FIRST NATIONAL CORP /VA/
Form DEF 14A
March 04, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

Filed by a party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

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[X] Definitive Proxy Statement

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[ ] Soliciting Material Pursuant to §240.14a-12

FIRST NATIONAL CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

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FIRST NATIONAL CORPORATION

112 West King Street

Strasburg, Virginia 22657

Dear Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of First National Corporation (First National), which will be held on Tuesday, April 5, 2005, at 11:00 a.m., at the Millwood Station, 252 Costello Drive, Winchester, Virginia. At the Meeting, you will be asked to elect 12 directors to the Board of Directors.

Whether or not you plan to attend in person, it is important that your shares be represented at the Meeting. Please complete, sign, date and return promptly the form of proxy that is enclosed in the envelope provided in this mailing. If you later decide to attend the Meeting and vote in person, or if you wish to revoke your proxy for any reason prior to the vote at the Meeting, you may do so and your proxy will have no further effect.

The Board of Directors and management of First National appreciate your continued support and look forward to seeing you at the Meeting.

Sincerely yours,

/s/ Harry S. Smith

HARRY S. SMITH

President and CEO

Strasburg, Virginia

March 3, 2005

FIRST NATIONAL CORPORATION

112 West King Street

Strasburg, Virginia 22657

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 5, 2005

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of First National Corporation will be held at the Millwood Station, 252 Costello Drive, Winchester, Virginia, on April 5, 2005, at 11:00 a.m., for the following purposes:

(1) To elect 12 directors to serve for a term of one year; and

(2) To transact such other business as may properly come before the Annual Meeting. Management is not aware of any other business, other than procedural matters incident to the conduct of the Annual Meeting.

The Board of Directors has fixed the close of business on February 17, 2005, as the record date for the determination of Shareholders entitled to notice of, and to vote at, the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Douglas C. Arthur

Douglas C. Arthur

Secretary

Strasburg, Virginia

March 3, 2005

FIRST NATIONAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

April 5, 2005

GENERAL INFORMATION

This Proxy Statement is furnished to holders of common stock, $2.50 par value per share (Common Stock), of First National Corporation (First National) in connection with the solicitation of proxies by the Board of Directors (the Board) of First National to be used at the Annual Meeting of Shareholders to be held on April 5, 2005 at 11:00 a.m. at the Millwood Station, 252 Costello Drive, Winchester, Virginia, and any adjournment thereof (the Annual Meeting).

The principal executive offices of First National are located at 112 West King Street, Strasburg, Virginia. The approximate date on which this Proxy Statement, the accompanying proxy card and Annual Report to Shareholders (which is not part of First National s soliciting materials) are being mailed to First National s Shareholders is March 3, 2005. The cost of soliciting proxies will be borne by First National.

The proxy solicited hereby, if properly signed and returned to First National and not revoked prior to its use, will be voted in accordance with the instructions contained thereon. If no contrary instructions are given, each proxy received will be voted for the proposal described herein. Any Shareholder giving a proxy has the power to revoke it at any time before it is exercised by (i) filing written notice thereof with the Secretary of First National (Secretary, First National Corporation, c/o Registrar and Transfer Company, P.O. Box 1010, Cranford, New Jersey 07016); (ii) submitting a duly executed proxy bearing a later date; or (iii) appearing at the Annual Meeting or at any adjournment thereof and giving the Secretary notice of his or her intention to vote in person. Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment thereof and will not be used for any other meeting.

Only Shareholders of record at the close of business on February 17, 2005 (the Record Date) will be entitled to vote at the Annual Meeting. On the Record Date, there were 1,462,062 shares of Common Stock issued and outstanding and approximately 710 record holders. Each share of Common Stock is entitled to one vote at the Annual Meeting. First National had no other class of equity securities outstanding at the Record Date.

Unless authority is withheld in the proxy, each proxy executed and returned by a Shareholder will be voted for the election of the nominees described in this Proxy Statement. The proxy also confers discretionary authority upon the persons named therein, or their substitutes, with respect to any other matter that may properly come before the Annual Meeting.

PROPOSAL ONE

ELECTION OF DIRECTORS

General

There are currently 12 directors serving on the Board, all of whom are standing for reelection at the Annual Meeting to serve for a one-year term and until the election and qualification of their respective successors.

Unless authority is withheld in the proxy, each proxy executed and returned by a Shareholder will be voted for the election of the nominees listed below.

Proxies distributed in conjunction herewith may not be voted for persons other than the nominees named thereon. If any person named as nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxy holders will nominate and vote for a replacement nominee or nominees recommended by the Board. At this time, the Board knows no reason why any of the nominees listed below may not be able to serve as a director if elected. In the election of directors, those receiving the greatest number of votes will be elected even if they do not receive a majority. Abstentions and broker non-votes will not be considered a vote for, or a vote against, a director.

Nominees

Set forth below is the name of each nominee and, as to each of the nominees, certain information including age and principal occupation. The date shown as the year in which the director was first elected to the Board represents the year in which the nominee or continuing director was first elected to the Board of First National, or previously to the Board of First Bank (the Bank). Unless otherwise indicated, the business experience and principal occupations shown for each nominee has extended five or more years.

Douglas C. Arthur, 62, has been a director since 1972.

Mr. Arthur is Vice Chairman and Secretary of the Board of First National and Vice Chairman and Secretary of the Board of the Bank. He is the senior and business partner in Arthur and Allamong, a general practice law firm with locations in Strasburg and Front Royal, Virginia. Mr. Arthur has been engaged in the practice of law since 1970. He is a director of Shenandoah Telecommunications Company. Mr. Arthur also serves on the Shenandoah County School Board.

Noel M. Borden, 68, has been a director since 1962.

Mr. Borden has served as the Chairman of the Board of First National and Chairman of the Board of the Bank since 1986. Mr. Borden is currently retired and was President of H.L. Borden Lumber Co., a building supply company located in Strasburg, Virginia from 1960 to 2000. He also is a director of Shenandoah Telecommunications Company.

Byron A. Brill, 57, has been a director since 1980.

Dr. Brill is a periodontist who has been in practice in Stephens City, Virginia since 1975.

Elizabeth H. Cottrell, 54, has been a director since 1992.

Mrs. Cottrell is owner of Riverwood Technologies, a writing/editing and desktop publishing concern in Maurertown, Virginia, and has held that position since 1992.

James A. Davis, 59, has been a director since 1998.

Dr. Davis is President of Shenandoah University located in Winchester, Virginia, a position that he has held since 1982. Dr. Davis is a member of the Board of EIIA Insurance Company and the Battlefield Foundation of Shenandoah Valley and is a former member of the Virginia House of Delegates.

Christopher E. French, 47, has been a director since 1996.

Mr. French has served as President of Shenandoah Telecommunications Company, a telecommunications company headquartered in Edinburg, Virginia, since 1988. He is also a director of that company.

Charles E. Maddox, Jr., 58, has been a director since 1996.

Mr. Maddox is Vice President and a board member of, and practices as principal engineer for, Patton Harris Rust & Associates, PC, an engineering and land development services firm in northwestern Virginia and West Virginia. Mr. Maddox is on the Board of Trustees of Shenandoah University, serves on the Shenandoah County Economic Development Partnership, and is the co-owner of Jackson s Chase Golf Club and a board member of the Youth Development Center.

John K. Marlow, 65, has been a director since 2001.

Mr. Marlow is owner and President of Marlow Motor Co., Inc. in Front Royal, Tri-State Nissan in Winchester and Marlow Ford in Luray, Virginia, all of which are automotive sales and service firms. He is a Trustee of Shenandoah University and a Director of Warren Memorial Hospital Foundation.

W. Allen Nicholls, 58, has been a director since 1987.

Mr. Nicholls is President of Nicholls Construction, Inc., a home builder located in Front Royal, Virginia, a position that he has held for over 30 years.

Henry L. Shirkey, 62, has been a director since 1994.

Mr. Shirkey is a customer service representative with Holtzman Oil Corp., a supplier and distributor of petroleum products in Mt. Jackson, Virginia, a position he has held since 1993. Mr. Shirkey was previously a banker in Shenandoah County with Farmers Bank, Dominion Bank and First Union Bank and was involved in all phases of community bank management for 33 years until his retirement.

Harry S. Smith, 51, has been a director since 2000.

Mr. Smith has been President and CEO of First National and the Bank since 1998. Prior to that date, Mr. Smith had served as Vice President and Secretary of First National and Executive Vice President, Secretary and Cashier of the Bank since 1985.

James R. Wilkins, III, 36, has been a director since 2001.

Mr. Wilkins is President of Silver Lake Properties, Inc. and General Partner of Wilkins Investments, L.P. and Wilkins Enterprises, L.P., all of which are real estate development and management companies in Winchester, Virginia. He currently serves as a board member of the Industrial Development Authority of the City of Winchester.

THE BOARD RECOMMENDS THE ELECTION OF THE NOMINEES SET FORTH ABOVE.

Executive Officers Who Are Not Directors

M. Shane Bell (age 32) has served as Senior Vice President and Chief Financial Officer of First National and the Bank since November 2003 and had previously served as Senior Vice President Risk Management of the Bank since March 2003 and Vice President Risk Management since July 2002. Prior to joining the Bank, Mr. Bell was employed from 1994 to 2002 as a Manager at the accounting firm of Yount, Hyde & Barbour, P.C.

Dennis A. Dysart (age 33) has served as Executive Vice President of the Bank since November 2003 and prior to that had previously served as Senior Vice President Administration since 1999. Mr. Dysart has been employed by the Bank since 1993.

