSellingLocationMemberMember 2017-09-30 0001524472
us-gaap:CorporateMember 2018-09-30 0001524472 xyl:MeasurementandControlSolutionsMember 2017-09-30
0001524472 xyl:AppliedWaterMember 2018-09-30 0001524472 xyl:WaterInfrastructureMember 2018-09-30
0001524472 xyl:MeasurementandControlSolutionsMember 2018-09-30 0001524472
xyl:RegionalSellingLocationMemberMember 2018-09-30 0001524472 us-gaap:CorporateMember 2017-09-30
0001524472 2017-01-01 2017-12-31 0001524472 us-gaap:RestrictedStockMember 2017-07-01 2017-09-30

Edgar Filing: Xylem Inc. - Form 10-Q

0001524472 us-gaap:EmployeeStockOptionMember 2017-01-01 2017-09-30 0001524472
us-gaap:EmployeeStockOptionMember 2018-07-01 2018-09-30 0001524472 us-gaap:RestrictedStockMember
2018-01-01 2018-09-30 0001524472 us-gaap:RestrictedStockMember 2017-01-01 2017-09-30 0001524472
us-gaap:EmployeeStockOptionMember 2017-07-01 2017-09-30 0001524472 us-gaap:EmployeeStockOptionMember
2018-01-01 2018-09-30 0001524472 us-gaap:RestrictedStockMember 2018-07-01 2018-09-30 0001524472
us-gaap:PerformanceSharesMember 2017-01-01 2017-09-30 0001524472 us-gaap:RestrictedStockMember
2018-07-01 2018-09-30 0001524472 us-gaap:EmployeeStockOptionMember 2018-01-01 2018-09-30 0001524472
us-gaap:EmployeeStockOptionMember 2017-07-01 2017-09-30 0001524472 us-gaap:PerformanceSharesMember
2018-07-01 2018-09-30 0001524472 us-gaap:EmployeeStockOptionMember 2017-01-01 2017-09-30 0001524472
us-gaap:EmployeeStockOptionMember 2018-07-01 2018-09-30 0001524472 us-gaap:PerformanceSharesMember
2018-01-01 2018-09-30 0001524472 us-gaap:PerformanceSharesMember 2017-07-01 2017-09-30 0001524472
us-gaap:RestrictedStockMember 2017-07-01 2017-09-30 0001524472 us-gaap:RestrictedStockMember 2018-01-01
2018-09-30 0001524472 us-gaap:RestrictedStockMember 2017-01-01 2017-09-30 0001524472
us-gaap:EquipmentLeasedToOtherPartyMember 2017-12-31 0001524472
us-gaap:OtherCapitalizedPropertyPlantAndEquipmentMember 2018-09-30 0001524472
us-gaap:LandBuildingsAndImprovementsMember 2018-09-30 0001524472 us-gaap:FurnitureAndFixturesMember
2017-12-31 0001524472 us-gaap:MachineryAndEquipmentMember 2018-09-30 0001524472
us-gaap:LandBuildingsAndImprovementsMember 2017-12-31 0001524472
us-gaap:OtherCapitalizedPropertyPlantAndEquipmentMember 2017-12-31 0001524472
us-gaap:EquipmentLeasedToOtherPartyMember 2018-09-30 0001524472 us-gaap:ConstructionInProgressMember
2017-12-31 0001524472 us-gaap:ConstructionInProgressMember 2018-09-30 0001524472
us-gaap:MachineryAndEquipmentMember 2017-12-31 0001524472 us-gaap:FurnitureAndFixturesMember
2018-09-30 0001524472 us-gaap:UnclassifiedIndefinitelivedIntangibleAssetsMember 2018-09-30 0001524472
xyl:ProprietaryandPatentedTechnologyMember 2017-12-31 0001524472 us-gaap:CustomerRelationshipsMember
2018-09-30 0001524472 us-gaap:UnclassifiedIndefinitelivedIntangibleAssetsMember 2017-12-31 0001524472
us-gaap:OtherIntangibleAssetsMember 2018-09-30 0001524472 xyl:ProprietaryandPatentedTechnologyMember
2018-09-30 0001524472 us-gaap:TrademarksMember 2017-12-31 0001524472
us-gaap:SoftwareDevelopmentMember 2017-12-31 0001524472 us-gaap:TrademarksMember 2018-09-30
0001524472 us-gaap:OtherIntangibleAssetsMember 2017-12-31 0001524472 us-gaap:CustomerRelationshipsMember
2017-12-31 0001524472 us-gaap:SoftwareDevelopmentMember 2018-09-30 0001524472
xyl:WaterInfrastructureMember 2017-12-31 0001524472 xyl:AppliedWaterMember 2017-12-31 0001524472
xyl:MeasurementandControlSolutionsMember 2017-12-31 0001524472 us-gaap:ForeignExchangeContractMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-09-30
0001524472 xyl:ForeignCurrencyDenominatedDebtMember us-gaap:OtherComprehensiveIncomeMember
2017-01-01 2017-09-30 0001524472 us-gaap:CrossCurrencyInterestRateContractMember
us-gaap:OtherComprehensiveIncomeMember 2018-07-01 2018-09-30 0001524472
xyl:ForeignCurrencyDenominatedDebtMember us-gaap:OtherComprehensiveIncomeMember 2018-01-01 2018-09-30
0001524472 us-gaap:ForeignExchangeContractMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2018-07-01 2018-09-30
0001524472 us-gaap:ForeignExchangeContractMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30
0001524472 xyl:ForeignCurrencyDenominatedDebtMember us-gaap:OtherComprehensiveIncomeMember
2018-07-01 2018-09-30 0001524472 us-gaap:ForeignExchangeContractMember
us-gaap:OtherComprehensiveIncomeMember 2017-07-01 2017-09-30 0001524472
us-gaap:CrossCurrencyInterestRateContractMember us-gaap:OtherComprehensiveIncomeMember 2017-01-01
2017-09-30 0001524472 us-gaap:ForeignExchangeContractMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2017-07-01 2017-09-30
0001524472 xyl:ForeignCurrencyDenominatedDebtMember us-gaap:OtherComprehensiveIncomeMember
2017-07-01 2017-09-30 0001524472 us-gaap:CrossCurrencyInterestRateContractMember
us-gaap:OtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0001524472
us-gaap:ForeignExchangeContractMember us-gaap:OtherComprehensiveIncomeMember 2018-01-01 2018-09-30

