PENTAIR plc
Form 10-Q
July 31, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the Quarterly Period Ended June 28, 2014

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	98-1141328
(State or other jurisdiction of incorporation or organization)	(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 þ 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 þ 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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ
On June 28, 2014, 192,560,935 shares of Registrant’s common stock were outstanding.

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Pentair plc and Subsidiaries

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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 June 28, 2014	Three months ended June 29, 2013	Six months ended June 28, 2014	Six months ended June 29, 2013
Net sales	$1,910.8	$1,963.7	$3,636.0	$3,738.2
Cost of goods sold	1,251.9	1,296.3	2,398.8	2,547.0
Gross profit	658.9	667.4	1,237.2	1,191.2
Selling, general and administrative	400.3	409.4	768.7	825.4
Research and development	30.9	32.1	60.9	65.6
Operating income	227.7	225.9	407.6	300.2
Other (income) expense:				
Equity income of unconsolidated subsidiaries	(0.4)	(0.9)	(0.8)	(1.1)
Loss (gain) on sale of businesses	0.2	—	8.2	(16.7)
Net interest expense	17.5	18.4	33.2	35.4
Income before income taxes and noncontrolling interest	210.4	208.4	367.0	282.6
Provision for income taxes	48.9	53.0	86.9	73.9
Net income before noncontrolling interest	161.5	155.4	280.1	208.7
Noncontrolling interest	—	1.3	—	2.9
Net income attributable to Pentair plc	$161.5	$154.1	$280.1	$205.8
Comprehensive income, net of tax				
Net income before noncontrolling interest	$161.5	$155.4	$280.1	$208.7
Changes in cumulative translation adjustment	16.4	(41.3)	(11.5)	(118.2)
Changes in market value of derivative financial instruments, net of $0, $0.1, $0.1 and $0.1 tax, respectively	0.2	(0.4)	0.4	0.3
Total comprehensive income	178.1	113.7	269.0	90.8
Less: Comprehensive income attributable to noncontrolling interest	—	1.7	—	2.4
Comprehensive income attributable to Pentair plc	$178.1	$112.0	$269.0	$88.4
Earnings per ordinary share attributable to Pentair plc				
Basic	$0.84	$0.76	$1.44	$1.01
Diluted	$0.82	$0.75	$1.41	$0.99
Weighted average ordinary shares outstanding				
Basic	193.1	202.1	194.7	203.5
Diluted	196.4	205.5	198.0	206.9
Cash dividends paid per ordinary share	$0.25	$0.23	$0.50	$0.46

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	June 28, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$174.4	$265.1
Accounts and notes receivable, net of allowances of $101.3 and $115.1, respectively	1,302.2	1,334.3
Inventories	1,264.3	1,243.3
Other current assets	425.0	389.4
Total current assets	3,165.9	3,232.1
Property, plant and equipment, net	1,151.6	1,170.0
Other assets		
Goodwill	5,097.1	5,134.2
Intangibles, net	1,718.3	1,776.1
Other non-current assets	483.9	430.9
Total other assets	7,299.3	7,341.2
Total assets	$11,616.8	$11,743.3
Liabilities and Equity		
Current liabilities		
Current maturities of long-term debt and short-term borrowings	$6.1	$2.5
Accounts payable	587.0	596.6
Employee compensation and benefits	298.5	347.1
Other current liabilities	885.5	664.0
Total current liabilities	1,777.1	1,610.2
Other liabilities		
Long-term debt	2,739.0	2,552.6
Pension and other post-retirement compensation and benefits	291.4	324.8
Deferred tax liabilities	608.6	580.6
Other non-current liabilities	481.9	457.4
Total liabilities	5,898.0	5,525.6
Equity		
Ordinary shares $0.01 and CHF 0.50 par value, 426.0 and 213.0 authorized, 213.0 issued at June 28, 2014 and December 31, 2013, respectively	2.1	113.5
Ordinary shares held in treasury, 20.4 and 15.6 shares at June 28, 2014 and December 31, 2013, respectively	(1,275.2)	(875.1)
Additional paid-in capital	4,937.4	5,071.4
Retained earnings	2,109.2	1,829.1
Accumulated other comprehensive income (loss)	(54.7)	(43.6)
Shareholders’ equity attributable to Pentair plc	5,718.8	6,095.3
Noncontrolling interest	—	122.4
Total equity	5,718.8	6,217.7
Total liabilities and equity	$11,616.8	$11,743.3

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	Six months ended June 28, 2014	June 29, 2013
Operating activities		
Net income before noncontrolling interest	$280.1	$208.7
Adjustments to reconcile net income before noncontrolling interest to net cash provided by (used for) operating activities		
Equity income of unconsolidated subsidiaries	(0.8)	(1.1)
Depreciation	73.6	73.7
Amortization	58.7	80.7
Deferred income taxes	10.9	17.3
Loss (gain) on sale of businesses	8.2	(16.7)
Share-based compensation	16.5	18.1
Excess tax benefits from share-based compensation	(7.8)	(6.2)
Loss on sale of assets	0.3	1.2
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	34.6	(55.0)
Inventories	(20.3)	22.4
Other current assets	(44.3)	(1.3)
Accounts payable	(6.9)	35.1
Employee compensation and benefits	(49.6)	6.6
Other current liabilities	91.2	2.8
Other non-current assets and liabilities	(29.4)	(0.2)
Net cash provided by (used for) operating activities	415.0	386.1
Investing activities		
Capital expenditures	(59.6)	(88.0)
Proceeds from sale of property and equipment	2.7	3.6
Proceeds from sale of businesses, net	—	30.0
Acquisitions, net of cash acquired	—	(84.4)
Other	0.3	(0.6)
Net cash provided by (used for) investing activities	(56.6)	(139.4)
Financing activities		
Net receipts of short-term borrowings	3.9	—
Net receipts of commercial paper and revolving long-term debt	198.8	289.6
Repayments of long-term debt	(12.9)	(5.8)
Debt issuance costs	—	(1.4)
Excess tax benefits from share-based compensation	7.8	6.2
Shares issued to employees, net of shares withheld	31.5	40.1
Repurchases of ordinary shares	(450.7)	(483.6)
Dividends paid	(99.1)	(94.0)
Purchase of noncontrolling interest	(134.7)	—
Distribution to noncontrolling interest	—	(2.0)
Net cash provided by (used for) financing activities	(455.4)	(250.9)
Effect of exchange rate changes on cash and cash equivalents	6.3	(4.0)
Change in cash and cash equivalents	(90.7)	(8.2)
Cash and cash equivalents, beginning of period	265.1	261.3
Cash and cash equivalents, end of period	$174.4	$253.1

