

PENTAIR plc
Form 10-Q
October 20, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended September 26, 2015

OR

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

Commission file number 001-11625
Pentair plc

(Exact name of Registrant as specified in its charter)

Ireland

(State or other jurisdiction of incorporation or organization)

98-1141328

(I.R.S. Employer Identification number)

P.O. Box 471, Sharp Street, Walkden, Manchester, M28 8BU United Kingdom
(Address of principal executive offices)

Registrant's telephone number, including area code: 44-161-703-1885

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§223.405 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

On September 26, 2015, 180,253,587 shares of Registrant's common stock were outstanding.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Pentair plc and Subsidiaries

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

| In millions, except per-share data | Three months ended | | Nine months ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Net sales | \$1,552.1 | \$ 1,758.4 | \$4,688.3 | \$ 5,236.5 |
| Cost of goods sold | 1,012.0 | 1,133.7 | 3,071.8 | 3,401.4 |
| Gross profit | 540.1 | 624.7 | 1,616.5 | 1,835.1 |
| Selling, general and administrative | 330.2 | 328.8 | 958.7 | 1,071.0 |
| Research and development | 29.9 | 28.5 | 88.7 | 88.2 |
| Operating income | 180.0 | 267.4 | 569.1 | 675.9 |
| Other (income) expense: | | | | |
| Equity income of unconsolidated subsidiaries | (0.9 |)(0.3 |)(2.0 |)(0.9 |
| Loss on sale of business | — | — | — | 0.2 |
| Net interest expense | 31.3 | 17.1 | 68.1 | 51.1 |
| Income from continuing operations before income taxes | 149.6 | 250.6 | 503.0 | 625.5 |
| Provision for income taxes | 34.4 | 58.1 | 115.7 | 148.3 |
| Net income from continuing operations | 115.2 | 192.5 | 387.3 | 477.2 |
| Income (loss) from discontinued operations, net of tax | — | 1.6 | (5.6 |)2.6 |
| Loss from sale / impairment of discontinued operations, net of tax | — | (380.1 |)(4.8 |)(385.7 |
| Net income (loss) | \$115.2 | \$ (186.0 |)\$376.9 | \$ 94.1 |
| Comprehensive income (loss), net of tax | | | | |
| Net income (loss) | \$115.2 | \$ (186.0 |)\$376.9 | \$ 94.1 |
| Changes in cumulative translation adjustment | (85.8 |)(178.8 |)(238.4 |)(190.3 |
| Changes in market value of derivative financial instruments, net of \$0.9, (\$0.2), \$1.3 and (\$0.1) tax, respectively | (0.7 |)0.8 | (1.6 |)1.2 |
| Comprehensive income (loss) | \$28.7 | \$ (364.0 |)\$136.9 | \$ (95.0 |
| Earnings (loss) per ordinary share | | | | |
| Basic | | | | |
| Continuing operations | \$0.64 | \$ 1.01 | \$2.15 | \$ 2.47 |
| Discontinued operations | — | (1.99 |)(0.06 |)(1.98 |
| Basic earnings (loss) per ordinary share | \$0.64 | \$ (0.98 |)\$2.09 | \$ 0.49 |
| Diluted | | | | |
| Continuing operations | \$0.63 | \$ 1.00 | 2.12 | 2.43 |
| Discontinued operations | — | (1.95 |)(0.06 |)(1.95 |
| Diluted earnings (loss) per ordinary share | \$0.63 | \$ (0.95 |)\$2.06 | \$ 0.48 |
| Weighted average ordinary shares outstanding | | | | |
| Basic | 180.2 | 190.2 | 180.1 | 193.2 |
| Diluted | 182.6 | 193.1 | 182.6 | 196.4 |
| Cash dividends paid per ordinary share | \$0.32 | \$ 0.30 | \$0.96 | \$ 0.80 |

See accompanying notes to condensed consolidated financial statements.

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Pentair plc and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

| In millions, except per-share data | September 26, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$144.9 | \$110.4 |
| Accounts and notes receivable, net of allowances of \$98.4 and \$96.5, respectively | 1,136.5 | 1,205.9 |
| Inventories | 1,296.2 | 1,130.4 |
| Other current assets | 385.7 | 366.8 |
| Current assets held for sale | 0.9 | 80.6 |
| Total current assets | 2,964.2 | 2,894.1 |
| Property, plant and equipment, net | 921.4 | 950.0 |
| Other assets | | |
| Goodwill | 5,827.4 | 4,741.9 |
| Intangibles, net | 2,515.6 | 1,608.1 |
| Other non-current assets | 426.7 | 436.2 |
| Non-current assets held for sale | 15.6 | 24.9 |
| Total other assets | 8,785.3 | 6,811.1 |
| Total assets | \$12,670.9 | \$10,655.2 |
| Liabilities and Equity | | |
| Current liabilities | | |
| Current maturities of long-term debt and short-term borrowings | \$3.2 | \$6.7 |
| Accounts payable | 531.0 | 583.1 |
| Employee compensation and benefits | 264.6 | 305.5 |
| Other current liabilities | 693.9 | 709.1 |
| Current liabilities held for sale | 3.5 | 35.1 |
| Total current liabilities | 1,496.2 | 1,639.5 |
| Other liabilities | | |
| Long-term debt | 4,983.2 | 2,997.4 |
| Pension and other post-retirement compensation and benefits | 301.6 | 322.0 |
| Deferred tax liabilities | 827.9 | 528.3 |
| Other non-current liabilities | 525.6 | 497.7 |
| Non-current liabilities held for sale | 0.5 | 6.5 |
| Total liabilities | 8,135.0 | 5,991.4 |
| Equity | | |
| Ordinary shares \$0.01 par value, 426.0 authorized, 180.3 and 202.4 issued at September 26, 2015 and December 31, 2014, respectively | 1.8 | 2.0 |
| Ordinary shares held in treasury, 19.9 shares at December 31, 2014 | — | (1,251.9) |
| Additional paid-in capital | 2,849.2 | 4,250.0 |
| Retained earnings | 2,305.2 | 2,044.0 |
| Accumulated other comprehensive income (loss) | (620.3) | (380.3) |
| Total equity | 4,535.9 | 4,663.8 |
| Total liabilities and equity | \$12,670.9 | \$10,655.2 |

See accompanying notes to condensed consolidated financial statements.

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Pentair plc and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

| In millions | Nine months ended | |
|---|-----------------------|-----------------------|
| | September 26, 2015 | September 27, 2014 |
| Operating activities | | |
| Net income | \$376.9 | \$94.1 |
| Loss (income) from discontinued operations, net of tax | 5.6 | (2.6) |
| Loss from sale / impairment of discontinued operations, net of tax | 4.8 | 385.7 |
| Adjustments to reconcile net income from continuing operations to net cash provided by (used for) operating activities of continuing operations | | |
| Equity income of unconsolidated subsidiaries | (2.0) | (0.9) |
| Depreciation | 101.4 | 103.9 |
| Amortization | 83.8 | 85.9 |
| Deferred income taxes | 1.9 | 6.7 |
| Share-based compensation | 27.5 | 24.8 |
| Excess tax benefits from share-based compensation | (6.0) | (10.0) |
| Amortization of bridge financing fees | 10.8 | — |
| Loss (gain) on sales of assets and businesses | (7.7) | 1.2 |
| Changes in assets and liabilities, net of effects of business acquisitions | | |
| Accounts and notes receivable | 85.8 | 71.5 |
| Inventories | (115.3) | (38.5) |
| Other current assets | (45.1) | (36.8) |
| Accounts payable | (82.3) | (34.4) |
| Employee compensation and benefits | (42.0) | (11.9) |
| Other current liabilities | 30.5 | 95.4 |
| Other non-current assets and liabilities | (25.5) | (45.9) |
| Net cash provided by (used for) operating activities of continuing operations | 403.1 | 688.2 |
| Net cash provided by (used for) operating activities of discontinued operations | (7.2) | (4.8) |
| Net cash provided by (used for) operating activities | 395.9 | 683.4 |
| Investing activities | | |
| Capital expenditures | (100.6) | (92.5) |
| Proceeds from sale of property and equipment | 24.8 | 4.1 |
| Acquisitions, net of cash acquired | (1,913.0) | — |
| Other | (0.8) | 0.9 |
| Net cash provided by (used for) investing activities of continuing operations | (1,989.6) | (87.5) |
| Net cash provided by (used for) investing activities of discontinued operations | 59.0 | — |
| Net cash provided by (used for) investing activities | (1,930.6) | (87.5) |
| Financing activities | | |
| Net receipts (repayments) of short-term borrowings | (2.0) | 0.3 |
| Net receipts of commercial paper and revolving long-term debt | 276.5 | 426.2 |
| Proceeds from long-term debt | 1,714.8 | — |
| Repayments of long-term debt | (4.6) | (13.2) |
| Debt issuance costs | (26.8) | — |
| Excess tax benefits from share-based compensation | 6.0 | 10.0 |
| Shares issued to employees, net of shares withheld | 21.9 | 30.3 |
| Repurchases of ordinary shares | (200.0) | (850.0) |
| Dividends paid | (173.3) | (156.2) |
| Purchase of noncontrolling interest | — | (134.7) |

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| | | | |
|--|---------|---------|---|
| Net cash provided by (used for) financing activities | 1,612.5 | (687.3 |) |
| Effect of exchange rate changes on cash and cash equivalents | (43.3 |) (8.0 |) |
| Change in cash and cash equivalents | 34.5 | (99.4 |) |
| Cash and cash equivalents, beginning of period | 110.4 | 256.0 | |
| Cash and cash equivalents, end of period | \$144.9 | \$156.6 | |

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Changes in Equity (Unaudited)

| In millions | Ordinary shares | | Treasury shares | | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Total Pentair plc | Noncontrolling interest | Total |
|---|-----------------|--------|-----------------|-------------|----------------------------|-------------------|---|-------------------|-------------------------|------------|
| | Number | Amount | Number | Amount | | | | | | |
| Balance - December 31, 2014 | 202.4 | \$ 2.0 | (19.9) | \$(1,251.9) | \$4,250.0 | \$ 2,044.0 | \$ (380.3) | \$ 4,663.8 | \$ — | \$ 4,663.8 |
| Net income | — | — | — | — | — | 376.9 | — | 376.9 | — | 376.9 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (240.0) | (240.0) | — | (240.0) |
| Dividends declared | — | — | — | — | 1.5 | (115.7) | — | (114.2) | — | (114.2) |
| Share repurchase | (3.1) | — | — | — | (200.0) | — | — | (200.0) | — | (200.0) |
| Cancellation of treasury shares | (19.1) | (0.2) | 19.1 | 1,210.9 | (1,210.7) | — | — | — | — | — |
| Exercise of options, net of shares tendered for payment | 0.1 | — | 0.7 | 34.6 | (7.9) | — | — | 26.7 | — | 26.7 |
| Issuance of restricted shares, net of cancellations | — | — | 0.2 | 9.5 | (9.5) | — | — | — | — | — |
| Shares surrendered by employees to pay taxes | — | — | (0.1) | (3.1) | (1.7) | — | — | (4.8) | — | (4.8) |
| Share-based compensation | — | — | — | — | 27.5 | — | — | 27.5 | — | 27.5 |
| Balance - September 26, 2015 | 180.3 | \$ 1.8 | — | \$— | \$ 2,849.2 | \$ 2,305.2 | \$ (620.3) | \$ 4,535.9 | \$ — | \$ 4,535.9 |

| In millions | Ordinary shares | | Treasury shares | | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Total Pentair plc | Noncontrolling interest | Total |
|---|-----------------|----------|-----------------|------------|----------------------------|-------------------|---|-------------------|-------------------------|------------|
| | Number | Amount | Number | Amount | | | | | | |
| Balance - December 31, 2013 | 213.0 | \$ 113.5 | (15.6) | \$(875.1) | \$5,071.4 | \$ 1,829.1 | \$ (43.6) | \$ 6,095.3 | \$ 122.4 | \$ 6,217.7 |
| Net income | — | — | — | — | — | 94.1 | — | 94.1 | — | 94.1 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (189.1) | (189.1) | — | (189.1) |
| Conversion of Pentair Ltd. common shares to Pentair plc ordinary shares | — | (111.4) | — | — | 111.4 | — | — | — | — | — |
| Dividends declared | — | — | — | — | (225.7) | — | — | (225.7) | — | (225.7) |
| | — | — | — | — | (12.3) | — | — | (12.3) | (122.4) | (134.7) |

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| | | | | | | | | | | |
|---|--------|-------|---------|-------------|-----------|-----------|------------|-----------|-----|-----------|
| Purchase of noncontrolling interest | | | | | | | | | | |
| Share repurchase | (5.9) | — | (5.8) | (450.7) | (399.3) | — | — | (850.0) | — | (850.0) |
| Exercise of options, net of shares tendered for payment | — | — | 0.9 | 48.7 | (11.0) | — | — | 37.7 | — | 37.7 |
| Issuance of restricted shares, net of cancellations | — | — | 0.3 | 14.4 | (14.4) | — | — | — | — | — |
| Shares surrendered by employees to pay taxes | — | — | (0.1) | (4.8) | (2.6) | — | — | (7.4) | — | (7.4) |
| Share-based compensation | — | — | — | — | 24.8 | — | — | 24.8 | — | 24.8 |
| Balance - September 27, 2014 | 207.1 | \$2.1 | (20.3) | \$(1,267.5) | \$4,542.3 | \$1,923.2 | \$(232.7) | \$4,967.4 | \$— | \$4,967.4 |

See accompanying notes to condensed consolidated financial statements.

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

1. Basis of Presentation and Responsibility for Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements of Pentair plc (formerly Pentair Ltd.) and its subsidiaries ("we," "us," "our," "Pentair," or "the Company") have been prepared following the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America can be condensed or omitted.

In December 2013, the Company's Board of Directors approved changing the Company's jurisdiction of organization from Switzerland to Ireland. At an extraordinary meeting of shareholders on May 20, 2014, Pentair Ltd. shareholders voted in favor of a reorganization proposal pursuant to which Pentair Ltd. would merge into Pentair plc, an Irish company, and all Pentair Ltd. CHF 0.50 par value common shares would be canceled and all holders of such shares would receive \$0.01 par value ordinary shares of Pentair plc on a one-for-one basis. The reorganization transaction was completed on June 3, 2014, at which time Pentair plc replaced Pentair Ltd. as our ultimate parent company (the "Redomicile"). Shares of Pentair plc began trading on the New York Stock Exchange on June 3, 2014 under the symbol "PNR," the same symbol under which Pentair Ltd. shares were previously traded. Although our jurisdiction of organization is Ireland, we manage our affairs so that we are centrally managed and controlled in the United Kingdom (the "U.K.") and therefore have our tax residency in the U.K.

During the first quarter of 2015, we reorganized our business segments to reflect a new operating structure and management of our Global Business Units, Valves & Controls, Flow & Filtration Solutions, Water Quality Systems and Technical Solutions. All prior period amounts related to the segment change have been retrospectively reclassified throughout this Quarterly Report on Form 10-Q to conform to the new presentation.

We are responsible for the unaudited financial statements included in this document. The financial statements include all normal recurring adjustments that are considered necessary for the fair presentation of our financial position and operating results. As these are condensed financial statements, one should also read our consolidated financial statements and notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Revenues, expenses, cash flows, assets and liabilities can and do vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be indicative of those for a full year.

