

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 <div style="text-align: center; font-size: 1.5em; font-weight: bold;">2014</div> This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2014 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>12/31/2014</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions); or ☒ a single-employer plan; ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☒
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;">226</td> </tr> <tr> <td colspan="2">1c Effective date of plan 04/01/1997</td> </tr> </table>	1b Three-digit plan number (PN) ▶	226	1c Effective date of plan 04/01/1997	
1b Three-digit plan number (PN) ▶	226				
1c Effective date of plan 04/01/1997					
2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan) XYLEM INC. 1 INTERNATIONAL DRIVE RYE BROOK, NY 10573	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) 45-2080495</td> </tr> <tr> <td>2c Plan Sponsor's telephone number 914-323-5700</td> </tr> <tr> <td>2d Business code (see instructions) 333900</td> </tr> </table>	2b Employer Identification Number (EIN) 45-2080495	2c Plan Sponsor's telephone number 914-323-5700	2d Business code (see instructions) 333900	
2b Employer Identification Number (EIN) 45-2080495					
2c Plan Sponsor's telephone number 914-323-5700					
2d Business code (see instructions) 333900					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/02/2015	GARY MAJCHRZAK
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/14/2015	JOHN P. CONNOLLY
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number) (optional)			Preparer's telephone number (optional)

3a Plan administrator's name and address ☐ Same as Plan Sponsor ADMINISTRATION COMMITTEE FOR XYLEM STANDARD RETIREMENT PLANS 1 INTERNATIONAL DRIVE RYE BROOK, NY 10573		3b Administrator's EIN 47-4483668	
		3c Administrator's telephone number 914-323-5700	
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name		4b EIN 4c PN	
5 Total number of participants at the beginning of the plan year		5	169
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d).			
a(1) Total number of active participants at the beginning of the plan year		6a(1)	147
a(2) Total number of active participants at the end of the plan year		6a(2)	148
b Retired or separated participants receiving benefits		6b	2
c Other retired or separated participants entitled to future benefits.....		6c	10
d Subtotal. Add lines 6a(2) , 6b , and 6c		6d	160
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.		6e	2
f Total. Add lines 6d and 6e		6f	162
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)		6g	116
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....		6h	2
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2K 2T 3H			
b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:			
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)			
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ <u>0</u> A (Insurance Information) (4) ☐ C (Service Provider Information) (5) ☒ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)	

Part III**Form M-1 Compliance Information (to be completed by welfare benefit plans)**

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2014 Form M-1 annual report. If the plan was not required to file the 2014 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

<p style="text-align: center;">SCHEDULE D (Form 5500)</p> <p style="text-align: center; font-size: small;">Department of the Treasury Internal Revenue Service</p> <hr/> <p style="text-align: center; font-size: small;">Department of Labor Employee Benefits Security Administration</p>	<p style="text-align: center;">DFE/Participating Plan Information</p> <p style="text-align: center; font-size: small;">This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</p> <p style="text-align: center;">▶ File as an attachment to Form 5500.</p>	<p style="text-align: center; font-size: small;">OMB No. 1210-0110</p> <hr/> <p style="text-align: center; font-size: large;">2014</p> <hr/> <p style="text-align: center; font-size: small;">This Form is Open to Public Inspection.</p>
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For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

<p>A Name of plan <u>XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES</u></p>	<p>B Three-digit plan number (PN) ▶ <u>226</u></p>	
<p>C Plan or DFE sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u></p>	<p>D Employer Identification Number (EIN) <u>45-2080495</u></p>	

Part I	Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)
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a Name of MTIA, CCT, PSA, or 103-12 IE: XYLEM INC. RET. SAV. MASTER TRUST

b Name of sponsor of entity listed in (a): XYLEM INC.

c EIN-PN <u>45-3304527-301</u>	d Entity code <u>M</u>	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <u>5885379</u>
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	d Entity code	e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
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a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
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plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2014 This Form is Open to Public Inspection
For calendar plan year 2014 or fiscal plan year beginning <u>01/01/2014</u> and ending <u>12/31/2014</u>		
A Name of plan <u>XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES</u>		B Three-digit plan number (PN) ▶ <u>226</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u>		D Employer Identification Number (EIN) <u>45-2080495</u>