Edgar Filing: Xylem Inc. - Form 10-Q

0001524472 us-gaap:ForeignExchangeContractMember us-gaap:OtherComprehensiveIncomeMember 2017-01-01
2017-09-30 0001524472 us-gaap:CrossCurrencyInterestRateContractMember
us-gaap:OtherComprehensiveIncomeMember 2017-07-01 2017-09-30 0001524472
us-gaap:ForeignExchangeContractMember us-gaap:OtherComprehensiveIncomeMember 2018-07-01 2018-09-30
0001524472 us-gaap:CrossCurrencyInterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember
2018-09-30 0001524472 xyl:SellCDNBuyEURMember us-gaap:DesignatedAsHedgingInstrumentMember
2018-09-30 0001524472 xyl:BuyKRSellEURMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30
0001524472 xyl:SellGBPBuyEURMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30
0001524472 xyl:SellEURBuyPLNMember us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31
0001524472 us-gaap:LongTermDebtMember us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31
0001524472 us-gaap:ForeignExchangeContractMember 2018-09-30 0001524472 xyl:BuyUSDSellCDNMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0001524472 xyl:BuyUSDSellCDNMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0001524472 xyl:SellGBPBuyEURMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0001524472 xyl:SellUSDBuyEURMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0001524472
us-gaap:ForeignExchangeContractMember 2017-12-31 0001524472 xyl:SellEURBuyPLNMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0001524472
xyl:SeniorNotesDueTwoThousandAndTwentyThreeMember 2018-09-30 0001524472 xyl:SellUSDBuyEURMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0001524472
xyl:SeniorNotesDueTwoThousandAndTwentyThreeMember 2017-12-31 0001524472 xyl:SellCDNBuyEURMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0001524472
xyl:SeniorNotesDueTwoThousandAndTwentyThreeMember us-gaap:SeniorNotesMember 2016-03-11 0001524472
xyl:BuyKRSellEURMember us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0001524472
us-gaap:LongTermDebtMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0001524472
us-gaap:CrossCurrencyInterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31
0001524472 us-gaap:OtherLiabilitiesMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30
0001524472 us-gaap:OtherLiabilitiesMember us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31
0001524472 us-gaap:OtherCurrentAssetsMember us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31
0001524472 us-gaap:OtherNoncurrentLiabilitiesMember us-gaap:DesignatedAsHedgingInstrumentMember
2018-09-30 0001524472 us-gaap:OtherCurrentAssetsMember us-gaap:DesignatedAsHedgingInstrumentMember
2018-09-30 0001524472 us-gaap:OtherNoncurrentLiabilitiesMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0001524472
xyl:SeniorNotesDueTwoThousandFortySixMember 2017-12-31 0001524472
xyl:SeniorNotesDueTwoThousandAndTwentyOneMember 2017-12-31 0001524472
xyl:ResearchandDevelopmentFacilityContractMember 2018-09-30 0001524472
xyl:SeniorNotesDueTwoThousandTwentySixMember 2018-09-30 0001524472 us-gaap:CommercialPaperMember
2017-12-31 0001524472 xyl:TermLoanMember 2017-12-31 0001524472
xyl:ResearchandDevelopmentFacilityContractMember 2017-12-31 0001524472
xyl:SeniorNotesDueTwoThousandAndTwentyOneMember 2018-09-30 0001524472
xyl:SeniorNotesDueTwoThousandFortySixMember 2018-09-30 0001524472
xyl:SeniorNotesDueTwoThousandTwentySixMember 2017-12-31 0001524472 xyl:TermLoanMember 2018-09-30
0001524472 us-gaap:CommercialPaperMember 2018-09-30 0001524472
xyl:SeniorNotesDueTwoThousandTwentySixMember 2016-10-11 0001524472
us-gaap:RevolvingCreditFacilityMember 2015-03-27 0001524472 us-gaap:RevolvingCreditFacilityMember
2018-07-01 2018-09-30 0001524472 us-gaap:LineOfCreditMember 2018-01-26 0001524472
us-gaap:LineOfCreditMember xyl:SEBBankMember 2016-10-31 0001524472 us-gaap:LineOfCreditMember
2016-10-28 0001524472 xyl:EuropeanInvestmentBankResearchandDevelopmentFinanceContractMember 2018-01-01
2018-09-30 0001524472 xyl:SeniorNotesDueTwoThousandAndTwentyOneMember 2011-09-20 0001524472
us-gaap:SeniorNotesMember 2011-09-19 2011-09-20 0001524472 us-gaap:RevolvingCreditFacilityMember
2018-01-01 2018-09-30 0001524472 us-gaap:RevolvingCreditFacilityMember 2017-01-01 2017-09-30 0001524472
xyl:SeniorNotesDueTwoThousandFortySixMember 2016-10-11 0001524472 us-gaap:LetterOfCreditMember

Edgar Filing: Xylem Inc. - Form 10-Q

2015-03-27 0001524472 us-gaap:RevolvingCreditFacilityMember 2015-03-27 2015-03-27 0001524472
xyl:RiskSharingFinanceFacilityAgreementMember 2018-01-01 2018-09-30 0001524472
us-gaap:DomesticPlanMember 2018-07-01 2018-09-30 0001524472 us-gaap:ForeignPlanMember 2017-07-01
2017-09-30 0001524472 us-gaap:ForeignPlanMember 2018-07-01 2018-09-30 0001524472
us-gaap:DomesticPlanMember 2018-01-01 2018-09-30 0001524472 us-gaap:DomesticPlanMember 2017-01-01
2017-09-30 0001524472 us-gaap:ForeignPlanMember 2017-01-01 2017-09-30 0001524472
us-gaap:ForeignPlanMember 2018-01-01 2018-09-30 0001524472 us-gaap:DomesticPlanMember 2017-07-01
2017-09-30 0001524472 2018-01-01 2018-03-31 0001524472 2018-03-31 0001524472
us-gaap:TreasuryStockMember 2018-01-01 2018-03-31 0001524472 us-gaap:RetainedEarningsMember 2018-07-01
2018-09-30 0001524472 us-gaap:RetainedEarningsMember 2018-04-01 2018-06-30 0001524472
us-gaap:RetainedEarningsMember 2017-12-31 0001524472 us-gaap:NoncontrollingInterestMember 2017-12-31
0001524472 us-gaap:RetainedEarningsMember 2018-01-01 2018-03-31 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-09-30 0001524472
us-gaap:AdditionalPaidInCapitalMember 2018-06-30 0001524472 us-gaap:TreasuryStockMember 2018-06-30
0001524472 us-gaap:NoncontrollingInterestMember 2018-09-30 0001524472 us-gaap:NoncontrollingInterestMember
2018-07-01 2018-09-30 0001524472 us-gaap:AdditionalPaidInCapitalMember 2018-03-31 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-30 0001524472
us-gaap:AdditionalPaidInCapitalMember 2018-09-30 0001524472 us-gaap:RetainedEarningsMember 2018-09-30
0001524472 2018-04-01 2018-06-30 0001524472 us-gaap:NoncontrollingInterestMember 2018-06-30 0001524472
us-gaap:TreasuryStockMember 2018-09-30 0001524472 us-gaap:AccumulatedOtherComprehensiveIncomeMember
2018-04-01 2018-06-30 0001524472 us-gaap:CommonStockMember 2018-06-30 0001524472
us-gaap:CommonStockMember 2018-09-30 0001524472 us-gaap:AccumulatedOtherComprehensiveIncomeMember
2018-07-01 2018-09-30 0001524472 us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0001524472
us-gaap:TreasuryStockMember 2018-03-31 0001524472 2018-06-30 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0001524472
us-gaap:AdditionalPaidInCapitalMember 2018-07-01 2018-09-30 0001524472 us-gaap:RetainedEarningsMember
2018-06-30 0001524472 us-gaap:TreasuryStockMember 2018-04-01 2018-06-30 0001524472
us-gaap:TreasuryStockMember 2017-12-31 0001524472 us-gaap:NoncontrollingInterestMember 2018-03-31
0001524472 us-gaap:AdditionalPaidInCapitalMember 2018-04-01 2018-06-30 0001524472
us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-03-31 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-03-31 0001524472
us-gaap:RetainedEarningsMember 2018-03-31 0001524472 us-gaap:CommonStockMember 2017-12-31 0001524472
us-gaap:CommonStockMember 2018-03-31 0001524472 us-gaap:AccumulatedOtherComprehensiveIncomeMember
2018-01-01 2018-03-31 0001524472 us-gaap:TreasuryStockMember 2017-01-01 2017-03-31 0001524472
us-gaap:AdditionalPaidInCapitalMember 2017-09-30 0001524472 us-gaap:RetainedEarningsMember 2016-12-31
0001524472 us-gaap:CommonStockMember 2016-12-31 0001524472 us-gaap:AdditionalPaidInCapitalMember
2017-03-31 0001524472 us-gaap:NoncontrollingInterestMember 2017-06-30 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0001524472 us-gaap:TreasuryStockMember
2017-06-30 0001524472 us-gaap:RetainedEarningsMember 2017-09-30 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-03-31 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-06-30 0001524472
us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0001524472 2017-06-30 0001524472 2017-04-01 2017-06-30
0001524472 2017-01-01 2017-03-31 0001524472 us-gaap:AccumulatedOtherComprehensiveIncomeMember
2017-07-01 2017-09-30 0001524472 us-gaap:NoncontrollingInterestMember 2017-09-30 0001524472
us-gaap:RetainedEarningsMember 2017-01-01 2017-03-31 0001524472 us-gaap:NoncontrollingInterestMember
2017-04-01 2017-06-30 0001524472 us-gaap:CommonStockMember 2017-06-30 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-03-31 0001524472
us-gaap:NoncontrollingInterestMember 2017-07-01 2017-09-30 0001524472 us-gaap:RetainedEarningsMember
2017-04-01 2017-06-30 0001524472 us-gaap:RetainedEarningsMember 2017-07-01 2017-09-30 0001524472
us-gaap:AdditionalPaidInCapitalMember 2017-06-30 0001524472 us-gaap:NoncontrollingInterestMember
2016-12-31 0001524472 us-gaap:TreasuryStockMember 2016-12-31 0001524472 2017-03-31 0001524472