Our fiscal year ends on December 31. We report our interim quarterly periods on a 13-week basis ending on a Saturday.

New Accounting Standards

In September 2015, the Financial Accounting Standards Board (the "FASB") issued a new accounting standard related to the accounting for measurement period adjustments recognized in a business combination. Under the previous standard, when adjustments were made to amounts previously reported as part of a business combination during the measurement period, entities were required to revise comparative information for prior periods. Under the new standard, entities must recognize these adjustments in the reporting period in which the amounts are determined rather than retrospectively. The new standard is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period and early adoption is permitted. The potential impact on our financial condition or results of operations will be dependent upon the nature of final purchase price allocations. We plan to adopt the new standard during the fourth quarter of 2015.

In May 2014, the FASB issued new accounting requirements for the recognition of revenue from contracts with customers. The new requirements include additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The requirements are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for reporting periods beginning after December 15, 2016. We have not yet determined the potential effects on our financial condition or results of operations.

2. Acquisitions

On September 18, 2015, we acquired, as part of Technical Solutions, all of the outstanding shares of capital stock of ERICO Global Company ("ERICO") for approximately \$1.8 billion (the "ERICO Acquisition"). ERICO is a leading global manufacturer and marketer of engineered electrical and fastening products for electrical, mechanical and civil applications. ERICO has employees in 30 countries across the world with recognized brands including CADDY® fixing, fastening and support products; ERICO® electrical grounding, bonding and connectivity products and LENTON® engineered systems.

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

The purchase price has been preliminarily allocated based on the estimated fair value of assets acquired and liabilities assumed at the date of the ERICO Acquisition. The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. These changes will primarily relate to the fair value of tangible and intangible assets acquired and liabilities assumed and the related income tax impacts. We expect the purchase price allocation to be completed in the first quarter of 2016. There can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocations. The following table summarizes our preliminary estimates of the fair values of the assets acquired and liabilities assumed in the ERICO Acquisition:

In millions

| | | |
|--|-----------|---|
| Cash | \$11.6 | |
| Accounts receivable | 76.7 | |
| Inventories | 99.0 | |
| Other current assets | 9.5 | |
| Property, plant and equipment | 27.0 | |
| Identifiable intangible assets | 964.6 | |
| Goodwill | 1,102.8 | |
| Current liabilities | (96.0 |) |
| Deferred income taxes, including current | (373.0 |) |
| Other liabilities | (4.1 |) |
| Purchase price | \$1,818.1 | |

The excess of purchase price over tangible net assets and identified intangible assets acquired has been preliminarily allocated to goodwill in the amount of \$1,102.8 million, none of which is expected to be deductible for income tax purposes. Identifiable intangible assets acquired as part of the acquisition have been preliminarily valued at \$964.6 million, including definite-lived customer relationship and indefinite-lived trade name intangible assets.

ERICO's net sales and net income for the period from the acquisition date to September 26, 2015 were \$13.0 million and \$2.2 million, respectively.

The following unaudited pro forma consolidated condensed financial results of operations are presented as if the ERICO Acquisition was consummated on January 1, 2014, the beginning of the comparable annual reporting period from the date of the ERICO Acquisition:

| In millions, except per-share data | Three months ended | | Nine months ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Pro forma net sales | \$1,670.9 | \$1,906.4 | \$5,074.5 | \$5,659.8 |
| Pro forma net income from continuing operations | 152.2 | 200.3 | 433.5 | 481.3 |
| Pro forma earnings per ordinary share - continuing operations | | | | |
| Basic | \$0.84 | \$1.05 | \$2.41 | \$2.48 |
| Diluted | 0.83 | 1.03 | 2.38 | 2.44 |

The unaudited pro forma net income from continuing operations for the nine months ended September 27, 2014 was adjusted to include the impact of \$29.0 million in non-recurring items related to acquisition date fair value adjustments to inventory. The unaudited pro forma net income for the three and nine months ended September 26, 2015 excludes the impact of \$24.6 million of non-recurring transaction related and bridge financing costs.

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Notes to condensed consolidated financial statements (unaudited)

The pro forma condensed consolidated financial information has been prepared for comparative purposes only and includes certain adjustments, as noted above. The adjustments are estimates based on currently available information and actual amounts may differ materially from these estimates. They do not reflect the effect of costs or synergies that would have been expected to result from the integration of the ERICO Acquisition. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the ERICO Acquisition occurred on January 1, 2014.

In April 2015, we acquired, as part of Technical Solutions, all of the outstanding shares of capital stock of Nuheat Industries Limited ("Nuheat") for \$96.0 million in cash (120.5 million Canadian dollars translated at the April 2, 2015 exchange rate), net of cash acquired. Based in Canada, Nuheat is a leading manufacturer of electric floor heating systems that are distributed across North America. Total goodwill recorded as part of the purchase allocation was \$46.5 million, none of which is tax deductible. Identified intangible assets acquired consisted of customer relationships of \$53.3 million, with an estimated useful life of 17 years. The pro forma impact of this acquisition was deemed to not be material.

On January 30, 2014, we acquired, as part of Water Quality Systems, the remaining 19.9 percent ownership interest in a U.S. entity and an international entity (collectively, "Pentair Residential Filtration" or "PRF"), from GE Water & Process Technologies (a unit of General Electric Company) ("GE") for \$134.3 million in cash. Prior to the acquisition, we held an 80.1 percent ownership equity interest in PRF, representing our and GE's respective global water softener and residential water filtration businesses. There was no material pro forma impact from this acquisition as the results of PRF were consolidated into our financial statements prior to acquiring the remaining interest.

3. Discontinued Operations

On July 28, 2014, our Board of Directors approved a decision to exit our Water Transport business in Australia. During the first and second quarters of 2015, we sold portions of the Water Transport business and received cash proceeds of \$59.0 million. In addition, during the first quarter of 2014 we sold a portion of our Water Transport business resulting in a loss of \$5.6 million, net of a \$2.4 million tax benefit. We expect to dispose of the remainder of the Water Transport business by the end of 2015. The results of the Water Transport business have been presented as discontinued operations and the assets and liabilities of the Water Transport business have been reclassified as held for sale for all periods presented.

Operating results of discontinued operations are summarized below:

| In millions | Three months ended | | Nine months ended | |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Net sales | \$— | \$74.8 | \$18.6 | \$235.4 |
| Cost of goods sold | — | 65.1 | 18.1 | 198.9 |
| Gross profit | \$— | \$9.7 | \$0.5 | \$36.5 |
| Income (loss) from discontinued operations before income taxes | \$— | \$0.2 | \$(7.1) |)\$0.3 |
| Income tax benefit | — | 1.4 | 1.5 | 2.3 |
| Income (loss) from discontinued operations, net of tax | \$— | \$1.6 | \$(5.6) |)\$2.6 |
| Loss from sale / impairment of discontinued operations before income taxes | \$— | \$(392.4) | \$(4.8) | \$(400.4) |
| Income tax benefit | — | 12.3 | — | 14.7 |
| Loss from sale / impairment of discontinued operations, net of tax | \$— | \$(380.1) | \$(4.8) | \$(385.7) |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

The carrying amounts of major classes of assets and liabilities that were classified as held for sale on the Condensed Consolidated Balance Sheets were as follows:

| In millions | September 26, 2015 | December 31, 2014 |
|---|-----------------------|----------------------|
| Cash and cash equivalents | \$— | \$7.0 |
| Accounts and notes receivable, net | — | 28.8 |
| Inventories | — | 30.1 |
| Other current assets | 0.9 | 14.7 |
| Current assets held for sale | \$0.9 | \$80.6 |
| Property, plant and equipment, net | \$15.6 | \$18.5 |
| Other non-current assets | — | 6.4 |
| Non-current assets held for sale | \$15.6 | \$24.9 |
| Accounts payable | — | 12.2 |
| Employee compensation and benefits | — | 11.3 |
| Other current liabilities | 3.5 | 11.6 |
| Current liabilities held for sale | \$3.5 | \$35.1 |
| Long-term debt | \$— | \$4.0 |
| Pension and other post-retirement compensation and benefits | — | 2.5 |
| Deferred tax liabilities | 0.5 | — |
| Non-current liabilities held for sale | \$0.5 | \$6.5 |

4. Share Plans

Total share-based compensation expense for the three and nine months ended September 26, 2015 and September 27, 2014 was as follows:

| In millions | Three months ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Restricted stock units | \$5.4 | \$5.6 | \$17.9 | \$16.7 |
| Stock options | 2.7 | 2.7 | 9.6 | 8.1 |
| Total share-based compensation expense | \$8.1 | \$8.3 | \$27.5 | \$24.8 |

In the first quarter of 2015, we issued our annual share-based compensation grants under the Pentair plc 2012 Stock and Incentive Plan to eligible employees. The total number of awards issued was approximately 0.8 million, of which 0.6 million were stock options and 0.2 million were restricted stock units. The weighted-average grant date fair value of the stock options and restricted stock units issued was \$16.73 and \$66.44, respectively.

We estimated the fair value of each stock option award issued in the annual share-based compensation grant using a Black-Scholes option pricing model, modified for dividends and using the following assumptions:

| | 2015 Annual Grant | |
|---------------------------------|----------------------|---|
| Risk-free interest rate | 1.61 | % |
| Expected dividend yield | 1.96 | % |
| Expected share price volatility | 30.4 | % |
| Expected term (years) | 6.0 | |

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These estimates require us to make assumptions based on historical results, observance of trends in our share price, changes in option exercise behavior, future expectations and other relevant factors. If other assumptions had been used, share-based compensation expense, as calculated and recorded under the accounting guidance, could have been affected.

We based the expected life assumption on historical experience as well as the terms and vesting periods of the options granted. For purposes of determining expected share price volatility, we considered a rolling average of historical volatility measured over a period approximately equal to the expected option term. The risk-free interest rate for periods that coincide with the expected life of the options is based on the U.S. Treasury Department yield curve in effect at the time of grant.

5. Restructuring

During the nine months ended September 26, 2015 and the year ended December 31, 2014, we continued execution of certain business restructuring initiatives aimed at reducing our fixed cost structure and realigning our business. Initiatives during the nine months ended September 26, 2015 included the reduction in hourly and salaried headcount of approximately 1,500 employees, consisting of approximately 1,150 in Valves & Controls, 150 in Flow & Filtration Solutions, 100 in Water Quality Systems and 100 in Technical Solutions. Initiatives during the year ended December 31, 2014 included the reduction in hourly and salaried headcount of approximately 1,150 employees, consisting of approximately 600 in Valves & Controls, 350 in Flow & Filtration Solutions, 50 in Water Quality Systems and 150 in Technical Solutions.

Restructuring related costs included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) included costs for severance and other restructuring costs as follows:

| In millions | Three months ended | | Nine months ended | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Severance and related costs | \$14.6 | \$— | \$35.2 | \$34.6 |
| Other | 10.6 | — | 14.0 | 18.3 |
| Total restructuring costs | \$25.2 | \$— | \$49.2 | \$52.9 |

Other restructuring costs primarily consist of asset impairment and various contract termination costs.

Restructuring costs by reportable segment for the three and nine months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | Three months ended | | Nine months ended | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Valves & Controls | \$18.0 | \$— | \$31.6 | \$27.7 |
| Flow & Filtration Solutions | 3.5 | — | 7.2 | 12.3 |
| Water Quality Systems | 1.5 | — | 4.8 | 7.1 |
| Technical Solutions | 2.2 | — | 5.6 | 5.8 |
| Consolidated | \$25.2 | \$— | \$49.2 | \$52.9 |

Activity in the restructuring accrual recorded in Other current liabilities and Employee compensation and benefits in the Condensed Consolidated Balance Sheets is summarized as follows for the nine months ended September 26, 2015:

| In millions | September 26, 2015 |
|-------------------------|--------------------|
| Beginning balance | \$73.4 |
| Costs incurred | 35.2 |
| Cash payments and other | (37.4) |
| Ending balance | \$71.2 |

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6. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share were calculated as follows:

| In millions, except per-share data | Three months ended | | Nine months ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Net income (loss) | \$115.2 | \$(186.0) |) \$376.9 | \$94.1 |
| Net income from continuing operations | \$115.2 | \$192.5 | \$387.3 | \$477.2 |
| Weighted average ordinary shares outstanding | | | | |
| Basic | 180.2 | 190.2 | 180.1 | 193.2 |
| Dilutive impact of stock options and restricted stock units | 2.4 | 2.9 | 2.5 | 3.2 |
| Diluted | 182.6 | 193.1 | 182.6 | 196.4 |
| Earnings (loss) per ordinary share | | | | |
| Basic | | | | |
| Continuing operations | \$0.64 | \$1.01 | \$2.15 | \$2.47 |
| Discontinued operations | — | (1.99) |) (0.06) |) (1.98) |
| Basic earnings (loss) per ordinary share | \$0.64 | \$(0.98) |) \$2.09 | \$0.49 |
| Diluted | | | | |
| Continuing operations | \$0.63 | \$1.00 | \$2.12 | \$2.43 |
| Discontinued operations | — | (1.95) |) (0.06) |) (1.95) |
| Diluted earnings (loss) per ordinary share | \$0.63 | \$(0.95) |) \$2.06 | \$0.48 |
| Anti-dilutive stock options excluded from the calculation of diluted earnings per share | 1.2 | 0.5 | 1.2 | 0.5 |

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Notes to condensed consolidated financial statements (unaudited)

7. Supplemental Balance Sheet Information

| In millions | September 26, 2015 | December 31, 2014 |
|---|-----------------------|----------------------|
| Inventories | | |
| Raw materials and supplies | \$445.9 | \$460.1 |
| Work-in-process | 277.3 | 229.0 |
| Finished goods | 573.0 | 441.3 |
| Total inventories | \$1,296.2 | \$1,130.4 |
| Other current assets | | |
| Cost in excess of billings | \$125.6 | \$103.5 |
| Prepaid expenses | 111.2 | 109.6 |
| Deferred income taxes | 126.3 | 139.4 |
| Other current assets | 22.6 | 14.3 |
| Total other current assets | \$385.7 | \$366.8 |
| Property, plant and equipment, net | | |
| Land and land improvements | \$145.1 | \$165.1 |
| Buildings and leasehold improvements | 507.1 | 493.5 |
| Machinery and equipment | 1,282.6 | 1,169.1 |
| Construction in progress | 75.0 | 71.0 |
| Total property, plant and equipment | 2,009.8 | 1,898.7 |
| Accumulated depreciation and amortization | 1,088.4 | 948.7 |
| Total property, plant and equipment, net | \$921.4 | \$950.0 |
| Other non-current assets | | |
| Asbestos-related insurance receivable | \$111.3 | \$115.8 |
| Deferred income taxes | 92.1 | 87.9 |
| Other non-current assets | 223.3 | 232.5 |
| Total other non-current assets | \$426.7 | \$436.2 |
| Other current liabilities | | |
| Deferred revenue and customer deposits | \$99.6 | \$112.7 |
| Dividends payable | 57.7 | 116.8 |
| Billings in excess of cost | 38.1 | 41.4 |
| Accrued warranty | 61.1 | 66.4 |
| Other current liabilities | 437.4 | 371.8 |
| Total other current liabilities | \$693.9 | \$709.1 |
| Other non-current liabilities | | |
| Asbestos-related liabilities | \$240.1 | \$249.1 |
| Taxes payable | 63.9 | 61.6 |
| Other non-current liabilities | 221.6 | 187.0 |
| Total other non-current liabilities | \$525.6 | \$497.7 |

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8. Goodwill and Other Identifiable Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows:

| In millions | December 31, 2014 | Acquisitions/ divestitures | Foreign currency translation/other | September 26, 2015 |
|-----------------------------|----------------------|-------------------------------|---------------------------------------|-----------------------|
| Valves & Controls | \$1,511.6 | \$— | \$— | \$1,511.6 |
| Flow & Filtration Solutions | 942.4 | — | (51.8 |) 890.6 |
| Water Quality Systems | 1,137.6 | — | (14.7 |) 1,122.9 |
| Technical Solutions | 1,150.3 | 1,160.9 | (8.9 |) 2,302.3 |
| Total goodwill | \$4,741.9 | \$1,160.9 | \$(75.4 |) \$5,827.4 |

Identifiable intangible assets consisted of the following:

| In millions | September 26, 2015 | | | December 31, 2014 | | |
|---------------------------------------|-----------------------|-----------------------------|-------------|----------------------|-----------------------------|-------------|
| | Cost | Accumulated amortization | Net | Cost | Accumulated amortization | Net |
| Finite-life intangibles | | | | | | |
| Customer relationships | \$1,976.4 | \$(384.3 |) \$1,592.1 | \$1,247.8 | \$(325.2 |) \$922.6 |
| Trade names | 1.8 | (1.2 |) 0.6 | 2.0 | (1.1 |) 0.9 |
| Proprietary technology and patents | 250.3 | (109.5 |) 140.8 | 255.7 | (96.7 |) 159.0 |
| Total finite-life intangibles | \$2,228.5 | \$(495.0 |) \$1,733.5 | \$1,505.5 | \$(423.0 |) \$1,082.5 |
| Indefinite-life intangibles | | | | | | |
| Trade names | 782.1 | — | 782.1 | 525.6 | — | 525.6 |
| Total intangibles, net | \$3,010.6 | \$(495.0 |) \$2,515.6 | \$2,031.1 | \$(423.0 |) \$1,608.1 |

Intangible asset amortization expense was \$28.2 million and \$28.4 million for the three months ended September 26, 2015 and September 27, 2014, respectively, and \$83.8 million and \$85.9 million for the nine months ended September 26, 2015 and September 26, 2014.