See accompanying notes to condensed consolidated financial statements.

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Pentair plc and Subsidiaries
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, 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	—	—	—	—	—	280.1	—	280.1	—	280.1
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(11.1)	(11.1)	—	(11.1)
Conversion of Pentair Ltd. common shares to Pentair plc ordinary shares	—	(111.4)	—	—	111.4	—	—	—	—	—
Dividends declared	—	—	—	—	(230.5)	—	—	(230.5)	—	(230.5)
Purchase of noncontrolling interest	—	—	—	—	(12.3)	—	—	(12.3)	(122.4)	(134.7)
Share repurchase	—	—	(5.8)	(450.7)	—	—	—	(450.7)	—	(450.7)
Exercise of options, net of shares tendered for payment	—	—	0.9	44.9	(10.0)	—	—	34.9	—	34.9
Issuance of restricted shares, net of cancellations	—	—	0.2	7.8	(7.8)	—	—	—	—	—
Shares surrendered by employees to pay taxes	—	—	(0.1)	(2.1)	(1.3)	—	—	(3.4)	—	(3.4)
Share-based compensation	—	—	—	—	16.5	—	—	16.5	—	16.5
Balance - June 28, 2014	213.0	$2.1	(20.4)	$(1,275.2)	$4,937.4	$2,109.2	$ (54.7)	$5,718.8	$ —	$5,718.8

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, 2012	213.0	$113.5	(6.9)	$(315.5)	$5,292.4	$1,292.3	$ (11.6)	$6,371.1	$ 116.4	$6,487.5
Net income	—	—	—	—	—	205.8	—	205.8	2.9	208.7
Other comprehensive income (loss), net of	—	—	—	—	—	—	(117.4)	(117.4)	(0.5)	(117.9)

tax										
Tax benefits of share-based compensation	—	—	—	—	6.2	—	—	6.2	—	6.2
Dividends declared	—	—	—	—	(199.2)	—	—	(199.2)	—	(199.2)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(2.0)	(2.0)
Share repurchase	—	—	(9.0)	(490.3)	—	—	—	(490.3)	—	(490.3)
Exercise of options, net of shares tendered for payment	—	—	1.6	68.6	(17.9)	—	—	50.7	—	50.7
Issuance of restricted shares, net of cancellations	—	—	0.7	24.8	(24.8)	—	—	—	—	—
Shares surrendered by employees to pay taxes	—	—	(0.2)	(8.7)	(1.9)	—	—	(10.6)	—	(10.6)
Share-based compensation	—	—	—	—	18.1	—	—	18.1	—	18.1
Balance - June 29, 2013	213.0	$113.5	(13.8)	$(721.1)	$5,072.9	$1,498.1	$ (129.0)	$5,834.4	$ 116.8	$5,951.2

See accompanying notes to condensed consolidated financial statements.

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.

Our former parent company, Pentair Ltd., took its form on September 28, 2012 as a result of a reverse acquisition (the "Merger") involving Pentair, Inc. and an indirect, wholly-owned subsidiary of Flow Control (defined below), with Pentair, Inc. surviving as an indirect, wholly-owned subsidiary of Pentair Ltd. "Flow Control" refers to Pentair Ltd. prior to the Merger. Prior to the Merger, Tyco International Ltd. ("Tyco") engaged in an internal restructuring whereby it transferred to Flow Control certain assets related to the flow control business of Tyco, and Flow Control assumed from Tyco certain liabilities related to the flow control business of Tyco. On September 28, 2012 prior to the Merger, Tyco effected a spin-off of Flow Control through the pro-rata distribution of 100% of the outstanding common shares of Flow Control to Tyco's shareholders (the "Distribution"), resulting in the distribution of approximately 110.9 million of our common shares to Tyco's shareholders. The Merger was accounted for as a reverse acquisition under the purchase method of accounting with Pentair, Inc. treated as the acquirer.

During the fourth quarter of 2013, we reorganized our business segments to reflect a new operating structure and management of our Global Business Units, resulting in a change from three reporting segments to four. 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, 2013.

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 May 2014, the Financial Accounting Standards Board issued new accounting requirements for the recognition of revenue from contracts with customers. The new requirements also 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, 2016, including interim periods within that reporting period, with earlier adoption not permitted. We have not yet determined the potential effects on our financial condition or results of operations.

2. Acquisitions and Divestitures

Acquisitions

On January 30, 2014, we acquired, as part of Process Technologies, 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.

Divestitures

During the first quarter of 2014 we sold a business that was part of Flow Technologies resulting in a loss of $8.0 million.

During the first quarter of 2013 we sold a business that was part of Technical Solutions for a cash purchase price of $30.0 million, net of transaction costs, resulting in a gain of $16.7 million. Goodwill of $5.3 million was included in the assets of the business sold. The sales price was subject to a working capital adjustment and we received an additional $0.1 million cash in the third quarter of 2013 as a result.

