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News Release



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Pentair's Second Quarter EPS Meets Expectations, Rising 38% Above First Quarter 2001 EPS; Cash Flow at Record Levels in First Half of 2001

ST. PAUL, MN – July 20, 2001 – Pentair, Inc. (NYSE: PNR) announced today that increased cost controls and other operating efficiencies enabled the company to deliver second quarter 2001 earnings per share (EPS) of \$0.58, in line with analysts' estimates and 38 percent above first quarter 2001 EPS of \$0.42. Pentair's free cash flow for the second quarter totaled \$106.4 million, bringing total free cash flow for the first half of 2001 to \$53.4 million, a nearly \$100 million improvement from the first six months last year and representing 109 percent conversion of year-to-date 2001 net income.

"We achieved these results in spite of sales pressures created by economic softness in the global marketplace," said Randall J. Hogan, president and chief executive officer. "Our Water Technologies segment performed as expected, Enclosures was disappointing, and Tools exceeded its recovery plan. In addition, our interest expense was lower, driven by our strong cash flow performance."

For the three months ended June 30, 2001, operating income was \$60.3 million, compared to \$79.4 million in the second quarter of 2000. Continuing EPS for the 2001 second quarter was \$0.58, below the \$0.79 in the year-earlier quarter. Net sales for the second quarter of 2001 were \$702.1 million, versus \$733.8 million in the second quarter of 2000.

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For the six months ended June 30, 2001, operating income was \$113.2 million, compared to \$152.2 million (including restructuring charge income of \$2.5 million) in the comparable 2000 period. Continuing EPS in the first half of 2001 was \$1.00, versus \$1.48 a year earlier, but in line with analysts' estimates. Net sales for the first six months of 2001 were \$1.4 billion, flat when compared to the year-earlier period.

"Cash flow is a critical measurement of our progress in the prevailing economic conditions and we set ambitious goals for 2001," Hogan said. "We are ahead of our cash flow objectives, and on track to meet our full-year free cash flow target of \$150 million."

In a review of second quarter 2001 highlights, Hogan singled out dramatic improvements at the Tool segment, sparked by cost reductions and strong sales of pressure washers and Porter-Cable branded tools; strength in the pool and spa markets, which compensated for softer pump sales in the Water Technologies segment; and cost reductions in all of Pentair's businesses, whose sales are depressed by economic softness.

"We don't see dramatic near-term improvements in the markets we serve," Hogan said, "but the diversity of Pentair's product groups and the company's improved cost efficiencies bolster confidence in our performance. Although there is no reliable timetable for a return to more favorable conditions in the global economy, the steps we have taken in the first half of 2001 have put Pentair back on track."

In the Tools segment, Pentair said the turnaround strategies it has implemented are taking hold. Economic pressures continue to affect sales growth, but revenues and operating income both improved from quarter-earlier levels as the refocused segment made strong inroads in most of its product lines and reinforced its traditionally high service levels. A highlight of the quarter was the success of the pressure washer line at DeVilbiss Air Power Company, largely due to the outstanding performance of its ExCell brand. Pentair has expanded its leading position in the pressure washer business with the introduction of units with oil-free radial pumps that provide added efficiencies and quality benefits at attractive price points. Delta renewed its focus on customer service and product development, and profit margins improved as the result of reduced discounting activities. Porter-Cable is introducing a host of new tools, which when combined with those of Delta and DeVilbiss, will total approximately 50 for the year.

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In the Enclosures segment, second quarter sales and operating earnings declined from those of both the second quarter of 2000 and the first quarter of 2001. The downturn in industrial capital spending reduced Hoffman's sales, while the slowdown in electronics and telecom markets affected Pentair Electronic Packaging and Pentair Enclosures Europe, in particular. Operating income reflected weaker sales; a disproportionate decline in standard product business and fewer small, high-margin programs; and one-time costs to reduce capacity. In response, the business reduced headcount by 11 percent; idled one plant and reduced capacity at others; cut material costs and overhead; and reduced inventory \$10 million. The Enclosures business continues to experience significant quoting activity and is increasing its percentage of contract wins; however, these wins have not translated to shipments as customers continue to deplete inventories and delay implementation of new projects. Given the uncertain outlook for this business, the Enclosures business is continuing to aggressively attack its cost structure.

In the Water Technologies segment, sales declined, due to sluggish water softener component sales and a decline in pump revenues. Operating income also was down for the quarter, but strong cost controls expanded operating margins 200 basis points over the first quarter. The pool and spa equipment business started the second quarter slowly, but record June sales brought the business back in line for the year. Sales of pumps to industrial customers have been particularly hard hit in the current economic slump. The pump business also was affected by decreased international sales due to the strong U.S. dollar, and timing of shipments for several large pump projects. Although sales were down, backlogs were up five percent over prior-year levels and orders remain solid. New product introductions in the quarter included a line of pressure tanks for the Home Center channel and heat pumps for pool and spa applications.