J. Andrew Hershey (age 51) has served as Senior Vice President Loan Administrator of the Bank since 2000 and had previously served as Vice President and Business Development Officer since 1998. Mr. Hershey has been in the banking industry for over 28 years, most recently with Jefferson National Bank and Wachovia Bank.

Christopher T. Martin (age 36) has served as Senior Vice President Operations of the Bank since March 2003 and had previously served as Vice President - Information Technology since September 2002. Prior to joining the Bank, Mr. Martin was the owner of an internet/technology service company from 1986 through 2002.

John Norton (age 57) has served as Senior Vice President Human Resources and Marketing of the Bank since March 2003 and had previously served as Vice President Human Resources and Marketing since 2000. Prior to joining the Bank, Mr. Norton was a management consultant in private practice for six years and an army officer for 23 years.

Stephen C. Pettit (age 62) has served as Senior Vice President Risk Management of the Bank since July 2004. He had previously served as Senior Vice President Controller of the Bank from 2003 to 2004, and as Senior Vice President Controller and acting Chief Financial Officer of First National from 1999 to 2003. Mr. Pettit was in practice as a Certified Public Accountant from 1993 until 1999. Prior to 1993, he served as a Vice President and Manager of Accounting with a regional bank.

SECURITY OWNERSHIP OF MANAGEMENT

AND CERTAIN BENEFICIAL OWNERS

Security Ownership of Management

The following table sets forth information as of February 17, 2005, regarding the number of shares of Common Stock beneficially owned by all directors (who are also all of the director nominees), by the executive officers named in the Summary Compensation Table below and by all directors and executive officers as a group. Beneficial ownership includes shares, if any, held in the name of the spouse, minor children or other relatives of the director or executive officer living in such person s home, as well as shares, if any, held in the name of another person under an arrangement whereby the director or executive officer can vest title in himself at once or at some future time, plus shares held in certain trust relationships that may be deemed to be beneficially owned by the nominees under the rules and regulations of the Securities and Exchange Commission (the SEC); however, the inclusion of such shares does not constitute an admission of beneficial ownership.

The address for each of the following individuals is First National Corporation, 112 West King Street, Strasburg, Virginia 22657.

	Shares of Common Stock	
Name	Beneficially Owned (1)	Percent of Class
Douglas C. Arthur	9,156	*
Noel M. Borden	34,546 (2)(3)	2.36%
Byron A. Brill	29,212 (3)	1.99%
Elizabeth H. Cottrell	14,308 (2)	*
James A. Davis	2,420 (3)	*
Dennis A. Dysart	1,459	*
Christopher E. French	9,402 (3)	*
J. Andrew Hershey	723	*
Charles E. Maddox, Jr.	4,126	*
John K. Marlow	5,100 (3)	*
W. Allen Nicholls	6,724	*
Henry L. Shirkey	700	*
Harry S. Smith	14,155 (2)	*
James R. Wilkins, III	71,318 (3)	4.87%
All executive officers and directors as a group (18 persons)	206,375 (2)(3)	14.11%

* Indicates that holdings amount to less than 1% of the issued and outstanding Common Stock.

(1)

For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), under which, in general, a person is deemed to be the beneficial owner of a security if he has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he has the right to acquire beneficial ownership of the security within 60 days.

(2)

Amounts presented include 12,904 shares of Common Stock held in the First National Corporation Employee Stock Ownership Plan and Trust (the ESOP). Mrs. Cottrell and Messrs. Borden and Smith serve as trustees of the ESOP and have certain voting and dispositive powers with respect to such shares.

(3)

Amounts presented include shares of Common Stock that the individuals beneficially own indirectly through family members and affiliated companies and other entities, as follows: Mr. Borden, 417; Dr. Brill, 4,656; Dr. Davis, 490; Mr. French, 7,362; Mr. Marlow, 2,300; and Mr. Wilkins, 39,962.

Security Ownership of Certain Beneficial Owners

As of February 17, 2005, there are no persons known to First National that beneficially own five percent or more of the outstanding shares of Common Stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires First National s directors and executive officers, and any persons who own more than 10% of the outstanding shares of Common Stock, to file with the SEC reports of ownership and changes in ownership of Common Stock. Officers and directors are required by SEC regulations to furnish First National with copies of all Section 16(a) forms that they file. Based solely on review of the copies of such reports furnished to First National or written representation that no other reports were required, First National believes that, during fiscal year 2004, all filing requirements applicable to its officers and directors were satisfied, except that J. Andrew Hershey, an executive officer, inadvertently filed late a report on Form 4 covering the purchase of shares of Common Stock in May 2004.

CORPORATE GOVERNANCE AND

THE BOARD OF DIRECTORS

General

The business and affairs of First National are managed under the direction of the Board in accordance with the Virginia Stock Corporation Act and First National s Articles of Incorporation and Bylaws. Members of the Board are kept informed of First National s business through discussions with the Chairman, the President and CEO and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees.

Code of Conduct and Ethics

The Audit Committee of the Board has approved a Code of Conduct and Ethics for First National s directors and employees, including the principal executive officer and principal financial and accounting officer. The Code addresses such topics as protection and proper use of First National s assets, compliance with applicable laws and regulations, accuracy and preservation of records, accounting and financial reporting and conflicts of interest. It is available on First National s web page at www.firstbank-va.com.

Board and Committee Meeting Attendance

Meetings of the Board are regularly held twice each month, with an organizational meeting following the conclusion of each Annual Meeting of Shareholders. There were 24 meetings of the Board in 2004. Each incumbent director attended greater than 75% of the aggregate number of meetings of the Board and meetings of committees of which the director was a member in 2004.

Committees of the Board

First National has an Audit Committee and a Compensation Committee. It does not have a standing nominating committee.

Audit Committee

The Audit Committee assists the Board in fulfilling the Board s oversight responsibility to the Shareholders relating to the integrity of First National s financial statements, First National s compliance with legal and regulatory requirements, the qualifications, independence and performance of First National s independent auditor and the performance of the internal audit function. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for First National. The Board has adopted a written charter for the Audit Committee. The Audit Committee Charter is set forth in Appendix A to this Proxy Statement and is available on First National s web page at www.firstbank-va.com.

The members of the Audit Committee are Mrs. Cottrell and Messrs. Davis, French, Marlow and Shirkey, all of whom the Board in its business judgment has determined are independent as that term is defined in the listing standards of the Nasdaq Stock Market, Inc. First National has not currently designated an audit committee financial expert. The Board, however, believes that the current members of the Audit Committee have the ability to understand financial statements and generally accepted accounting principles, the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions.

The Audit Committee met seven times during the year ended December 31, 2004. For additional information regarding the Audit Committee, see Audit Information Audit Committee Report on page 14 of this Proxy Statement.

Compensation Committee

The Compensation Committee (formerly known as the Personnel Committee) reviews and recommends the levels and types of compensation of officers and employees of the Company. It is composed of Mrs. Cottrell and Messrs. Arthur, Borden, Davis and Marlow. The Compensation Committee met two times during the year ended December 31, 2004. For additional information regarding the Compensation Committee, see Remuneration Compensation Committee Report on page 9 of this Proxy Statement.

Director Nomination Process

First National currently does not have a standing nominating committee. The entire Board performs the functions of a nominating committee. The Board does not believe it needs a separate nominating committee because the full Board is comprised predominately of independent directors (as that term is defined in the listing standards of the Nasdaq Stock Market, Inc.) and has the time and resources to perform the function of selecting board nominees. The President & CEO, the sole management director, abstains from discussions and voting for nominees. When the Board performs its nominating function, the Board acts in accordance with

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First National s Articles of Incorporation and Bylaws, but does not have a separate charter related to the nomination process.

Shareholders entitled to vote for the election of directors may submit candidates for consideration by First National if First National receives timely written notice, in proper form, for each such recommended director nominee. If the notice is not timely and in proper form, the nominee will not be considered by First National. To be timely for the 2006 Annual Meeting, the notice must be received within the time frame set forth in Shareholder Proposals on page 15 of this Proxy Statement. To be in proper form, the notice must include each nominee s written consent to be named as a nominee and to serve, if elected, and information about the Shareholder making the nomination and the person nominated for election. These requirements are more fully described in Article II, Section F, of First National s Bylaws, a copy of which will be provided, without charge, to any Shareholder upon written request to the Secretary of First National, whose address is First National Corporation, 112 West King Street, Strasburg, Virginia, 22657.

In the consideration of director nominees, including any nominee that a shareholder may submit, the Board considers, at a minimum, the following factors for new directors, or the continued service of existing directors:

the ability of the prospective nominee to represent the interests of the shareholders of First National;

the prospective nominee s standards of integrity, commitment and independence of thought and judgment;

the prospective nominee s ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties, including the prospective nominee s service on other public company boards; and

the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board.

Annual Meeting Attendance

First National encourages members of the Board to attend the Annual Meeting of shareholders. Eleven directors attended the 2004 Annual Meeting.

Communications with Directors

Any director may be contacted by writing to him or her c/o First National Corporation, 112 West King Street, Strasburg, Virginia, 22657. Communications to the non-management directors as a group may be sent to the same address, c/o the Secretary of First National. First National promptly forwards, without screening, all such correspondence to the indicated directors.

Director Compensation

Non-employee directors receive fees of $750 per month and $400 for each meeting of the Board. The Chairman of the Board receives an additional fee of $150 per month, and the Vice Chairman of the Board receives an additional fee of $50 per month. Harry S. Smith, President and CEO of First National, does not receive fees for his service on the Board.