Part I	Asset and Liability Statement		(a) Beginning of Year	(b) End of Year
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.				
	Assets			
a	Total noninterest-bearing cash	1a		
b	Receivables (less allowance for doubtful accounts):			
	(1) Employer contributions.....	1b(1)	3197	1800
	(2) Participant contributions.....	1b(2)	10925	6694
	(3) Other.....	1b(3)		
c	General investments:			
	(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
	(2) U.S. Government securities	1c(2)		
	(3) Corporate debt instruments (other than employer securities):			
	(A) Preferred	1c(3)(A)		
	(B) All other	1c(3)(B)		
	(4) Corporate stocks (other than employer securities):			
	(A) Preferred	1c(4)(A)		
	(B) Common.....	1c(4)(B)		
	(5) Partnership/joint venture interests	1c(5)		
	(6) Real estate (other than employer real property).....	1c(6)		
	(7) Loans (other than to participants)	1c(7)		
	(8) Participant loans.....	1c(8)	247107	268535
	(9) Value of interest in common/collective trusts	1c(9)		
	(10) Value of interest in pooled separate accounts	1c(10)		
	(11) Value of interest in master trust investment accounts	1c(11)	5457593	5885379
	(12) Value of interest in 103-12 investment entities.....	1c(12)		
	(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
	(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
	(15) Other.....	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	5718822	6162408

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	5718822	6162408
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	107840	
(B) Participants	2a(1)(B)	392745	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		500585

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	12099	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		12099

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		0

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

(5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		462474
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		975158

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	530733	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		530733
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		839
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		0
j Total expenses. Add all expense amounts in column (b) and enter total	2j		531572

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		443586
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: CROWE HORWATH LLP

(2) EIN: 35-0921680

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a		X	
4b		X	

	Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
4c			
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
4d			
e Was this plan covered by a fidelity bond?	X		15000000
4e			
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f			
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?.....		X	
4g			
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?.....		X	
4h			
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i			
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)		X	
4j			
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
4k			
l Has the plan failed to provide any benefit when due under the plan?.....		X	
4l			
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X	
4m			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
 If "Yes," enter the amount of any plan assets that reverted to the employer this year..... ☐ Yes ☒ No Amount:

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ☐ Yes ☐ No ☐ Not determined

Part V Trust Information (optional)

6a Name of trust	6b Trust's EIN

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2014 This Form is Open to Public Inspection.
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For calendar plan year 2014 or fiscal plan year beginning 01/01/2014 and ending 12/31/2014

A Name of plan <u>XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES</u>	B Three-digit plan number (PN) ▶ <u>226</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>XYLEM INC.</u>	D Employer Identification Number (EIN) <u>45-2080495</u>

Part I	Distributions
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All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>43-1796706</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
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4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....	6a		
b Enter the amount contributed by the employer to the plan for this plan year.....	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?.....	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.).....	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:
 Stock: 0.0% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%
- b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

Xylem Standard Xchange Savings Plan for Hourly Employees

Financial Statements as of December 31, 2014 and 2013,
and for the Year Ended December 31, 2014,
and Supplemental Schedule as of December 31, 2014, and
Independent Auditor's Report

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
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Note: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

INDEPENDENT AUDITOR'S REPORT

Benefits Administration Committee of Xylem Inc.
Xylem Standard Xchange Savings Plan for Hourly Employees
Rye Brook, New York

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Xylem Standard Xchange Savings Plan for Hourly Employees (the "Plan"), which comprise the statements of net assets available for benefits as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Great-West Financial Retirement Plan Services, LLC (Agent), as agent for JPMorgan Chase Bank, N.A. (Custodian), as of and for the year ended December 31, 2014, and by the Custodian as of and for the period ending December 31, 2013, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the Custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the Agent on behalf of the Custodian as of and for the year ended December 31, 2014 and the Custodian as of and for the year ended December 31, 2013 that the information provided to the plan administrator by the Agent for the Custodian and the Custodian is complete and accurate.

(Continued)

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental Form 5500, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2014 is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on the supplemental schedule.