Estimated future amortization expense for identifiable intangible assets during the remainder of 2015 and the next five years is as follows:

| In millions | Q4 | | | | | |
|--------------------------------|--------|---------|---------|---------|---------|---------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Estimated amortization expense | \$39.4 | \$157.4 | \$155.9 | \$153.5 | \$146.7 | \$141.6 |

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9. Debt

Debt and the average interest rates on debt outstanding were as follows:

| In millions | Average interest rate at September 26, 2015 | Maturity Year | September 26, 2015 | December 31, 2014 |
|--|---|------------------|-----------------------|----------------------|
| Commercial paper | 0.885% | 2019 | \$1,082.4 | \$987.6 |
| Revolving credit facilities | 1.451% | 2019 | 191.5 | 9.8 |
| Senior notes - fixed rate | 1.350% | 2015 | 350.0 | 350.0 |
| Senior notes - fixed rate | 1.875% | 2017 | 350.0 | 350.0 |
| Senior notes - fixed rate | 2.900% | 2018 | 500.0 | — |
| Senior notes - fixed rate | 2.650% | 2019 | 250.0 | 250.0 |
| Senior notes - fixed rate - Euro | 2.450% | 2019 | 559.3 | — |
| Senior notes - fixed rate | 3.625% | 2020 | 400.0 | — |
| Senior notes - fixed rate | 5.000% | 2021 | 500.0 | 500.0 |
| Senior notes - fixed rate | 3.150% | 2022 | 550.0 | 550.0 |
| Senior notes - fixed rate | 4.650% | 2025 | 250.0 | — |
| Capital lease obligations and other | 8.284% | 2016 | 3.2 | 6.7 |
| Total debt | | | 4,986.4 | 3,004.1 |
| Less: Current maturities and short-term borrowings | | | (3.2 |)(6.7 |
| Long-term debt | | | \$4,983.2 | \$2,997.4 |

In September 2015, Pentair plc, Pentair Finance S.A. ("PFSA") and Pentair Investments Switzerland GmbH ("PISG"), a 100-percent owned subsidiary of Pentair plc and the 100-percent owner of PFSA, completed public offerings (the "September 2015 Offerings") of \$500.0 million aggregate principal amount of PFSA's 2.90% Senior Notes due 2018, \$400.0 million aggregate principal amount of PFSA's 3.625% Senior Notes due 2020, \$250.0 million aggregate principal amount of PFSA's 4.65% Senior Notes due 2025 and €500.0 million aggregate principal amount of PFSA's 2.45% Senior Notes due 2019. Pentair plc used the net proceeds from the September 2015 Offerings to finance the ERICO Acquisition.

The Senior Notes issued in the September 2015 Offerings, the 1.35% Senior Notes due 2015, 1.875% Senior Notes due 2017, 2.65% Senior Notes due 2019, \$373.0 million of the 5.00% Senior Notes due 2021 and 3.15% Senior Notes due 2022 issued by PFSA and \$127.0 million of the 5.00% Senior Notes due 2021 issued by Pentair, Inc. (collectively, the "Notes") are guaranteed as to payment by Pentair plc and PISG.

Pentair, Inc. had a credit agreement providing for an unsecured, committed revolving credit facility (the "Prior Credit Facility") pursuant to which Pentair Ltd. was the guarantor and PFSA and certain other of our subsidiaries were affiliate borrowers. In October 2014, Pentair plc, PISG, PFSA and Pentair, Inc. entered into an amended and restated credit agreement related to the Prior Credit Facility (the "Amended Credit Facility"), with Pentair plc and PISG as guarantors and PFSA and Pentair, Inc. as borrowers. The Amended Credit Facility increased the maximum aggregate availability to \$2,100.0 million and extended the maturity date to October 3, 2019. Borrowings under the Amended Credit Facility generally bear interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus a specified margin based upon PFSA's credit ratings. PFSA must pay a facility fee ranging from 9.0 to 25.0 basis points per annum (based upon PFSA's credit ratings) on the amount of each lender's commitment and letter of credit fee for each letter of credit issued and outstanding under the Amended Credit Facility.

In August 2015, Pentair plc, PISG and PFSA entered into a First Amendment to the Amended Credit Facility (the "First Amendment"), which, among other things, increased the Leverage Ratio (as defined below) following the ERICO Acquisition from 3.50 to 1.00 on the last day of each fiscal quarter to the amounts specified below. Additionally, in September 2015, Pentair plc, PISG and PFSA entered into a Second Amendment to the Amended Credit Facility (the "Second Amendment", and together with the First Amendment, the "Amendments"), which,

among other things, increased the maximum aggregate availability to \$2,500.0 million.

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PFSA is authorized to sell short-term commercial paper notes to the extent availability exists under the Amended Credit Facility. PFSA uses the Amended Credit Facility as back-up liquidity to support 100% of commercial paper outstanding. As of September 26, 2015 and December 31, 2014, PFSA had \$1,082.4 million and \$987.6 million, respectively, of commercial paper outstanding, all of which was classified as long-term as we have the intent and the ability to refinance such obligations on a long-term basis under the Amended Credit Facility.

Total availability under the Amended Credit Facility was \$1,226.1 million as of September 26, 2015, which was not limited by any covenants contained in the Amended Credit Facility's credit agreement.

Our debt agreements contain certain financial covenants, the most restrictive of which are in the Amended Credit Facility (as updated for the Amendments), including that we may not permit (i) the ratio of our consolidated debt plus synthetic lease obligations to our consolidated net income (excluding, among other things, non-cash gains and losses) before interest, taxes, depreciation, amortization, non-cash share-based compensation expense, up to a lifetime maximum \$25.0 million of costs, fees and expenses incurred in connection with certain acquisitions, investments, dispositions and the issuance, repayment or refinancing of debt, and in addition to (but without duplication of) the fees, costs and expenses referred above, any fees, costs and expenses, in an aggregate amount not to exceed \$50.0 million, incurred in connection with the ERICO Acquisition and any related incurrence, issuance, repayment or refinancing of debt ("EBITDA") for the four consecutive fiscal quarters then ended (the "Leverage Ratio") to exceed (a) 4.50 to 1.00 as of the last day of any period of four consecutive fiscal quarters ending on or prior to June 30, 2016; (b) 4.25 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending on September 30, 2016; (c) 4.00 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending on December 31, 2016; (d) 3.75 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending after December 31, 2016 but before June 30, 2017; and (e) 3.50 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending after June 30, 2017, and (ii) the ratio of our EBITDA for the four consecutive fiscal quarters then ended to our consolidated interest expense, including consolidated yield or discount accrued as to outstanding securitization obligations (if any), for the same period to be less than 3.00 to 1.00 as of the end of each fiscal quarter. For purposes of the Leverage Ratio, the Amended Credit Facility provides for the calculation of EBITDA giving pro forma effect to certain acquisitions, divestitures and liquidations during the period to which such calculation relates. As of September 26, 2015, we were in compliance with all financial covenants in our debt agreements.

In addition to the Amended Credit Facility, we have various other credit facilities with an aggregate availability of \$51.0 million, of which \$0.3 million was outstanding at September 26, 2015. Borrowings under these credit facilities bear interest at variable rates.

We have \$350.0 million of fixed rate senior notes maturing in December 2015. We classified this debt as long-term as of September 26, 2015 as we have the intent and ability to refinance such obligation on a long-term basis under the Amended Credit Facility.

Debt outstanding at September 26, 2015 matures on a calendar year basis as follows:

| In millions | Q4 | | | | | | | Total |
|--|----------|--------|----------|----------|------------|----------|------------|------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | |
| Contractual debt obligation maturities | \$ 350.3 | \$— | \$ 350.0 | \$ 500.0 | \$ 2,083.2 | \$ 400.0 | \$ 1,300.0 | \$ 4,983.5 |
| Capital lease obligations | 1.7 | 1.2 | — | — | — | — | — | 2.9 |
| Total maturities | \$ 352.0 | \$ 1.2 | \$ 350.0 | \$ 500.0 | \$ 2,083.2 | \$ 400.0 | \$ 1,300.0 | \$ 4,986.4 |

Capital lease obligations relate primarily to land and buildings and consist of total future minimum lease payments of \$3.0 million, less the imputed interest of \$0.1 million as of September 26, 2015.

As of September 26, 2015 and December 31, 2014, assets under capital lease were \$5.0 million and \$19.5 million, respectively, less accumulated amortization of \$1.8 million and \$2.4 million, respectively, all of which were included in Property, plant and equipment, net on the Condensed Consolidated Balance Sheets.

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10. Derivatives and Financial Instruments

Derivative financial instruments

We are exposed to market risk related to changes in foreign currency exchange rates and interest rates on our floating rate indebtedness. To manage the volatility related to these exposures, we periodically enter into a variety of derivative financial instruments. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency rates and interest rates. The derivative contracts contain credit risk to the extent that our bank counterparties may be unable to meet the terms of the agreements. The amount of such credit risk is generally limited to the unrealized gains, if any, in such contracts. Such risk is minimized by limiting those counterparties to major financial institutions of high credit quality.

Interest rate swaps

In April 2011, we entered into interest rate swap contracts to hedge movement in interest rates through the expected date of a fixed rate debt offering. The swaps had a notional amount of \$400.0 million with an average interest rate of 3.65%. In May 2011, upon the sale of the fixed rate debt, the swaps were terminated at a cost of \$11.0 million. Because we used the contracts to hedge future interest payments, this was recorded in Accumulated other comprehensive income (loss) ("AOCI") in the Condensed Consolidated Balance Sheets and will be amortized as interest expense over the 10 year life of the underlying fixed rate debt. The ending unrealized net loss in AOCI was \$6.1 million and \$7.0 million at September 26, 2015 and December 31, 2014, respectively.

Foreign currency contracts

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. dollar. We manage our economic and transaction exposure to certain market-based risks through the use of foreign currency derivative financial instruments. Our objective in holding these derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates. The majority of our foreign currency contracts have an original maturity date of less than one year. At September 26, 2015 and December 31, 2014, we had outstanding foreign currency derivative contracts with gross notional U.S. dollar equivalent amounts of \$235.1 million and \$250.8 million, respectively. The impact of these contracts on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) is not material for any period presented.

Gains or losses on foreign currency contracts designated as hedges are reclassified out of AOCI and into Selling, general and administrative expense in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) upon settlement. Such reclassifications during the three and nine months ended September 26, 2015 and September 27, 2014 were not material.

Net Investment Hedge

We have net investments in foreign subsidiaries that are subject to changes in the foreign currency exchange rate. In September 2015, we designated the €500.0 million 2.45% Senior Notes due 2019 (the "2019 Euro Notes") as a net investment hedge for a portion of our net investment in our Euro denominated subsidiaries. The gains/losses on the 2019 Euro Notes have been included as a component of the cumulative translation adjustment account within AOCI. As of September 26, 2015, we had deferred foreign currency gains of \$5.5 million in AOCI associated with the net investment hedge activity.

Fair value measurements

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. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

Level 1: Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.

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Level 2: Valuation is based on inputs such as quoted market prices for similar assets or liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Valuation is based upon other unobservable inputs that are significant to the fair value measurement. In making fair value measurements, observable market data must be used when available. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

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Fair value of financial instruments

The following methods were used to estimate the fair values of each class of financial instruments:

• short-term financial instruments (cash and cash equivalents, accounts and notes receivable, accounts and notes payable and variable-rate debt) — recorded amount approximates fair value because of the short maturity period; long-term fixed-rate debt, including current maturities — fair value is based on market quotes available for issuance of debt with similar terms, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance; and

foreign currency contract agreements — fair values are determined through the use of models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance.

The recorded amounts and estimated fair values of total debt were as follows:

| In millions | September 26, 2015 | | December 31, 2014 | |
|--------------------|-----------------------|---------------|----------------------|---------------|
| | Recorded Amount | Fair Value | Recorded Amount | Fair Value |
| Variable rate debt | \$1,274.2 | \$1,274.2 | \$997.4 | \$997.4 |
| Fixed rate debt | 3,712.2 | 3,782.1 | 2,006.7 | 2,070.4 |
| Total debt | \$4,986.4 | \$5,056.3 | \$3,004.1 | \$3,067.8 |

Financial assets and liabilities measured at fair value on a recurring and nonrecurring basis were as follows:

| In millions | September 26, 2015 | | | |
|--|-----------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Foreign currency contract liabilities | \$— | \$(13.5) |)\$— | \$(13.5) |
| Deferred compensation plan assets ⁽¹⁾ | 42.2 | 8.0 | — | 50.2 |
| Total recurring fair value measurements | \$42.2 | \$(5.5) |)\$— | \$36.7 |

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| In millions | December 31, 2014 | | | |
|---|----------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Foreign currency contract assets | \$— | \$0.9 | \$— | \$0.9 |
| Foreign currency contract liabilities | — | (6.6 |)— | (6.6 |
| Deferred compensation plan assets ⁽¹⁾ | 47.9 | 7.4 | — | 55.3 |
| Total recurring fair value measurements | \$47.9 | \$1.7 | \$— | \$49.6 |
| Nonrecurring fair value measurements ⁽²⁾ | | | | |

(1) Deferred compensation plan assets include mutual funds, common/collective trusts and cash equivalents for payment of certain non-qualified benefits for retired, terminated and active employees. The fair value of mutual funds and cash equivalents were based on quoted market prices in active markets. The underlying investments in the common/collective trusts primarily include intermediate and long-term debt securities, corporate debt securities, equity securities and fixed income securities. The overall fair value of the common/collective trusts are based on observable inputs.