In 1999, the Bank adopted a Director Split Dollar Life Insurance Plan (the Plan). The Plan currently provides life insurance coverage to 11 non-employee directors of the Bank, all of whom are also directors of First National. Harry S. Smith does not participate in the Plan. The Bank owns the policies and is entitled to all values and proceeds. The Plan provides retirement benefits and the payment of benefits at the death of the insured director. The amount of benefits will be determined by the performance of the policies over each director s life. During the year ended December 31, 2004, the Bank paid premiums in an aggregate amount of $150,976 for the benefit of directors under the Plan.

REMUNERATION

Compensation Committee Report

Compensation Philosophy

The general philosophy of the Compensation Committee is to provide executive officer compensation that drives performance, which enhances shareholder value. The committee designs compensation plans and incentives that link the compensation of certain executive officers to First National s performance, which in turn aligns the financial interests of those executive officers to the interests of its shareholders. The Committee considers the nature and scope of each executive officer s responsibilities as well as his effectiveness in supporting First National s goals when making executive compensation decisions. The Committee also considers the compensation practices of peer companies.

Compensation provided to First National s executive officers consists of annual compensation, which includes base salary, intended to provide a stable annual salary at a level consistent with individual contributions, and annual performance bonuses intended to link officers compensation to First National s performance. First National does not grant options or other stock-based awards.

Annual Compensation

The Committee attempts to position base salaries for First National s executive officers annually at levels that are comparable to peer companies in the industry, with consideration of the performance of First National, individual performance of each executive officer and the executive officer s scope of responsibility in relation to other officers and key employees within First National. The Committee considers salary surveys prepared by banking associations and compensation data provided by companies that are SEC registrants.

Annual Incentive Bonuses

First National provides for the payment of cash bonuses based on First National s performance in relation to predetermined objectives and individual executive officer performance for the year then ended. Prior to the beginning of the fiscal year, the committee establishes performance objectives related to First National s earnings and balance sheet growth. Based on First National s performance, compared with these objectives, $33,500 was paid to key executive officers, including the Chief Executive Officer, in annual incentive bonuses in 2004.

Compensation of Chief Executive Officer

During 2004, First National s Chief Executive Officer received a base salary of $180,000, which represents a 6% increase over the annual base salary paid to him in 2003. The Committee approved this increase as a result of the performance of the Chief Executive Officer and First National, as well as salary comparisons of peer companies. Additional compensation paid to the Chief Executive Officer during 2004 included an annual incentive bonus that totaled $17,000. The annual incentive bonus was awarded based on performance goals established at the beginning of the fiscal year. Performance goals included targeted balance sheet growth and return on average equity. Based on those goals, 50% of the targeted award was paid to the Chief Executive Officer. Other annual compensation shown in the Summary Compensation Table below includes a vehicle allowance and club membershi p dues. All other compensation in the table represents First National s matching contributions to the 401(k) plan.

The undersigned members of the Compensation Committee have submitted this Report to the Board of Directors.

Compensation Committee

Elizabeth H. Cottrell

Douglas C. Arthur

Noel M. Borden

James A. Davis

John K. Marlow

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is a current or former officer of First National or any of its subsidiaries. In addition, there are no compensation committee interlocks with other entities with respect to any such member.

Summary of Cash and Certain Other Compensation

The following table shows, for the years ended December 31, 2004, 2003, and 2002, the cash compensation paid by the Bank, as well as certain other compensation paid or accrued for those years, to the named executive officers in all capacities in which they served. The named executive officers do not receive any compensation from First National.

SUMMARY COMPENSATION TABLE

		Annual Compensation			
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	All Other Compensation ($)(a)
Harry S. Smith	2004	178,333	17,000	20,937(b)	6,370
President & CEO	2003	170,000	-	*	5,460
	2002	158,407	5,000	*	5,110
Dennis A. Dysart	2004	118,333	8,250	*	3,797
Executive Vice President	2003	110,000	-	*	3,300
	2002	87,182	3,000	*	2,608
J. Andrew Hershey	2004	118,333	8,250	*	3,797
Senior Vice President Loan Administrator	2003	110,000	-	*	3,300
	2002	92,693	3,000	*	2,777

*

The value of perquisites and other personal benefits did not exceed the lesser of $50,000 or 10% of total annual salary and bonus.

(a)

All Other Compensation represents matching contributions by First National to its 401(k) Plan.

(b)

Amount includes a vehicle allowance in the amount of $15,000.

Employment Agreements

Effective as of October 1, 2002, First National entered into employment contracts with each of the executive officers named in the Summary Compensation Table above. The contract with Harry S. Smith provides for his service as President and CEO of both First National and the Bank at an initial base annual salary of $160,000. The contracts with Dennis A. Dysart and J. Andrew Hershey provide for their services in senior management or executive capacities at initial base annual salaries of $90,000 and $95,000, respectively.

The three employment contracts have the following terms and conditions. Each contract is for a rolling two-year term, and the executive officer is eligible for base salary increases and bonuses as determined by the Board. The officer s employment may be terminated by First National with or without cause. If he resigns for good reason or is terminated without cause (as those terms are defined in the respective employment agreement), however, he is entitled to his salary and benefits for the remainder of his contract. If his employment terminates for good reason or without cause within one year of a change in control of First National, he will be entitled to severance payments approximately equal to 299% of his annual cash compensation for a period that precedes the change in control as determined under the Internal Revenue Code of 1986, as amended. I f termination of employment due to a change in control had occurred in the year ended December 31, 2004, Mr. Smith, Mr. Dysart and Mr. Hershey would have been entitled to severance payments under their respective contracts amounting to approximately $538,200, $358,800 and $358,800, respectively. Each contract also contains a covenant not to compete that is in effect while the officer is an officer and employee of First National and for a 12-month period after termination of his employment.

Transactions with Directors and Officers

Some of the directors and officers of the Company are customers of the Bank. No loans to directors or officers involve more than the normal risks of collectibility or present other unfavorable features. None of the loans were non-accrual, past-due, restricted or potential problem loans as of January 31, 2005. All such loans were originated on substantially the same terms, including interest rates, as those prevailing at the time for comparable transactions with other persons.

STOCK PERFORMANCE GRAPH

Shares of Common Stock trade on the over-the-counter (OTC) market and are quoted in the OTC Bulletin Board under the symbol FXNC. The following graph compares the cumulative total return to the shareholders of First National for the last five fiscal years with the total return on the S&P 500, NASDAQ-Total U.S. and the SNL Bank Index < $500M, assuming an investment of $100 in shares of Common Stock on December 31, 1999, and the reinvestment of dividends.

	Period Ended					
Index	**12/31/99**	**12/31/00**	**12/31/01**	**12/31/02**	**12/31/03**	**12/31/04**
First National Corporation	100.00	84.74	125.04	149.04	248.15	311.11
S&P 500	100.00	89.86	78.14	59.88	75.68	82.49
NASDAQ Total US	100.00	60.71	47.93	32.82	49.23	53.46
SNL Bank Index < $500M	100.00	94.23	127.62	160.24	230.19	260.33

AUDIT INFORMATION

Appointment of Independent Public Accountants

The Audit Committee of the Board has appointed Yount, Hyde & Barbour, P.C. to perform the audit of First National s financial statements for the year ending December 31, 2005. Yount, Hyde & Barbour, P.C. has acted as First National s and the Bank s auditors for the past 18 years and has reported on financial statements during that period. Representatives from Yount, Hyde & Barbour, P.C. are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions from Shareholders.

Fees of Independent Public Accountants

Audit Fees

The aggregate fees billed by Yount, Hyde & Barbour, P.C. for professional services rendered for the audit of First National s annual financial statements for the fiscal years ended December 31, 2004 and 2003, and for the review of the financial statements included in the First National Quarterly Reports on Form 10-Q, and services that are normally provided in connection with statutory and regulatory filings and engagements, for those fiscal years were $42,092 for 2004 and $41,586 for 2003.

Audit Related Fees

The aggregate fees billed by Yount, Hyde & Barbour, P.C. for professional services for assurance and related services that are reasonably related to the performance of the audit or review of First National s financial statements and not reported under the heading Audit Fees above for the fiscal years ended December 31, 2004 and 2003 were $21,930 and $25,646, respectively. These services included Information Technology systems audits, FHLB collateral verification audits, ACH agreed-upon procedures, Public Funds agreed-upon procedures and consultation concerning financial accounting and reporting standards and other related issues for the fiscal years ended December 31, 2004 and 2003.

Tax Fees

The aggregate fees billed by Yount, Hyde & Barbour, P.C. for professional services for tax compliance, tax advice and tax planning for the fiscal years ended December 31, 2004 and 2003 were $5,400 and $5,150, respectively. During 2004 and 2003, these services included preparation of federal and state income tax returns.

All Other Fees

There were no other fees billed by Yount, Hyde & Barbour, P.C. during the fiscal years ended December 31, 2004 and 2003.

Pre-Approval Policies and Procedures

All audit related services, tax services and other services, as described above, were pre-approved by the Audit Committee, which concluded that the provision of such services by Yount, Hyde & Barbour, P.C. was compatible with the maintenance of that firm s independence in the conduct of its auditing functions. The Audit Committee s Charter, which is set forth in Appendix A to this Proxy Statement and is available on First National s web page at www.firstbank-va.com, provides for pre-approval of the auditor s fees.

Audit Committee Report

Management is responsible for First National s internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. The independent auditor is responsible for performing an independent audit of First National s consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee s responsibility is to monitor and oversee these processes on behalf of the Board of Directors.