Report on Form and Content in Compliance with DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by Agent of the Custodian and the Custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Crowe Horwath LLP

Crowe Horwath LLP

New York, New York
September 24, 2015

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,	2014	2013
ASSETS		
Participant-directed investments - at fair value:		
Plan's interest in investments of The Xylem Inc. Retirement Savings Master Trust	\$ 5,885,379	\$ 5,457,593
Receivables:		
Participant contributions	6,694	10,925
Employer contributions	1,800	3,197
Notes receivable from participants	284,933	262,666
Total receivables	293,427	276,788
NET ASSETS REFLECTING ALL INVESTMENTS AT FAIR VALUE	6,178,806	5,734,381
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(5,766)	2,125
NET ASSETS AVAILABLE FOR BENEFITS	\$ 6,173,040	\$ 5,736,506

See accompanying notes to financial statements.

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31,

2014

INVESTMENT INCOME

Plan's interest in The Xylem Inc. Retirement Savings Master Trust investment income	\$ 455,108
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CONTRIBUTIONS

Participant	392,745
Employer	107,840
Total contributions	<u>500,585</u>

INTEREST INCOME ON NOTES RECEIVABLE FROM PARTICIPANTS

12,099

DEDUCTIONS

Distributions to participants	530,733
Administrative expenses	525
Total deductions	<u>531,258</u>

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS

436,534

NET ASSETS AVAILABLE FOR BENEFITS

Beginning of period	5,736,506
End of period	<u>\$ 6,173,040</u>

See accompanying notes to financial statements.

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Plan

The following description of the Xylem Standard Xchange Savings Plan for Hourly Employees (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General — The Plan is a defined contribution plan sponsored by Xylem Inc. (the "Company" and "Plan Sponsor") covering the hourly employees of Fluid Handling, LLC ("Employer") who are members of the bargaining unit represented by Local 897 of the United Steelworkers as described by the Plan. JP Morgan Chase Bank, N.A. ("JP Morgan") is the trustee ("Trustee"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

The Plan was established April 1, 1997 by ITT Corporation as the ITT Heat Transfer Savings Plan for Hourly Employees. Effective October 31, 2011, as part of the spin-off from ITT Corporation, sponsorship of the Plan was transferred to the Company. As a result, The Xylem Inc. Retirement Savings Master Trust (the "Master Trust") was created by the Company to serve this and other Company savings plans.

Investments in the Master Trust at December 31, 2014, are shown on the Master Trust Schedule of Assets (Held at End of Year) as filed with the U.S. Department of Labor, Washington, D.C., under identification number 45-3304527. The Plan's proportionate share of the assets as of December 31, 2014 is also presented in that filing.

In the third quarter of 2014, JP Morgan sold its large market 401(k) recordkeeping business to Great-West Financial Retirement Plan Services, LLC ("Great-West") and Great-West became the Plan's recordkeeper. In the fourth quarter of 2014 Great-West re-branded to become Empower Retirement ("Empower").

Effective July 1, 2014, the Plan was amended to change loan provisions including the term of participant general purpose loans to a period of up to 4.5 years, and to change the term of participant loans used in the purchase of a primary residence to a period up to 14.5 years. Prior to July 1, 2014, the terms were up to 5 years and 15 years, respectively.

Eligibility - Any regular full-time hourly person employed by the Employer who is a union member becomes eligible to participate in the Plan on the first day of the month immediately following one month of service with the Employer. Union members who are temporary or part-time employees are eligible upon completion of at least 1,000 hours of service in a 12 month period.

Contributions - Under the provisions of the Plan document, allowable contributions are outlined as follows:

Participant Contributions - A participant may generally elect to save 2% to 25% of base salary, as defined by the Plan document. A participant may designate savings as before-tax savings, after-tax savings, or any combination of the two. A participant who is a highly compensated employee may be limited to less than 25% due to the operation of certain tests required under the Internal Revenue Code (the "Code").

Employer Contributions - The matching employer contribution for the Plan is 50% of the first 6% contributed by a participant. Participants have the option of investing the matching employer contributions in any available investment option.

Participant Accounts - Each participant's account is credited with the participant's contribution, the matching employer contribution, and an allocation of the Plan's investment earnings, forfeitures of matching employer contributions, and charged with the participant's withdrawals, loans, and an allocation of the Plan's investment

losses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Investments - Participants designate the Plan funds in which their contributions and the matching employer contributions are to be invested. All investments are participant-directed. Participant contributions can be invested in any or all of the various investment funds available in the Plan. In addition, participants can elect to have all or a portion of their matching employer contributions invested in the Xylem Stock Fund held in the Master Trust (participant contributions may not be invested in the Xylem Stock Fund). Participants may elect to allocate contributions among these funds in multiples of one percent (1%).