Edgar Filing: Xylem Inc. - Form 10-Q

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-04-01 2017-06-30 0001524472
us-gaap:TreasuryStockMember 2017-04-01 2017-06-30 0001524472 us-gaap:CommonStockMember 2017-03-31
0001524472 us-gaap:CommonStockMember 2017-09-30 0001524472 us-gaap:RetainedEarningsMember 2017-03-31
0001524472 us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-03-31 0001524472
us-gaap:NoncontrollingInterestMember 2017-03-31 0001524472 us-gaap:TreasuryStockMember 2017-03-31
0001524472 us-gaap:AdditionalPaidInCapitalMember 2017-04-01 2017-06-30 0001524472
us-gaap:RetainedEarningsMember 2017-06-30 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-09-30 0001524472 us-gaap:TreasuryStockMember
2017-09-30 0001524472 us-gaap:AdditionalPaidInCapitalMember 2017-07-01 2017-09-30 0001524472
us-gaap:PerformanceSharesMember xyl:TotalShareholderReturnPerformanceBasedSharesMember 2018-01-01
2018-09-30 0001524472 us-gaap:EmployeeStockOptionMember 2018-09-30 0001524472
us-gaap:PerformanceSharesMember 2018-09-30 0001524472 us-gaap:PerformanceSharesMember 2018-01-01
2018-09-30 0001524472 us-gaap:RestrictedStockMember 2018-09-30 0001524472
us-gaap:PerformanceSharesMember xyl:TotalShareholderReturnPerformanceBasedSharesMember 2018-09-30
0001524472 us-gaap:PerformanceSharesMember xyl:TotalShareholderReturnPerformanceBasedSharesMember
2017-12-31 0001524472 us-gaap:RestrictedStockMember 2017-12-31 0001524472
us-gaap:PerformanceSharesMember xyl:ReturnonInvestedCapitalPerformanceBasedSharesMember 2017-12-31
0001524472 us-gaap:PerformanceSharesMember xyl:ReturnonInvestedCapitalPerformanceBasedSharesMember
2018-01-01 2018-09-30 0001524472 us-gaap:PerformanceSharesMember
xyl:ReturnonInvestedCapitalPerformanceBasedSharesMember 2018-09-30 0001524472
xyl:TwoThousandfifteenStockRepurchaseProgramMember 2018-01-01 2018-09-30 0001524472
xyl:TwoThousandfifteenStockRepurchaseProgramMember 2017-01-01 2017-09-30 0001524472
xyl:TwoThousandfifteenStockRepurchaseProgramMember 2015-08-24 0001524472
xyl:ShareRepurchasePlansMember 2018-01-01 2018-09-30 0001524472 xyl:ShareRepurchasePlansMember
2018-07-01 2018-09-30 0001524472 xyl:TwoThousandfifteenStockRepurchaseProgramMember 2018-09-30
0001524472 xyl:TwoThousandfifteenStockRepurchaseProgramMember 2017-07-01 2017-09-30 0001524472
us-gaap:AccumulatedTranslationAdjustmentMember 2018-01-01 2018-09-30 0001524472
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2017-12-31 0001524472
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0001524472
us-gaap:AccumulatedTranslationAdjustmentMember 2017-12-31 0001524472 us-gaap:OtherExpenseMember
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0001524472
us-gaap:SalesMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember
2018-01-01 2018-09-30 0001524472 us-gaap:CostOfSalesMember
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-09-30
0001524472 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-12-31
0001524472 us-gaap:OtherExpenseMember us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember
2018-01-01 2018-09-30 0001524472
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-09-30 0001524472
us-gaap:CostOfSalesMember us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30
0001524472 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-09-30 0001524472
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-09-30
0001524472 us-gaap:AccumulatedTranslationAdjustmentMember 2018-09-30 0001524472 us-gaap:SalesMember
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0001524472
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-01-01 2018-09-30 0001524472
us-gaap:AccumulatedTranslationAdjustmentMember 2018-06-30 0001524472
us-gaap:AccumulatedTranslationAdjustmentMember 2018-07-01 2018-09-30 0001524472
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-06-30 0001524472 us-gaap:SalesMember
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-07-01 2018-09-30 0001524472
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-06-30 0001524472
us-gaap:CostOfSalesMember
us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-07-01 2018-09-30

0001524472 us-gaap:OtherExpenseMember us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-07-01
2018-09-30 0001524472 us-gaap:CostOfSalesMember us-gaap:AccumulatedOtherComprehensiveIncomeMember
2018-07-01 2018-09-30 0001524472 us-gaap:OtherExpenseMember
us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2018-07-01 2018-09-30 0001524472
us-gaap:SalesMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember
2018-07-01 2018-09-30 0001524472 us-gaap:CorporateAndOtherMember 2018-09-30 0001524472
us-gaap:CorporateAndOtherMember 2017-12-31 0001524472 xyl:RegionalSellingLocationMemberMember
2017-12-31 0001524472 us-gaap:CorporateAndOtherMember 2017-01-01 2017-09-30 0001524472
us-gaap:CorporateAndOtherMember 2017-07-01 2017-09-30 0001524472
xyl:RegionalSellingLocationMemberMember 2018-01-01 2018-09-30 0001524472
xyl:RegionalSellingLocationMemberMember 2017-07-01 2017-09-30 0001524472
us-gaap:CorporateAndOtherMember 2018-07-01 2018-09-30 0001524472 us-gaap:CorporateAndOtherMember
2018-01-01 2018-09-30 0001524472 xyl:RegionalSellingLocationMemberMember 2017-01-01 2017-09-30
0001524472 xyl:RegionalSellingLocationMemberMember 2018-07-01 2018-09-30 xyl:employee xbrli:shares
iso4217:USD xbrli:shares iso4217:USD xbrli:pure xyl:Segment iso4217:EUR

**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 **September 30, 2018**

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.)