(2) During the third quarter of 2014, we recognized an impairment charge related to allocated amounts of goodwill, intangible assets, property, plant & equipment and other non-current assets totaling \$380.1 million, net of a \$12.3 million tax benefit, representing our estimated loss on disposal of the Water Transport business. The impairment charge was determined using significant unobservable inputs (Level 3 fair value measurements).

11. Income Taxes

We manage our affairs so that we are centrally managed and controlled in the U.K. and therefore have our tax residency in the U.K. The provision for income taxes consists of provisions for U.K. and international income taxes. We operate in an international environment with operations in various locations outside the U.K. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in the various locations and the applicable rates.

The effective income tax rate for the nine months ended September 26, 2015 was 23.0%, compared to 23.7% for the nine months ended September 27, 2014. We continue to actively pursue initiatives to reduce our effective tax rate. The tax rate in any quarter can be affected positively or negatively by adjustments that are required to be reported in the specific quarter of resolution.

The liability for uncertain tax positions was \$63.9 million and \$62.1 million at September 26, 2015 and December 31, 2014, respectively. We record penalties and interest related to unrecognized tax benefits in Provision for income taxes and Net interest expense, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), which is consistent with our past practices.

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12. Benefit Plans

Components of net periodic benefit cost for our pension plans for the three and nine months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | U.S. pension plans | | | |
|--------------------------------|------------------------|--------------------|--------------------|--------------------|
| | Three months ended | | Nine months ended | |
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Service cost | \$3.5 | \$3.3 | \$10.5 | \$9.9 |
| Interest cost | 3.7 | 3.8 | 11.1 | 11.4 |
| Expected return on plan assets | (2.5 |)(2.6 |)(7.5 |)(7.8 |
| Net periodic benefit cost | \$4.7 | \$4.5 | \$14.1 | \$13.5 |
| In millions | Non-U.S. pension plans | | | |
| | Three months ended | | Nine months ended | |
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Service cost | \$2.6 | \$2.0 | \$7.8 | \$6.0 |
| Interest cost | 3.8 | 4.7 | 11.4 | 14.1 |
| Expected return on plan assets | (4.1 |)(4.2 |)(12.3 |)(12.6 |
| Net periodic benefit cost | \$2.3 | \$2.5 | \$6.9 | \$7.5 |

Components of net periodic benefit cost for our other post-retirement plans for the three and nine months ended September 26, 2015 and September 27, 2014 were not material.

13. Shareholders' Equity

Share repurchases

In December 2014, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$1.0 billion. The authorization expires on December 31, 2019. During the nine months ended September 26, 2015, we repurchased 3.1 million of our shares for \$200.0 million pursuant to this authorization. As of September 26, 2015, we had \$800.0 million remaining available for share repurchases under this authorization.

Ordinary shares held in treasury

In August 2015, we canceled all of our ordinary shares held in treasury. At the time of the cancellation, we held 19.1 million ordinary shares in treasury at a cost of \$1.2 billion.

Dividends payable

On September 21, 2015, our Board of Directors declared a quarterly cash dividend of \$0.32 per share payable on November 6, 2015 to shareholders of record at the close of business on October 23, 2015. On May 5, 2015, our Board of Directors declared a quarterly cash dividend of \$0.32 per share which was paid on August 7, 2015 to shareholders of record at the close of business on July 24, 2015.

At our 2014 annual meeting of shareholders held on May 20, 2014, our shareholders approved a proposal to pay quarterly cash dividends through the second quarter of 2015. The authorization provided that dividends of \$1.20 per share be paid to our shareholders in quarterly installments of \$0.30 for each of the third and fourth quarters of 2014 and the first and second quarters of 2015. In December 2014, the Board of Directors approved an increase of \$0.02 per share for the 2015 first and second quarter dividends, bringing the total quarterly dividend for those quarters to \$0.32 per share.

As a result, the balance of dividends payable included in Other current liabilities on our Condensed Consolidated Balance Sheets was \$57.7 million and \$116.8 million at September 26, 2015 and December 31, 2014, respectively.

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Notes to condensed consolidated financial statements (unaudited)

14. Segment information

During the first quarter of 2015, we reorganized our business segments to reflect a new operating structure and management of our Global Business Units, resulting in a change to our reporting segments in 2015.

We evaluate performance based on net sales and segment income (loss) and use a variety of ratios to measure performance of our reporting segments. During the third quarter of 2015, we updated our segment income (loss) measure to exclude intangible amortization in order to better reflect the performance of our reporting segments. Segment income (loss) represents operating income (loss) exclusive of intangible amortization, certain acquisition related expenses, costs of restructuring activities, "mark-to-market" gain/loss for pension and other post-retirement plans, impairments and other unusual non-operating items.

Financial information by reportable segment is as follows:

| In millions | Three months ended | | Nine months ended | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Net sales | | | | |
| Valves & Controls | \$440.9 | \$607.9 | \$1,366.5 | \$1,767.5 |
| Flow & Filtration Solutions | 362.7 | 394.1 | 1,087.4 | 1,219.7 |
| Water Quality Systems | 322.0 | 324.1 | 1,016.6 | 1,006.0 |
| Technical Solutions | 432.3 | 438.8 | 1,235.2 | 1,262.7 |
| Other | (5.8) | (6.5) | (17.4) | (19.4) |
| Consolidated | \$1,552.1 | \$1,758.4 | \$4,688.3 | \$5,236.5 |
| Segment income (loss) | | | | |
| Valves & Controls | \$55.7 | \$107.6 | \$175.5 | \$282.8 |
| Flow & Filtration Solutions | 52.8 | 53.5 | 145.0 | 157.6 |
| Water Quality Systems | 60.5 | 56.0 | 200.5 | 191.0 |
| Technical Solutions | 101.0 | 101.1 | 265.0 | 266.9 |
| Other | (20.8) | (22.4) | (65.1) | (65.1) |
| Consolidated | \$249.2 | \$295.8 | \$720.9 | \$833.2 |

The following table presents a reconciliation of consolidated segment income to consolidated operating income:

| In millions | Three months ended | | Nine months ended | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 26, 2015 | September 27, 2014 | September 26, 2015 | September 27, 2014 |
| Segment income | \$249.2 | \$295.8 | \$720.9 | \$833.2 |
| Restructuring and other | (25.3) | — | (50.8) | (61.1) |
| Intangible amortization | (28.2) | (28.4) | (83.8) | (85.9) |
| Inventory step-up | (1.4) | — | (2.9) | — |
| Deal related costs and expenses | (14.3) | — | (14.3) | — |
| Redomicile related expenses | — | — | — | (10.3) |
| Operating income | \$180.0 | \$267.4 | \$569.1 | \$675.9 |

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Notes to condensed consolidated financial statements (unaudited)

15. Commitments and Contingencies

Asbestos Matters

Our subsidiaries and numerous other companies are named as defendants in personal injury lawsuits based on alleged exposure to asbestos-containing materials. These cases typically involve product liability claims based primarily on allegations of manufacture, sale or distribution of industrial products that either contained asbestos or were attached to or used with asbestos-containing components manufactured by third-parties. Each case typically names between dozens to hundreds of corporate defendants. While we have observed an increase in the number of these lawsuits over the past several years, including lawsuits by plaintiffs with mesothelioma-related claims, a large percentage of these suits have not presented viable legal claims and, as a result, have been dismissed by the courts. Our historical strategy has been to mount a vigorous defense aimed at having unsubstantiated suits dismissed, and, where appropriate, settling suits before trial. Although a large percentage of litigated suits have been dismissed, we cannot predict the extent to which we will be successful in resolving lawsuits in the future.

As of September 26, 2015, there were approximately 4,200 claims outstanding against our subsidiaries. This amount includes adjustments for claims that are not actively being prosecuted. This amount is not adjusted for claims that identify incorrect defendants or duplicate other actions. In addition, the amount does not include certain claims pending against third parties for which we have been provided an indemnification.

Periodically, we perform an analysis with the assistance of outside counsel and other experts to update our estimated asbestos-related assets and liabilities. Our estimate of the liability and corresponding insurance recovery for pending and future claims and defense costs is based on our historical claim experience and estimates of the number and resolution cost of potential future claims that may be filed. Our legal strategy for resolving claims also impacts these estimates.

Our estimate of asbestos-related insurance recoveries represents estimated amounts due to us for previously paid and settled claims and the probable reimbursements relating to our estimated liability for pending and future claims. In determining the amount of insurance recoverable, we consider a number of factors, including available insurance, allocation methodologies and the solvency and creditworthiness of insurers.

Our estimated liability for asbestos-related claims was \$240.1 million and \$249.1 million as of September 26, 2015 and December 31, 2014, respectively, and was recorded in Other non-current liabilities in the Condensed Consolidated Balance Sheets for pending and future claims and related defense costs. Our estimated receivable for insurance recoveries was \$111.3 million and \$115.8 million as of September 26, 2015 and December 31, 2014, respectively, and was recorded in Other non-current assets in the Condensed Consolidated Balance Sheets.

The amounts recorded by us for asbestos-related liabilities and insurance-related assets are based on our strategies for resolving our asbestos claims and currently available information as well as estimates and assumptions. Key variables and assumptions include the number and type of new claims filed each year, the average cost of resolution of claims, the resolution of coverage issues with insurance carriers, the amounts of insurance and the related solvency risk with respect to our insurance carriers, and the indemnifications we have provided to and received from third parties. Furthermore, predictions with respect to these variables are subject to greater uncertainty in the latter portion of the projection period. Other factors that may affect our liability and cash payments for asbestos-related matters include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms of state or federal tort legislation and the applicability of insurance policies among subsidiaries. As a result, actual liabilities or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in our calculations vary significantly from actual results.

Environmental Matters

We are involved in or have retained responsibility and potential liability for environmental obligations and legal proceedings related to our current business and, including pursuant to certain indemnification obligations, related to certain formerly owned businesses. Our accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. Based upon our experience, current information regarding known contingencies

and applicable laws, we have recorded reserves for these environmental matters of \$22.5 million and \$31.4 million as of September 26, 2015 and December 31, 2014, respectively. We do not anticipate these environmental conditions will have a material adverse effect on our financial position, results of operations or cash flows.

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Warranties and guarantees

In connection with the disposition of our businesses or product lines, we may agree to indemnify purchasers for various potential liabilities relating to the sold business, such as pre-closing tax, product liability, warranty, environmental, or other obligations. The subject matter, amounts and duration of any such indemnification obligations vary for each type of liability indemnified and may vary widely from transaction to transaction. Generally, the maximum obligation under such indemnifications is not explicitly stated and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our financial condition or results of operations.

We recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee.

We provide service and warranty policies on our products. Liability under service and warranty policies is based upon a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience warrant.

The changes in the carrying amount of service and product warranties for the nine months ended September 26, 2015 were as follows:

| In millions | September 26, 2015 |
|--|-----------------------|
| Beginning balance | \$66.4 |
| Service and product warranty provision | 45.4 |
| Payments | (48.9) |
| Foreign currency translation | (1.8) |
| Ending balance | \$61.1 |

Stand-by Letters of Credit, Bank Guarantees and Bonds

In certain situations, Tyco International Ltd., Pentair Ltd.'s former parent company ("Tyco"), guaranteed performance by the flow control business of Pentair Ltd. ("Flow Control") to third parties or provided financial guarantees for financial commitments of Pentair Ltd. In situations where Flow Control and Tyco were unable to obtain a release from these guarantees in connection with the spin-off of Pentair Ltd., we will indemnify Tyco for any losses it suffers as a result of such guarantees.

In disposing of assets or businesses, we often provide representations, warranties and indemnities to cover various risks including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to reasonably estimate the potential liability due to the inchoate and unknown nature of these potential liabilities.

However, we have no reason to believe that these uncertainties would have a material adverse effect on our financial position, results of operations or cash flows.

In the ordinary course of business, we are required to commit to bonds, letters of credit and bank guarantees that require payments to our customers for any non-performance. The outstanding face value of these instruments fluctuates with the value of our projects in process and in our backlog. In addition, we issue financial stand-by letters of credit primarily to secure our performance to third parties under self-insurance programs.

As of September 26, 2015 and December 31, 2014, the outstanding value of bonds, letters of credit and bank guarantees totaled \$421.2 million and \$370.1 million, respectively.

16. Supplemental Guarantor Information

Effective upon the Redomicile, Pentair plc (the "Parent Company Guarantor") and Pentair Investments Switzerland GmbH (the "Subsidiary Guarantor"), fully and unconditionally, guarantee the Notes of Pentair Finance S.A. (the "Subsidiary Issuer"). The Subsidiary Guarantor is a Switzerland limited liability company formed in April 2014 and 100 percent-owned subsidiary of the Parent Company Guarantor. The Subsidiary Issuer is a Luxembourg public

limited liability company and 100 percent-owned subsidiary of the Subsidiary Guarantor. The guarantees provided by the Parent Company Guarantor and Subsidiary Guarantor are joint and several.

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Notes to condensed consolidated financial statements (unaudited)

The following supplemental financial information sets forth the Company's Condensed Consolidating Statement of Operations and Comprehensive Income (Loss), Condensed Consolidating Balance Sheets and Condensed Consolidating Statement of Cash Flows by relevant group within the Company: Pentair plc and Pentair Investments Switzerland GmbH as the guarantors, Pentair Finance S.A. as issuer of the debt and all other non-guarantor subsidiaries. Condensed consolidating financial information for Pentair plc, Pentair Investments Switzerland GmbH and Pentair Finance S.A. on a stand-alone basis is presented using the equity method of accounting for subsidiaries.