In this context, the Audit Committee has reviewed and discussed with management and the independent auditors the audited financial statements. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). In addition, the Audit Committee has received from the independent auditors the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from First National and its management. Moreover, the Audit Committee has considered whether the independent auditor s provision of other non-audit services to First National is compatible with maintaining the auditor s independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in First National s Annual Report on Form 10-K for the fiscal year ended December 31, 2004, for filing with the SEC. By recommending to the Board of Directors that the audited financial statements be so included, the Audit Committee is not providing an opinion on the accuracy, completeness or presentation of the information contained in the audited financial statements.

Audit Committee

Christopher E. French, Chairman

Elizabeth H. Cottrell

James A. Davis

John K. Marlow

Henry L. Shirkey

SHAREHOLDER PROPOSALS

Under the regulations of the SEC, any Shareholder desiring to make a proposal to be acted upon at the 2006 Annual Meeting of shareholders must cause such proposal to be received, in proper form, at First National s principal executive offices at 112 West King Street, Strasburg, Virginia 22657, no later than November 3, 2005, in order for the proposal to be considered for inclusion in First National s Proxy Statement for that meeting. First National presently anticipates holding the 2006 Annual Meeting of shareholders on April 4, 2006.

First National s Bylaws also prescribe the procedure that a Shareholder must follow to nominate directors or to bring other business before shareholder s meetings outside of the proxy statement process. For a Shareholder to nominate a candidate for director or to bring other business before a meeting, notice must be received by the Secretary of First National not less than 60 days and not more than 90 days prior to the date of the meeting. Based upon an anticipated date of April 4, 2006 for the 2006 Annual Meeting of shareholders, First National must receive such notice no later than February 3, 2006 and no earlier than January 4, 2006. Notice of a nomination for director must describe various matters regarding the nominee and the Shareholder giving the notice. Notice of other business to be brought before the meeting must include a description of the proposed business, the reaso ns therefor, and other specified matters regarding the Shareholder giving the notice. Any Shareholder may obtain a copy of the Company s Bylaws, without charge, upon written request to the Secretary of First National.

ANNUAL REPORT AND FINANCIAL STATEMENTS

A copy of First National s Annual Report to Shareholders for the year ended December 31, 2004 accompanies this Proxy Statement. Additional copies may be obtained by written request to the Secretary of First National at the address indicated below. The Annual Report is not part of the proxy solicitation materials.

UPON RECEIPT OF A WRITTEN REQUEST OF ANY PERSON WHO, ON THE RECORD DATE, WAS RECORD OWNER OF SHARES OF COMMON STOCK OR WHO REPRESENTS IN GOOD FAITH THAT HE OR SHE WAS ON SUCH DATE THE BENEFICIAL OWNER OF SHARES OF COMMON STOCK ENTITLED TO VOTE AT THE ANNUAL MEETING OF SHAREHOLDERS, FIRST NATIONAL WILL FURNISH TO SUCH PERSON, WITHOUT CHARGE, A COPY OF ITS ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004 AND ITS QUARTERLY REPORTS ON FORM 10-Q AND THE EXHIBITS THERETO REQUIRED TO BE FILED WITH THE SEC UNDER THE

EXCHANGE ACT. ANY SUCH REQUEST SHOULD BE MADE IN WRITING TO M. SHANE BELL, CHIEF FINANCIAL OFFICER, FIRST NATIONAL CORPORATION, 112 WEST KING STREET, STRASBURG, VIRGINIA 22657. THE ANNUAL REPORT ON FORM 10-K AND THE QUARTERLY REPORTS ON FORM 10-Q ARE NOT PART OF THE PROXY SOLICITATION MATERIALS.

OTHER MATTERS

The Board of First National is not aware of any other matters that may come before the Annual Meeting. However, the proxies may be voted with discretionary authority with respect to any other matters that may properly come before the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Douglas C. Arthur

Secretary

Appendix A

FIRST NATIONAL CORPORATON

Audit Committee Charter

I.

Purpose

The Board of Directors of First National Corporation (Company) hereby constitutes and establishes an Audit Committee with authority, responsibility and specific duties as described below. The essential purpose of this Committee is to oversee the accounting and financial reporting processes of the Company, audits of the financial statements and internal controls of the Company, and compliance with laws, rules, and regulations.

II.

Composition and Member Independence

A.

Composition. The First National Corporation Audit Committee serves as the Audit Committee for the Corporation and its subsidiaries. The Audit Committee shall be comprised of five (5) independent directors. One of the members shall be appointed Committee Chairman by the Chairman of the Board.

B.

Member Independence . The Committee will meet the SEC independence rules for Audit Committees.

III.

Meetings

A.

Frequency . The Audit Committee is to meet at least once per quarter and as many additional times as necessary as determined by the Committee Chairman.

B.

Attendance. Members of the Audit Committee are expected to be present at all meetings. As necessary or desirable, the Chairman may request that members of management, representatives of the independent accountants, internal auditors and other advisors be present at meetings of the Committee.

C.

Agenda & Minutes. Advance agenda material and minutes of each meeting are to be sent to Committee members. The Secretary to the Company shall serve as Secretary to the Committee and maintain minutes and agenda material for permanent filing. The Senior Vice President & CFO will provide to the Committee copies of audit reports and corresponding replies for all audits completed since the previous Audit Committee meeting. Reports of Audit Committee meetings will also be provided to the Board of Directors.

IV.

Authority

The Audit Committee is granted the authority to investigate any activity of the Company, and all employees are directed to cooperate as requested by members of the Committee. The Committee is empowered to engage independent counsel and other advisors having special competence as necessary to assist the Committee in fulfilling its responsibility.

V.

Responsibility

A.

General. The Audit Committee is to serve as a focal point for communication between non-committee directors, external auditors, internal auditors, and the Company s management, as their duties relate to financial accounting, reporting, internal controls, and compliance with laws and regulations. The Audit Committee is to assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of auditing relative thereto. It is to be the Board s principal agent in assuring the independence of the Company s external auditors, the integrity of management, and the adequacy of disclosures to shareholders. The opportunity for the external or internal auditors to meet with the entire Board as needed is not to be restricted.

B.

Specific Duties.

1.

Inform the external auditors and management that the auditors and the Committee may communicate directly with each other; and the Committee Chairman may call a meeting whenever he deems it necessary.

2.

Review with the Company s management, external and internal auditors, and Senior Vice President & CFO, the Company s policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.

3.

4,423.3

4,663.8

Total liabilities and equity
$
10,569.4

$
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	Three months ended March 28, 2015	March 29, 2014
Operating activities		
Net income	$113.9	$118.6
Loss from discontinued operations, net of tax	4.3	1.3
Loss from sale / impairment of discontinued operations, net of tax	—	5.6
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	(0.5)	(0.3)
Depreciation	32.4	34.8
Amortization	27.6	28.5
Deferred income taxes	5.7	(1.4)
Share-based compensation	9.7	7.4
Excess tax benefits from share-based compensation	(2.8)	(6.1)
Loss (gain) on sale of assets	(1.2)	0.3
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	(85.8)	(76.9)
Inventories	(88.2)	(34.5)
Other current assets	(71.0)	(32.2)
Accounts payable	(60.2)	(35.7)
Employee compensation and benefits	(33.7)	(49.3)
Other current liabilities	38.8	33.4
Other non-current assets and liabilities	(15.2)	(6.2)
Net cash provided by (used for) operating activities of continuing operations	(126.2)	(12.7)
Net cash provided by (used for) operating activities of discontinued operations	(7.0)	15.2
Net cash provided by (used for) operating activities	(133.2)	2.5
Investing activities		
Capital expenditures	(34.8)	(27.2)
Proceeds from sale of property and equipment	2.3	0.4
Acquisitions, net of cash acquired	(3.0)	—
Other	—	(0.5)
Net cash provided by (used for) investing activities of continuing operations	(35.5)	(27.3)
Net cash provided by (used for) investing activities of discontinued operations	54.9	—
Net cash provided by (used for) investing activities	19.4	(27.3)
Financing activities		
Net receipts of short-term borrowings	—	0.3
Net receipts of commercial paper and revolving long-term debt	406.0	381.9
Repayments of long-term debt	(0.4)	(0.9)
Excess tax benefits from share-based compensation	2.8	6.1
Shares issued to employees, net of shares withheld	8.7	24.0
Repurchases of ordinary shares	(200.0)	(252.2)
Dividends paid	(57.5)	(49.2)
Purchase of noncontrolling interest	—	(134.7)
Net cash provided by (used for) financing activities	159.6	(24.7)
Effect of exchange rate changes on cash and cash equivalents	(25.1)	(2.6)
Change in cash and cash equivalents	20.7	(52.1)

Cash and cash equivalents, beginning of period	110.4	256.0
Cash and cash equivalents, end of period	$131.1	$203.9

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, 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	—	—	—	—	—	113.9	—	113.9	—	113.9
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(174.3)	(174.3)	—	(174.3)
Dividends declared	—	—	—	—	1.5	—	—	1.5	—	1.5
Share repurchase	(3.1)	—	—	—	(200.0)	—	—	(200.0)	—	(200.0)
Exercise of options, net of shares tendered for payment	—	—	0.3	16.0	(3.8)	—	—	12.2	—	12.2
Issuance of restricted shares, net of cancellations	—	—	0.2	7.7	(7.7)	—	—	—	—	—
Shares surrendered by employees to pay taxes	—	—	(0.1)	(2.6)	(0.9)	—	—	(3.5)	—	(3.5)
Share-based compensation	—	—	—	—	9.7	—	—	9.7	—	9.7
Balance - March 28, 2015	199.3	$ 2.0	(19.5)	$ (1,230.8)	$ 4,048.8	$ 2,157.9	$ (554.6)	$ 4,423.3	$ —	$ 4,423.3