On July 28, 2014, our Board of Directors approved a decision to exit our Water Transport business in Australia. We expect to dispose of the Water Transport business by early to mid-2015. In the third quarter of 2014, we expect to reclassify the approximately $500 million carrying value, including approximately $248 million of goodwill, of our Water Transport business to assets held for sale and treat Water Transport as a Discontinued Operation. We are evaluating the business for potential loss on sale, but have not yet determined if the loss is material and are currently unable to reasonably estimate in good faith the amount of the charge.

3. Share Plans

Total share-based compensation expense for the three and six months ended June 28, 2014 and June 29, 2013 was as follows:

In millions	Three months ended June 28, 2014	Three months ended June 29, 2013	Six months ended June 28, 2014	Six months ended June 29, 2013
Restricted stock units	$6.2	$4.9	$11.1	$11.8
Stock options	2.9	2.7	5.4	6.3
Total share-based compensation expense	$9.1	$7.6	$16.5	$18.1

In the first quarter of 2014, 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 0.7 million, of which 0.5 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 $23.35 and $78.72, 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:

	2014 Annual Grant	
Risk-free interest rate	1.43	%
Expected dividend yield	1.45	%
Expected share price volatility	35.3	%
Expected term (years)	5.6	

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

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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.

4. Restructuring

During the six months ended June 28, 2014 and the year ended December 31, 2013, we continued execution of certain business restructuring initiatives aimed at reducing our fixed cost structure and realigning our business. The 2014 initiatives included the reduction in hourly and salaried headcount of approximately 900 employees, consisting of approximately 400 in Valves & Controls, 100 in Process Technologies, 300 in Flow Technologies and 100 in Technical Solutions. The 2013 initiatives included the reduction in hourly and salaried headcount of approximately 1,150 employees, consisting of approximately 500 in Valves & Controls, 150 in Process Technologies, 200 in Flow Technologies and 300 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:

	Three months ended		Six months ended	
In millions	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Severance and related costs	$22.4	$19.8	$40.8	$39.8
Other	15.0	6.9	19.8	8.5
Total restructuring costs	$37.4	$26.7	$60.6	$48.3

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

Restructuring costs by reportable segment for the three and six months ended June 28, 2014 and June 29, 2013 are as follows:

	Three months ended		Six months ended	
In millions	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Valves & Controls	$17.9	$13.5	$27.7	$18.2
Process Technologies	6.9	2.5	9.5	4.1
Flow Technologies	9.4	4.1	17.6	9.1
Technical Solutions	3.2	4.8	5.8	15.1
Other	—	1.8	—	1.8
Consolidated	$37.4	$26.7	$60.6	$48.3

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 six months ended June 28, 2014:

In millions	June 28, 2014
Beginning balance	$78.6
Costs incurred	40.8
Cash payments and other	(28.1)
Ending balance	$91.3

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Notes to condensed consolidated financial statements (unaudited)

5. Earnings Per Share
Basic and diluted earnings per share were calculated as follows:

In millions, except per-share data	Three months ended June 28, 2014	Three months ended June 29, 2013	Six months ended June 28, 2014	Six months ended June 29, 2013
Net income attributable to Pentair plc	$161.5	$154.1	$280.1	$205.8
Weighted average ordinary shares outstanding				
Basic	193.1	202.1	194.7	203.5
Dilutive impact of stock options and restricted stock units	3.3	3.4	3.3	3.4
Diluted	196.4	205.5	198.0	206.9
Earnings per ordinary share attributable to Pentair plc				
Basic earnings per ordinary share	$0.84	$0.76	$1.44	$1.01
Diluted earnings per ordinary share	$0.82	$0.75	$1.41	$0.99
Anti-dilutive stock options excluded from the calculation of diluted earnings per share	0.5	0.9	0.5	1.0

6. Supplemental Balance Sheet Information

In millions	June 28, 2014	December 31, 2013
Inventories		
Raw materials and supplies	$571.7	$557.2
Work-in-process	163.8	166.5
Finished goods	528.8	519.6
Total inventories	$1,264.3	$1,243.3
Other current assets		
Cost in excess of billings	$115.9	$100.8
Prepaid expenses	132.5	103.9
Deferred income taxes	157.5	162.0
Other current assets	19.1	22.7
Total other current assets	$425.0	$389.4
Property, plant and equipment, net		
Land and land improvements	$244.0	$251.3
Buildings and leasehold improvements	524.7	516.8
Machinery and equipment	1,253.1	1,208.0
Construction in progress	83.1	72.6
Total property, plant and equipment	2,104.9	2,048.7
Accumulated depreciation and amortization	953.3	878.7
Total property, plant and equipment, net	$1,151.6	$1,170.0
Other non-current assets		
Asbestos-related insurance receivable	$118.6	$119.6
Deferred income taxes	117.7	93.6
Other non-current assets	247.6	217.7
Total other non-current assets	$483.9	$430.9
Other current liabilities		
Deferred revenue and customer deposits	$119.0	$92.4
Dividends payable	231.1	98.7
Billings in excess of cost	37.8	38.1
Accrued warranty	56.4	56.6
Other current liabilities	441.2	378.2
Total other current liabilities	$885.5	$664.0
Other non-current liabilities		
Asbestos-related liabilities	$252.6	$254.7
Taxes payable	49.5	48.9
Other non-current liabilities	179.8	153.8
Total other non-current liabilities	$481.9	$457.4

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Notes to condensed consolidated financial statements (unaudited)