1 International Drive, Rye Brook, NY 10573

(Address of principal executive offices) (Zip code)

(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, if any, every Interactive Data File required to be submitted 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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 26, 2018, there were 179,716,050 outstanding shares of the registrant's common stock, par value \$0.01 per share.

Xylem Inc.

Table of Contents

ITEM	PAGE
PART I – Financial Information	
Item 1 - <u>Condensed Consolidated Financial Statements:</u>	
<u>Condensed Consolidated Income Statements for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	4
<u>Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017 (Unaudited)</u>	6
<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>	7
Item 2 - <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	37
Item 3 - <u>Quantitative and Qualitative Disclosures About Market Risk</u>	56
Item 4 - <u>Controls and Procedures</u>	56
PART II – Other Information	
Item 1 - <u>Legal Proceedings</u>	57
Item 1A- <u>Risk Factors</u>	57
Item 2 - <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	57
Item 3 - <u>Defaults Upon Senior Securities</u>	57
Item 4 - <u>Mine Safety Disclosures</u>	57
Item 5 - <u>Other Information</u>	57
Item 6 - <u>Exhibits</u>	57
<u>Signatures</u>	59

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 periods ended September 30,	Three Months		Nine Months	
	2018	2017	2018	2017
Revenue	\$1,287	\$1,195	\$3,821	\$3,430
Cost of revenue	782	724	2,337	2,090
Gross profit	505	471	1,484	1,340
Selling, general and administrative expenses	279	270	868	812
Research and development expenses	46	45	137	131
Restructuring and asset impairment charges, net	4	4	19	22
Operating income	176	152	460	375
Interest expense	21	21	63	62
Other non-operating income (expense), net	4	1	9	5
Gain (loss) from sale of business	2	(1)	—	4
Income before taxes	161	131	406	322
Income tax expense	31	27	82	62
Net income	130	104	324	260
Less: Net loss attributable to non-controlling interests	—	(1)	—	—
Net income attributable to Xylem	\$130	\$105	\$324	\$260
Earnings per share:				
Basic	\$0.73	\$0.58	\$1.80	\$1.45
Diluted	\$0.72	\$0.58	\$1.79	\$1.44
Weighted average number of shares:				
Basic	179.7	179.6	179.8	179.6
Diluted	181.1	180.9	181.2	180.7
Dividends declared per share	\$0.2100	\$0.1800	\$0.6300	\$0.5400

See accompanying notes to condensed consolidated financial statements.

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

(in millions)

	Three Months		Nine Months	
	2018	2017	2018	2017
For the periods ended September 30,				
Net income	\$130	\$104	\$324	\$260
Other comprehensive income, before tax:				
Foreign currency translation adjustment	(9)	7	(61)	66
Net change in derivative hedge agreements:				
Unrealized (losses) gains	—	(1)	(9)	4
Amount of gain reclassified into net income	3	—	1	—
Net change in postretirement benefit plans:				
Amortization of prior service credit	(2)	—	(4)	—
Amortization of net actuarial loss into net income	4	3	11	8
Settlement/Curtailment	—	1	1	1
Other comprehensive (loss) income, before tax	(4)	10	(61)	79
Income tax (benefit) expense related to items of other comprehensive income	(3)	(11)	7	(40)
Other comprehensive (loss) income, net of tax	(1)	21	(68)	119
Comprehensive income	\$129	\$125	\$256	\$379
Less: comprehensive loss attributable to noncontrolling interests	(2)	—	(2)	—
Comprehensive income attributable to Xylem	\$131	\$125	\$258	\$379
See accompanying notes to condensed consolidated financial statements.				

XYLEM INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in millions, except per share amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 404	\$ 414
Receivables, less allowances for discounts and doubtful accounts of \$34 and \$35 in 2018 and 2017, respectively	1,017	956
Inventories	622	524
Prepaid and other current assets	161	177
Total current assets	2,204	2,071
Property, plant and equipment, net	636	643
Goodwill	3,008	2,768
Other intangible assets, net	1,259	1,168
Other non-current assets	219	210
Total assets	\$ 7,326	\$ 6,860
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 570	\$ 549
Accrued and other current liabilities	571	551
Short-term borrowings and current maturities of long-term debt	342	—
Total current liabilities	1,483	1,100
Long-term debt	2,189	2,200
Accrued postretirement benefits	409	442
Deferred income tax liabilities	284	252
Other non-current accrued liabilities	330	347
Total liabilities	4,695	4,341
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Common Stock – par value \$0.01 per share:		
Authorized 750.0 shares, issued 192.9 shares and 192.3 shares in 2018 and 2017, respectively	2	2
Capital in excess of par value	1,942	1,912
Retained earnings	1,452	1,227
Treasury stock – at cost 13.2 shares and 12.4 shares in 2018 and 2017, respectively	(486) (428)
Accumulated other comprehensive loss	(293) (210)
Total stockholders' equity	2,617	2,503
Non-controlling interests	14	16
Total equity	2,631	2,519
Total liabilities and stockholders' equity	\$ 7,326	\$ 6,860

See accompanying notes to condensed consolidated financial statements.

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

(in millions)

For the nine months ended September 30,	2018	2017
Operating Activities		
Net income	\$324	\$260
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	87	83
Amortization	108	91
Share-based compensation	23	16
Restructuring and asset impairment charges	19	22
Loss (gain) from sale of business	—	(4)
Other, net	2	18
Payments for restructuring	(18)	(25)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	(76)	(114)
Changes in inventories	(115)	(14)
Changes in accounts payable	51	3
Other, net	(17)	43
Net Cash – Operating activities	388	379
Investing Activities		
Capital expenditures	(171)	(119)
Acquisitions of businesses, net of cash acquired	(433)	(16)
Proceeds from sale of assets and business, net of cash disposed	22	11
Cash received from investments	—	10
Cash paid for investments	—	(11)
Other, net	3	3
Net Cash – Investing activities	(579)	(122)
Financing Activities		
Short-term debt issued, net	410	—
Short-term debt repaid	(50)	(184)
Repurchase of common stock	(58)	(25)
Proceeds from exercise of employee stock options	7	8
Dividends paid	(114)	(97)
Other, net	—	(1)
Net Cash – Financing activities	195	(299)
Effect of exchange rate changes on cash	(14)	17
Net change in cash and cash equivalents	(10)	(25)
Cash and cash equivalents at beginning of year	414	308
Cash and cash equivalents at end of period	\$404	\$283
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$47	\$46
Income taxes (net of refunds received)	\$60	\$58
See accompanying notes to condensed consolidated financial statements.		

XYLEM INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Background and Basis of Presentation

Background

Xylem Inc. ("Xylem" or the "Company") is a leading equipment and service provider for water and wastewater applications with a broad portfolio of products and services addressing the full cycle of water, from collection, distribution and use to the return of water to the environment. Xylem was incorporated in Indiana on May 4, 2011.