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	—	—	—	—	—	118.6	—	118.6	—	118.6
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(27.7)	(27.7)	—	(27.7)
Dividends declared	—	—	—	—	0.6	—	—	0.6	—	0.6
Purchase of noncontrolling interest	—	—	—	—	(12.3)	—	—	(12.3)	(122.4)	(134.7)
Share repurchase	—	—	(3.5)	(269.6)	—	—	—	(269.6)	—	(269.6)
Exercise of options, net of shares	—	—	0.7	34.3	(7.1)	—	—	27.2	—	27.2

tendered for payment										
Issuance of restricted shares, net of cancellations	—	—	0.2	7.3	(7.3)	—	—	—	—	—
Shares surrendered by employees to pay taxes	—	—	(0.1)	(2.0)	(1.2)	—	—	(3.2)	—	(3.2)
Share-based compensation	—	—	—	—	7.4	—	—	7.4	—	7.4
Balance - March 29, 2014	213.0	$113.5	(18.3)	$(1,105.1)	$5,051.5	$1,947.7	$ (71.3)	$5,936.3	$ —	$5,936.3

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 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
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.
In April 2015, we acquired, as part of Technical Solutions, all of the outstanding shares of capital stock of Nuheat Industries Limited ("Nuheat") for approximately $96.4 million in cash. Based in Canada, Nuheat is a leading

manufacturer of electric floor heating systems that are distributed across North America.

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

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 quarter of 2015, we sold portions of the Water Transport business and received cash proceeds of $54.9 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 mid-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:

	Three months ended	
In millions	March 28, 2015	March 29, 2014
Net sales	$18.6	$82.6
Cost of goods sold	18.1	68.4
Gross profit	$0.5	$14.2
Loss from discontinued operations before income taxes	$(5.6)	$(1.7)
Income tax benefit	1.3	0.4
Loss from discontinued operations, net of tax	$(4.3)	$(1.3)
Loss from sale / impairment of discontinued operations before income taxes	$—	$(8.0)
Income tax benefit	—	2.4
Loss from sale / impairment of discontinued operations, net of tax	$—	$(5.6)

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	March 28, 2015	December 31, 2014
Cash and cash equivalents	$0.2	$7.0
Accounts and notes receivable, net	1.6	28.8
Inventories	—	30.1
Other current assets	7.0	14.7
Current assets held for sale	$8.8	$80.6
Property, plant and equipment, net	$18.0	$18.5
Other non-current assets	7.9	6.4
Non-current assets held for sale	$25.9	$24.9
Accounts payable	2.1	12.2
Employee compensation and benefits	4.1	11.3
Other current liabilities	5.3	11.6
Current liabilities held for sale	$11.5	$35.1
Long-term debt	$3.9	$4.0
Pension and other post-retirement compensation and benefits	0.1	2.5
Non-current liabilities held for sale	$4.0	$6.5

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

4. Share Plans
Total share-based compensation expense for the three months ended March 28, 2015 and March 29, 2014 was as follows:

In millions	Three months ended March 28, 2015	March 29, 2014
Restricted stock units	$6.2	$4.9
Stock options	3.5	2.5
Total share-based compensation expense	$9.7	$7.4

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	

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 three months ended March 28, 2015, there was no new restructuring activity initiated. However, we continued execution of certain business restructuring initiatives aimed at reducing our fixed cost structure and realigning our business. 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 March 28, 2015	March 29, 2014
Severance and related costs	$—	$13.4
Other	—	4.0
Total restructuring costs	$—	$17.4

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

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

Restructuring costs by reportable segment for the three months ended March 28, 2015 and March 29, 2014 were as follows:

In millions	Three months ended March 28, 2015	Three months ended March 29, 2014
Valves & Controls	$—	$9.8
Flow & Filtration Solutions	—	4.7
Water Quality Systems	—	0.3
Technical Solutions	—	2.6
Consolidated	$—	$17.4

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 three months ended March 28, 2015:

In millions	March 28, 2015
Beginning balance	$73.4
Cash payments and other	(12.5)
Ending balance	$60.9

6. Earnings Per Share

Basic and diluted earnings per share were calculated as follows:

In millions, except per-share data	Three months ended March 28, 2015	Three months ended March 29, 2014
Net income	$113.9	$118.6
Net income from continuing operations	$118.2	$125.5
Weighted average ordinary shares outstanding		
Basic	180.1	196.2
Dilutive impact of stock options and restricted stock units	2.6	3.5
Diluted	182.7	199.7
Earnings (loss) per ordinary share		
Basic		
Continuing operations	$0.66	$0.64
Discontinued operations	(0.03)	(0.04)
Basic earnings per ordinary share	$0.63	$0.60
Diluted		
Continuing operations	$0.65	$0.63
Discontinued operations	(0.03)	(0.04)
Diluted earnings per ordinary share	$0.62	$0.59
Anti-dilutive stock options excluded from the calculation of diluted earnings per share	1.2	0.5

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

7. Supplemental Balance Sheet Information

In millions	March 28, 2015	December 31, 2014
Inventories		
Raw materials and supplies	$447.6	$460.1
Work-in-process	244.5	229.0
Finished goods	484.9	441.3
Total inventories	$1,177.0	$1,130.4
Other current assets		
Cost in excess of billings	$108.9	$103.5
Prepaid expenses	149.6	109.6
Deferred income taxes	132.3	139.4
Other current assets	21.7	14.3
Total other current assets	$412.5	$366.8
Property, plant and equipment, net		
Land and land improvements	$157.3	$165.1
Buildings and leasehold improvements	476.1	493.5
Machinery and equipment	1,164.0	1,169.1
Construction in progress	69.4	71.0
Total property, plant and equipment	1,866.8	1,898.7
Accumulated depreciation and amortization	951.4	948.7
Total property, plant and equipment, net	$915.4	$950.0
Other non-current assets		
Asbestos-related insurance receivable	$112.9	$115.8
Deferred income taxes	87.3	87.9
Other non-current assets	220.1	232.5
Total other non-current assets	$420.3	$436.2
Other current liabilities		
Deferred revenue and customer deposits	$124.9	$112.7
Dividends payable	57.5	116.8
Billings in excess of cost	36.9	41.4
Accrued warranty	65.2	66.4
Other current liabilities	369.7	371.8
Total other current liabilities	$654.2	$709.1
Other non-current liabilities		
Asbestos-related liabilities	$247.5	$249.1
Taxes payable	61.0	61.6
Other non-current liabilities	181.9	187.0
Total other non-current liabilities	$490.4	$497.7

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

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	March 28, 2015
Valves & Controls	$1,511.6	$—	$—	$1,511.6
Flow & Filtration Solutions	942.4	—	(55.2)	887.2
Water Quality Systems	1,137.6	—	(14.9)	1,122.7
Technical Solutions	1,150.3	6.3	(6.3)	1,150.3
Total goodwill	$4,741.9	$6.3	$(76.4)	$4,671.8

Identifiable intangible assets consisted of the following:

	March 28, 2015			December 31, 2014		
In millions	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Finite-life intangibles						
Customer relationships	$1,229.2	$(338.9)	$890.3	$1,247.8	$(325.2)	$922.6
Trade names	1.9	(1.1)	0.8	2.0	(1.1)	0.9
Proprietary technology and patents	249.6	(98.8)	150.8	255.7	(96.7)	159.0
Total finite-life intangibles	$1,480.7	$(438.8)	$1,041.9	$1,505.5	$(423.0)	$1,082.5
Indefinite-life intangibles						
Trade names	517.2	—	517.2	525.6	—	525.6
Total intangibles, net	$1,997.9	$(438.8)	$1,559.1	$2,031.1	$(423.0)	$1,608.1

Intangible asset amortization expense was $27.6 million and $28.5 million for the three months ended March 28, 2015 and March 29, 2014, respectively.

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

In millions	Q2 - Q4 2015	2016	2017	2018	2019	2020
Estimated amortization expense	$87.0	$108.3	$106.7	$103.4	$96.3	$91.5

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

In millions	Average interest rate at March 28, 2015	Maturity Year	March 28, 2015	December 31, 2014
Commercial paper	0.890%	2019	$1,394.1	$987.6
Revolving credit facilities	1.428%	2019	9.3	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	2.650%	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
Capital lease obligations	6.085%	2015	5.6	6.7
Total debt			3,409.0	3,004.1
Less: Current maturities and short-term borrowings			(5.6)	(6.7)
Long-term debt			$3,403.4	$2,997.4

Effective upon the Redomicile, 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 Pentair Finance S.A. ("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 Pentair Investments Switzerland GmbH ("PISG"), a 100-percent owned subsidiary of Pentair plc and the 100-percent owner of PFSA. Prior to the Redomicile, the Notes were guaranteed as to payment by Pentair Ltd.

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.