7. Goodwill and Other Identifiable Intangible Assets

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

In millions	December 31, 2013	Acquisitions/ divestitures	Foreign currency translation/other	June 28, 2014
Valves & Controls	$1,511.6	$—	$—	$1,511.6
Process Technologies	1,524.5	—	(6.0)	1,518.5
Flow Technologies	940.1	—	(30.9)	909.2
Technical Solutions	1,158.0	—	(0.2)	1,157.8
Total goodwill	$5,134.2	$—	$(37.1)	$5,097.1

Identifiable intangible assets consisted of the following:

	June 28, 2014			December 31, 2013		
In millions	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Finite-life intangibles						
Customer relationships	$1,286.5	$(290.4)	$996.1	$1,286.8	$(243.8)	$1,043.0
Trade names	2.1	(1.0)	1.1	2.1	(0.9)	1.2
Proprietary technology and patents	262.5	(89.2)	173.3	264.6	(80.1)	184.5
Backlog	2.6	(0.9)	1.7	2.6	(1.2)	1.4
Total finite-life intangibles	$1,553.7	$(381.5)	$1,172.2	$1,556.1	$(326.0)	$1,230.1
Indefinite-life intangibles						
Trade names	546.1	—	546.1	546.0	—	546.0
Total intangibles, net	$2,099.8	$(381.5)	$1,718.3	$2,102.1	$(326.0)	$1,776.1

Intangible asset amortization expense was $29.3 million and $38.9 million for the three months ended June 28, 2014 and June 29, 2013, respectively, and $58.7 million and $80.7 million for the six months ended June 28, 2014 and June 29, 2013, respectively.

Estimated future amortization expense for identifiable intangible assets during the remainder of 2014 and the next five years is as follows:

In millions	Q3 - Q4 2014	2015	2016	2017	2018	2019
Estimated amortization expense	$57.8	$115.4	$114.4	$112.8	$110.2	$102.6

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

In millions	Average interest rate at June 28, 2014	Maturity Year	June 28, 2014	December 31, 2013
Commercial paper	0.504%	2017	$701.2	$528.9
Revolving credit facilities	1.402%	2017	26.5	—
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	2.650%	2019	250.0	250.0
Senior notes - fixed rate	5.000%	2021	500.0	500.0
Senior notes - fixed rate	3.150%	2022	550.0	550.0
Other	0.918%	2014-2030	8.7	4.7
Capital lease obligations	6.390%	2014-2015	8.7	21.5
Total debt			2,745.1	2,555.1
Less: Current maturities and short-term borrowings			(6.1)	(2.5)
Long-term debt			$2,739.0	$2,552.6

The 1.35% Senior Notes due 2015, 1.875% Senior Notes due 2017, 2.65% Senior Notes due 2019, 3.15% Senior Notes due 2022 and $373.0 million of the 5.00% Senior Notes due 2021 (collectively, the “Notes”) were all issued in transactions exempt from the registration requirements of the Securities Act of 1933, as amended. In March 2013, Pentair Ltd. and our 100 percent-owned subsidiary, Pentair Finance S.A. (“PFSA”), filed a Registration Statement with the SEC offering to exchange the Notes for new, registered Notes. The exchange offer expired on April 19, 2013 and did not impact the aggregate principle amount or the terms of the Notes outstanding. Effective upon the Redomicile, the Notes are guaranteed as to payment by Pentair plc and Pentair Investments Switzerland GmbH, a 100-percent owned subsidiary of Pentair plc and the 100-percent owner of PFSA. Prior to the Redomicile, the registered Notes were guaranteed as to payment by Pentair Ltd.

In September 2012, Pentair, Inc. entered into a credit agreement providing for an unsecured, committed revolving credit facility (the “Credit Facility”) with initial maximum aggregate availability of up to $1,450.0 million. Upon the completion of the Merger, Pentair Ltd. became the guarantor under the Credit Facility and PFSA and certain other of our subsidiaries became affiliate borrowers under the Credit Facility. Effective upon the Redomicile, Pentair plc and Pentair Investments Switzerland GmbH became the guarantors under the Credit Facility. Borrowings under the Credit Facility generally bear interest at a variable rate equal to the London Interbank Offered Rate plus a specified margin based upon PFSA's credit ratings. PFSA must also pay a facility fee ranging from 10.0 to 30.0 basis points per annum (based upon PFSA's credit ratings) on the amount of each lender's commitment. PFSA is authorized to sell short-term commercial paper notes to the extent availability exists under the Credit Facility. PFSA uses the Credit Facility as back-up liquidity to support 100% of our outstanding commercial paper. As of June 28, 2014 and December 31, 2013, we had $701.2 million and $528.9 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 Credit Facility.

Total availability under the Credit Facility was $722.3 million as of June 28, 2014, which was not limited by any covenants contained in the Credit Facility’s credit agreement.

Our debt agreements contain certain financial covenants, the most restrictive of which are in the Credit Facility, 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, and up to $40.0 million of costs and expenses incurred in connection with the Merger (“EBITDA”) for the four consecutive fiscal quarters then ended (the

"Leverage Ratio") to exceed 3.50 to 1.00 on the last day of each fiscal quarter, 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 Credit

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Facility provides for the calculation of EBITDA giving pro forma effect to the Merger and certain acquisitions, divestitures and liquidations during the period to which such calculation relates. As of June 28, 2014, we were in compliance with all financial covenants in our debt agreements.

In addition to the Credit Facility, we have various other credit facilities with an aggregate availability of $85.6 million, of which $1.5 million was outstanding at June 28, 2014. Borrowings under these credit facilities bear interest at variable rates.