Vesting - The participant's interest in their contributions is fully vested at all times. The Company contribution portion of the participant's account is vested based on their number of years of service. A year of service is any year in which the participant works 1,000 hours during a consecutive 12 month period starting from their date of hire or the anniversary of that date. With less than one year of service, the employee is 0% vested. With one year of service, the employee is 20% vested. With two years of service, the employee is 40% vested. With three years of service, the employee is 60% vested. With four years of service, the employee is 80% vested. With five or more years of service, the employee is 100% vested.

Benefits to Participants - Participants, or their surviving spouse beneficiary, are entitled to the full vested value of their accounts following employment termination (including death, disability, or retirement) in a lump sum amount paid in cash or as a rollover to another qualified plan. In lieu of a lump sum payment, the participant can elect annual installments, life expectancy installment payments, or partial distributions.

Participants are allowed to withdraw, at any time, any portion of after-tax participant contributions, and vested matching employer contributions, subject to Plan provisions.

Direct Rollover of Certain Distributions - With respect to an eligible rollover distribution, the participant may elect, at the time and in a manner as defined by the Plan document for such purpose, to have the Plan make a direct rollover of all or part of such withdrawal or distribution to an eligible retirement plan which accepts such rollover.

If a participant's account balance is greater than \$1,000 but does not exceed \$3,500 and the participant fails to make an affirmative election to either receive the lump sum payment or have it directly rolled over to another qualified plan within the election period, the account balance will be automatically rolled over to an Individual Retirement Account ("IRA") established in the participant's name.

If a participant's account balance is \$1,000 or less and the participant fails to make an affirmative election to either receive the lump sum payment or have it directly rolled over to another qualified plan or an IRA within the election period, the account balance will be automatically paid out to the participant.

Forfeitures - Forfeitures result from termination of employment before full vesting has occurred. Forfeitures of matching employer contributions are used to offset future matching employer contributions or administrative expenses of the Plan. Total forfeited non-vested accounts at December 31, 2014 and 2013 were \$862 and \$908, respectively. During the year ended December 31, 2014 there were no forfeited amounts used to reduce matching employer contributions.

Notes Receivable from Participants - Participants may borrow from their account balance in any whole dollar amount, which must be at a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50% of the participant's vested interest in their account, reduced by the highest outstanding loan balance, if any, during the prior 12-month period. General purpose loan terms range from one to 4.5 years. If the loan is used in the purchase of a primary residence, the loan term can be for a period of up to 14.5 years. Members may have up to two loans outstanding at the same time. The loans are secured by the balance in the participant's account and bear interest, which is based on the prime rate as published in the Wall Street Journal on the last business day of the prior quarter, plus 1%. Principal and interest are paid ratably through

payroll deductions. The interest rate is determined at the time the loan is processed, and shall remain in effect for the term of the loan.

Administrative and Investment Management Expenses - Expenses reasonably expected to be incurred to administer the Plan, including the Plan's recordkeeping and trustee fees and loan origination fees associated with notes receivable from participants, are paid by the Employer.

The Plan Sponsor provides accounting and other administrative services to the Plan at no charge. Certain administrative functions are performed by employees of the Company. No such employee receives compensation from the Plan.

Investment management fees are charged to the Plan by the majority of the investment funds. These investment management fees are included in the net asset value ("NAV") of the fund calculated by the investment manager of the respective fund and are reflected by the Plan as a reduction of investment return for such investments.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Plan are prepared under the accrual basis of accounting.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Risks and Uncertainties - The Plan holds an interest in various investments held within the Master Trust including common stock, collective trusts and mutual funds (registered investment companies). Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, liquidity risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of the investments will occur in the near term and that such change could materially affect the values of participants' account balances and the amounts reported in the financial statements.