Xylem operates in three segments, Water Infrastructure, Applied Water and Measurement & Control Solutions. The Water Infrastructure segment focuses on the transportation and treatment of water, offering a range of products including water and wastewater pumps, treatment equipment, and controls and systems. The Applied Water segment serves many of the primary uses of water and focuses on the residential, commercial and industrial markets. The Applied Water segment's major products include pumps, valves, heat exchangers, controls and dispensing equipment. The Measurement & Control Solutions segment focuses on developing advanced technology solutions that enable intelligent use and conservation of critical water and energy resources as well as analytical instrumentation used in the testing of water. The Measurement & Control Solutions segment's major products include smart metering, networked communications, measurement and control technologies, critical infrastructure technologies, software and services including cloud-based analytics, remote monitoring and data management, leak detection and pressure monitoring solutions and testing equipment.

Except as otherwise indicated or unless the context otherwise requires, "Xylem," "we," "us," "our" and the "Company" refer to Xylem Inc. and its subsidiaries.

Basis of Presentation

The interim condensed consolidated financial statements reflect our financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany transactions between our businesses have been eliminated.

The unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations for the periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such SEC rules. We believe that the disclosures made are adequate to make the information presented not misleading. We consistently applied the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Annual Report") in preparing these unaudited condensed consolidated financial statements, with the exception of accounting standard updates described in Note 2. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes included in our 2017 Annual Report.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates are revised as additional information becomes available. Estimates and assumptions are used for, but not limited to, postretirement obligations and assets, revenue recognition, income tax contingency accruals and valuation allowances, goodwill and indefinite lived intangible impairment testing and contingent liabilities. Actual results could differ from these estimates. Our quarterly financial periods end on the Saturday closest to the last day of the calendar quarter, except for the fourth quarter which ends on December 31. For ease of presentation, the condensed consolidated financial statements included herein are described as ending on the last day of the calendar quarter.

Note 2. Recently Issued Accounting Pronouncements

Pronouncements Not Yet Adopted

In August 2018, the Financial Accounting Standards Board ("FASB") issued guidance regarding the accounting for implementation costs of a hosting arrangement that is a service contract. The guidance establishes the requirement to capitalize certain implementation costs incurred in a hosting arrangement that is a service contract, effectively aligning with the requirement to capitalize certain implementation costs incurred to develop or obtain internal-use software. This guidance is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted. The requirements of the amended guidance may be applied using either a retrospective or prospective approach. We are evaluating the impact of the guidance on our financial condition and results of operations.

In August 2017, the FASB issued amended guidance on hedging activities. The amendment better aligns a company's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying for hedging relationships and the presentation of hedge results. Specifically, the guidance:

- (1) Eliminates the concept of recognizing periodic hedge ineffectiveness for cash flow and net investment hedges;
- (2) Eliminates the benchmark interest rate concept of variable - rate instruments in cash flow hedges and allows companies to designate the contractually specified interest rate as the hedged risk;
- (3) Requires a company to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported; and
- (4) Provides the ability to perform subsequent hedge effectiveness tests qualitatively.

This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted with the effect of adoption reflected as of the beginning of the fiscal year of adoption. For cash flow and net investment hedges existing at the date of adoption, a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness is required. Other presentation and disclosure guidance is required only prospectively. We are evaluating the impact of the guidance on our financial condition and results of operations.

In June 2016, the FASB issued guidance amending the accounting for the impairment of financial instruments, including trade receivables. Under current guidance, credit losses are recognized when the applicable losses are probable of occurring and this assessment is based on past events and current conditions. The amended guidance eliminates the "probable" threshold and requires an entity to use a broader range of information, including forecast information when estimating expected credit losses. Generally, this should result in a more timely recognition of credit losses. This guidance is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted for interim and annual periods beginning after December 15, 2018. The requirements of the amended guidance should be applied using a modified retrospective approach except for debt securities, which require a prospective transition approach. We are evaluating the impact of the guidance on our financial condition and results of operations.

In February 2016, the FASB issued guidance amending the accounting for leases. Specifically, the amended guidance requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. Lessor accounting is not fundamentally changed. This amended guidance is effective for interim and annual periods beginning after December 15, 2018 using a modified retrospective approach. Early adoption is permitted. We are evaluating the impact of the guidance on our financial condition and results of operations.

Recently Adopted Pronouncements

In February 2018, the FASB issued new guidance on the reclassification of certain tax effects in Accumulated Other Comprehensive Income ("AOCI"). The guidance allows a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the "Tax Act"). This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted. The guidance may be applied either in the period of

adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Act is recognized. We early adopted this guidance effective the first quarter of 2018, and elected to reclassify the

8

income tax effects of the Tax Act from AOCI to retained earnings. As a result of adopting the guidance, AOCI was reduced by \$17 million and retained earnings increased by \$17 million. This amount includes the effect of the change in the US federal corporate income tax rate.

In March 2017, the FASB issued amended guidance on the presentation of net periodic benefit costs. The amendment requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components are required to be presented in the income statement separately and outside a subtotal of income from operations, if one is presented. The amendment also requires entities to disclose the income statement lines that contain the other components if they are not appropriately described. This guidance is effective retrospectively for periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted. We adopted this guidance effective the first quarter of 2018. The prior period consolidated income statements and segment results have been retrospectively adjusted in accordance with the new guidance. The impact to the presentation between operating income and other non-operating income within Xylem's Consolidated Income Statements was \$2 million or less for each of the quarters of 2017 and 2016 and approximately \$4 million for the year ended December 31, 2017.

In May 2014, the FASB issued guidance on recognizing revenue from contracts with customers. The guidance outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the model is that an entity recognizes revenue to portray the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also expands disclosure requirements regarding revenue recognition. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017 and may be applied retrospectively to each prior period presented or using a modified retrospective approach with the cumulative effect recognized as of the date of initial application. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2016. We adopted this guidance as of January 1, 2018 using the modified retrospective transition method. The adoption of the guidance did not have a material impact on our financial condition and results of operations. See Note 4, "Revenue", for further details.

Note 3. Acquisitions and Divestitures

2018 Acquisitions and Divestitures

Pure Technologies Ltd.

On January 31, 2018, we acquired all the issued and outstanding shares of Pure Technologies Ltd. ("Pure"), a leader in intelligent leak detection and condition assessment solutions for water distribution networks for approximately \$420 million, net of cash received. Acquisition costs of \$4 million were reflected as a component of selling, general and administrative expenses in our Condensed Consolidated Income Statement.

Pure's results of operations were consolidated with the Company effective February 1, 2018 and are reflected in the Measurement & Control Solutions segment.

The preliminary Pure purchase price allocation as of January 31, 2018 is shown in the following table.

(in millions)	<u>Amount</u>
Cash	\$ 14
Receivables	23
Inventories	5
Prepaid and other current assets	2
Property, plant and equipment	22
Intangible assets	149
Other long-term assets	1
Accounts payable	(3)
Accrued and other current liabilities	(11)
Deferred income tax liabilities	(27)
Other non-current accrued liabilities	(2)
Total identifiable net assets	173
Goodwill	261
Total consideration	\$ 434

The fair values of Pure's assets and liabilities were determined based on preliminary estimates and assumptions which management believes are reasonable. The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax related items. The final determination of the fair value of certain assets and liabilities will be completed as soon as the necessary information is available but no later than one year from the acquisition date.

