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News Release

For release at 5:00 A.M. CDT
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Pentair Reports EPS of $.50 in Third Quarter as Tools Recovery Continues, Year-To-Date Cash Flow Reaches $110 Million

ST. PAUL, MN – October 19, 2001 – A strategically balanced portfolio of businesses, rigorous cost controls, and the benefits of a turnaround well underway in its Tools Group enabled Pentair, Inc. (NYSE: PNR) to deliver $647 million in sales and earnings per share of $0.50 in the third quarter of 2001 in spite of severe economic difficulties in the global marketplace, the company announced today.

"In a period of reduced consumer confidence and lower capital spending, Pentair has concentrated on strengthening its market positions, controlling costs, improving productivity, and increasing financial discipline to build cash flow," said Randall J. Hogan, president and chief executive officer. "These actions are helping us navigate through difficult times, and are positioning us well to capitalize on the opportunities that will emerge when the business climate improves."

For the three months ended September 29, 2001, Pentair had operating income of $51.2 million, compared to $61.4 million in the third quarter of 2000. Continuing diluted earnings per share (EPS) for the 2001 third quarter was $0.50, compared to $0.58 in the year-earlier quarter. Sales for the third quarter of 2001 totaled $646.6 million, versus $691.8 million in the third quarter of 2000.

Pentair's free cash flow for the third quarter totaled $56 million, bringing total free cash flow for the first nine months of 2001 to $110 million, on track with the company's goal of $150 million for the year.

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"Our efforts to improve working capital productivity have paid off handsomely through the first nine months of 2001," said David D. Harrison, Pentair's chief financial officer. "Thus far this year, the company has shown a $120 million improvement from the previous year's free cash flow, with a 149 percent conversion of year-to-date 2001 net income. In addition, third quarter SG&A expenses were reduced $4 million from those of the same period last year, due primarily to cost control initiatives in the Tools and Enclosures groups partially offset by process improvement investments. Further, we realized more than $16 million in additional cost reductions in the third quarter 2001 compared to the same period last year."

For the nine months ended September 29, 2001, operating income was $164.4 million, compared to $213.5 million (including restructuring charge income of $2.5 million) in the comparable 2000 period. Continuing diluted EPS in the first nine months of 2001 was $1.50, versus $2.06 a year earlier. Sales for the first nine months of 2001 were $2.0 billion, compared to $2.1 billion in the year-earlier period.

On a segment-by-segment basis, Pentair reported that its Tools business recorded its third consecutive quarter of operating margin improvement, while the Water Technologies business held margins in the double digits and increased sales in a difficult market environment. The performance of the Enclosures business declined as the slowdown in capital spending by both industrial and telecom/datacom customers persisted.

In Tools, third quarter sales were below 2000 levels, but operating income showed a 63 percent improvement and comparable gains were reported in free cash flow from reduced inventory and receivables. Much of the performance improvement was attributed to the Group's realigned supply management strategies and cost control programs, both of which are principal elements of the segment's recovery strategy.

Pressure washer sales continued strong through the third quarter. The company's DeVilbiss Air Power Company (DAPC) unit was honored as Home Depot's "Partner of the Year," in recognition of the strong sales of DAPC pressure washers.

A new line of Porter-Cable branded air tools and accessories was launched successfully in September, and the company's new 9.6-volt cordless drill generated strong sales at the quarter's end. A number of trade publications presented top awards for innovative Porter-Cable and Delta tools during the third quarter. Among the winners were Porter-Cable's 9290, the world's first cordless router, the BN200V12 cordless brad nailer, NS150A narrow crown stapler, and the 557 biscuit jointer. Delta winners included the 50-868 ambient air cleaner, the 23-710 sharpening machine, the 17-965 drill press, and the 28-280 14-inch band saw.

Third quarter 2001 sales in the Water Technologies Group were up eight percent from prior year, spurred by substantial gains in the Pool and Spa Equipment business, while Pump and Water Treatment sales were below 2000 levels because of slowing export demand and domestic economic weakness. Operating income was flat to the prior year.

Although the sales mix reduced the Water Technologies Group's overall margin rate, Pentair said strong cost control measures in all of the Group's businesses lessened the impact. The Water Technologies group continues to drive cost efficiency with its lean manufacturing processes and other strong cost control measures.

Third quarter highlights of the Water Technologies Group included the selection of Pentair's CodeLine vessels for a new desalination plant in Tampa Bay, the largest such project in the U.S. The order is valued at more than $1.5 million. Also in the quarter, Pentair introduced a new line of reverse osmosis vessels, called EuroLine, which are better suited to the lower-pressure filtration applications common in Europe.