Debt outstanding at June 28, 2014 matures on a calendar year basis as follows:

In millions	Q3 - Q4 2014	2015	2016	2017	2018	2019	Thereafter	Total
Contractual debt obligation maturities	$3.9	$350.0	$—	$1,077.7	$—	$250.0	$1,054.8	$2,736.4
Capital lease obligations	1.1	7.6	—	—	—	—	—	8.7
Total maturities	$5.0	$357.6	$—	$1,077.7	$—	$250.0	$1,054.8	$2,745.1

Capital lease obligations relate primarily to land and buildings and consist of total future minimum lease payments of $9.0 million less the imputed interest of $0.3 million as of June 28, 2014.

As of June 28, 2014 and December 31, 2013, assets under capital lease were $21.5 million and $41.7 million, respectively, less accumulated amortization of $2.3 million and $7.6 million, respectively, all of which were included in Property, plant and equipment, net on the Condensed Consolidated Balance Sheets.

9. 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 ("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 $7.5 million and $8.1 million at June 28, 2014 and December 31, 2013, 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 June 28, 2014 and December 31, 2013, we had outstanding foreign currency derivative contracts with gross notional U.S. dollar equivalent amounts of $168.4 million and $143.0 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 six months ended June 28, 2014 and June 29, 2013 were not material.

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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.
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.

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	June 28, 2014 Recorded Amount	June 28, 2014 Fair Value	December 31, 2013 Recorded Amount	December 31, 2013 Fair Value
Variable rate debt	$731.6	$731.6	$528.9	$528.9
Fixed rate debt	2,013.5	2,080.3	2,026.2	2,002.2
Total debt	$2,745.1	$2,811.9	$2,555.1	$2,531.1

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

	June 28, 2014			
In millions	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Foreign currency contract assets	$—	$1.4	$—	$1.4
Foreign currency contract liabilities	—	(1.6)	—	(1.6)
Deferred compensation plans [1]	48.2	6.9	—	55.1
Total recurring fair value measurements	$48.2	$6.7	$—	$54.9

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	December 31, 2013			
In millions	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Foreign currency contract assets	$—	$3.6	$—	$3.6
Foreign currency contract liabilities	—	(0.9)	—	(0.9)
Deferred compensation plan [1]	32.1	—	—	32.1
Total recurring fair value measurements	$32.1	$2.7	$—	$34.8
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) In the fourth quarter of 2013, we completed our annual intangible assets impairment review. As a result, we recorded a pre-tax non-cash impairment charge of $11.0 million for trade names intangibles. The impairment charge reduced the fair value of the impacted trade name intangible to $0. The fair value of trade names is measured using the relief-from-royalty method. This method assumes the trade name has value to the extent that the owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires us to estimate the future revenue for the related brands, the appropriate royalty rate and the weighted average cost of capital.

10. Income Taxes

Upon completion of the Redomicile, we now 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 six months ended June 28, 2014 was 23.7% compared to 26.2% for the six months ended June 29, 2013. 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 $60.9 million and $60.8 million at June 28, 2014 and December 31, 2013, 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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11. Benefit Plans

Components of net periodic benefit cost for our pension plans for the three and six months ended June 28, 2014 and June 29, 2013 were as follows:

	U.S. pension plans			
	Three months ended		Six months ended	
In millions	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Service cost	$3.3	$3.9	$6.6	$7.8
Interest cost	3.8	3.6	7.6	7.2
Expected return on plan assets	(2.6)	(2.4)	(5.2)	(4.8)
Net periodic benefit cost	$4.5	$5.1	$9.0	$10.2

	Non-U.S. pension plans			
	Three months ended		Six months ended	
In millions	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Service cost	$2.0	$2.4	$4.0	$4.8
Interest cost	4.7	4.4	9.4	8.8
Expected return on plan assets	(4.2)	(3.8)	(8.4)	(7.6)
Net periodic benefit cost	$2.5	$3.0	$5.0	$6.0

Components of net periodic benefit cost for our other post-retirement plans for the three and six months ended June 28, 2014 and June 29, 2013 were not material.

12. Shareholders' Equity

Share repurchases

Prior to the closing of the Merger, our board of directors, and Tyco as our sole shareholder, authorized the repurchase of our shares with a maximum aggregate value of $400.0 million following the closing of the Merger. In October 2012, our board of directors authorized the repurchase of our shares with a maximum aggregate value of $800.0 million. This authorization expires on December 31, 2015 and is in addition to the $400.0 million share repurchase authorization. There is no remaining availability for repurchase under these 2012 authorizations. In December 2013, our board of directors authorized the repurchase of our shares up to a maximum dollar limit of $1.0 billion. This authorization expires on December 31, 2016 and is in addition to the combined $1.2 billion prior share repurchase authorizations.

During the six months ended June 28, 2014, we repurchased 5.8 million of our shares for $450.7 million pursuant to these authorizations. As of June 28, 2014, we had $699.3 million remaining available for share repurchases under the December 2013 authorization.

Dividends payable

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 provides that dividends of $1.20 per share will 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. As a result, the balance of dividends payable included in Other current liabilities on our Condensed Consolidated Balance Sheets was $231.1 million and $98.7 million at June 28, 2014 and December 31, 2013, respectively.