Goodwill arising from the acquisition consists largely of synergies and economies of scale expected from combining the operations of Pure and Xylem. All of the goodwill was assigned to the Measurement & Control Solutions segment and is not deductible for tax purposes.

The preliminary estimate of the fair value of Pure identifiable intangible assets was determined primarily using the "income approach," which requires a forecast of all of the expected future cash flows either through the use of the multi-period excess earnings method or the relief-from-royalty method. Some of the more significant assumptions inherent in the development of intangible asset values include: the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, the assessment of the intangible asset's life cycle, as well as other factors. The following table summarizes key information underlying identifiable intangible assets related to the Pure acquisition:

Category	Life	Amount (in millions)
Customer Relationships	17 - 18 years	\$ 84
Technology	3 - 10 years	38
Tradenames	20 years	21
Internally Developed Software	3 years	6
Total		\$ 149

The following table summarizes, on an unaudited pro forma basis, the condensed combined results of operations of the Company for the three and nine month periods ended September 30, 2018 and September 30, 2017, respectively, assuming the acquisition of Pure was made on January 1, 2017.

10

(in millions)	Three Months	Nine Months	
For the period ended September 30,	2018	2017	2018 2017
Revenue	N/A	\$1,220	\$3,826 \$3,502
Net income	N/A	\$102	\$321 \$254

The foregoing unaudited pro forma results are for informational purposes only and are not necessarily indicative of the actual results of operations that might have occurred had the acquisition occurred on January 1, 2017, nor are they necessarily indicative of future results. The pro forma financial information includes the impact of purchase accounting and other nonrecurring items directly attributable to the acquisition, which include:

- Amortization expense of acquired intangibles
- Adjustments to the depreciation of property, plant and equipment reflecting the impact of the calculated fair value of those assets in accordance with purchase accounting
- Adjustments to interest expense to remove historical Pure interest costs and reflect Xylem's current debt profile
- The related tax impact of the above referenced adjustments

The pro forma results do not include any cost savings or operational synergies that may be generated or realized due to the acquisition of Pure.

During the three and eight months ended September 30, 2018 Pure had operating losses of \$2 million and \$5 million, respectively.

Other Acquisition Activity

During the three and nine months ended September 30, 2018 we spent approximately \$3 million and \$13 million, net of cash received on other acquisition activity.

During the third quarter we divested our Precision Die Casting business for approximately \$22 million, net of cash assumed. The sale resulted in a immaterial gain for the three and nine months ended September 30, 2018, which is reflected in gain from sale of business in our Condensed Consolidated Income Statement. The business, which was part of our Measurement & Controls Solutions segment, provided aluminum die casting products primarily to customers in the automotive sector. The business reported 2017 annual revenue of approximately \$32 million.

2017 Acquisitions and Divestitures

During the three and nine months ended September 30, 2017 we spent approximately \$10 million and \$16 million, respectively, on various acquisition activity.

On February 17, 2017, we divested our United Kingdom and Poland based membranes business for approximately \$10 million. The sale resulted in a gain of \$4 million, which is reflected in gain from sale of business in our Condensed Consolidated Income Statement. The business, which was part of our Applied Water segment, provided membrane filtration products primarily to customers in the municipal water and industrial sectors. The business reported 2016 annual revenue of approximately \$8 million.

Note 4. Revenue

As discussed in Note 2, "Recently Issued Accounting Pronouncements", Xylem adopted the new guidance on recognizing revenue from contracts with customers as of January 1, 2018.

Xylem recognizes revenue in a manner that depicts the transfer of promised goods and services to customers in an amount that reflects the consideration to which it expects to be entitled to for providing those goods and services. For each arrangement with a customer, we identify the contract, the associated

performance obligations within the contract, determine the transaction price of that contract, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied.

The satisfaction of performance obligations in a contract is based upon when the customer obtains control over the asset. Depending on the nature of the performance obligation, control transfers either at a particular point in time, or over time which determines the recognition pattern of revenue.

For product sales, other than long-term construction-type contracts, we recognize revenue once control has passed at a point in time, which is generally when products are shipped. In instances where contractual terms include a provision for customer acceptance, revenue is recognized when either (i) we have previously demonstrated that the product meets the specified criteria based on either seller or customer specified objective criteria or (ii) upon formal acceptance received from the customer where the product has not been previously demonstrated to meet customer specified objective criteria. We recognize revenue on product sales to channel partners, including resellers, distributors or value-added solution providers at the point in time when the risks and rewards, possession, and title have transferred to the customer, which usually occurs at the point of delivery.

Revenue from performance obligations related to services is recognized over time, as the performance obligations are satisfied. In these instances, the customer consumes the benefit of the service as Xylem performs.

Certain businesses also enter into long-term construction-type sales contracts where revenue is recognized over time. In these instances, revenue is recognized using a measure of progress that applies an input method based on costs incurred in relation to total estimated costs.

If shipping and handling activities are performed after a customer obtains control of a good, we account for the shipping and handling activities as activities to fulfill a promise to transfer a good. Shipping and handling related costs are accrued as revenue is recognized.

For all contracts with customers, we determine the transaction price in the arrangement and allocate the transaction price to each performance obligation identified in the contract. Judgment is required to determine the appropriate unit of account, and we separate out the performance obligations if they are capable of being distinct and if they are distinct within the context of the contract. We base our allocation of the transaction price to the performance obligations on the relative standalone selling prices for the goods or services contained in a particular performance obligation. The standalone selling prices are determined first by reference to observable prices. In the event observable prices are not available, we estimate the stand-alone selling price by maximizing observable inputs and apply an adjusted market assessment approach, expected cost plus margin approach, or a residual approach in limited situations. Revenue in these instances is recognized on individual performance obligations within the same contract as they are satisfied.

The transaction price is adjusted for our estimate of variable consideration which may include a right of return, discounts, rebates, penalties and retainage. To estimate variable consideration, we apply the expected value or the most likely amount method, based on whichever method most appropriately predicts the amount of consideration we expect to be entitled to. The method applied is typically based on historical experience and known trends. We constrain the amounts of variable consideration that are included in the transaction price, to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when uncertainties around the variable consideration are resolved. We exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with specific revenue-producing transaction and collected from a customer, for example sales, use, value added and some excise taxes.

For all contracts with customers, payment received for our products and services may not necessarily follow the same pattern of revenue recognition to which it relates and are dictated by the terms and conditions of our contracts with customers. Payments received for product sales typically occur following delivery and the satisfaction of the performance obligation based upon the terms outlined in the contracts. Payments received for services typically occur following the services being rendered. For long-term construction-type projects, payments are typically made throughout the contract as progress is made. In limited situations, contracts with customers include financing components where payment terms exceed one year, however, we believe that the financing effects are not significant to Xylem. In addition, we apply a practical expedient and do not adjust the promised amount of consideration in a contract for the effects of significant financing components when we expect payment terms to be one year or less from the time the goods or services are transferred until ultimate payment.

Product Warranties

We offer standard warranties for our products to ensure that our products comply with agreed-upon specifications in our contracts. For standard warranties, these do not give rise to performance obligations and represent assurance-type warranties. In certain instances, product warranty terms are adjusted to account for the specific nature of the contract. In these instances, we assess the warranties to determine whether they represent service-type warranties, and should be accounted for as a separate performance obligation in the contract.