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)

Three months ended September 26, 2015

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|--------------------------------|-------------------------|----------------------|-------------------------------|--------------|-----------------------|
| Net sales | \$— | \$— | \$— | \$1,552.1 | \$— | \$1,552.1 |
| Cost of goods sold | — | — | — | 1,012.0 | — | 1,012.0 |
| Gross profit | — | — | — | 540.1 | — | 540.1 |
| Selling, general and administrative | 17.7 | 0.1 | 1.7 | 310.7 | — | 330.2 |
| Research and development | — | — | — | 29.9 | — | 29.9 |
| Operating income (loss) | (17.7) |)(0.1 |)(1.7 |)199.5 | — | 180.0 |
| Loss (earnings) from continuing operations of investment in subsidiaries | (132.9 |)(133.0 |)(148.3 |)— | 414.2 | — |
| Other (income) expense: | | | | | | |
| Equity income of unconsolidated subsidiaries | — | — | — | (0.9 |)— | (0.9) |
| Net interest expense | — | — | 18.0 | 13.3 | — | 31.3 |
| Income (loss) from continuing operations before income taxes | 115.2 | 132.9 | 128.6 | 187.1 | (414.2 |)149.6 |
| Provision for income taxes | — | — | — | 34.4 | — | 34.4 |
| Net income (loss) from continuing operations | 115.2 | 132.9 | 128.6 | 152.7 | (414.2 |)115.2 |
| Net income (loss) | \$115.2 | \$132.9 | \$128.6 | \$152.7 | \$(414.2 |)\$115.2 |
| Comprehensive income (loss), net of tax | | | | | | |
| Net income (loss) | \$115.2 | \$132.9 | \$128.6 | \$152.7 | \$(414.2 |)\$115.2 |
| Changes in cumulative translation adjustment | (85.8 |)(85.8 |)(85.8 |)(85.8 |)257.4 | (85.8) |
| Changes in market value of derivative financial instruments | (0.7 |)(0.7 |)(0.7 |)(0.7 |)2.1 | (0.7) |
| Comprehensive income (loss) | \$28.7 | \$46.4 | \$42.1 | \$66.2 | \$(154.7 |)\$28.7 |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)

Nine months ended September 26, 2015

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|--------------------------------|-------------------------|----------------------|-------------------------------|--------------|-----------------------|
| Net sales | \$— | \$— | \$— | \$4,688.3 | \$— | \$4,688.3 |
| Cost of goods sold | — | — | — | 3,071.8 | — | 3,071.8 |
| Gross profit | — | — | — | 1,616.5 | — | 1,616.5 |
| Selling, general and administrative | 30.4 | 0.2 | 3.8 | 924.3 | — | 958.7 |
| Research and development | — | — | — | 88.7 | — | 88.7 |
| Operating income (loss) | (30.4) |)(0.2 |)(3.8 |)603.5 | — | 569.1 |
| Loss (earnings) from continuing operations of investment in subsidiaries | (417.0 |)(418.5 |)(428.6 |)— | 1,264.1 | — |
| Other (income) expense: | | | | | | |
| Equity income of unconsolidated subsidiaries | — | — | — | (2.0 |)— | (2.0) |
| Net interest expense | — | 1.3 | 21.8 | 45.0 | — | 68.1 |
| Income (loss) from continuing operations before income taxes | 386.6 | 417.0 | 403.0 | 560.5 | (1,264.1 |)503.0 |
| Provision (benefit) for income taxes | (0.7 |)— | — | 116.4 | — | 115.7 |
| Net income (loss) from continuing operations | 387.3 | 417.0 | 403.0 | 444.1 | (1,264.1 |)387.3 |
| Loss from discontinued operations, net of tax | — | — | — | (5.6 |)— | (5.6) |
| Loss from sale / impairment of discontinued operations, net of tax | — | — | — | (4.8 |)— | (4.8) |
| Earnings (loss) from discontinued operations of investment in subsidiaries | (10.4 |)(10.4 |)(10.4 |)— | 31.2 | — |
| Net income (loss) | \$376.9 | \$406.6 | \$392.6 | \$433.7 | \$(1,232.9 |)\$376.9 |
| Comprehensive income (loss), net of tax | | | | | | |
| Net income (loss) | \$376.9 | \$406.6 | \$392.6 | \$433.7 | \$(1,232.9 |)\$376.9 |
| Changes in cumulative translation adjustment | (238.4 |)(238.4 |)(238.4 |)(238.4 |)715.2 | (238.4) |
| Changes in market value of derivative financial instruments | (1.6 |)(1.6 |)(1.6 |)(1.6 |)4.8 | (1.6) |
| Comprehensive income (loss) | \$136.9 | \$166.6 | \$152.6 | \$193.7 | \$(512.9 |)\$136.9 |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Balance Sheet

September 26, 2015

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|---|--------------------------------|-------------------------|----------------------|-------------------------------|---------------------|-----------------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$— | \$— | \$0.2 | \$ 144.7 | \$— | \$ 144.9 |
| Accounts and notes receivable, net | — | — | — | 1,136.5 | — | 1,136.5 |
| Inventories | — | — | — | 1,296.2 | — | 1,296.2 |
| Other current assets | 1.1 | 14.8 | 19.7 | 391.7 | (41.6) |) 385.7 |
| Current assets held for sale | — | — | — | 0.9 | — | 0.9 |
| Total current assets | 1.1 | 14.8 | 19.9 | 2,970.0 | (41.6) |) 2,964.2 |
| Property, plant and equipment, net | — | — | — | 921.4 | — | 921.4 |
| Other assets | | | | | | |
| Investments in subsidiaries | 4,981.6 | 4,969.9 | 9,873.3 | — | (19,824.8) |)— |
| Goodwill | — | — | — | 5,827.4 | — | 5,827.4 |
| Intangibles, net | — | — | — | 2,515.6 | — | 2,515.6 |
| Other non-current assets | 36.9 | — | 1,232.6 | 367.5 | (1,210.3) |) 426.7 |
| Non-current assets held for sale | — | — | — | 15.6 | — | 15.6 |
| Total other assets | 5,018.5 | 4,969.9 | 11,105.9 | 8,726.1 | (21,035.1) |) 8,785.3 |
| Total assets | \$5,019.6 | \$4,984.7 | \$11,125.8 | \$12,617.5 | \$(21,076.7) |)\$12,670.9 |
| Liabilities and Equity | | | | | | |
| Current liabilities | | | | | | |
| Current maturities of long-term debt and short-term borrowings | \$— | \$— | \$— | \$ 3.2 | \$— | \$ 3.2 |
| Accounts payable | 1.3 | — | 0.8 | 528.9 | — | 531.0 |
| Employee compensation and benefits | 0.3 | 0.1 | — | 264.2 | — | 264.6 |
| Other current liabilities | 66.1 | 1.4 | 15.8 | 652.2 | (41.6) |) 693.9 |
| Current liabilities held for sale | — | — | — | 3.5 | — | 3.5 |
| Total current liabilities | 67.7 | 1.5 | 16.6 | 1,452.0 | (41.6) |) 1,496.2 |
| Other liabilities | | | | | | |
| Long-term debt | 402.2 | 1.6 | 4,844.8 | 944.9 | (1,210.3) |) 4,983.2 |
| Pension and other post-retirement compensation and benefits | — | — | — | 301.6 | — | 301.6 |
| Deferred tax liabilities | — | — | 2.9 | 825.0 | — | 827.9 |
| Other non-current liabilities | 13.8 | — | — | 511.8 | — | 525.6 |
| Non-current liabilities held for sale | — | — | — | 0.5 | — | 0.5 |
| Total liabilities | 483.7 | 3.1 | 4,864.3 | 4,035.8 | (1,251.9) |) 8,135.0 |
| Equity | 4,535.9 | 4,981.6 | 6,261.5 | 8,581.7 | (19,824.8) |) 4,535.9 |
| Total liabilities and equity | \$5,019.6 | \$4,984.7 | \$11,125.8 | \$12,617.5 | \$(21,076.7) |)\$12,670.9 |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Cash Flows

Nine months ended September 26, 2015

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|---|--------------------------------|-------------------------|----------------------|-------------------------------|--------------|-----------------------|
| Operating activities | | | | | | |
| Net cash provided by (used for) operating activities | \$421.3 | \$393.3 | \$406.1 | \$408.1 | \$(1,232.9) | \$395.9 |
| Investing activities | | | | | | |
| Capital expenditures | — | — | — | (100.6) | — | (100.6) |
| Proceeds from sale of property and equipment | — | — | — | 24.8 | — | 24.8 |
| Acquisitions, net of cash acquired | — | — | — | (1,913.0) | — | (1,913.0) |
| Net intercompany loan activity | — | — | 1,657.8 | (149.8) | (1,508.0) | — |
| Other | — | — | — | (0.8) | — | (0.8) |
| Net cash provided by (used for) investing activities of continuing operations | — | — | 1,657.8 | (2,139.4) | (1,508.0) | (1,989.6) |
| Net cash provided by (used for) investing activities of discontinued operations | — | — | — | 59.0 | — | 59.0 |
| Net cash provided by (used for) investing activities | — | — | 1,657.8 | (2,080.4) | (1,508.0) | (1,930.6) |
| Financing activities | | | | | | |
| Net repayments of short-term borrowings | — | — | — | (2.0) | — | (2.0) |
| Net receipts of commercial paper and revolving long-term debt | — | — | 274.9 | 1.6 | — | 276.5 |
| Proceeds from long-term debt | — | — | 1,714.8 | — | — | 1,714.8 |
| Repayments of long-term debt | — | — | — | (4.6) | — | (4.6) |
| Debt issuance costs | — | — | (26.8) | — | — | (26.8) |
| Net change in advances to subsidiaries | (48.0) | (393.3) | (4,021.2) | 1,721.6 | 2,740.9 | — |
| Excess tax benefits from share-based compensation | — | — | — | 6.0 | — | 6.0 |
| Shares issued to employees, net of shares withheld | — | — | — | 21.9 | — | 21.9 |
| Repurchases of ordinary shares | (200.0) | — | — | — | — | (200.0) |
| Dividends paid | (173.3) | — | — | — | — | (173.3) |
| Net cash provided by (used for) financing activities | (421.3) | (393.3) | (2,058.3) | 1,744.5 | 2,740.9 | 1,612.5 |
| Effect of exchange rate changes on cash and cash equivalents | — | — | (5.5) | (37.8) | — | (43.3) |
| Change in cash and cash equivalents | — | — | 0.1 | 34.4 | — | 34.5 |

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| | | | | | | |
|---|-----|-----|-------|----------|-----|----------|
| Cash and cash equivalents, beginning of period | — | — | 0.1 | 110.3 | — | 110.4 |
| Cash and cash equivalents, end of period | \$— | \$— | \$0.2 | \$ 144.7 | \$— | \$ 144.9 |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)

Three months ended September 27, 2014

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|--------------------------------|-------------------------|----------------------|-------------------------------|--------------|-----------------------|
| Net sales | \$— | \$— | \$— | \$1,758.4 | \$— | \$1,758.4 |
| Cost of goods sold | — | — | — | 1,133.7 | — | 1,133.7 |
| Gross profit | — | — | — | 624.7 | — | 624.7 |
| Selling, general and administrative | 3.2 | 1.5 | 0.8 | 323.3 | — | 328.8 |
| Research and development | — | — | — | 28.5 | — | 28.5 |
| Operating income (loss) | (3.2) |)(1.5) |)(0.8) |)272.9 | — | 267.4 |
| Loss (earnings) from continuing operations of investment in subsidiaries | (195.7 |)(198.1 |)(206.3 |)— | 600.1 | — |
| Other (income) expense: | | | | | | |
| Equity income of unconsolidated subsidiaries | — | — | — | (0.3 |)— | (0.3) |
| Loss on sale of business | — | — | — | — | — | — |
| Net interest expense | — | 0.9 | 1.0 | 15.2 | — | 17.1 |
| Income (loss) from continuing operations before income taxes | 192.5 | 195.7 | 204.5 | 258.0 | (600.1 |)250.6 |
| Provision for income taxes | — | — | — | 58.1 | — | 58.1 |
| Net income (loss) from continuing operations | 192.5 | 195.7 | 204.5 | 199.9 | (600.1 |)192.5 |
| Income from discontinued operations, net of tax | — | — | — | 1.6 | — | 1.6 |
| Loss from sale of discontinued operations, net of tax | — | — | — | (380.1 |)— | (380.1) |
| Earnings (loss) from discontinued operations of investment in subsidiaries | (378.5 |)(378.5 |)(378.5 |)— | 1,135.5 | — |
| Net income (loss) | \$(186.0 |)(182.8 |)(174.0 |)(178.6 |)\$535.4 | \$(186.0) |
| Comprehensive income (loss), net of tax | | | | | | |
| Net income (loss) | \$(186.0 |)(182.8 |)(174.0 |)(178.6 |)\$535.4 | \$(186.0) |
| Changes in cumulative translation adjustment | (178.8 |)(178.8 |)(178.8 |)(178.8 |)536.4 | (178.8) |
| Changes in market value of derivative financial instruments | 0.8 | 0.8 | 0.8 | 0.8 | (2.4 |)0.8 |
| Comprehensive income (loss) | \$(364.0 |)(360.8 |)(352.0 |)(356.6 |)\$1,069.4 | \$(364.0) |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)

Nine months ended September 27, 2014

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|--|--------------------------------|-------------------------|----------------------|-------------------------------|--------------|-----------------------|
| Net sales | \$— | \$— | \$— | \$5,236.5 | \$— | \$5,236.5 |
| Cost of goods sold | — | — | — | 3,401.4 | — | 3,401.4 |
| Gross profit | — | — | — | 1,835.1 | — | 1,835.1 |
| Selling, general and administrative | 10.6 | 4.2 | 6.8 | 1,049.4 | — | 1,071.0 |
| Research and development | — | — | — | 88.2 | — | 88.2 |
| Operating income (loss) | (10.6) |)(4.2) |)(6.8) |)697.5 | — | 675.9 |
| Loss (earnings) from continuing operations of investment in subsidiaries | (488.5) |)(493.9) |)(484.0) |)— | 1,466.4 | — |
| Other (income) expense: | | | | | | |
| Equity income of unconsolidated subsidiaries | — | — | — | (0.9) |)— | (0.9) |
| Loss on sale of business | — | — | — | 0.2 | — | 0.2 |
| Net interest expense | 0.7 | 1.2 | 2.0 | 47.2 | — | 51.1 |
| Income (loss) from continuing operations before income taxes | 477.2 | 488.5 | 475.2 | 651.0 | (1,466.4) |)625.5 |
| Provision for income taxes | — | — | 1.0 | 147.3 | — | 148.3 |
| Net income (loss) from continuing operations | 477.2 | 488.5 | 474.2 | 503.7 | (1,466.4) |)477.2 |
| Income from discontinued operations, net of tax | — | — | — | 2.6 | — | 2.6 |
| Loss from sale/impairment of discontinued operations, net of tax | — | — | — | (385.7) |)— | (385.7) |
| Earnings (loss) from discontinued operations of investment in subsidiaries | (383.1) |)(383.1) |)(383.1) |)— | 1,149.3 | — |
| Net income (loss) | \$94.1 | \$105.4 | \$91.1 | \$120.6 | \$(317.1) |)\$94.1 |
| Comprehensive income (loss), net of tax | | | | | | |
| Net income (loss) before noncontrolling interest | \$94.1 | \$105.4 | \$91.1 | \$120.6 | \$(317.1) |)\$94.1 |
| Changes in cumulative translation adjustment | (190.3) |)(190.3) |)(190.3) |)(190.3) |)570.9 | (190.3) |
| Changes in market value of derivative financial instruments | 1.2 | 1.2 | 1.2 | 1.2 | (3.6) |)1.2 |
| Comprehensive income (loss) | \$(95.0) |)(83.7) |)(98.0) |)(68.5) |)\$250.2 | \$(95.0) |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Balance Sheet