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13. Segment information

Financial information by reportable segment is as follows:

In millions	Three months ended June 28, 2014	Three months ended June 29, 2013	Six months ended June 28, 2014	Six months ended June 29, 2013
Net sales				
Valves & Controls	$633.9	$619.9	$1,168.7	$1,205.7
Process Technologies	496.8	477.6	915.1	874.2
Flow Technologies	378.1	478.2	742.2	868.8
Technical Solutions	408.6	397.4	823.9	807.4
Other	(6.6)	(9.4)	(13.9)	(17.9)
Consolidated	$1,910.8	$1,963.7	$3,636.0	$3,738.2
Operating income (loss)				
Valves & Controls	$71.5	$56.9	$123.7	$38.3
Process Technologies	82.4	76.8	128.7	120.2
Flow Technologies	35.4	59.3	62.9	90.7
Technical Solutions	73.6	65.1	149.8	118.4
Other	(35.2)	(32.2)	(57.5)	(67.4)
Consolidated	$227.7	$225.9	$407.6	$300.2

14. 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 June 28, 2014, there were approximately 2,200 lawsuits pending against our subsidiaries. A lawsuit might include several claims, and we have approximately 2,300 claims outstanding as of June 28, 2014. This amount is not adjusted for claims that are not actively being prosecuted, identified incorrect defendants, or duplicated other actions, which would ultimately reflect our current estimate of the number of viable claims made against us, our affiliates or entities for which we assumed responsibility in connection with acquisitions or divestitures. 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.

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Our estimated liability for asbestos-related claims was $252.6 million and $254.7 million as of June 28, 2014 and December 31, 2013, 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 $118.6 million and $119.6 million as of June 28, 2014 and December 31, 2013, 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 $37.0 million and $39.3 million as of June 28, 2014 and December 31, 2013, respectively. We do not anticipate these environmental conditions will have a material adverse effect on our financial position, results of operations or cash flows.

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 six months ended June 28, 2014 were as follows:

In millions	June 28, 2014
Beginning balance	$56.6
Service and product warranty provision	28.0
Payments	(28.1)
Foreign currency translation	(0.1)

Ending balance	$56.4

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Stand-by Letters of Credit, Bank Guarantees and Bonds

In certain situations, Tyco guaranteed Flow Control’s performance to third parties or provided financial guarantees for financial commitments of Flow Control. In situations where Flow Control and Tyco were unable to obtain a release from these guarantees in connection with the spin-off, 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 June 28, 2014 and December 31, 2013, the outstanding value of bonds, letters of credit and bank guarantees totaled $468.3 million and $484.0 million, respectively.

15. 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.

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. Prior to the Redomicile, the Notes of the Subsidiary Issuer were guaranteed, fully and unconditionally, by the former parent company, Pentair Ltd. The supplemental financial information for reporting periods prior to Redomicile are presented under this previous guarantee structure.

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Three months ended June 28, 2014

In millions	Parent Company Guarantor	Subsidiary Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$—	$—	$1,910.8	$—	$1,910.8
Cost of goods sold	—	—	—	1,251.9	—	1,251.9
Gross profit	—	—	—	658.9	—	658.9
Selling, general and administrative	8.2	2.8	2.6	386.7	—	400.3
Research and development	—	—	—	30.9	—	30.9
Operating income (loss)	(8.2)	(2.8)	(2.6)	241.3	—	227.7
Loss (earnings) from investment in subsidiaries	(170.1)	(173.2)	(146.5)	—	489.8	—
Other (income) expense:						
Equity income of unconsolidated subsidiaries	—	—	—	(0.4)	—	(0.4)
Loss on sale of business	—	—	—	0.2	—	0.2
Net interest expense	0.4	0.3	0.1	16.7	—	17.5
Income (loss) before income taxes	161.5	170.1	143.8	224.8	(489.8)	210.4
Provision for income taxes	—	—	1.0	47.9	—	48.9
Net income (loss) attributable to Pentair plc	$161.5	$170.1	$142.8	$176.9	$(489.8)	$161.5
Comprehensive income (loss), net of tax						
Net income (loss) attributable to Pentair plc	$161.5	$170.1	$142.8	$176.9	$(489.8)	$161.5
Changes in cumulative translation adjustment	16.4	16.4	16.4	16.4	(49.2)	16.4
Changes in market value of derivative financial instruments	0.2	0.2	0.2	0.2	(0.6)	0.2
Comprehensive income (loss) attributable to Pentair plc	$178.1	$186.7	$159.4	$193.5	$(539.6)	$178.1

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Six months ended June 28, 2014

In millions	Parent Company Guarantor	Subsidiary Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$—	$—	$3,636.0	$—	$3,636.0
Cost of goods sold	—	—	—	2,398.8	—	2,398.8
Gross profit	—	—	—	1,237.2	—	1,237.2
Selling, general and administrative	7.9	2.8	5.9	752.1	—	768.7
Research and development	—	—	—	60.9	—	60.9
Operating (loss) income	(7.9)	(2.8)	(5.9)	424.2	—	407.6
Loss (earnings) from investment in subsidiaries	(288.7)	(173.2)	(273.6)	—	735.5	—
Other (income) expense:						
Equity income of unconsolidated subsidiaries	—	—	—	(0.8)	—	(0.8)
Gain on sale of business	—	—	—	8.2	—	8.2
Net interest expense	0.7	0.3	1.0	31.2	—	33.2
Income (loss) before income taxes	280.1	170.1	266.7	385.6	(735.5)	367.0
Provision for income taxes	—	—	1.0	85.9	—	86.9
Net income (loss) attributable to Pentair plc	$280.1	$170.1	$265.7	$299.7	$(735.5)	$280.1
Comprehensive income (loss), net of tax						
Net income (loss) attributable to Pentair plc	$280.1	$170.1	$265.7	$299.7	$(735.5)	$280.1
Changes in cumulative translation adjustment	(11.5)	(11.5)	(11.5)	(11.5)	34.5	(11.5)
Changes in market value of derivative financial instruments	0.4	0.4	0.4	0.4	(1.2)	0.4
Comprehensive income (loss) attributable to Pentair plc	$269.0	$159.0	$254.6	$288.6	$(702.2)	$269.0

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Pentair plc and Subsidiaries
Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Balance Sheet
June 28, 2014