Third quarter sales and operating income were down significantly in the Enclosures Group, as industrial and technology demand continued to be weak in North America, and declined further in Europe, where sales to that region are off approximately 35 percent year over year. Enclosures profitability improved in North America in the third quarter of 2001 compared to the second quarter, but declined precipitously in Europe during the same period. Pentair continues to accelerate its cost control programs in Enclosures to restore performance.

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The Enclosures Group improved its cost position by completing the relocation of small enclosures production to an existing plant in Reynosa, Mexico; reducing headcount by 170 employees through early retirement and lay-offs; and relocating the European enclosures headquarters from Scotland to an existing facility in Germany. Pentair said it named Michael V. Schrock, 48, formerly president of Pentair Water Technologies – Americas, to head the Enclosures Group, and that new senior management at the Group's European operations has recently been installed.

Among its third-quarter business achievements, the Enclosures Group won a contract for Compaq's next generation rack-mounted data storage unit and was selected as the next generation power solutions provider for Lucent. The Group also received the first release of 15 systems of Tellabs' 6100 series chassis and won a major rack mounting system program from Dell. The wins will potentially represent more than $20 million in sales for 2002.

"Looking across the company, the problems that plagued Pentair's Tools Group in 2000 have been addressed, and this business is now focused on growing its top line, developing new products, and leveraging its strong brands," Hogan said. "Our company-wide cost control and productivity improvement activities have supported margins, but Pentair, like most other companies, is dealing with unprecedented business pressures.

"We realized an immediate drop in demand after September 11, and although some of that demand appears to be returning, it's clear that the global economy is very unsettled," Hogan added. "We are confident that we have control of the operating levers in each of our three groups, but given the prevailing economic conditions, we expect fourth quarter earnings comparable to those of the third quarter, at best. Given continued benefits from our cost control, debt reduction, and lean enterprise initiatives, we look for double-digit earnings improvement and a stronger economy in 2002."

A Pentair conference call scheduled for 9:00 a.m. CDT today will be webcast live via 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, headquartered in St. Paul, produces a wide range of tools under several well-known brand names, including Porter-Cable, Delta, and Ex-Cell. In addition to tools, the company's core businesses include water technologies – including water pumps, water treatment products, and pool and spa equipment -- and enclosures, which house and protect delicate electronic and computer technologies. Pentair 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 and industrial 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		Nine months ended	
In thousands, except per-share data	**September 29 2001**	**September 30 2000**	**September 29 2001**	**September 30 2000**
Net sales	$ 646,559	$ 691,784	$ 2,020,018	$ 2,073,236
Cost of goods sold	487,033	518,925	1,525,723	1,528,328
Gross profit	159,526	172,859	494,295	544,908
Selling, general and administrative	100,537	104,295	307,112	310,477
Research and development	7,805	7,214	22,794	23,360
Restructuring charge (income)	—	—	—	(2,468)
Operating income	51,184	61,350	164,389	213,539
Net interest expense	14,409	18,753	48,366	56,280
Write-off of investment	—	—	2,500	—
Income from continuing operations before income taxes	36,775	42,597	113,523	157,259
Provision for income taxes	12,104	14,576	39,733	56,924
Income from continuing operations	24,671	28,021	73,790	100,335
Income (loss) from discontinued operations, net of tax	—	(14,382)	—	(16,797)
Cumulative effect of accounting change, net of tax	—	—	—	(1,222)
Net income	$ 24,671	$ 13,639	$ 73,790	$ 82,316
Earnings per common share				
Basic				
Continuing operations	$ 0.50	$ 0.58	$ 1.50	$ 2.07
Income (loss) from discontinued operations	—	(0.30)	—	(0.35)
Cumulative effect of accounting change	—	—	—	(0.02)
Basic earnings per common share	$ 0.50	$ 0.28	$ 1.50	$ 1.70
Diluted				
Continuing operations	$ 0.50	$ 0.58	$ 1.50	$ 2.06
Income (loss) from discontinued operations	—	(0.30)	—	(0.35)
Cumulative effect of accounting change	—	—	—	(0.02)
Diluted earnings per common share	$ 0.50	$ 0.28	$ 1.50	$ 1.69
Weighted average common shares outstanding				
Basic	49,082	48,521	49,040	48,497
Diluted	49,410	48,568	49,270	48,628
Cash dividends declared per common share	$ 0.18	$ 0.17	$ 0.52	$ 0.49