For assurance-type warranties, we accrue for the estimated cost of product warranties at the time revenue is recognized and record it as a component of cost of revenue. Our product warranty liability reflects our best estimate of probable liability under the terms and conditions of our product warranties offered to customers. We estimate the liability based on our standard warranty terms, the historical frequency of claims and the cost to replace or repair our products under warranty. Factors that impact our warranty liability include the number of units sold, the length of warranty term, historical and anticipated rates of warranty claims and cost per claim. We also record a warranty liability for specific matters. We assess the adequacy of our recorded warranty liabilities quarterly and adjust amounts as necessary.

Disaggregation of Revenue

The following table illustrates the sources of revenue:

(in millions)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenue from contracts with customers	\$ 1,222	\$ 3,642
Other	65	179
Total	\$ 1,287	\$ 3,821

The following table reflects revenue from contracts with customers by application:

(in millions)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
<i>Water Infrastructure</i>		
Transport	\$ 380	\$ 1,114
Treatment	96	274

Applied Water

Commercial Building Services	149	436
Residential Building Services	59	172
Industrial Water	170	524

Measurement and Control Solutions

Water	168	514
Electric	36	110
Gas	54	144
Software and Services/Other	26	96
Test	84	258

Total	\$ 1,222	\$ 3,642
-------	----------	----------

The following table reflects revenue from contracts with customers by geographical region:

(in millions)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
<i>Water Infrastructure</i>		
United States	\$ 139	\$ 387
Europe	174	542
Emerging Markets & Other	163	459
<i>Applied Water</i>		
United States	197	583
Europe	93	291
Emerging Markets & Other	88	258
<i>Measurement and Control Solutions</i>		
United States	238	674
Europe	59	214
Emerging Markets & Other	71	234
Total	\$ 1,222	\$ 3,642

Contract Balances

We receive payments from customers based on a billing schedule as established in our contracts. Contract assets relate to costs incurred to perform in advance of scheduled billings. Contract liabilities relate to payments received in advance of performance under the contracts. Change in contract assets and liabilities are due to our performance under the contract.

The table below provides contract assets, contract liabilities, and significant changes in contract assets and liabilities.

(in millions)	Contract Assets (a)	Contract Liabilities
Balance at 1/1/2018	\$ 89	\$ 107
Additions, net	68	92
Revenue recognized from opening balance	—	(83)
Billings	(62)	—
Other	(4)	(6)
Balance at 9/30/2018	\$ 91	\$ 110

(a) Excludes receivable balances which are disclosed on the balance sheet

Performance obligations

Delivery schedules vary from customer to customer based upon their requirements. Typically, large projects require longer lead production cycles and delays can occur from time to time. As of September 30, 2018, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied for contracts with performance obligations, amount to \$209 million. We expect to recognize revenue upon the completion of satisfying these performance obligations in the following 12 to 60 months. The Company elects to apply the practical expedient to exclude from this disclosure revenue related to performance obligations that are part of a contract whose original expected duration is less than one year.

Contract Costs

Costs to obtain a contract include incremental costs that the Company has incurred which it expects to recover. Incremental costs only include costs that the Company would not have incurred had the contract not been obtained. Costs that would have been incurred regardless of whether or not the contract was obtained are expensed as incurred, unless they are explicitly chargeable to the customer whether or not the contract is obtained.

Costs to obtain contracts are capitalized when incurred. The costs to obtain contracts are then amortized in a manner that is consistent with the pattern of transfer of the related goods or services provided in the contract. The Company elects to apply the practical expedient to expense costs to obtain contracts when the associated amortization period of those costs would be one year or less.

Note 5. Restructuring Charges

From time to time, the Company will incur costs related to restructuring actions in order to optimize our cost base and more strategically position ourselves based on the economic environment and customer demand. During the three and nine months ended September 30, 2018, we recognized restructuring charges of \$4 million and \$19 million, respectively. We incurred these charges primarily as a continuation of our efforts to reposition our European and North American businesses to optimize our cost structure and improve our operational efficiency and effectiveness. The charges included the reduction of headcount and consolidation of facilities within our Measurement & Control Solutions and Water Infrastructure segments, as well as headcount reductions within our Applied Water segment.

During the three and nine months ended September 30, 2017, we recognized restructuring charges of \$4 million and \$17 million. We incurred these charges primarily as a continuation of our efforts to reposition our European and North American businesses to optimize our cost structure and improve our operational efficiency and effectiveness. The charges included the reduction of headcount and consolidation of facilities within our Applied Water and Water Infrastructure segments, as well as headcount reductions within our Measurement and Control Solutions segment.

The following table presents the components of restructuring expense and asset impairment charges.

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(in millions)				
By component:				
Severance and other charges	\$ 4	\$ 3	\$18	\$17
Lease related charges	—	—	1	—
Other restructuring charges	—	1	—	1
Reversal of restructuring accruals	—	—	—	(1)
Total restructuring charges	\$ 4	\$ 4	\$19	\$17
Asset impairment	—	—	—	5
Total restructuring and asset impairment charges	\$ 4	\$ 4	\$19	\$22
By segment:				
Water Infrastructure	\$ 2	\$ 1	\$ 8	\$ 6
Applied Water	1	2	2	12
Measurement & Control Solutions	1	1	9	4
Corporate and other	—	—	—	—

The following table displays a rollforward of the restructuring accruals, presented on our Condensed Consolidated Balance Sheets within accrued and other current liabilities, for the nine months ended September 30, 2018 and 2017.

(in millions)	2018	2017
Restructuring accruals - January 1	\$7	\$15
Restructuring charges	19	17
Cash payments	(18)	(25)
Foreign currency and other	(1)	—
Restructuring accruals - September 30	\$7	\$7

By segment:

Water Infrastructure	\$1	\$—
Applied Water	1	1
Measurement & Control Solutions	3	3
Regional selling locations (a)	2	3
Corporate and other	—	—

(a) Regional selling locations consist primarily of selling and marketing organizations that incurred restructuring expense which was allocated to the segments. The liabilities associated with restructuring expense were not allocated to the segments.

The following is a rollforward for the nine months ended September 30, 2018 and 2017 of employee position eliminations associated with restructuring activities.

	2018	2017
Planned reductions - January 1	47	188
Additional planned reductions	176	140
Actual reductions and reversals	(135)	(223)
Planned reductions - September 30	88	105

The following table presents expected restructuring spend:

(in millions)	Water Infrastructure	Applied Water	Measurement & Control Solutions	Corporate	Total
Actions Commenced in 2018:					
Total expected costs	\$ 7	\$ 1	\$ 8	\$ —	\$16
Costs incurred during Q1 2018	2	1	5	—	8
Costs incurred during Q2 2018	2	—	2	—	4
Costs incurred during Q3 2018	2	—	—	—	2
Total expected costs remaining	\$ 1	\$ —	\$ 1	\$ —	\$2
Actions Commenced in 2017:					
Total expected costs	\$ 18	\$ 12	\$ 3	\$ —	\$33
Costs incurred during 2017	5	4	2	—	11
Costs incurred during Q1 2018	1	—	—	—	1
Costs incurred during Q2 2018	1	—	—	—	1
Costs incurred during Q3 2018	—	1	1	—	2
Total expected costs remaining	\$ 11	\$ 7	\$ —	\$ —	\$18
Actions Commenced in 2016:					
Total expected costs	\$ 13	\$ 14	\$ 11	\$ 2	\$40
Costs incurred during 2016	11	10	6	2	29
Costs incurred during 2017	2	4	3	—	9
Costs incurred during Q1 2018	—	—	1	—	1
Costs incurred during Q2 2018	—	—	—	—	—
Costs incurred during Q3 2018	—	—	—	—	—
Total expected costs remaining	\$ —	\$ —	\$ 1	\$ —	\$1

The Water Infrastructure, Applied Water, and Measurement & Control Solutions actions commenced in 2018 consist primarily of severance charges and are expected to continue through the end of 2018. The Water Infrastructure, Applied Water, and Measurement & Control Solutions actions commenced in 2017 consist primarily of severance charges and are expected to continue through the end of 2019. The Measurement & Control Solutions actions commenced in 2016 are expected to continue through the end of 2018.