Investment Valuation and Income Recognition - The Plan's investments are reported at fair value except for its benefit-responsive stable value fund, which is stated at fair value and then adjusted to contract value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). A more detailed description of the types of investments held in the Master Trust and their valuation methods can be found in Note 3.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Fully Benefit-Responsive Investment Contracts - While Plan investments are presented at fair value in the statements of net assets available for benefits, any material difference between the fair value of the Plan's direct and indirect interests in fully benefit-responsive investment contracts and their contract value is presented as an adjustment line in the statements of net assets available for benefits, because contract value is the relevant measurement attribute for that portion of the Plan's net assets available for benefits. The statement of changes in net assets available for benefits is presented on a contract value basis. Contract value represents contributions made to a contract, plus earnings, less participant withdrawals and

administrative expenses. See Note 6 for more information on the stable value funds which hold fully benefit-responsive investment contracts.

Contributions Receivable - The Plan accrues contributions receivable based upon payroll deferrals during the Plan year but not yet deposited.

Benefits Paid to Participants - Benefit payments to participants are recorded upon distribution. There were no amounts allocated to accounts of participants who have elected to withdraw from the Plan but have not yet been paid as of December 31, 2014 and 2013. Additionally, for loans declared in default the principal and accrued interest are recorded as a distribution.

Notes Receivable from Participants - Participant loans are recorded at their unpaid principal balance, plus any accrued, but unpaid interest. In the event that a participant fails to make repayment for three consecutive months, the loan is considered to be in default. In the event default is declared, the outstanding loan balance and any accrued interest may be treated as a withdrawal prior to termination of employment subject to the withdrawal provisions outlined in the Plan document and may be determined to be a fully taxable distribution from the Plan.

New Accounting Standards - In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) ("ASU 2015-07"). ASU 2015-07 changes certain disclosure requirements for investments for which fair value is measured at NAV per share (or its equivalent) using the practical expedient including eliminating the requirement to classify these investments within the fair value hierarchy. The new guidance is effective for public entities' reporting periods beginning after December 15, 2015 and early adoption is permitted. The Plan did not early adopt this guidance. The adoption will not have a material effect on the Plan's statements of net assets available for benefits or the statement of changes in net assets available for benefits. The Plan is currently evaluating the impact of the ASU 2015-07 on the disclosures in the financial statements.

In July 2015, the FASB issued ASU No. 2015-12, (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Health and Welfare Benefit Plans, which (1) requires an employee benefit plan to use contract value as the only measurement amount for fully benefit-responsive investment contracts, (2) simplifies and increases the effectiveness of plan investment disclosure requirements for employee benefit plans, and (3) provides employee benefit plans with a measurement-date practical expedient. The new guidance is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. The Plan did not early adopt this guidance. The Plan is currently evaluating the impact of the ASU 2015-12 on the financial statements and related notes to the financial statements.

Note 3. Fair Value Measurement

The Plan determines fair value as the price that would be received by the Plan for an asset or paid by the Plan to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Plan's principal or most advantageous market for the asset or liability. The Plan uses a hierarchical structure to prioritize the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of inputs within the fair value hierarchy are identified as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan has the ability to access as of the measurement date.

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Plan's policy is to recognize significant transfers between levels at the beginning of the reporting period. There were no significant transfers between levels during 2014 and 2013.

The following are descriptions of the valuation methods and assumptions used by the Plan to estimate the fair values of investments:

- **Equities and Other Common Shares** - Common and preferred stock are valued at the closing price reported on the major market on which the individual securities are traded on the measurement date. The Xylem Stock Fund invests primarily in the Company's common stock, which is traded on the New York Stock Exchange ("NYSE") under the ticker symbol XYL. The money market fund portion of the Xylem Stock Fund provides liquidity, which enables the Plan participants to transfer money daily among all investment choices. The JP Morgan Prime Money Market Fund is listed under the symbol JXCXX. These securities are classified within Level 1 of the fair value hierarchy.
- **Mutual Funds** - Mutual funds of registered investment companies are publicly traded in active markets and valued at the closing price reported on those major markets on the measurement date. Generally, fair value is measured at NAV. Mutual funds are classified within Level 1 of the fair value hierarchy.
- **Collective Trusts ("CTs")** - CTs are arrangements in which the funds of individual trusts are pooled to avail themselves of professional investment management and achieve greater diversification of investment, stability of income or other investment objectives. CTs invest in debt and equity securities, the mix of which varies by fund. CTs are valued using the NAV provided by the administrators of the CTs. There are no unfunded commitments related to the CTs and investments in CTs can be redeemed on a daily basis. CTs are classified in Level 2 of the fair value hierarchy.