"We are cautiously optimistic in our ability to meet third quarter earnings expectations in the current economic environment," Hogan said. "We continue to work on the recovery of our Tools segment, to pursue cost reductions in our Water Technologies and Enclosures segments and make certain they are sized appropriately for the markets they serve, to maintain our momentum on cash flow to pay down additional debt, and to capture every opportunity to add further value for shareholders."

A Pentair conference call scheduled for 9:00 a.m. CDT today will be webcast live via <http://www.pentair.com>. The conference call, which can be found on the site's "Financial Information" page, will be archived at the same location.

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Pentair is a St. Paul-based manufacturer whose core businesses compete in tools, water technologies, and enclosures markets. The company employs 12,500 people in more than 50 locations around the world.

Any statements made about the company's anticipated financial results are forward-looking statements subject to risks and uncertainties such as continued economic growth, retail demand and other competitive pressures, the ability to successfully strengthen management, and other uncertainties as described in the company's Annual Report on Form 10K for the year ended December 31, 2000. Actual results could differ materially from anticipated results.

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Pentair, Inc. and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)

	Three months ended		Six months ended	
	June 30 2001	July 1 2000	June 30 2001	July 1 2000
<i>In thousands, except per-share data</i>				
Net sales	\$ 702,076	\$ 733,761	\$ 1,373,459	\$ 1,381,452
Cost of goods sold	531,294	541,614	1,038,690	1,009,403
Gross profit	170,782	192,147	334,769	372,049
Selling, general and administrative	103,183	105,182	206,575	206,182
Research and development	7,250	7,528	14,989	16,146
Restructuring charge (income)	—	—	—	(2,468)
Operating income	60,349	79,437	113,205	152,189
Net interest expense	16,241	18,579	33,957	37,527
Write-off of investment	—	—	2,500	—
Income from continuing operations before income taxes	44,108	60,858	76,748	114,662
Provision for income taxes	15,552	22,185	27,629	42,348
Income from continuing operations	28,556	38,673	49,119	72,314
Income (loss) from discontinued operations, net of tax	—	(1,440)	—	(2,415)
Cumulative effect of accounting change, net of tax	—	—	—	(1,222)
Net income	\$ 28,556	\$ 37,233	\$ 49,119	\$ 68,677
Earnings per common share				
<i>Basic</i>				
Continuing operations	\$ 0.58	\$ 0.80	\$ 1.00	\$ 1.49
Income (loss) from discontinued operations	—	(0.03)	—	(0.05)
Cumulative effect of accounting change	—	—	—	(0.02)
Basic earnings per common share	\$ 0.58	\$ 0.77	\$ 1.00	\$ 1.42
<i>Diluted</i>				
Continuing operations	\$ 0.58	\$ 0.79	\$ 1.00	\$ 1.48
Income (loss) from discontinued operations	—	(0.03)	—	(0.05)
Cumulative effect of accounting change	—	—	—	(0.02)
Diluted earnings per common share	\$ 0.58	\$ 0.76	\$ 1.00	\$ 1.41
Weighted average common shares outstanding				
Basic	49,032	48,517	49,019	48,485
Diluted	49,274	48,742	49,200	48,658
Cash dividends declared per common share	\$ 0.17	\$ 0.16	\$ 0.34	\$ 0.32

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Pentair, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

<i>In thousands</i>	June 30 2001	December 31 2000	July 1 2000
	<i>(Unaudited)</i>		<i>(Unaudited)</i>
Assets			
Current assets			
Cash and cash equivalents	\$ 27,689	\$ 34,944	\$ 45,188
Accounts and notes receivable, net	475,813	468,081	527,128
Inventories	345,097	392,495	421,586
Other current assets	96,330	95,019	73,579
Net assets of discontinued operations	109,060	101,263	153,397
Total current assets	1,053,989	1,091,802	1,220,878
Property, plant and equipment, net	341,037	352,984	355,637
Goodwill, net	1,114,115	1,141,102	1,135,810
Other assets	91,275	58,137	59,380
Total assets	\$ 2,600,416	\$ 2,644,025	\$ 2,771,705
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ 98,828	\$ 108,141	\$ 195,964
Current maturities of long-term debt	21,605	23,999	21,341
Accounts and notes payable	230,286	250,088	248,639
Accrued expenses and other current liabilities	244,731	266,564	259,675
Total current liabilities	595,450	648,792	725,619
Long-term debt	763,746	781,834	839,003
Other noncurrent liabilities	199,343	202,808	170,459
Total liabilities	1,558,539	1,633,434	1,735,081
Shareholders' equity	1,041,877	1,010,591	1,036,624
Total liabilities and shareholders' equity	\$ 2,600,416	\$ 2,644,025	\$ 2,771,705