In millions	Parent Company Guarantor	Subsidiary Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Assets						
Current assets						
Cash and cash equivalents	$—	$—	$—	$174.4	$—	$174.4
Accounts and notes receivable, net	—	—	—	1,302.2	—	1,302.2
Inventories	—	—	—	1,264.3	—	1,264.3
Other current assets	0.6	14.8	1.9	426.2	(18.5)	425.0
Total current assets	0.6	14.8	1.9	3,167.1	(18.5)	3,165.9
Property, plant and equipment, net	—	—	—	1,151.6	—	1,151.6
Other assets						
Investments in subsidiaries	5,943.2	6,092.3	8,029.5	—	(20,065.0)	—
Goodwill	—	—	—	5,097.1	—	5,097.1
Intangibles, net	—	—	—	1,718.3	—	1,718.3
Other non-current assets	31.6	—	1,757.2	447.1	(1,752.0)	483.9
Total other assets	5,974.8	6,092.3	9,786.7	7,262.5	(21,817.0)	7,299.3
Total assets	$5,975.4	$6,107.1	$9,788.6	$11,581.2	$(21,835.5)	$11,616.8
Liabilities and Equity						
Current liabilities						
Current maturities of long-term debt and short-term borrowings	$—	$—	$—	$6.1	$—	$6.1
Accounts payable	—	—	—	587.0	—	587.0
Employee compensation and benefits	—	0.5	—	298.0	—	298.5
Other current liabilities	237.1	3.7	14.9	648.3	(18.5)	885.5
Total current liabilities	237.1	4.2	14.9	1,539.4	(18.5)	1,777.1
Other liabilities						
Long-term debt	1.9	159.7	2,574.2	1,755.2	(1,752.0)	2,739.0
Pension and other post-retirement compensation and benefits	—	—	—	291.4	—	291.4
Deferred tax liabilities	—	—	2.2	606.4	—	608.6
Other non-current liabilities	17.6	—	—	464.3	—	481.9
Total liabilities	256.6	163.9	2,591.3	4,656.7	(1,770.5)	5,898.0
Equity	5,718.8	5,943.2	7,197.3	6,924.5	(20,065.0)	5,718.8
Total liabilities and equity	$5,975.4	$6,107.1	$9,788.6	$11,581.2	$(21,835.5)	$11,616.8

Pentair plc and Subsidiaries
Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Cash Flows
Six months ended June 28, 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	$286.0	$159.6	$268.3	$436.6	$(735.5)	$415.0
Investing activities						
Capital expenditures	—	—	—	(59.6)	—	(59.6)
Proceeds from sale of property and equipment	—	—	—	2.7	—	2.7
Other	—	—	—	0.3	—	0.3
Net cash provided by (used for) investing activities	—	—	—	(56.6)	—	(56.6)
Financing activities						
Net receipts (repayments) of short-term borrowings	—	—	—	3.9	—	3.9
Net receipts (repayments) of commercial paper and revolving long-term debt	—	—	172.3	26.5	—	198.8
Repayments of long-term debt	—	—	—	(12.9)	—	(12.9)
Net change in advances to subsidiaries	(187.4)	(159.6)	(487.6)	99.1	735.5	—
Excess tax benefits from share-based compensation	—	—	—	7.8	—	7.8
Shares issued to employees, net of shares withheld	—	—	—	31.5	—	31.5
Repurchases of ordinary shares	—	—	—	(450.7)	—	(450.7)
Dividends paid	(99.1)	—	—	—	—	(99.1)
Purchase of noncontrolling interest	—	—	—	(134.7)	—	(134.7)
Net cash provided by (used for) financing activities	(286.5)	(159.6)	(315.3)	(429.5)	735.5	(455.4)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	6.3	—	6.3
Change in cash and cash equivalents	(0.5)	—	(47.0)	(43.2)	—	(90.7)
Cash and cash equivalents, beginning of period	0.5	—	47.0	217.6	—	265.1
Cash and cash equivalents, end of period	$—	$—	$—	$174.4	$—	$174.4

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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 June 29, 2013

In millions	Parent Company Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$—	$1,963.7	$—	$1,963.7
Cost of goods sold	—	—	1,296.3	—	1,296.3
Gross profit	—	—	667.4	—	667.4
Selling, general and administrative	0.3	3.4	405.7	—	409.4
Research and development	—	—	32.1	—	32.1
Operating income (loss)	(0.3)	(3.4)	229.6	—	225.9
Loss (earnings) from investment in subsidiaries	(157.1)	(164.1)	—	321.2	—
Other (income) expense:					
Equity income of unconsolidated subsidiaries	—	—	(0.9)	—	(0.9)
Gain on sale of business	—	—	—	—	—
Net interest expense	2.7	3.5	12.2	—	18.4
Income (loss) before income taxes and noncontrolling interest	154.1	157.2	218.3	(321.2)	208.4
Provision (benefit) for income taxes	—	—	53.0	—	53.0
Net income (loss) before noncontrolling interest	154.1	157.2	165.3	(321.2)	155.4
Noncontrolling interest	—	—	1.3	—	1.3
Net income (loss) attributable to Pentair plc	$154.1	$157.2	$164.0	$(321.2)	$154.1
Comprehensive income (loss), net of tax					
Net income (loss) before noncontrolling interest	$154.1	$157.2	$165.3	$(321.2)	$155.4
Changes in cumulative translation adjustment	(41.7)	(41.7)	(41.3)	83.4	(41.3)
Changes in market value of derivative financial instruments	(0.4)	(0.4)	(0.4)	0.8	(0.4)
Total comprehensive income (loss)	112.0	115.1	123.6	(237.0)	113.7
Less: Comprehensive income attributable to noncontrolling interest	—	—	1.7	—	1.7
Comprehensive income (loss) attributable to Pentair plc	$112.0	$115.1	$121.9	$(237.0)	$112.0