Asset Impairment Charges

During the first quarter of 2017 we determined that certain assets within our Applied Water segment, including a tradename, were impaired. Accordingly we recognized an impairment charge of \$5 million. Refer to Note 10, "Goodwill and Other Intangible Assets," for additional information.

Note 6. Income Taxes

Our quarterly provision for income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items within periods presented. The comparison of our effective tax rate between periods is significantly impacted by the level and mix of earnings and losses by tax jurisdiction, foreign income tax rate differentials and discrete items.

The income tax provision for the three months ended September 30, 2018 was \$31 million resulting in an effective tax rate of 19.0%, compared to \$27 million resulting in an effective tax rate of 21.1% for the same period in 2017. The income tax provision for the nine months ended September 30, 2018 was \$82 million resulting in an effective tax rate of 20.1%, compared to \$62 million resulting in an effective tax rate of 19.4% for the same period in 2017. The effective tax rate was lower than the U.S. federal statutory rate primarily due to the mix of earnings in jurisdictions, partially offset by the Global Intangible Low-Taxed Income ("GILTI") inclusion. Additionally, the effective tax rate for the three month period ended September 30, 2018 is lower than the same period of 2017 primarily due to the establishment of an unrecognized tax benefit, partially offset by the release of a valuation allowance in 2017 and the reduction of the U.S. federal corporate tax rate in 2018. The effective tax rate for the nine month period ended September 30, 2018 is higher than the same period of 2017 primarily due to the settlement of tax examinations in the various jurisdictions, partially offset by the reduction of the U.S. federal corporate tax rate in 2018.

Unrecognized Tax Benefits

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities or litigation, based on the technical merits of the position. The tax benefits recognized in the condensed consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The amount of unrecognized tax benefits at September 30, 2018 was \$129 million, as compared to \$130 million at December 31, 2017, which if ultimately recognized will reduce our effective tax rate. We do not believe that the unrecognized tax benefits will significantly change within the next twelve months. We classify interest expense relating to unrecognized tax benefits as a component of other non-operating expense, net, and tax penalties as a component of income tax expense in our Condensed Consolidated Income Statements. As of September 30, 2018, we had \$6 million of interest accrued for unrecognized tax benefits.

Tax Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code. The SEC staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

Our accounting for the reduction of U.S. federal corporate tax rate is complete. As noted at year end, we were able to record a provisional tax benefit for corporate tax rate reduction of \$107 million as of December 31, 2017. Upon further analysis of our deferred tax assets and liabilities, the Company recognized a measurement-period adjustment of \$1.5 million as an additional decrease of the net deferred tax liabilities and recorded a corresponding deferred tax benefit of \$1.5 million during the period ended September 30, 2018. The effect of this measurement period adjustment on the effective tax rate for the three and nine month periods ended September 30, 2018 was a decrease of 0.9% and 0.4%, respectively. A total decrease of the net deferred tax liabilities of \$108 million has been recorded for the corporate rate reduction, with a corresponding deferred tax benefit of \$108 million.

Our accounting for the Deemed Repatriation Transition Tax ("Transition Tax") is incomplete. As noted at December 31, 2017, we were able to make a reasonable estimate of the Transition Tax and record a provisional Transition Tax liability of \$153 million. On the basis of revised E&P computations that were completed during the period ended September 30, 2018, we recognized a measurement-period adjustment of a \$1 million increase to the income tax expense. The effect of the measurement-period adjustment on

the effective tax rate for the three and nine month periods ended September 30, 2018 was an increase of 0.8% and 0.3%, respectively. A total Transition Tax obligation to date of \$154 million has been recorded, with a corresponding adjustment of \$154 million to income tax expense. Our accounting for this item is not yet complete because we are awaiting additional regulatory guidance and are continuing to gather additional information to more precisely compute the Transition Tax. We expect to complete our accounting within the prescribed measurement period.

The FASB has indicated that a company can make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). During the third quarter of 2018, we adopted the period cost method to treat the tax effects of future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred.

Note 7. Earnings Per Share

The following is a reconciliation of the shares used in calculating basic and diluted net earnings per share.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income attributable to Xylem (in millions)	\$130	\$ 105	\$324	\$ 260
Shares (in thousands):				
Weighted average common shares outstanding	179,650	179,578	179,760	179,564
Add: Participating securities (a)	26	23	28	28
Weighted average common shares outstanding — Basic	179,676	179,601	179,788	179,592
Plus incremental shares from assumed conversions: (b)				
Dilutive effect of stock options	895	774	903	658
Dilutive effect of restricted stock units and performance share units	519	502	475	460
Weighted average common shares outstanding — Diluted	181,090	180,877	181,166	180,710
Basic earnings per share	\$0.73	\$ 0.58	\$1.80	\$ 1.45
Diluted earnings per share	\$0.72	\$ 0.58	\$1.79	\$ 1.44

(a) Restricted stock unit awards containing rights to non-forfeitable dividends that participate in undistributed earnings with common shareholders are considered participating securities for purposes of computing earnings per share.

Incremental shares from stock options, restricted stock units and performance share units are computed by the treasury stock method. The weighted average shares listed below were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented or were otherwise excluded under the treasury stock method.

(b) The treasury stock method calculates dilution assuming the exercise of all in-the-money options and vesting of restricted stock units and performance share units, reduced by the repurchase of shares with the proceeds from the assumed exercises and unrecognized compensation expense for outstanding awards. Performance share units will be included in the treasury stock calculation of diluted earnings per share upon achievement of underlying performance or market conditions at the end of the reporting period. See Note 16, "Share-Based Compensation Plans" to the condensed consolidated financial statements for further detail on the performance share units.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(in thousands)	2018	2017	2018	2017
Stock options	1,292	1,556	1,290	1,727
Restricted stock units	334	376	338	410
Performance share units	415	594	490	509

Note 8. Inventories

The components of total inventories are summarized as follows:

(in millions)	September 30, 2018	December 31, 2017
Finished goods	\$ 265	\$ 223
Work in process	61	42
Raw materials	296	259
Total inventories	\$ 622	\$ 524

Note 9. Property, Plant and Equipment

The components of total property, plant and equipment, net are as follows:

(in millions)	September 30, 2018	December 31, 2017
Land, buildings and improvements	\$ 322	\$ 329
Machinery and equipment	819	799
Equipment held for lease or rental	254	241
Furniture and fixtures	110	101
Construction work in progress	87	85
Other	22	21
Total property, plant and equipment, gross	1,614	1,576
Less accumulated depreciation	978	933
Total property, plant and equipment, net	\$ 636	