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 March 28, 2015 and December 31, 2014, we had $1,394.1 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 $696.6 million as of March 28, 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, 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 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, ("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 Amended Credit Facility provides for the calculation of EBITDA

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giving pro forma effect to certain acquisitions, divestitures and liquidations during the period to which such calculation relates. As of March 28, 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 $65.7 million, of which none was outstanding at March 28, 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 March 28, 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 March 28, 2015 matures on a calendar year basis as follows:

In millions	Q2-Q4 2015	2016	2017	2018	2019	2020	Thereafter	Total
Contractual debt obligation maturities	$—	$—	$350.0	$—	$2,003.4	$—	$1,050.0	$3,403.4
Capital lease obligations	5.6	—	—	—	—	—	—	5.6
Total maturities	$5.6	$—	$350.0	$—	$2,003.4	$—	$1,050.0	$3,409.0

Capital lease obligations relate primarily to land and buildings and consist of total future minimum lease payments of $5.7 million, less the imputed interest of $0.1 million as of March 28, 2015.
As of March 28, 2015 and December 31, 2014, assets under capital lease were $18.0 million and $19.5 million, respectively, less accumulated amortization of $2.5 million and $2.4 million, respectively, all of which were included in Property, plant and equipment, net on the Condensed Consolidated Balance Sheets.

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 $6.7 million and $7.0 million at March 28, 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 March 28, 2015 and December 31, 2014, we had outstanding foreign currency derivative contracts with gross notional U.S. dollar equivalent amounts of $226.8 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.

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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 months ended March 28, 2015 and March 29, 2014 were not material.

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	March 28, 2015 Recorded Amount	March 28, 2015 Fair Value	December 31, 2014 Recorded Amount	December 31, 2014 Fair Value
Variable rate debt	$1,403.4	$1,403.4	$997.4	$997.4
Fixed rate debt	2,005.6	2,090.7	2,006.7	2,070.4
Total debt	$3,409.0	$3,494.1	$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	March 28, 2015 Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Foreign currency contract liabilities	$—	$(6.7)	$—	$(6.7)
Deferred compensation plans [1]	45.1	7.4	—	52.5
Total recurring fair value measurements	$45.1	$0.7	$—	$45.8

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	December 31, 2014			
In millions	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 [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 three months ended March 28, 2015 was 23.0% compared to 24.5% for the three months ended March 29, 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 $60.4 million and $62.1 million at March 28, 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 months ended March 28, 2015 and March 29, 2014 were as follows:

In millions	U.S. pension plans Three months ended March 28, 2015	 March 29, 2014
Service cost	$3.5	$3.3
Interest cost	3.7	3.8
Expected return on plan assets	(2.5)	(2.6)
Net periodic benefit cost	$4.7	$4.5

In millions	Non-U.S. pension plans Three months ended March 28, 2015	 March 29, 2014
Service cost	$2.6	$2.0
Interest cost	3.8	4.7
Expected return on plan assets	(4.1)	(4.2)
Net periodic benefit cost	$2.3	$2.5

Components of net periodic benefit cost for our other post-retirement plans for the three months ended March 28, 2015 and March 29, 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 three months ended March 28, 2015, we repurchased 3.1 million of our shares for $200.0 million pursuant to this authorization. As of March 28, 2015, we had $800.0 million remaining available for share repurchases under this 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. In December 2014, the Board of Directors approved an increase of $0.02 per share for the first and second quarter 2015 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 $57.5 million and $116.8 million at March 28, 2015 and December 31, 2014, respectively.

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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.
Financial information by reportable segment is as follows:

In millions	Three months ended March 28, 2015	Three months ended March 29, 2014
Net sales		
Valves & Controls	$429.2	$531.0
Flow & Filtration Solutions	350.1	401.1
Water Quality Systems	306.9	304.0
Technical Solutions	395.8	415.3
Other	(7.0)	(7.4)
Consolidated	$1,475.0	$1,644.0
Segment income (loss)		
Valves & Controls	$42.0	$60.9
Flow & Filtration Solutions	29.1	34.7
Water Quality Systems	49.3	47.7
Technical Solutions	72.7	79.0
Other	(21.9)	(21.7)
Consolidated	$171.2	$200.6

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

In millions	March 28, 2015	March 29, 2014
Segment income	$171.2	$200.6
Restructuring and other	—	(17.0)
Redomicile related expenses	—	(1.5)
Operating income	$171.2	$182.1

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 March 28, 2015, there were approximately 3,500 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 $247.5 million and $249.1 million as of March 28, 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 $112.9 million and $115.8 million as of March 28, 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 $23.7 million and $31.4 million as of March 28, 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.

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.

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The changes in the carrying amount of service and product warranties for the three months ended March 28, 2015 were as follows:

In millions	March 28, 2015
Beginning balance	$66.4
Service and product warranty provision	13.8
Payments	(13.2)
Foreign currency translation	(1.8)
Ending balance	$65.2

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 March 28, 2015 and December 31, 2014, the outstanding value of bonds, letters of credit and bank guarantees totaled $386.1 million and $370.1 million, respectively, of which $26.2 million and $32.4 million, respectively, relate to the Water Transport business.

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.

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 the Redomicile are presented under this previous guarantee structure.

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Three months ended March 28, 2015

In millions	Parent Company Guarantor	Subsidiary Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$—	$—	$ 1,475.0	$—	$ 1,475.0
Cost of goods sold	—	—	—	964.8	—	964.8
Gross profit	—	—	—	510.2	—	510.2
Selling, general and administrative	3.1	0.1	1.1	304.9	—	309.2
Research and development	—	—	—	29.8	—	29.8
Operating income (loss)	(3.1)	(0.1)	(1.1)	175.5	—	171.2
Loss (earnings) from continuing operations of investment in subsidiaries	(120.7)	(121.7)	(118.5)	—	360.9	—
Other (income) expense:						
Equity income of unconsolidated subsidiaries	—	—	—	(0.5)	—	(0.5)
Net interest expense	—	0.9	3.5	13.8	—	18.2
Income (loss) from continuing operations before income taxes	117.6	120.7	113.9	162.2	(360.9)	153.5
Provision (benefit) for income taxes	(0.6)	—	—	35.9	—	35.3
Net income (loss) from continuing operations	118.2	120.7	113.9	126.3	(360.9)	118.2
Loss from discontinued operations, net of tax	—	—	—	(4.3)	—	(4.3)
Earnings (loss) from discontinued operations of investment in subsidiaries	(4.3)	(4.3)	(4.3)	—	12.9	—
Net income (loss)	$ 113.9	$ 116.4	$ 109.6	$ 122.0	$ (348.0)	$ 113.9
Comprehensive income (loss), net of tax						
Net income (loss)	$ 113.9	$ 116.4	$ 109.6	$ 122.0	$ (348.0)	$ 113.9
Changes in cumulative translation adjustment	(174.2)	(174.2)	(174.2)	(174.2)	522.6	(174.2)
Changes in market value of derivative financial instruments	(0.1)	(0.1)	(0.1)	(0.1)	0.3	(0.1)
Comprehensive income (loss)	$ (60.4)	$ (57.9)	$ (64.7)	$ (52.3)	$ 174.9	$ (60.4)

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Condensed Consolidating Balance Sheet
March 28, 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	$130.9	$—	$131.1
Accounts and notes receivable, net	—	—	—	1,247.5	—	1,247.5
Inventories	—	—	—	1,177.0	—	1,177.0
Other current assets	1.5	15.7	6.5	416.5	(27.7)	412.5
Current assets held for sale	—	—	—	8.8	—	8.8
Total current assets	1.5	15.7	6.7	2,980.7	(27.7)	2,976.9
Property, plant and equipment, net	—	—	—	915.4	—	915.4
Other assets						
Investments in subsidiaries	4,663.3	4,825.1	7,448.9	—	(16,937.3)	—
Goodwill	—	—	—	4,671.8	—	4,671.8
Intangibles, net	—	—	—	1,559.1	—	1,559.1
Other non-current assets	115.2	—	2,008.6	294.7	(1,998.2)	420.3
Non-current assets held for sale	—	—	—	25.9	—	25.9
Total other assets	4,778.5	4,825.1	9,457.5	6,551.5	(18,935.5)	6,677.1
Total assets	$4,780.0	$4,840.8	$9,464.2	$10,447.6	$(18,963.2)	$10,569.4
Liabilities and Equity						
Current liabilities						
Current maturities of long-term debt and short-term borrowings	$—	$—	$—	$5.6	$—	$5.6
Accounts payable	0.3	—	—	504.6	—	504.9
Employee compensation and benefits	0.5	0.1	—	254.3	—	254.9
Other current liabilities	64.5	1.6	13.3	602.5	(27.7)	654.2
Current liabilities held for sale	—	—	—	11.5	—	11.5
Total current liabilities	65.3	1.7	13.3	1,378.5	(27.7)	1,431.1
Other liabilities						
Long-term debt	276.4	175.8	3,267.1	1,682.3	(1,998.2)	3,403.4
Pension and other post-retirement compensation and benefits	—	—	—	300.9	—	300.9
Deferred tax liabilities	—	—	2.9	513.4	—	516.3
Other non-current liabilities	15.0	—	—	475.4	—	490.4
Non-current liabilities held for sale	—	—	—	4.0	—	4.0
Total liabilities	356.7	177.5	3,283.3	4,354.5	(2,025.9)	6,146.1
Equity	4,423.3	4,663.3	6,180.9	6,093.1	(16,937.3)	4,423.3
Total liabilities and equity	$4,780.0	$4,840.8	$9,464.2	$10,447.6	$(18,963.2)	$10,569.4