While the Plan administrator believes that the valuation methods are appropriate and consistent with how other participants in the market value these types of investments, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used at December 31, 2014 and 2013.

The following table sets forth by level within the fair value hierarchy a summary of the Master Trust investments measured at fair value at December 31, 2014.

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2) *	Significant Unobservable Inputs (Level 3)	Total
Equities				
Employer securities	\$ 1,610,363	\$ —	\$ —	\$ 1,610,363
Mutual funds				
Bond funds	2,151,922	—	—	2,151,922
Large cap equity funds	14,850,094	—	—	14,850,094
Mid cap equity funds	693,571	—	—	693,571
Small cap equity funds	749,237	—	—	749,237
International equity funds	1,537,827	—	—	1,537,827
Collective trusts				
Asset allocation funds (a)	—	8,334,559	—	8,334,559
Stable Asset Income Fund (b)	—	9,501,500	—	9,501,500
Totals	<u>\$ 21,593,014</u>	<u>\$ 17,836,059</u>	<u>\$ —</u>	<u>\$ 39,429,073</u>

The following table sets forth by level within the fair value hierarchy a summary of the Master Trust investments measured at fair value at December 31, 2013.

	Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2) *	Significant Unobservable Inputs (Level 3)	Total
Equities				
Employer securities	\$ 1,579,690	\$ —	\$ —	\$ 1,579,690
Mutual funds				
Bond funds	2,295,784	—	—	2,295,784
Large cap equity funds	890,036	—	—	890,036
Mid cap equity funds	575,148	—	—	575,148
Small cap equity funds	1,011,022	—	—	1,011,022
International equity funds	1,665,291	—	—	1,665,291
Collective trusts				
Asset allocation funds (a)	—	7,750,506	—	7,750,506
Stable Asset Income Fund (b)	—	9,771,632	—	9,771,632
U.S. Smart Index Fund (c)	—	12,045,500	—	12,045,500
Totals	<u>\$ 8,016,971</u>	<u>\$ 29,567,638</u>	<u>\$ —</u>	<u>\$ 37,584,609</u>

* The fair values of the Level 2 investments have been estimated using the NAV of the investment. These investments have a daily redemption frequency, no unfunded commitments, no redemption notice period and no other redemption restrictions.

(a) The Asset Allocation Funds are JPMCB target date retirement funds, made up of multiple asset classes with observable inputs including a combination of equity, fixed income, real estate and short-term investment vehicles. The funds are meant to align with an expected retirement date. The investment allocation within each fund will likely change over time in order to maintain optimal portfolio construction. The funds will become increasingly more conservative as the target retirement date approaches.

- (b) The JP Morgan Stable Asset Income Fund seeks to preserve the value of money invested, perform better than the average money market fund and earn consistent reliable returns. The fund invests in a variety of high quality, interest-paying securities offered with a companion investment contract called a "benefit responsive wrap".
- (c) The JP Morgan U.S. Smart Index Fund seeks to provide capital appreciation from a portfolio of large-company U.S. stocks. The fund is comprised of 250-400 large-cap stocks from the S&P 500 Index and offers the benefits of active investment management while maintaining a risk profile similar to that of the S&P 500 Index. The fund excludes stocks in the S&P 500 Index that research shows are most likely to underperform and diversifies across industry sectors to help minimize market volatility.

Note 4. Information Certified by the Trustee

Substantially all information pertaining to the Plan's investments and notes receivable from participants included in the financial statements as of December 31, 2014 and 2013, and for the year ended December 31, 2014, including the associated investment income and interest earned on notes receivable from participants, was obtained or derived from information supplied to the Plan administrator (as defined by the Plan document) and certified as complete and accurate by the Trustee. This information has not been audited by independent accountants.

Note 5. Master Trust - Unaudited

All of the Plan investments consist of an interest in an investment account of the Master Trust established by the Company and administered by JP Morgan as of December 31, 2014 and 2013. Use of the Master Trust permits the commingling of trust assets with the assets of certain other Company savings plans for investment and administrative purposes. Although assets of participating plans are commingled in the Master Trust, supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans are maintained. The net assets of the Master Trust are allocated based on individual participant account balances in the respective plans. The daily net investment income of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans. There were no investment assets held outside the Master Trust at December 31, 2014 and 2013.