Pentair, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

In thousands	September 29 2001 (Unaudited)	December 31 2000	September 30 2000 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	$ 32,816	$ 34,944	$ 54,387
Accounts and notes receivable, net	460,732	468,081	524,631
Inventories	343,127	392,495	422,909
Other current assets	102,226	95,019	82,594
Net assets of discontinued operations	106,683	101,263	130,335
Total current assets	1,045,584	1,091,802	1,214,856
Property, plant and equipment, net	340,187	352,984	351,203
Goodwill, net	1,111,992	1,141,102	1,142,047
Other assets	93,814	58,137	59,838
Total assets	$ 2,591,577	$ 2,644,025	$ 2,767,944
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	$ 61,890	$ 108,141	$ 198,351
Current maturities of long-term debt	4,371	23,999	22,584
Accounts and notes payable	207,721	250,088	243,436
Accrued expenses and other current liabilities	257,265	266,564	275,491
Total current liabilities	531,247	648,792	739,862
Long-term debt	781,885	781,834	827,891
Other noncurrent liabilities	211,649	202,808	171,563
Total liabilities	1,524,781	1,633,434	1,739,316
Shareholders' equity	1,066,796	1,010,591	1,028,628
Total liabilities and shareholders' equity	$ 2,591,577	$ 2,644,025	$ 2,767,944

Pentair, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine months ended	
In thousands	September 29 2001	September 30 2000
Operating activities		
Net income	$ 73,790	$ 82,316
Depreciation	48,662	45,471
Amortization	30,966	29,281
Deferred income taxes	3,843	(1,669)
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	5,416	(43,911)
Inventories	47,978	(78,297)
Prepaid expenses and other current assets	(11,963)	(19,933)
Accounts payable	(40,418)	28,662
Employee compensation and benefits	(8,353)	(3,471)
Accrued product claims and warranties	(1,887)	(5,422)
Income taxes	10,922	16,405
Other current liabilities	(8,018)	(17,224)
Pension and post-retirement benefits	7,614	4,399
Other assets and liabilities	(4,851)	(15,643)
Net cash provided by continuing operations	156,201	19,718
Net cash used for discontinued operations	(8,944)	13,177
Net cash provided by (used for) operating activities	147,257	32,895
Investing activities		
Capital expenditures	(37,639)	(43,556)
Acquisitions, net of cash acquired	(1,937)	—
Equity investments	(20,564)	—
Other	—	(371)
Net cash used for investing activities	(60,140)	(43,927)
Financing activities		
Net short-term borrowings	(46,937)	47,739
Proceeds from long-term debt	2,676	6,030
Repayment of long-term debt	(22,582)	(35,135)
Proceeds from exercise of stock options	1,492	1,619
Repurchases of common stock	(1,458)	(410)
Dividends paid	(25,499)	(23,767)
Net cash provided by (used for) financing activities	(92,308)	(3,924)
Effect of exchange rate changes on cash	3,063	6,328
Change in cash and cash equivalents	(2,128)	(8,628)
Cash and cash equivalents, beginning of period	34,944	63,015
Cash and cash equivalents, end of period	$ 32,816	$ 54,387

Pentair, Inc. and Subsidiaries

Financial Information by Reportable Business Segment (Unaudited)

In thousands	Three months ended September 29 2001	Three months ended September 30 2000	Nine months ended September 29 2001	Nine months ended September 30 2000
Net sales to external customers				
Tools	$ 250,677	$ 280,203	$ 776,974	$ 787,188
Water	231,565	214,119	693,434	707,813
Enclosures	164,317	197,462	549,610	578,235
Consolidated	$ 646,559	$ 691,784	$ 2,020,018	$ 2,073,236
Operating income (loss) before restructuring charge				
Tools [(1)]	$ 17,524	$ 10,772	$ 43,605	$ 50,012
Water	28,427	28,512	92,270	100,709
Enclosures	8,740	24,786	39,811	72,477
Other	(3,507)	(2,720)	(11,297)	(12,127)
Consolidated	$ 51,184	$ 61,350	$ 164,389	$ 211,071
Operating income (loss) before restructuring charge as a percent of net sales				
Tools [(1)]	7.0%	3.8%	5.6%	6.4%
Water	12.3%	13.3%	13.3%	14.2%
Enclosures	5.3%	12.6%	7.2%	12.5%
Consolidated	7.9%	8.9%	8.1%	10.2%
Restructuring charge (income)				
Tools	$ —	$ —	$ —	$ (1,171)
Water	—	—	—	—
Enclosures	—	—	—	(1,297)
Other	—	—	—	—
Consolidated	$ —	$ —	$ —	$ (2,468)
Operating Income (Loss) After Restructuring Charge				
Tools [(1)]	$ 17,524	$ 10,772	$ 43,605	$ 51,183
Water	28,427	28,512	92,270	100,709
Enclosures	8,740	24,786	39,811	73,774
Other	(3,507)	(2,720)	(11,297)	(12,127)
Consolidated	$ 51,184	$ 61,350	$ 164,389	$ 213,539

[(1)] Tools segment operating income reflects a one-time pre-tax cost to establish an additional $5.0 million in accounts receivable reserves in the second quarter of 2000.