December 31, 2014

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|---|--------------------------------|-------------------------|----------------------|-------------------------------|--------------|-----------------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$— | \$— | \$0.1 | \$ 110.3 | \$— | \$ 110.4 |
| Accounts and notes receivable, net | — | — | — | 1,206.8 | (0.9) |) 1,205.9 |
| Inventories | — | — | — | 1,130.4 | — | 1,130.4 |
| Other current assets | — | 17.6 | 2.0 | 367.6 | (20.4) |) 366.8 |
| Current assets held for sale | — | — | — | 80.6 | — | 80.6 |
| Total current assets | — | 17.6 | 2.1 | 2,895.7 | (21.3) |) 2,894.1 |
| Property, plant and equipment, net | — | — | — | 950.0 | — | 950.0 |
| Other assets | | | | | | |
| Investments in subsidiaries | 4,733.0 | 4,893.8 | 7,612.2 | — | (17,239.0) |)— |
| Goodwill | — | — | — | 4,741.9 | — | 4,741.9 |
| Intangibles, net | — | — | — | 1,608.1 | — | 1,608.1 |
| Other non-current assets | 80.2 | — | 1,381.8 | 345.0 | (1,370.8) |) 436.2 |
| Non-current assets held for sale | — | — | — | 24.9 | — | 24.9 |
| Total other assets | 4,813.2 | 4,893.8 | 8,994.0 | 6,719.9 | (18,609.8) |) 6,811.1 |
| Total assets | \$4,813.2 | \$4,911.4 | \$8,996.1 | \$ 10,565.6 | \$(18,631.1) |) \$10,655.2 |
| Liabilities and Equity | | | | | | |
| Current liabilities | | | | | | |
| Current maturities of long-term debt and short-term borrowings | \$— | \$— | \$— | \$ 6.7 | \$— | \$ 6.7 |
| Accounts payable | 0.9 | — | — | 583.1 | (0.9) |) 583.1 |
| Employee compensation and benefits | 0.2 | 0.6 | — | 304.7 | — | 305.5 |
| Other current liabilities | 120.6 | 2.2 | 10.9 | 595.8 | (20.4) |) 709.1 |
| Current liabilities held for sale | — | — | — | 35.1 | — | 35.1 |
| Total current liabilities | 121.7 | 2.8 | 10.9 | 1,525.4 | (21.3) |) 1,639.5 |
| Other liabilities | | | | | | |
| Long-term debt | 11.4 | 175.6 | 2,860.6 | 1,320.6 | (1,370.8) |) 2,997.4 |
| Pension and other post-retirement compensation and benefits | — | — | — | 322.0 | — | 322.0 |
| Deferred tax liabilities | — | — | 2.9 | 525.4 | — | 528.3 |
| Other non-current liabilities | 16.3 | — | — | 481.4 | — | 497.7 |
| Non-current liabilities held for sale | — | — | — | 6.5 | — | 6.5 |
| Total liabilities | 149.4 | 178.4 | 2,874.4 | 4,181.3 | (1,392.1) |) 5,991.4 |
| Equity | 4,663.8 | 4,733.0 | 6,121.7 | 6,384.3 | (17,239.0) |) 4,663.8 |
| Total liabilities and equity | \$4,813.2 | \$4,911.4 | \$8,996.1 | \$ 10,565.6 | \$(18,631.1) |) \$10,655.2 |

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Pentair plc and Subsidiaries

Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Cash Flows

Nine months ended September 27, 2014

| In millions | Parent Company Guarantor | Subsidiary Guarantor | Subsidiary Issuer | Non-guarantor Subsidiaries | Eliminations | Consolidated Total |
|---|--------------------------------|-------------------------|----------------------|-------------------------------|--------------|-----------------------|
| Operating activities | | | | | | |
| Net cash provided by (used for) operating activities | \$99.4 | \$94.2 | \$88.1 | \$718.8 | \$(317.1) | \$683.4 |
| Investing activities | | | | | | |
| Capital expenditures | — | — | — | (92.5) |)— | (92.5) |
| Proceeds from sale of property and equipment | — | — | — | 4.1 | — | 4.1 |
| Other | — | — | — | 0.9 | — | 0.9 |
| Net cash provided by (used for) investing activities | — | — | — | (87.5) |)— | (87.5) |
| Financing activities | | | | | | |
| Net receipts of short-term borrowings | — | — | — | 0.3 | — | 0.3 |
| Net receipts of commercial paper and revolving long-term debt | — | — | 416.7 | 9.5 | — | 426.2 |
| Repayments of long-term debt | — | — | — | (13.2) |)— | (13.2) |
| Excess tax benefits from share-based compensation | — | — | — | 10.0 | — | 10.0 |
| Net change in advances to subsidiaries | 455.6 | (94.2) |)(551.6 |)(126.9 |)317.1 | — |
| Shares issued to employees, net of shares withheld | — | — | — | 30.3 | — | 30.3 |
| Repurchases of ordinary shares | (399.3) |)— | — | (450.7) |)— | (850.0) |
| Dividends paid | (156.2) |)— | — | — | — | (156.2) |
| Purchase of noncontrolling interest | — | — | — | (134.7) |)— | (134.7) |
| Net cash provided by (used for) financing activities | (99.9) |)(94.2 |)(134.9 |)(675.4 |)317.1 | (687.3) |
| Effect of exchange rate changes on cash and cash equivalents | — | — | — | (8.0) |)— | (8.0) |
| Change in cash and cash equivalents | (0.5) |)— | (46.8) |)(52.1 |)— | (99.4) |
| Cash and cash equivalents, beginning of period | 0.5 | — | 47.0 | 208.5 | — | 256.0 |
| Cash and cash equivalents, end of period | \$— | \$— | \$0.2 | \$156.4 | \$— | \$156.6 |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

This report contains statements that we believe to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact are forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "should," "would," "positioned," "strategy," "future" or words, phrases or terms of similar substance or the negative thereof, are forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include the ability to achieve the benefits of planned cost take-out actions; the ability to successfully identify, complete and integrate acquisitions, including the ability to successfully integrate and achieve the expected benefits of the ERICO Acquisition; overall global economic and business conditions; competition and pricing pressures in the markets we serve; the strength of housing and related markets; volatility in currency exchange rates and commodity prices; inability to generate savings from excellence in operations initiatives consisting of lean enterprise, supply management and cash flow practices; increased risks associated with operating foreign businesses; the ability to deliver backlog and win future project work; failure of markets to accept new product introductions and enhancements; the ability to successfully complete the disposition of the remaining portion of the Water Transport business on anticipated terms and timetable; the impact of changes in laws and regulations, including those that limit U.S. tax benefits; the outcome of litigation and governmental proceedings; and the ability to achieve our long-term strategic operating goals. Additional information concerning these and other factors is contained in our filings with the U.S. Securities and Exchange Commission ("SEC"), including in our 2014 Annual Report on Form 10-K. All forward-looking statements speak only as of the date of this report. Pentair plc assumes no obligation, and disclaims any obligation, to update the information contained in this report.

Overview

The terms "us," "we" or "our" refer to Pentair plc (formerly Pentair Ltd.) and its consolidated subsidiaries. We are a focused diversified industrial manufacturing company comprising four reporting segments: Valves & Controls, Flow & Filtration Solutions, Water Quality Systems and Technical Solutions. During the first quarter of 2015, we reorganized our business segments to reflect a new operating structure and management of our Global Business Units. Each of our business segments operate as a stand-alone Global Business Unit. All prior period amounts related to the segment change have been retrospectively reclassified throughout this Quarterly Report on Form 10-Q to conform to the new presentation. For the first nine months of 2015, Valves & Controls, Flow & Filtration Solutions, Water Quality Systems and Technical Solutions represented approximately 29 percent, 23 percent, 22 percent and 26 percent of total revenues, respectively. We classify our operations into business segments based primarily on types of products offered and markets served:

Valves & Controls — The Valves & Controls segment designs, manufactures, markets and services valves, fittings, automation and controls and actuators for the energy and industrial verticals.

Flow & Filtration Solutions — The Flow & Filtration Solutions segment designs, manufactures, markets and services solutions for the toughest filtration, separation, flow and fluid management challenges in agriculture, food and beverage processing, water supply and disposal and a variety of industrial applications.

Water Quality Systems — The Water Quality Systems segment designs, manufactures, markets and services innovative water system products and solutions to meet filtration and fluid management challenges in food and beverage, water, swimming pools and aquaculture applications.

Technical Solutions — The Technical Solutions segment designs, manufactures, markets and services products that guard and protect some of the world's most sensitive electronics and electronic equipment, as well as heat management solutions designed to provide thermal protection to temperature sensitive fluid applications.

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Key Trends and Uncertainties Regarding Our Existing Business

The following trends and uncertainties affected our financial performance in 2014 and the first nine months of 2015 and will likely impact our results in the future:

In late 2014 and continuing in the first nine months of 2015, our results were negatively impacted due to the strengthening of the U.S. dollar against most key global currencies. We expect this trend to continue for the remainder of 2015 and into 2016.

In the first nine months of 2015, we experienced softness in project orders, particularly within the energy and industrial businesses. We expect market uncertainty to continue and oil prices to remain volatile throughout 2015.

In the second and third quarters of 2015, we initiated further cost take-out actions to offset the negative earnings impact of foreign exchange and core revenue decline. We expect to continue these actions for the remainder of 2015.

We have identified specific product and geographic market opportunities that we find attractive and continue to pursue, both within and outside the United States. We are reinforcing our businesses to more effectively address these opportunities through research and development and additional sales and marketing resources. Unless we successfully penetrate these markets, our organic growth will likely be limited.

Despite the favorable long-term outlook for our end-markets, we experience differing levels of volatility depending on the end-market and may continue to do so over the medium and longer term. While we believe the general trends are favorable, factors specific to each of our major end-markets may negatively affect the capital spending plans of our customers and lead to lower sales volumes for us.

Through 2014 and the first nine months of 2015, we experienced material and other cost inflation. We strive for productivity improvements, and we implement increases in selling prices to help mitigate this inflation. We expect the current economic environment will result in continuing price volatility for many of our raw materials. Commodity prices have begun to moderate, but we are uncertain as to the timing and impact of these market changes.

In 2015, our operating objectives include the following:

Increasing our presence, organically and through acquisitions, in both fast growth and developed regions and vertical focus to grow in those markets in which we have competitive advantages;

Optimizing our technological capabilities to increasingly generate innovative new products;

Focusing on developing global talent in light of our increased global presence; and

Driving operating excellence through lean enterprise initiatives, with specific focus on sourcing and supply management, cash flow management and lean operations.

We may seek to meet our objectives of expanding our geographic reach internationally and expanding our presence in our various channels to market by acquiring technologies and products to broaden our businesses' capabilities to serve additional markets and through acquisitions. We may also consider the divestiture of discrete business units to further focus our businesses on our most attractive markets.

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CONSOLIDATED RESULTS OF OPERATIONS

The consolidated results of operations for the three months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | Three months ended | | \$ | % / point change | |
|---|--------------------|--------------------|-----------|------------------|-------|
| | September 26, 2015 | September 27, 2014 | | | |
| Net sales | \$1,552.1 | \$1,758.4 | \$(206.3) | (11.7) |)% |
| Cost of goods sold | 1,012.0 | 1,133.7 | (121.7) | (10.7) |)% |
| Gross profit | 540.1 | 624.7 | (84.6) | (13.5) |)% |
| % of net sales | 34.8 | % 35.5 | % | (0.7) |) pts |
| Selling, general and administrative | 330.2 | 328.8 | 1.4 | 0.4 | % |
| % of net sales | 21.4 | % 18.8 | % | 2.6 | pts |
| Research and development | 29.9 | 28.5 | 1.4 | 4.9 | % |
| % of net sales | 1.9 | % 1.6 | % | 0.3 | pts |
| Operating income | 180.0 | 267.4 | (87.4) | (32.7) |)% |
| % of net sales | 11.6 | % 15.2 | % | (3.6) |) pts |
| Net interest expense | 31.3 | 17.1 | 14.2 | 83.0 | % |
| Net income from continuing operations before income taxes | 149.6 | 250.6 | (101.0) | (40.3) |)% |
| Provision for income taxes | 34.4 | 58.1 | (23.7) | (40.8) |)% |
| Effective tax rate | 23.0 | % 23.2 | % | (0.2) |) pts |

The consolidated results of operations for the nine months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | Nine months ended | | \$ | % / point change | |
|---|--------------------|--------------------|-----------|------------------|-------|
| | September 26, 2015 | September 27, 2014 | | | |
| Net sales | \$4,688.3 | \$5,236.5 | \$(548.2) | (10.5) |)% |
| Cost of goods sold | 3,071.8 | 3,401.4 | (329.6) | (9.7) |)% |
| Gross profit | 1,616.5 | 1,835.1 | (218.6) | (11.9) |)% |
| % of net sales | 34.5 | % 35.0 | % | (0.5) |) pts |
| Selling, general and administrative | 958.7 | 1,071.0 | (112.3) | (10.5) |)% |
| % of net sales | 20.5 | % 20.6 | % | (0.1) |) pts |
| Research and development | 88.7 | 88.2 | 0.5 | 0.6 | % |
| % of net sales | 1.9 | % 1.7 | % | 0.2 | pts |
| Operating income | 569.1 | 675.9 | (106.8) | (15.8) |)% |
| % of net sales | 12.1 | % 12.9 | % | (0.8) |) pts |
| Net interest expense | 68.1 | 51.1 | 17.0 | 33.3 | % |
| Net income from continuing operations before income taxes | 503.0 | 625.5 | (122.5) | (19.6) |)% |
| Provision for income taxes | 115.7 | 148.3 | (32.6) | (22.0) |)% |
| Effective tax rate | 23.0 | % 23.7 | % | (0.7) |) pts |

Net sales

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The components of the consolidated net sales change from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | Nine months ended September 26, 2015 over the prior year period |
|-------------|---|--|
| Volume | (5.5 |)%(4.4 |
| Price | 0.2 | 0.5 |
| Core Growth | (5.3 |) (3.9 |
| Acquisition | 0.7 | 0.2 |
| Currency | (7.1 |) (6.8 |
| Total | (11.7 |)%(10.5 |

The 11.7 and 10.5 percent decreases in consolidated net sales in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- slower than expected oil and gas industry shipments and orders, broad-based slowing of global capital spending and customer inventory de-stocking; and

- a strong U.S. dollar causing unfavorable foreign currency effects.

These decreases were partially offset by:

- core sales growth in Water Quality Systems and Technical Solutions, primarily as the result of increased volume in the United States and Canada;

- sales of \$13.0 million in the third quarter and first nine months of 2015 as a result of the ERICO Acquisition;

- core sales growth in our food & beverage and residential & commercial businesses; and

- selective increases in selling prices to mitigate inflationary cost increases.

Gross profit

The 0.7 and 0.5 percentage point decreases in gross profit as a percentage of sales in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- lower core sales volumes, which resulted in decreased leverage on fixed expenses included in cost of goods sold; and
- inflationary increases related to raw materials and labor costs.

These decreases were partially offset by:

- higher contribution margin as a result of savings generated from our Pentair Integrated Management System ("PIMS") initiatives including lean and supply management practices; and

- selective increases in selling prices to mitigate inflationary cost increases.

Selling, general and administrative ("SG&A")

The 2.6 percentage point increase in SG&A expense as a percentage of sales in the third quarter of 2015 from 2014 was primarily driven by:

- restructuring costs of \$25.2 million in the third quarter of 2015, compared to no restructuring costs in the third quarter of 2014;

- deal related costs and expenses of \$14.3 million in the third quarter of 2015; and

- lower sales volume and the resulting loss of leverage on fixed operating expenses.

These increases were partially offset by:

- cost savings generated from back-office consolidation, reduction in personnel and other lean initiatives.

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The 0.1 percentage point decrease in SG&A expense as a percentage of sales in the first nine months of 2015 from 2014 was primarily driven by:

- restructuring costs of \$49.2 million in the first nine months of 2015, compared to restructuring costs of \$52.9 million in the first nine months of 2014; and

- cost savings generated from back-office consolidation, reduction in personnel and other lean initiatives.