The following table presents the fair value of investments in the Master Trust at December 31, 2014 and 2013:

	2014	2013
Master Trust:		
Employer securities	\$ 1,610,363	\$ 1,579,690
Mutual funds	19,982,651	6,437,281
Collective trusts	17,836,059	29,567,638
Total investments	<u>\$ 39,429,073</u>	<u>\$ 37,584,609</u>
Plan's interest in the Master Trust	<u>\$ 5,885,379</u>	<u>\$ 5,457,593</u>
Plan's interest in the Master Trust as percentage of total	14.93%	14.52%

For the year ended December 31, 2014, the Master Trust's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<u>2014</u>
Equities	
Employer securities	\$ 163,461
Mutual funds	
Bond funds	(1,994)
Large cap equity funds	(293,371)
Mid cap equity funds	32,392
Small cap equity funds	(19,450)
International equity funds	(70,352)
Collective trusts	
Asset allocation funds	540,911
U.S. Smart Index Fund	1,051,904
Net appreciation in fair value of investments	<u>1,403,501</u>
Interest income	136,505
Dividend income	1,360,096
Total investment income of the Master Trust	<u>\$ 2,900,102</u>
Plan's interest in Master Trust investment income	<u>\$ 455,108</u>

The Master Trust's investments that represented 5% or more of the Master Trust's net assets available for benefits as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Master Trust:		
JP Morgan Disciplined Equity Fund **	\$ 13,723,776	\$ —
JPMCB Stable Asset Income Fund - Select *	9,501,500	9,771,632
JPMCB SmartRetirement 2025-C20	4,596,938	4,254,764
PIMCO Total Return	2,017,865	2,061,182
JP Morgan U.S. Smart Index Fund	***	12,045,500

* Contract value of the JPMCB Stable Asset Income Fund - Select was \$9,440,560 and \$9,791,811 as of December 31, 2014 and 2013, respectively.

** Initial fund investment during 2014

*** Fund exited during 2014

Note 6. Stable Asset Income Fund

The Master Trust is invested in the JP Morgan JPMCB Stable Asset Income Fund ("SAIF"). The SAIF is a collective trust fund that is considered to be a stable value fund with underlying investments in investment contracts, bonds and debt instruments and is valued at fair value and then adjusted by the issuer to contract value. Fair value of the SAIF is determined by its NAV, after adjusting all underlying investments in fully benefit-responsive investment contracts to fair value. The NAV of the SAIF reflects the contract values of the underlying investments in fully benefit-responsive investment contracts. Individual participant accounts

invested in the stable value funds are maintained on a unit value basis. Participants do not have beneficial ownership in specific underlying securities or other assets in the various funds, but have an interest therein represented by units valued as of the last business day of the period. Participants ordinarily may direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the stable value funds, plus earnings, less participant withdrawals and administrative expenses.

The SAIF is primarily comprised of investment contracts called benefit responsive wraps ("wrap contracts") that are issued by banks and insurance companies. The wrap contracts help to stabilize the value and returns of the SAIF. These contracts are backed by fixed income portfolios that primarily consist of U.S. Treasury, Agency, Investment Grade Corporate, Mortgage-Backed and Asset-Backed Securities. The SAIF's primary objective is to seek to provide capital preservation, liquidity and current income at levels that are typically higher than those provided by money market funds. The SAIF also invests in other collective investment trust funds and a separate account established, operated and maintained by the Trustee and other third party advisers. The investment objectives of these underlying investment vehicles are as follows:

- The Commingled Pension Trust Fund (Intermediate Bond) of JP Morgan seeks to generate positive total returns over a 1-3 year horizon with consistent income.
- The Commingled Pension Trust Fund (Liquidity) of JP Morgan seeks to preserve principal, provide liquidity, generate current income and maintain a stable net asset value of \$1.00 per unit by investing in a portfolio of high quality, short-term investments.
- MetLife Separate Account is maintained to provide long-term total return in excess of the Barclays U.S. Intermediate Aggregate Bond Index.

The SAIF imposes certain restrictions on the Plan, and the SAIF itself may be subject to circumstances that affect its ability to transact at contract value. Plan management believes that the occurrence of events that would cause the SAIF to transact at less than contract value is not probable.