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Condensed Consolidating Statement of Cash Flows
Three months ended March 28, 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	$79.5	$102.4	$107.9	$(75.0)	$(348.0)	$(133.2)
Investing activities						
Capital expenditures	—	—	—	(34.8)	—	(34.8)
Proceeds from sale of property and equipment	—	—	—	2.3	—	2.3
Acquisitions, net of cash acquired	—	—	—	(3.0)	—	(3.0)
Net intercompany loan activity	—	—	(468.5)	163.4	305.1	—
Net cash provided by (used for) investing activities of continuing operations	—	—	(468.5)	127.9	305.1	(35.5)
Net cash provided by (used for) investing activities of discontinued operations	—	—	—	54.9	—	54.9
Net cash provided by (used for) investing activities	—	—	(468.5)	182.8	305.1	19.4
Financing activities						
Net receipts (repayments) of commercial paper and revolving long-term debt	—	—	406.5	(0.5)	—	406.0
Repayments of long-term debt	—	—	—	(0.4)	—	(0.4)
Net change in advances to subsidiaries	178.0	(102.4)	(45.8)	(72.7)	42.9	—
Excess tax benefits from share-based compensation	—	—	—	2.8	—	2.8
Shares issued to employees, net of shares withheld	—	—	—	8.7	—	8.7
Repurchases of ordinary shares	(200.0)	—	—	—	—	(200.0)
Dividends paid	(57.5)	—	—	—	—	(57.5)
Net cash provided by (used for) financing activities	(79.5)	(102.4)	360.7	(62.1)	42.9	159.6
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(25.1)	—	(25.1)
Change in cash and cash equivalents	—	—	0.1	20.6	—	20.7
Cash and cash equivalents, beginning of period	—	—	0.1	110.3	—	110.4
Cash and cash equivalents, end of period	$—	$—	$0.2	$130.9	$—	$131.1

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
Three months ended March 29, 2014

In millions	Parent Company Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$—	$1,644.0	$—	$1,644.0
Cost of goods sold	—	—	1,079.9	—	1,079.9
Gross profit	—	—	564.1	—	564.1
Selling, general and administrative	(0.3)	3.3	349.5	—	352.5
Research and development	—	—	29.5	—	29.5
Operating income (loss)	0.3	(3.3)	185.1	—	182.1
Loss (earnings) from continuing operations of investment in subsidiaries	(125.5)	(134.0)	—	259.5	—
Other (income) expense:					
Equity income of unconsolidated subsidiaries	—	—	(0.3)	—	(0.3)
Net interest expense	0.3	0.9	14.9	—	16.1
Income (loss) from continuing operations before income taxes	125.5	129.8	170.5	(259.5)	166.3
Provision for income taxes	—	—	40.8	—	40.8
Net income (loss) from continuing operations	125.5	129.8	129.7	(259.5)	125.5
Loss from discontinued operations, net of tax	—	—	(1.3)	—	(1.3)
Loss from sale of discontinued operations, net of tax	—	—	(5.6)	—	(5.6)
Earnings (loss) from discontinued operations of investment in subsidiaries	(6.9)	(6.9)	—	13.8	—
Net income (loss)	$118.6	$122.9	$122.8	$(245.7)	$118.6
Comprehensive income (loss), net of tax					
Net income (loss)	$118.6	$122.9	$122.8	$(245.7)	$118.6
Changes in cumulative translation adjustment	(27.9)	(27.9)	(27.9)	55.8	(27.9)
Changes in market value of derivative financial instruments	0.2	0.2	0.2	(0.4)	0.2
Comprehensive income (loss)	$90.9	$95.2	$95.1	$(190.3)	$90.9

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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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Condensed Consolidating Statement of Cash Flows
Three months ended March 29, 2014

In millions	Parent Company Guarantor	Subsidiary Issuer	Non-guarantor Subsidiaries	Eliminations	Consolidated Total
Operating activities					
Net cash provided by (used for) operating activities	$118.0	$125.6	$4.6	$(245.7)	$2.5
Investing activities					
Capital expenditures	—	—	(27.2)	—	(27.2)
Proceeds from sale of property and equipment	—	—	0.4	—	0.4
Other	—	—	(0.5)	—	(0.5)
Net cash provided by (used for) investing activities	—	—	(27.3)	—	(27.3)
Financing activities					
Net receipts of short-term borrowings	—	—	0.3	—	0.3
Net receipts of commercial paper and revolving long-term debt	—	367.4	14.5	—	381.9
Repayments of long-term debt	—	—	(0.9)	—	(0.9)
Excess tax benefits from share-based compensation	—	—	6.1	—	6.1
Net change in advances to subsidiaries	(69.1)	(539.6)	363.0	245.7	—
Shares issued to employees, net of shares withheld	—	—	24.0	—	24.0
Repurchases of ordinary shares	—	—	(252.2)	—	(252.2)
Dividends paid	(49.2)	—	—	—	(49.2)
Purchase of noncontrolling interest	—	—	(134.7)	—	(134.7)
Net cash provided by (used for) financing activities	(118.3)	(172.2)	20.1	245.7	(24.7)
Effect of exchange rate changes on cash and cash equivalents	—	—	(2.6)	—	(2.6)
Change in cash and cash equivalents	(0.3)	(46.6)	(5.2)	—	(52.1)
Cash and cash equivalents, beginning of period	0.5	47.0	208.5	—	256.0
Cash and cash equivalents, end of period	$0.2	$0.4	$203.3	$—	$203.9

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 complete the disposition of our Water Transport business on anticipated terms and timetable; 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 identify, complete and integrate acquisitions; 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 three months of 2015, Valves & Controls, Flow & Filtration Solutions, Water Quality Systems and Technical Solutions represented approximately 29 percent, 24 percent, 21 percent and 27 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.

Recent Developments

On July 28, 2014, our Board of Directors approved a decision to exit our Water Transport business in Australia. 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. The sale of portions of the Water Transport business were completed in the first quarter of 2015. The remaining portions are expected to be disposed of by mid-2015.

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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 three months of 2015 and will likely impact our results in the future:

- In late 2014 and continuing in the first three months of 2015, our results were negatively impacted due to the strengthening of the U.S. dollar against most key global currencies, and we expect this trend to continue for the remainder of 2015.
- In the first three months of 2015, we experienced softness in project orders, particularly in fast growth areas such as China, Brazil and the Middle East. We expect market uncertainty to continue and oil prices to remain volatile throughout 2015.
- We plan to initiate further cost take-out actions in 2015 to offset the negative earnings impact of foreign exchange and core revenue decline.
- 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 three 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.
- We have a long-term goal to consistently generate free cash flow that equals or exceeds 100 percent of our net income. We define free cash flow as cash flow from operating activities of continuing operations less capital expenditures plus proceeds from sale of property and equipment. Our free cash flow for the full year 2014 was $888.5 million. Our free cash flow for the first three months of 2015 was a usage of $158.7 million; we continue to expect to generate free cash flow in excess of 100 percent of our net income in 2015. We are continuing to target reductions in working capital, particularly inventory as a percentage of sales. See the discussion of "Other financial measures" under "Liquidity and Capital Resources" in this report for a reconciliation of our free cash flow.

In 2015, our operating objectives include the following:

- Increasing our presence 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 March 28, 2015 and March 29, 2014 were as follows:

In millions	Three months ended March 28, 2015		March 29, 2014		$ change		% / point change	
Net sales	$1,475.0		$1,644.0		$(169.0	)	(10.3	)%
Cost of goods sold	964.8		1,079.9		(115.1	)	(10.7	)%
Gross profit	510.2		564.1		(53.9	)	(9.6	)%
% of net sales	34.6	%	34.3	%			0.3	pts
Selling, general and administrative	309.2		352.5		(43.3	)	(12.3	)%
% of net sales	21.0	%	21.4	%			(0.4	) pts
Operating income	171.2		182.1		(10.9	)	(6.0	)%
% of net sales	11.6	%	11.1	%			0.5	pts
Net interest expense	18.2		16.1		2.1		13.0	%
Net income from continuing operations before income taxes	153.5		166.3		(12.8	)	(7.7	)%
Provision for income taxes	35.3		40.8		(5.5	)	(13.5	)%
Effective tax rate	23.0	%	24.5	%			(1.5	) pts

Net sales

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

	Three months ended March 28, 2015 over the prior year period	
Volume	(4.5	)%
Price	0.5	
Core Growth	(4.0	)
Currency	(6.3	)
Total	(10.3	)%

The 10.3 percent decrease in consolidated net sales in the first quarter of 2015 from 2014 was 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
- selective increases in selling prices to mitigate inflationary cost increases.

Gross profit

The 0.3 percentage point increase in gross profit as a percentage of sales in the first quarter of 2015 from 2014 was primarily driven 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

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

These increases were partially offset 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.

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

The 0.4 percentage point decrease in SG&A expense as a percentage of sales in the first quarter of 2015 from 2014 was primarily driven by:

- restructuring costs of $17.4 million in the first quarter of 2014 that did not recur in the first quarter of 2015; and
- savings generated from back-office consolidation, reduction in personnel and other lean initiatives.

These decreases were partially offset by:

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

Net interest expense

The 13.0 percent increase in net interest expense in the first quarter of 2015 from 2014 was primarily driven by:

- the impact of higher debt levels during the first three months of 2015, compared to the first three months of 2014.

This increase was partially offset by:

- reduced overall interest rates in effect on our outstanding debt.

Provision for income taxes

The 1.5 percentage point decrease in the effective tax rate in the first quarter of 2015 from 2014 was primarily driven by:

- the mix of global earnings toward lower tax jurisdictions.