These decreases were partially offset by:

- deal related cost and expenses of \$14.3 million in the first nine months of 2015

Net interest expense

The 83.0 and 33.3 percent increases in net interest expense in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- the amortization of \$10.8 million of debt issuance costs during the third quarter and first nine months of 2015 related to financing commitments for a senior unsecured bridge loan facility established (and subsequently terminated upon issuance of the September 2015 issuance of senior notes discussed in Liquidity and Capital Resources below) in connection with the ERICO Acquisition;

- the impact of higher debt levels during the first nine months of 2015, compared to the first nine months of 2014, primarily as the result of the September 2015 issuance of senior notes; and

- higher interest rates on commercial paper.

Provision for income taxes

The 0.2 and 0.7 percentage point decreases in the effective tax rate in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- the mix of global earnings toward lower tax jurisdictions.

This decrease was partially offset by:

- the unfavorable tax impact of transaction costs related to the ERICO Acquisition.

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SEGMENT RESULTS OF OPERATIONS

The summary that follows provides a discussion of the results of operations of each of our four reportable segments (Valves & Controls, Flow & Filtration Solutions, Water Quality Systems and Technical Solutions). Each of these segments is comprised of various product offerings that serve multiple end users.

Valves & Controls

The net sales and segment income for Valves & Controls for the three and nine months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | Three months ended | | | Nine months ended | | |
|----------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|
| | September 26, 2015 | September 27, 2014 | % / point change | September 26, 2015 | September 27, 2014 | % / point change |
| Net sales | \$440.9 | \$607.9 | (27.5)% | \$1,366.5 | \$1,767.5 | (22.7)% |
| Segment income | 55.7 | 107.6 | (48.2)% | 175.5 | 282.8 | (37.9)% |
| % of net sales | 12.6 | % 17.7 | % (5.1) pts | 12.8 | % 16.0 | % (3.2) pts |

Net sales

The components of the change in Valves & Controls net sales from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | Nine months ended September 26, 2015 over the prior year period |
|-------------|--|---|
| Volume | (17.6 |)%(13.4 |
| Price | — | — |
| Core Growth | (17.6 |) (13.4 |
| Currency | (9.9 |) (9.3 |
| Total | (27.5 |)%(22.7 |

The 27.5 and 22.7 percent decreases in net sales for Valves & Controls in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- lower shipments and orders within the oil & gas and industrial businesses and broad-based slowing of global capital spending;

- continued sales decline in the mining industry; and

- a strong U.S. dollar causing unfavorable foreign currency effects.

These decreases were partially offset by:

- sales growth in fast growth regions, including Southeast Asia and India.

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Segment income

The components of the change in Valves & Controls segment income from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | | Nine months ended September 26, 2015 over the prior year period | |
|--------------------|---|-------|--|-------|
| Growth | (7.2 |) pts | (5.3 |) pts |
| Inflation | (1.0 |) | (1.1 |) |
| Productivity/Price | 3.1 | | 3.2 | |
| Total | (5.1 |) pts | (3.2 |) pts |

The 5.1 and 3.2 percentage point decreases in segment income for Valves & Controls as a percentage of net sales in the third quarter and first nine months, respectively, of 2015 from 2014 was primarily driven by:

- lower core sales volumes, which resulted in decreased leverage on operating expenses; and
- inflationary cost increases.

These decreases were partially offset by:

- cost savings generated from back-office consolidation, reduction in personnel and other lean initiatives.

Flow & Filtration Solutions

The net sales and segment income for Flow & Filtration Solutions for the three and nine months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | Three months ended | | | Nine months ended | | |
|----------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| | September 26, 2015 | September 27, 2014 | % / point change | September 26, 2015 | September 27, 2014 | % / point change |
| Net sales | \$362.7 | \$394.1 | (8.0)% | \$1,087.4 | \$1,219.7 | (10.8)% |
| Segment income | 52.8 | 53.5 | (1.3)% | 145.0 | 157.6 | (8.0)% |
| % of net sales | 14.6 | % 13.6 | % 1.0 pts | 13.3 | % 12.9 | % 0.4 pts |

Net sales

The components of the change in Flow & Filtration Solutions net sales from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | | Nine months ended September 26, 2015 over the prior year period | |
|-------------|---|----|--|----|
| Volume | (1.9 |)% | (5.3 |)% |
| Price | 0.9 | | 1.2 | |
| Core Growth | (1.0 |) | (4.1 |) |
| Currency | (7.0 |) | (6.7 |) |
| Total | (8.0 |)% | (10.8 |)% |

The 8.0 and 10.8 percent decreases in net sales for Flow & Filtration Solutions in the third quarter and first nine months, respectively, of 2015 from 2014 was primarily driven by:

- core sales declines due to depression of the global agricultural industry, broad-based slowing of global capital spending and customer inventory de-stocking;
- decreased sales volume related to the loss of a customer in the residential retail business during the second half of 2014; and
- a strong U.S. dollar causing unfavorable foreign currency effects.

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These decreases were partially offset by:

- selective increases in selling prices to mitigate inflationary cost increases;
- core sales growth in our food & beverage businesses; and
- core growth in fast growth regions, including the Middle East and Eastern Europe.

Segment income

The components of the change in Flow & Filtration Solutions segment income from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | Nine months ended September 26, 2015 over the prior year period | |
|--------------------|---|--|-------|
| Growth | (3.1 |) pts (2.8 |) pts |
| Inflation | (1.3 |) (1.2 |) |
| Productivity/Price | 5.4 | 4.4 | |
| Total | 1.0 | pts 0.4 | pts |

The 1.0 and 0.4 percentage point increases in segment income for Flow & Filtration Solutions as a percentage of net sales in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- price increases more than offsetting inflationary cost increases; and
- cost savings driven by previous restructuring actions.

These increases were partially offset by:

- inflationary increases related to certain raw materials;
- lower core sales volumes, which resulted in decreased leverage on operating expenses; and
- decreased sales volume related to the loss of a customer in the residential retail business during the second half of 2014.

Water Quality Systems

The net sales and segment income for Water Quality Systems for the three and nine months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | Three months ended | | | Nine months ended | | |
|----------------|--------------------|--------------------|------------------|--------------------|--------------------|------------------|
| | September 26, 2015 | September 27, 2014 | % / point change | September 26, 2015 | September 27, 2014 | % / point change |
| Net sales | \$322.0 | \$324.1 | (0.7)% | \$1,016.6 | \$1,006.0 | 1.1 % |
| Segment income | 60.5 | 56.0 | 8.0 % | 200.5 | 191.0 | 5.0 % |
| % of net sales | 18.8 | % 17.3 | % 1.5 pts | 19.7 | % 19.0 | % 0.7 pts |

Net sales

The components of the change in Water Quality Systems net sales from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | Nine months ended September 26, 2015 over the prior year period | |
|-------------|---|--|---|
| Volume | 2.0 | % 3.4 | % |
| Price | 0.8 | 0.9 | |
| Core Growth | 2.8 | 4.3 | |
| Currency | (3.5 |) (3.2 |) |
| Total | (0.7 |)% 1.1 | % |

The 0.7 percent decrease in net sales for Water Quality Systems in the third quarter of 2015 from 2014 was primarily driven by:

- a strong U.S. dollar causing unfavorable foreign currency effects; and

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• core sales declines in our food & beverage businesses.

These decreases were partially offset by:

• core sales growth related to higher sales of certain pool products primarily serving the North American residential housing market for the third quarter of 2015;

• core sales growth in the United States; and

• selective increases in selling prices to mitigate inflationary cost increases.

The 1.1 percent increase in net sales for Water Quality Systems in the first nine months of 2015 from 2014 was primarily driven by:

• core sales growth related to higher sales of certain pool products primarily serving the North American residential housing market and increased demand for global food & beverage solutions for the first nine months of 2015;

• core sales growth in the United States, Canada and China; and

• selective increases in selling prices to mitigate inflationary cost increases.

These increases were partially offset by:

• a strong U.S. dollar causing unfavorable foreign currency effects.

Segment income

The components of the change in Water Quality Systems segment income from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | Nine months ended September 26, 2015 over the prior year period | |
|--------------------|---|--|-----|
| Growth | 0.5 | pts 0.2 | pts |
| Inflation | (1.0 |) (1.3 |) |
| Productivity/Price | 2.0 | 1.8 | |
| Total | 1.5 | pts 0.7 | pts |

The 1.5 and 0.7 percentage point increases in segment income for Water Quality Systems as a percentage of net sales in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

• price increases more than offsetting inflationary cost increases; and

• cost savings generated from back-office consolidation, reduction in personnel and other lean initiatives.

These increases were partially offset by:

• inflationary increases related to labor costs and certain raw materials.

Technical Solutions

The net sales and segment income for Technical Solutions for the three and nine months ended September 26, 2015 and September 27, 2014 were as follows:

| In millions | Three months ended | | | Nine months ended | | |
|----------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| | September 26, 2015 | September 27, 2014 | % / point change | September 26, 2015 | September 27, 2014 | % / point change |
| Net sales | \$432.3 | \$438.8 | (1.5)% | \$1,235.2 | \$1,262.7 | (2.2)% |
| Segment income | 101.0 | 101.1 | (0.1)% | 265.0 | 266.9 | (0.7)% |
| % of net sales | 23.4 | % 23.1 | % 0.3 pts | 21.5 | % 21.1 | % 0.4 pts |

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Net sales

The components of the change in Technical Solutions net sales from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | Nine months ended September 26, 2015 over the prior year period | |
|-------------|---|--|----|
| Volume | 2.3 | % 3.0 | % |
| Price | (0.3 |) 0.2 |) |
| Core Growth | 2.0 | 3.2 | |
| Acquisition | 3.0 | 1.0 | |
| Currency | (6.5 |) (6.4 |) |
| Total | (1.5 |)% (2.2 |)% |

The 1.5 and 2.2 percent decreases in net sales for Technical Solutions in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- a strong U.S. dollar causing unfavorable foreign currency effects;
- lower core sales volumes in our infrastructure and industrial business, primarily due to broad-based slowing of global capital spending; and
- a decrease in demand for products in fast growth regions.

These decreases were partially offset by:

- sales of \$13.0 million in the third quarter and first nine months of 2015 as a result of the ERICO Acquisition;
- core growth in our residential & commercial and energy businesses; and
- higher project core sales volume in Canada and Western Europe.

Segment income

The components of the change in Technical Solutions segment income from the prior period were as follows:

| | Three months ended September 26, 2015 over the prior year period | Nine months ended September 26, 2015 over the prior year period | |
|--------------------|---|--|-------|
| Growth | (1.1 |) pts (0.7 |) pts |
| Inflation | (1.0 |) (1.2 |) |
| Productivity/Price | 2.4 | 2.3 | |
| Total | 0.3 | pts 0.4 | pts |

The 0.3 and 0.4 percentage point increases in segment income for Technical Solutions as a percentage of net sales in the third quarter and first nine months, respectively, of 2015 from 2014 were primarily driven by:

- higher core sales volumes in our energy and commercial businesses, which resulted in increased leverage on operating expenses; and
- selective increases in selling prices to mitigate inflationary cost increases.

These increases were partially offset by:

- high margin project sales in the third quarter and first nine months of 2014 that did not recur in the third quarter and first nine months of 2015;
- lower core sales volumes in our infrastructure and industrial business, which resulted in decreased leverage on operating expenses; and
- inflationary increases related to labor costs and certain raw materials.

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LIQUIDITY AND CAPITAL RESOURCES

We generally fund cash requirements for working capital, capital expenditures, equity investments, acquisitions, debt repayments, dividend payments and share repurchases from cash generated from operations, availability under existing committed revolving credit facilities and in certain instances, public and private debt and equity offerings. Our primary revolving credit facilities have generally been adequate for these purposes, although we have negotiated additional credit facilities or completed debt and equity offerings as needed to allow us to complete acquisitions. We intend to issue commercial paper to fund our financing needs on a short-term basis and to use our revolving credit facility as back-up liquidity to support commercial paper.

We are focusing on increasing our cash flow and repaying existing debt, while continuing to fund our research and development, marketing and capital investment initiatives. Our intent is to maintain investment grade credit ratings and a solid liquidity position.

We experience seasonal cash flows primarily due to seasonal demand in a number of markets within Water Quality Systems and Flow & Filtration Solutions. We generally borrow in the first quarter of our fiscal year for operational purposes, which usage reverses in the second quarter as the seasonality of our businesses peaks. End-user demand for pool and certain pumping equipment follows warm weather trends and is at seasonal highs from April to August. The magnitude of the sales spike is partially mitigated by employing some advance sale "early buy" programs (generally including extended payment terms and/or additional discounts). Demand for residential and agricultural water systems is also impacted by weather patterns, particularly by heavy flooding and droughts.

Operating activities

Cash provided by operating activities of continuing operations was \$403.1 million in the first nine months of 2015, compared to \$688.2 million in the same period of 2014.

The \$403.1 million in net cash provided by operating activities of continuing operations in the first nine months of 2015 primarily reflects an increase in net working capital. Operating cash flows in the first nine months of 2015 were negatively impacted by \$168.4 million due to the increase in net working capital. The increase in net working capital was offset by \$572.5 million of net income from continuing operations, net of non-cash depreciation and amortization.

The \$688.2 million in net cash provided by operating activities of continuing operations in the first nine months of 2014 is primarily the result of \$667.0 million of net income from continuing operations, net of non-cash depreciation and amortization. Additionally, operating cash flows in the first nine months of 2014 were positively impacted by \$45.3 million due to a decrease in net working capital.

Investing activities

Cash used for investing activities of continuing operations was \$1,989.6 million in the first nine months of 2015, compared to cash used for investing activities of \$87.5 million in the same period of 2014. Net cash used for investing activities of continuing operations in the first nine months of 2015 primarily relates to cash of \$1,806.3 million (net of cash acquired) used to acquire ERICO Global Company during the third quarter of 2015 and \$96.0 million (net of cash acquired) used to acquire Nuheat Industries Limited during the second quarter of 2015, both as part of Technical Solutions. Net cash used for investing activities of continuing operations in the first nine months of 2014 relates primarily to \$92.5 million of capital expenditures, partially offset by \$4.1 million of proceeds from the sale of property and equipment.

Capital expenditures in the first nine months of 2015 were \$100.6 million compared with \$92.5 million in the prior year period. We anticipate capital expenditures for fiscal 2015 to be approximately \$140 million, primarily for capacity expansions of manufacturing facilities, developing new products and general maintenance.

Financing activities

Net cash provided by financing activities was \$1,612.5 million in the first nine months of 2015, compared with net cash used for financing activities of \$687.3 million in the prior year period. Net cash provided by financing activities in the first nine months of 2015 was primarily due to cash proceeds received from the September 2015 issuance of senior notes (discussed below), partially offset by share repurchases and payment of dividends. Net cash used for financing activities in the first nine months of 2014 included share repurchases, the acquisition of the remaining 19.9 percent ownership interest in Pentair Residential Filtration as part of Water Quality Systems and payment of

dividends, partially offset by net receipts of commercial paper and revolving long-term debt.

In September 2015, Pentair plc, Pentair Finance S.A. ("PFSA") and Pentair Investments Switzerland GmbH ("PISG"), a 100-percent owned subsidiary of Pentair plc and the 100-percent owner of PFSA, completed public offerings (the "September 2015 Offerings") of \$500.0 million aggregate principal amount of PFSA's 2.90% Senior Notes due 2018, \$400.0 million aggregate

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principal amount of PFSA's 3.625% Senior Notes due 2020, \$250.0 million aggregate principal amount of PFSA's 4.65% Senior Notes due 2025 and €500.0 million aggregate principal amount of PFSA's 2.45% Senior Notes due 2019, all of which are guaranteed as to payment by Pentair plc and PISG. Pentair plc used the net proceeds from the September 2015 Offerings to finance the ERICO Acquisition.