Note 7. Exempt Party-In-Interest Transactions

ERISA section 406(a) prohibits various types of transactions between a plan and parties in interest. Parties in interest are defined by the Department of Labor regulation as any fiduciary of the Plan, any party rendering service to the Plan, the employer, and certain others. ERISA section 408(a) contains specific exemptions whereby plans may engage in certain transactions with parties in interest that are otherwise prohibited by law. JP Morgan remained the Trustee and custodian for 2014 as defined by the Plan document. As of December 31, 2014, approximately 84% of Plan investments are funds managed by the Trustee. These assets and related transactions qualify as exempt party-in-interest transactions. Other exempt party in interest transactions that are applicable to the Plan are as follows:

- JP Morgan and Empower, as recordkeepers received shareholder servicing fees from mutual fund and collective trust fund service providers for services provided to the Plan participants. These fees were used to offset certain amounts owed to JP Morgan and Empower for their administrative services to the Plan.
- The Plan's investment in the Xylem Stock Fund consists of an undivided interest in an investment account within the Master Trust. The Xylem Stock Fund is invested predominately in Xylem Inc. common stock. During the year ended December 31, 2014, the Plan recorded related net appreciation of \$28,457 attributed to the Xylem Stock Fund. As Xylem Inc. is the Plan Sponsor, these transactions qualify as exempt party-in-interest transactions.
- Notes receivable from participants also qualify as exempt party-in-interest transactions and amounted to \$284,933 and \$262,666 at December 31, 2014 and 2013, respectively.

Note 8. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan subject to the provisions set forth in ERISA. If the Plan is terminated for any reason, all accounts shall become fully vested and non-forfeitable.

Note 9. Federal Income Tax Status

The Internal Revenue Service has determined and informed the Plan administrator by a letter dated August 11, 2011, that the Plan is qualified and the Master Trust established under the Plan is tax-exempt, under the appropriate sections of the Code. The Plan has been amended since receiving the determination letter. However, the Company believes that the Plan and Master Trust continue to qualify under the applicable provisions of the Code and, as a result, the Plan's net investment income is exempt from taxation. Therefore, no provision for income taxes has been included in the Plan's financial statements.

GAAP requires the Company to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Company has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014 and 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

Note 10. Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through September 24, 2015, which is the date the financial statements were available to be issued. No significant events were noted except for the matter disclosed below.

Effective March 1, 2015, the Plan's trust agreement was amended to reflect a change in Trustee from JP Morgan to Great-West Trust Company, LLC ("GWTC"). GWTC serves as the custodian for the Plan's assets with the exception of the Xylem Stock Fund, which remains with JP Morgan.

Note 11. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to net assets available for benefits per the Form 5500 as of December 31, 2014 and 2013:

	2014	2013
Net assets available for benefits per the financial statements	\$ 6,173,040	\$ 5,736,506
Add: adjustment from fair value to contract value for fully benefit responsive investment contracts	5,766	(2,125)
Less: amounts deemed distributed for tax purposes	(16,398)	(15,559)
Net assets available for benefits per the Form 5500	<u>\$ 6,162,408</u>	<u>\$ 5,718,822</u>

The following is a reconciliation of the increase in net assets available for benefits per the financial statements to net income per Form 5500 for the year ended December 31, 2014:

	<u>2013</u>
Increase in net assets available for benefits per the financial statements	<u>\$ 436,534</u>
Add: change in the adjustment from fair value to contract value for fully benefit responsive investment contracts	7,891
Less: amounts deemed distributed for tax purposes - December 31, 2014	(16,398)
Add: amounts deemed distributed for tax purposes - December 31, 2013	15,559
Net income per Form 5500	<u><u>\$ 443,586</u></u>

XYLEM STANDARD XCHANGE SAVINGS PLAN FOR HOURLY EMPLOYEES
FORM 5500, SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS
(HELD AT END OF YEAR) AS OF DECEMBER 31, 2014

EIN#: 45-2080495
PN: 226

(a) (b) Identity of Issuer, Borrower, Lesser or Similar Party	(c) Description of Investment, including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(d) Cost	(e) Current Value
* Notes receivable participants	Notes receivable from participants at interest rates from 4.25% to 10.5% maturing at various dates through June 2019, net of deemed distributions of \$16,398	**	\$ <u>268,535</u>

* Represents a party-in-interest

** Cost information is not required for participant-directed investments and, therefore, is not included.

See accompanying Independent Auditor's Report