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Pentair plc and Subsidiaries
Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Six months ended June 29, 2013

In millions	Parent Company Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$—	$3,738.2	$—	$3,738.2
Cost of goods sold	—	—	2,547.0	—	2,547.0
Gross profit	—	—	1,191.2	—	1,191.2
Selling, general and administrative	(0.7)	7.0	819.1	—	825.4
Research and development	—	—	65.6	—	65.6
Operating income (loss)	0.7	(7.0)	306.5	—	300.2
Loss (earnings) from investment in subsidiaries	(207.8)	(219.0)	—	426.8	—
Other (income) expense:					
Equity income of unconsolidated subsidiaries	—	—	(1.1)	—	(1.1)
Gain on sale of business	—	—	(16.7)	—	(16.7)
Net interest expense	3.0	6.1	26.3	—	35.4
Income (loss) before income taxes and noncontrolling interest	205.5	205.9	298.0	(426.8)	282.6
Provision (benefit) for income taxes	(0.3)	—	74.2	—	73.9
Net income (loss) before noncontrolling interest	205.8	205.9	223.8	(426.8)	208.7
Noncontrolling interest	—	—	2.9	—	2.9
Net income (loss) attributable to Pentair plc	$205.8	$205.9	$220.9	$(426.8)	$205.8
Comprehensive income (loss), net of tax					
Net income (loss) before noncontrolling interest	$205.8	$205.9	$223.8	$(426.8)	$208.7
Changes in cumulative translation adjustment	(117.7)	(117.7)	(118.2)	235.4	(118.2)
Changes in market value of derivative financial instruments	0.3	0.3	0.3	(0.6)	0.3
Total comprehensive income (loss)	88.4	88.5	105.9	(192.0)	90.8
Less: Comprehensive income attributable to noncontrolling interest	—	—	2.4	—	2.4
Comprehensive income (loss) attributable to Pentair plc	$88.4	$88.5	$103.5	$(192.0)	$88.4

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Pentair plc and Subsidiaries
Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Balance Sheet
December 31, 2013

In millions	Parent Company Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Assets					
Current assets					
Cash and cash equivalents	$0.5	$47.0	$217.6	$—	$265.1
Accounts and notes receivable, net	2.9	4.0	1,391.0	(63.6)	1,334.3
Inventories	—	—	1,243.3	—	1,243.3
Other current assets	1.4	0.6	387.4	—	389.4
Total current assets	4.8	51.6	3,239.3	(63.6)	3,232.1
Property, plant and equipment, net	—	—	1,170.0	—	1,170.0
Other assets					
Investments in subsidiaries	6,224.7	8,066.6	—	(14,291.3)	—
Goodwill	—	—	5,134.2	—	5,134.2
Intangibles, net	—	—	1,776.1	—	1,776.1
Other non-current assets	31.6	1,302.7	393.3	(1,296.7)	430.9
Total other assets	6,256.3	9,369.3	7,303.6	(15,588.0)	7,341.2
Total assets	$6,261.1	$9,420.9	$11,712.9	$(15,651.6)	$11,743.3
Liabilities and Equity					
Current liabilities					
Current maturities of long-term debt and short-term borrowings	$—	$—	$2.5	$—	$2.5
Accounts payable	48.1	8.6	603.5	(63.6)	596.6
Employee compensation and benefits	0.5	—	346.6	—	347.1
Other current liabilities	99.6	11.7	552.7	—	664.0
Total current liabilities	148.2	20.3	1,505.3	(63.6)	1,610.2
Other liabilities					
Long-term debt	—	2,401.9	1,447.4	(1,296.7)	2,552.6
Pension and other post-retirement compensation and benefits	—	—	324.8	—	324.8
Deferred tax liabilities	—	2.2	578.4	—	580.6
Other non-current liabilities	17.6	—	439.8	—	457.4
Total liabilities	165.8	2,424.4	4,295.7	(1,360.3)	5,525.6
Equity					
Shareholders' equity attributable to Pentair plc and subsidiaries	6,095.3	6,996.5	7,294.8	(14,291.3)	6,095.3
Noncontrolling interest	—	—	122.4	—	122.4
Total equity	6,095.3	6,996.5	7,417.2	(14,291.3)	6,217.7
Total liabilities and equity	$6,261.1	$9,420.9	$11,712.9	$(15,651.6)	$11,743.3

Pentair plc and Subsidiaries
Notes to condensed consolidated financial statements (unaudited)

Condensed Consolidating Statement of Cash Flows
Six months ended June 29, 2013

In millions	Parent Company Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Operating activities					
Net cash provided by (used for) operating activities	$675.1	$208.0	$(70.2)	$(426.8)	$386.1
Investing activities					
Capital expenditures	—	—	(88.0)	—	(88.0)
Proceeds from sale of property and equipment	—	—	3.6	—	3.6
Proceeds from sale of businesses, net	—	—	30.0	—	30.0
Acquisitions, net of cash acquired	(84.4)	—	—	—	(84.4)
Other	—	—	(0.6)	—	(0.6)
Net cash provided by (used for) investing activities	(84.4)	—	(55.0)	—	(139.4)
Financing activities					
Net receipts (repayments) of short-term borrowings	—	—	—	—	—
Net receipts (repayments) of commercial paper and revolving long-term debt	—	265.9	23.7	—	289.6
Repayments of long-term debt	—	—	(5.8)	—	(5.8)
Debt issuance costs	—	(0.7)	(0.7)	—	(1.4)
Excess tax benefits from share-based compensation	—	—	6.2	—	