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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 months ended March 28, 2015 and March 29, 2014 were as follows:

	Three months ended		
In millions	March 28, 2015	March 29, 2014	% / point change
Net sales	$429.2	$531.0	(19.2)%
Segment income	42.0	60.9	(31.0)%
% of net sales	9.8 %	11.5 %	(1.7) pts

Net sales

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

	Three months ended March 28, 2015 over the prior year period
Volume	(11.1)%
Price	—
Core Growth	(11.1)
Currency	(8.1)
Total	(19.2)%

The 19.2 percent decrease in net sales for Valves & Controls in the first quarter of 2015 from 2014 was primarily driven by:

- lower than expected oil and gas industry shipments and orders 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.

Segment income

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

	Three months ended March 28, 2015 over the prior year period
Growth	(3.7) pts
Inflation	(1.1)
Productivity/Price	3.1
Total	(1.7) pts

The 1.7 percentage point decrease in segment income for Valves & Controls as a percentage of net sales in the first quarter 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:

- savings generated from our PIMS initiatives, including lean and supply management practices.

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Flow & Filtration Solutions

The net sales and segment income for Flow & Filtration Solutions for the three months ended March 28, 2015 and March 29, 2014 were as follows:

In millions	Three months ended March 28, 2015	March 29, 2014	% / point change
Net sales	$350.1	$401.1	(12.7)%
Segment income	29.1	34.7	(16.1)%
% of net sales	8.3%	8.7%	(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 March 28, 2015 over the prior year period
Volume	(7.9)%
Price	1.4
Core Growth	(6.5)
Currency	(6.2)
Total	(12.7)%

The 12.7 percent decrease in net sales for Flow & Filtration Solutions in the first quarter of 2015 from 2014 was primarily driven by:

- core sales declines due to depression of global agricultural markets, 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.

These decreases were partially offset by:

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

Segment income

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

	Three months ended March 28, 2015 over the prior year period
Growth	(3.6) pts
Inflation	(1.3)
Productivity/Price	4.5
Total	(0.4) pts

The 0.4 percentage point decrease in segment income for Flow & Filtration Solutions as a percentage of net sales in the first quarter of 2015 from 2014 was primarily driven 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.

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These decreases were partially offset by:

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

Water Quality Systems

The net sales and segment income for Water Quality Systems for the three months ended March 28, 2015 and March 29, 2014 were as follows:

	Three months ended			
In millions	March 28, 2015	March 29, 2014	% / point change	
Net sales	$306.9	$304.0	1.0	%
Segment income	49.3	47.7	3.4	%
% of net sales	16.1 %	15.7 %	0.4	pts

Net sales

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

	Three months ended March 28, 2015 over the prior year period	
Volume	3.5	%
Price	0.7	
Core Growth	4.2	
Currency	(3.2	)
Total	1.0	%

The 1.0 percent increase in net sales for Water Quality Systems in the first quarter 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 three months of 2015;
- core sales growth in the United States; 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 March 28, 2015 over the prior year period	
Growth	0.5	pts
Inflation	(1.9	)
Productivity/Price	1.8	
Total	0.4	pts

The 0.4 percentage point increase in segment income for Water Quality Systems as a percentage of net sales in the first quarter of 2015 from 2014 was primarily driven by:

- selective increases in selling prices to mitigate inflationary cost increases; and
- savings generated from our PIMS initiatives including lean and supply management practices.

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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 months ended March 28, 2015 and March 29, 2014 were as follows:

	Three months ended		
In millions	March 28, 2015	March 29, 2014	% / point change
Net sales	$395.8	$415.3	(4.7)%
Segment income	72.7	79.0	(8.0)%
% of net sales	18.4 %	19.1 %	(0.7) pts

Net sales

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

	Three months ended March 28, 2015 over the prior year period
Volume	1.1 %
Price	0.4
Core Growth	1.5
Currency	(6.2)
Total	(4.7)%

The 4.7 percent decrease in net sales for Technical Solutions in the first quarter of 2015 from 2014 was primarily driven by:
- a strong U.S. dollar causing unfavorable foreign currency effects; and
- a decrease in demand for products in fast growth regions.

This decrease was partially offset by:
- higher project core sales volume in the Unites States and Canada; and
- selective increases in selling prices to mitigate inflationary cost increases.

Segment income

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

	Three months ended March 28, 2015 over the prior year period
Growth	(0.1) pts
Inflation	(1.4)
Productivity/Price	0.8
Total	(0.7) pts

The 0.7 percentage point decrease in segment income for Technical Solutions as a percentage of net sales in the first quarter of 2015 from 2014 was primarily driven by:
- high margin project sales in the first quarter of 2014 that did not recur in the first quarter of 2015;
- lower core sales volumes in our 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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These decreases were partially offset by:

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

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 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 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 used for operating activities of continuing operations was $126.2 million in the first three months of 2015, compared to $12.7 million in the same period of 2014.

The $126.2 million in net cash used for operating activities of continuing operations in the first three months of 2015 primarily reflects an increase in net working capital. Operating cash flows in the first three months of 2015 were negatively impacted by $300.1 million due to the increase in net working capital, primarily the result of increases in accounts receivable and inventories in anticipation of our peak sales season in the second and third quarters. The increase in net working capital was offset by $178.2 million of net income from continuing operations, net of non-cash depreciation and amortization.

The $12.7 million in net cash used for operating activities of continuing operations in the first three months of 2014 primarily reflects an increase in net working capital. Operating cash flows in the first three months of 2014 were negatively impacted by $195.2 million due to the increase in net working capital, primarily the result of increases in accounts receivable due to increased sales and increases in inventories in anticipation of our peak sales season in the second and third quarters. The increase in net working capital was offset by $188.8 million of net income from continuing operations, net of non-cash depreciation and amortization.

Investing activities

Cash used for investing activities of continuing operations was $35.5 million in the first three months of 2015, compared to cash used for investing activities of $27.3 million in the same period of 2014. Net cash used for investing activities of continuing operations in the first three months of 2015 primarily relates to capital expenditures of $34.8 million partially offset by $2.3 million of proceeds from the sale of property and equipment. Net cash used for investing activities of continuing operations in the first three months of 2014 relates primarily to $27.2 million of capital expenditures.

Capital expenditures in the first three months of 2015 were $34.8 million compared with $27.2 million in the prior year period. We anticipate capital expenditures for fiscal 2015 to be approximately $150 million, primarily for capacity expansions of manufacturing facilities located in our low-cost countries, developing new products and general maintenance.

Financing activities

Net cash provided by financing activities was $159.6 million in the first three months of 2015, compared with net cash used for financing activities of $24.7 million in the prior year period. Net cash provided by financing activities in the first three months of 2015 included net receipts of commercial paper and revolving long-term debt, partially offset by share repurchases and payment of dividends. Net cash used for financing activities in the first three 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.
Pentair Finance S.A. ("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 guaranteed as to payment by Pentair plc and Pentair Investments Switzerland GmbH ("PISG"), a 100-percent owned subsidiary of Pentair plc and the 100-percent owner of PFSA.
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.
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 March 28, 2015 and December 31, 2014, we had $1,394.1 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 $696.6 million as of March 28, 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, 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 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, ("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 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 March 28, 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 $65.7 million, of which none was outstanding at March 28, 2015. Borrowings under these credit facilities bear interest at variable rates.
As of March 28, 2015, we have $70.7 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 three months ended March 28,

2015, we repurchased 3.1 million of our ordinary shares for $200.0 million pursuant to these authorizations. As of March 28, 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

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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 remaining dividends to be paid in the first and second quarters of 2015, 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.

We paid dividends in the first three months of 2015 of $57.5 million, or $0.32 per ordinary share, compared with $49.2 million, or $0.25 per ordinary share, in the prior year period.

Under Irish law, the payment of future cash dividends after those approved at our 2014 annual meeting of shareholders and redemptions and repurchases of shares following the Redomicile 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	Three months ended March 28, 2015	Three months ended March 29, 2014
Net cash provided by (used for) operating activities of continuing operations	$(126.2)	$(12.7)
Capital expenditures	(34.8)	(27.2)
Proceeds from sale of property and equipment	2.3	0.4
Free cash flow	$(158.7)	$(39.5)

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.

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 March 28, 2015. For additional information, refer to Item 7A of our 2014 Annual Report on Form 10-K.

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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 March 28, 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 March 28, 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

There was no change in our internal control over financial reporting that occurred during the quarter ended March 28, 2015 that has materially affected, or is 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 first 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
January 1 — January 24, 2015	3,123,474	$64.87	3,081,827	$800,000,049
January 25 — February 21, 2015	472	66.87	—	800,000,049
February 22 — March 28, 2015	11,349	65.61	—	800,000,049
Total	3,135,295		3,081,827	

(a) The purchases in this column include 41,647 shares for the period January 1 — January 24, 2015, 472 shares for the period January 25 — February 21, 2015 and 11,349 shares for the period February 22 — March 28, 2015 deemed surrendered to us by participants 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.

(b) The average price paid in this column includes shares deemed surrendered to us by participants in the Plans to 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.

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

(d) In December 2014, our Board of Directors authorized the repurchase of our ordinary shares up to a maximum 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 April 21, 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 March 28, 2015

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 March 28, 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 months ended March 28, 2015 and March 29, 2014, (ii) the Condensed Consolidated Balance Sheets as of March 28, 2015 and December 31, 2014, (iii) the Condensed Consolidated Statements of Cash Flows for the three months ended March 28, 2015 and March 29, 2014, (iv) the Condensed Consolidated Statements of Changes in Equity for the three months ended March 28, 2015 and March 29, 2014, and (v) Notes to Condensed Consolidated Financial Statements.