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Pentair, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>In thousands</i>	Six months ended	
	June 30	July 1
	2001	2000
Operating activities		
Net income	\$ 49,119	\$ 68,677
Depreciation	32,830	32,366
Amortization	20,565	19,893
Deferred income taxes	264	335
Restructuring charge (income)	—	(2,468)
Other expense, write-off of investment	2,500	—
Cumulative effect of accounting change	—	1,222
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	(16,233)	(40,088)
Inventories	42,753	(67,222)
Prepaid expenses and other current assets	(7,462)	(11,309)
Accounts payable	(15,222)	31,070
Employee compensation and benefits	(16,600)	(8,017)
Accrued product claims and warranties	(563)	(1,394)
Income taxes	7,000	24,492
Other current liabilities	(5,754)	(33,250)
Pension and post-retirement benefits	3,499	193
Other assets and liabilities	(5,784)	(12,705)
Net cash used for continuing operations	90,912	1,795
Net cash used for discontinued operations	(12,387)	(8,697)
Net cash used for operating activities	78,525	(6,902)
Investing activities		
Capital expenditures	(25,131)	(28,449)
Acquisitions, net of cash acquired	(1,937)	—
Equity investments	(16,698)	—
Net cash used for investing activities	(43,766)	(28,449)
Financing activities		
Net short-term borrowings	(8,586)	45,352
Proceeds from long-term debt	2,413	4,968
Repayment of long-term debt	(21,683)	(26,036)
Proceeds from exercise of stock options	1,648	1,558
Dividends paid	(16,665)	(15,517)
Net cash provided by financing activities	(42,873)	10,325
Effect of exchange rate changes on cash	859	7,199
Change in cash and cash equivalents	(7,255)	(17,827)
Cash and cash equivalents, beginning of period	34,944	63,015
Cash and cash equivalents, end of period	\$ 27,689	\$ 45,188

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Pentair, Inc. and Subsidiaries
Financial Information by Reportable Business Segment (Unaudited)

<i>In thousands</i>	Three months ended		Six months ended	
	June 30	July 1	June 30	July 1
	2001	2000	2001	2000
<i>Net sales to external customers</i>				
Tools	\$ 285,905	\$ 275,375	\$ 526,297	\$ 506,985
Water	241,017	261,727	461,869	493,694
Enclosures	175,154	196,659	385,293	380,773
Corporate/other	—	—	—	—
Consolidated	\$ 702,076	\$ 733,761	\$ 1,373,459	\$ 1,381,452
<i>Operating income (loss) before restructuring charge</i>				
Tools	\$ 18,218	\$ 17,235	\$ 26,081	\$ 39,240
Water	35,650	41,448	63,843	72,197
Enclosures	9,834	24,542	31,071	47,691
Other	(3,353)	(3,788)	(7,790)	(9,407)
Consolidated	\$ 60,349	\$ 79,437	\$ 113,205	\$ 149,721
<i>Operating income (loss) before restructuring charge as a percent of net sales</i>				
Tools ⁽¹⁾	6.4%	6.3%	5.0%	7.7%
Water	14.8%	15.8%	13.8%	14.6%
Enclosures	5.6%	12.5%	8.1%	12.5%
Consolidated	8.6%	10.8%	8.2%	10.8%
<i>Restructuring charge (income)</i>				
Tools	\$ —	\$ —	\$ —	\$ (1,171)
Water	—	—	—	—
Enclosures	—	—	—	(1,297)
Other	—	—	—	—
Consolidated	\$ —	\$ —	\$ —	\$ (2,468)
<i>Operating Income (Loss) After Restructuring Charge</i>				
Tools ⁽¹⁾	\$ 18,218	\$ 17,235	\$ 26,081	\$ 40,411
Water	35,650	41,448	63,843	72,197
Enclosures	9,834	24,542	31,071	48,988
Other	(3,353)	(3,788)	(7,790)	(9,407)
Consolidated	\$ 60,349	\$ 79,437	\$ 113,205	\$ 152,189

⁽¹⁾ Second quarter 2000 Tools segment operating income reflects one-time pre-tax costs to establish an additional \$5.0 million in accounts receivable reserves.