Additionally, PFSA has outstanding \$350.0 million of 1.35% Senior Notes due 2015, \$350.0 million of 1.875% Senior Notes due 2017, \$250.0 million of 2.65% Senior Notes due 2019, \$373.0 million of 5.00% Senior Notes due 2021 and \$550.0 million of 3.15% Senior Notes due 2022 and Pentair, Inc. has outstanding \$127.0 million of 5.00% Senior Notes due 2021, all of which are also guaranteed as to payment by Pentair plc and PISG.

Pentair, Inc. had a credit agreement providing for an unsecured, committed revolving credit facility (the "Prior Credit Facility") pursuant to which Pentair Ltd. was the guarantor and PFSA and certain other of our subsidiaries were affiliate borrowers. In October 2014, Pentair plc, Pentair Investments Switzerland GmbH ("PISG"), PFSA and Pentair, Inc. entered into an amended and restated credit agreement related to the Prior Credit Facility (the "Amended Credit Facility"), with Pentair plc and PISG as guarantors and PFSA and Pentair, Inc. as borrowers. The Amended Credit Facility increased the maximum aggregate availability to \$2,100.0 million and extended the maturity date to October 3, 2019. Borrowings under the Amended Credit Facility generally bear interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus a specified margin based upon PFSA's credit ratings. PFSA must pay a facility fee ranging from 9.0 to 25.0 basis points per annum (based upon PFSA's credit ratings) on the amount of each lender's commitment and letter of credit fee for each letter of credit issued and outstanding under the Amended Credit Facility.

In August 2015, Pentair plc, PISG and PFSA entered into a First Amendment to the Amended Credit Facility (the "First Amendment") which, among other things, increased the Leverage Ratio (as defined below) following the ERICO Acquisition from 3.50 to 1.00 on the last day of each fiscal quarter to the amounts specified below.

Additionally, in September 2015, Pentair plc, PISG and PFSA entered into a Second Amendment to the Amended Credit Facility (the "Second Amendment", and together with the First Amendment, the "Amendments") which, among other things, increased the maximum aggregate availability to \$2,500.0 million.

PFSA is authorized to sell short-term commercial paper notes to the extent availability exists under the Amended Credit Facility. PFSA uses the Amended Credit Facility as back-up liquidity to support 100% of commercial paper outstanding. As of September 26, 2015 and December 31, 2014, PFSA had \$1,082.4 million and \$987.6 million, respectively, of commercial paper outstanding, all of which was classified as long-term as we have the intent and the ability to refinance such obligations on a long-term basis under the Amended Credit Facility.

Total availability under the Amended Credit Facility was \$1,226.1 million as of September 26, 2015, which was not limited by any covenants contained in the Amended Credit Facility's credit agreement.

Our debt agreements contain certain financial covenants, the most restrictive of which are in the Amended Credit Facility (as updated for the Amendments), including that we may not permit (i) the ratio of our consolidated debt plus synthetic lease obligations to our consolidated net income (excluding, among other things, non-cash gains and losses) before interest, taxes, depreciation, amortization, non-cash share-based compensation expense, up to a lifetime maximum \$25.0 million of costs, fees and expenses incurred in connection with certain acquisitions, investments, dispositions and the issuance, repayment or refinancing of debt, and in addition to (but without duplication of) the fees, costs and expenses referred above, any fees, costs and expenses, in an aggregate amount not to exceed \$50.0 million, incurred in connection with the ERICO Acquisition and any related incurrence, issuance, repayment or refinancing of debt ("EBITDA") for the four consecutive fiscal quarters then ended (the "Leverage Ratio") to exceed (a) 4.50 to 1.00 as of the last day of any period of four consecutive fiscal quarters ending on or prior to June 30, 2016; (b) 4.25 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending on September 30, 2016; (c) 4.00 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending on December 31, 2016; (d) 3.75 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending after December 31, 2016 but before June 30, 2017; and (e) 3.50 to 1.00 as of the last day of the period of four consecutive fiscal quarters ending after June 30, 2017, and (ii) the ratio of our EBITDA for the four consecutive fiscal quarters then ended to our consolidated interest expense, including consolidated yield or discount accrued as to outstanding securitization obligations (if any), for the same period to be less than 3.00 to 1.00 as of the end of each fiscal quarter. For purposes of the Leverage

Ratio, the Amended Credit Facility provides for the calculation of EBITDA giving pro forma effect to certain acquisitions, divestitures and liquidations during the period to which such calculation relates. As of September 26, 2015, we were in compliance with all financial covenants in our debt agreements.

In addition to the Amended Credit Facility, we have various other credit facilities with an aggregate availability of \$51.0 million, of which \$0.3 million was outstanding at September 26, 2015. Borrowings under these credit facilities bear interest at variable rates.

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As of September 26, 2015, we have \$64.0 million of cash held in certain countries in which the ability to repatriate is limited due to local regulations or significant potential tax consequences.

We expect to continue to have cash requirements to support working capital needs and capital expenditures, to pay interest and service debt and to pay dividends to shareholders quarterly. We believe we have the ability and sufficient capacity to meet these cash requirements by using available cash and internally generated funds and to borrow under our committed and uncommitted credit facilities.

In December 2014, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$1.0 billion. The authorization expires on December 31, 2019. During the nine months ended September 26, 2015, we repurchased 3.1 million of our ordinary shares for \$200.0 million pursuant to these authorizations. As of September 26, 2015, we had \$800.0 million remaining available for share repurchases under this authorization. No incremental share repurchase is planned for the remainder of 2015.

At our 2014 annual meeting of shareholders held on May 20, 2014, our shareholders approved a proposal to pay quarterly cash dividends through the second quarter of 2015. The authorization provided that dividends of \$1.20 per share be paid to our shareholders in quarterly installments of \$0.30 for each of the third and fourth quarters of 2014 and the first and second quarters of 2015 and we expect to continue paying dividends on a quarterly basis. In December 2014, the Board of Directors approved an increase of \$0.02 per share for the 2015 first and second quarter dividends, bringing the total quarterly dividend for those quarters to \$0.32 per share. The Board of Directors also approved a plan to increase the dividend for the remainder of 2015, which will mark the 39th consecutive year we have increased dividends.

On September 21, 2015, our Board of Directors declared a quarterly cash dividend of \$0.32 per share payable on November 6, 2015 to shareholders of record at the close of business on October 23, 2015.

We paid dividends in the first nine months of 2015 of \$173.3 million, or \$0.96 per ordinary share, compared with \$156.2 million, or \$0.80 per ordinary share, in the prior year period.

Under Irish law, the payment of future cash dividends and redemptions and repurchases of shares may be paid only out of Pentair plc's "distributable reserves" on its statutory balance sheet. Pentair plc is not permitted to pay dividends out of share capital, which includes share premiums. Distributable reserves may be created through the earnings of the Irish parent company and through a reduction in share capital approved by the Irish High Court. Distributable reserves are not linked to a U.S. GAAP reported amount (e.g., retained earnings). As of December 31, 2014, our distributable reserve balance was \$12.1 billion.

Other financial measures

In addition to measuring our cash flow generation or usage based upon operating, investing and financing classifications included in the Condensed Consolidated Statements of Cash Flows, we also measure our free cash flow. We have a long-term goal to consistently generate free cash flow that equals or exceeds 100 percent conversion of net income. Free cash flow is a non-Generally Accepted Accounting Principles financial measure that we use to assess our cash flow performance. We believe free cash flow is an important measure of operating performance because it provides us and our investors a measurement of cash generated from operations that is available to pay dividends, make acquisitions, repay debt and repurchase shares. In addition, free cash flow is used as a criterion to measure and pay compensation-based incentives. Our measure of free cash flow may not be comparable to similarly titled measures reported by other companies.

The following table is a reconciliation of free cash flow:

| In millions | Nine months ended | |
|---|-----------------------|-----------------------|
| | September 26, 2015 | September 27, 2014 |
| Net cash provided by (used for) operating activities of continuing operations | \$403.1 | \$688.2 |
| Capital expenditures | (100.6 |)(92.5 |
| Proceeds from sale of property and equipment | 24.8 | 4.1 |
| Free cash flow | \$327.3 | \$599.8 |

NEW ACCOUNTING STANDARDS

In September 2015, the Financial Accounting Standards Board (the "FASB") issued a new accounting standard related to the accounting for measurement period adjustments recognized in a business combination. Under the previous standard, when adjustments were made to amounts previously reported as part of a business combination during the measurement period, entities

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were required to revise comparative information for prior periods. Under the new standard, entities must recognize these adjustments in the reporting period in which the amounts are determined rather than retrospectively. The new standard is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period and early adoption is permitted. The potential impact on our financial condition or results of operations will be dependent upon the nature of final purchase price allocations. We plan to adopt the new standard during the fourth quarter of 2015.

In May 2014, the Financial Accounting Standards Board issued new accounting requirements for the recognition of revenue from contracts with customers. The new requirements include additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The requirements are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted for reporting periods beginning after December 15, 2016. We have not yet determined the potential effects on our financial condition or results of operations.

CRITICAL ACCOUNTING POLICIES

In our 2014 Annual Report on Form 10-K, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements. We have not changed these policies from those previously disclosed in our Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the quarter ended September 26, 2015. For additional information, refer to Item 7A of our 2014 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in this report. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter ended September 26, 2015 pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the quarter ended September 26, 2015 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in Internal Controls

During the quarter ended September 26, 2015, we completed the ERICO Acquisition. As part of our ongoing integration activities after the ERICO Acquisition, we are continuing to incorporate our controls and procedures into the ERICO business and augment our company-wide controls to reflect the risks inherent in the ERICO Acquisition. There were no other changes in our internal control over financial reporting that occurred during the quarter ended September 26, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material developments from the disclosures contained in our 2014 Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in ITEM 1A. of our 2014 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information with respect to purchases we made of our ordinary shares during the third quarter of 2015:

| Period | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced plans or programs | (d) Dollar value of shares that may yet be purchased under the plans or programs |
|--------------------------|---|--|--|--|
| June 28 - July 25 | 63 | \$65.38 | — | \$800,000,049 |
| July 26 - August 22 | 13,799 | 60.69 | — | 800,000,049 |
| August 23 - September 26 | 5,153 | 53.85 | — | 800,000,049 |
| Total | 19,015 | | — | |

The purchases in this column include 63 shares for the period June 28 - July 25, 13,799 shares for the period July 26 - August 22 and 5,153 shares for the period August 23 - September 26 deemed surrendered to us by participants (a) in our 2012 Stock and Incentive Plan (the “2012 Plan”) and earlier stock incentive plans that are now outstanding under the 2012 Plan (collectively “the Plans”) to satisfy the exercise price or withholding of tax obligations related to the exercise of stock options and vesting of restricted shares.

The average price paid in this column includes shares deemed surrendered to us by participants in the Plans to (b) satisfy the exercise price for the exercise price of stock options and withholding tax obligations due upon stock option exercises and vesting of restricted shares.

The number of shares in this column represents the number of shares repurchased as part of our publicly announced (c) plans to repurchase our ordinary shares up to a maximum dollar limit of \$1.0 billion.

In December 2014, our Board of Directors authorized the repurchase of our ordinary shares up to a maximum (d) dollar limit of \$1.0 billion. This authorization expires on December 31, 2019.

ITEM 6. EXHIBITS

The exhibits listed in the accompanying Exhibit Index are filed as part of this Quarterly Report on Form 10-Q.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on October 20, 2015.

Pentair plc
Registrant

By /s/ John L. Stauch
John L. Stauch
Executive Vice President and Chief Financial Officer

By /s/ Mark C. Borin
Mark C. Borin
Chief Accounting Officer and Treasurer

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Exhibit Index to Form 10-Q for the Period Ended September 26, 2015

- 2.1 Agreement and Plan of Merger, dated August 15, 2015, among Pentair plc, Pentair Lionel Acquisition Co., Pentair Lionel Merger Sub, Inc. and ERICO Global Company (Incorporated by reference to Exhibit 2.1 in the Current Report on Form 8-K of Pentair plc filed with the SEC on August 18, 2015 (File No. 001-11625)).
- 4.1 First Amendment, dated as of August 28, 2015, among Pentair, Pentair Investments Switzerland GmbH, Pentair Finance S.A. and the lenders and agents party thereto (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 3, 2015 (File No. 001-11625)).
- 4.2 Second Amendment, dated as of September 2, 2015, among Pentair, Pentair Investments Switzerland GmbH, Pentair Finance S.A. and the lenders and agents party thereto (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 3, 2015 (File No. 001-11625)).
- 4.3 Indenture, dated as of September 16, 2015, among Pentair Finance S.A. (as Issuer), Pentair plc (as Parent and Guarantor), Pentair Investments Switzerland GmbH (as Guarantor) and U.S. Bank National Association (as Trustee) (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 16, 2015 (File No. 001-11625)).
- 4.4 First Supplemental Indenture, dated as of September 16, 2015, among Pentair Finance S.A. (as Issuer), Pentair plc (as Parent and Guarantor), Pentair Investments Switzerland GmbH (as Guarantor) and U.S. Bank National Association (as Trustee) (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 16, 2015 (File No. 001-11625)).
- 4.5 Second Supplemental Indenture, dated as of September 16, 2015, among Pentair Finance S.A. (as Issuer), Pentair plc (as Parent and Guarantor), Pentair Investments Switzerland GmbH (as Guarantor) and U.S. Bank National Association (as Trustee) (Incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 16, 2015 (File No. 001-11625)).
- 4.6 Third Supplemental Indenture, dated as of September 16, 2015, among Pentair Finance S.A. (as Issuer), Pentair plc (as Parent and Guarantor), Pentair Investments Switzerland GmbH (as Guarantor) and U.S. Bank National Association (as Trustee) (Incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 16, 2015 (File No. 001-11625)).
- 4.7 Fourth Supplemental Indenture, dated as of September 17, 2015, among Pentair Finance S.A. (as Issuer), Pentair plc (as Parent and Guarantor), Pentair Investments Switzerland GmbH (as Guarantor) and U.S. Bank National Association (as Trustee) (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 17, 2015 (File No. 001-11625)).
- 10.1 Letter agreement, dated September 7, 2015, among Pentair plc, Edward P. Garden, Matthew Peltz, Brian Baldwin and Trian Fund Management, L.P. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Pentair plc filed with the SEC on September 8, 2015 (File No. 001-11625)).
- 10.2 Separation Agreement, dated September 18, 2015, between Philip Pejovich and Pentair Management Company.
- 10.3

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Separation Agreement, dated September 3, 2015, between Christopher Stevens and Pentair Management Company.

31.1 Certification of Chief Executive Officer.

31.2 Certification of Chief Financial Officer.

32.1 Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from Pentair plc's Quarterly Report on Form 10-Q for the quarter ended September 26, 2015 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 26, 2015 and September 27, 2014, (ii) the Condensed Consolidated Balance Sheets as of September 26, 2015 and December 31, 2014, (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 26, 2015 and September 27, 2014, (iv) the Condensed Consolidated Statements of Changes in Equity for the nine months ended September 26, 2015 and September 27, 2014, and (v) Notes to Condensed Consolidated Financial Statements.

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