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News Release



For release at 5:00 A.M. CDT

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Pentair's Growth and Cost Initiatives Drive 15% Gain in Second Quarter 2002 EPS

ST. PAUL, Minn. — July 23, 2002 — Pentair (NYSE: PNR) today announced that its recent growth and cost productivity actions generated second quarter 2002 earnings per share (EPS) of \$0.86, a 15 percent gain over EPS of \$0.75 — without goodwill amortization — in the same period last year.

Pentair's second quarter net sales totaled \$708.1 million, up three percent over sales of \$689.4 million in the prior year. Operating income totaled \$74.6 million, seven percent greater than the \$69.6 million of operating income reported in the second quarter of 2001. Free cash flow in the first half of 2002 totaled \$87.2 million — representing a \$33.8 million gain over the same period last year, a 135 percent conversion of first-half net income, and cash EPS of \$1.75.

"Our second quarter 2002 performance demonstrates that our supply management, lean enterprise, and cash flow initiatives are generating concrete results, and that growth-oriented actions are contributing to our improved performance," said Randall J. Hogan, Pentair chairman and CEO. "Our Tools and Enclosures groups realized strong margin gains compared to the first quarter of this year, and sales in both our Tools and Water Technologies groups increased by double-digit percentages."

In the Tools Group, record second quarter 2002 sales of \$303.8 million were 11 percent higher than in the same period last year, while operating income of \$30.8 million improved 50 percent on the same comparison. Second quarter operating income margins were 10.2 percent, representing an increase of 270 basis points over the second quarter 2001. Sell-through in all channels improved over prior-year levels, with particularly strong activity in pressure washer and woodworking equipment lines.

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In the Water Technologies Group, second quarter sales of \$265.5 million — an 11 percent gain over the same period last year — was due to record high seasonal activity in the pool and spa equipment business, robust sales in retail and municipal markets, and strong international sales. Second quarter 2002 operating income of \$43.7 million gained eight percent over the same period last year, driven principally by volume increases. Margins in the second quarter were 16.5 percent, down slightly from the prior year due to less favorable product mix.

In the Enclosures segment, sales of \$138.8 million and operating income of \$7.0 million in the second quarter of 2002 were down significantly against year-ago levels due to continued slow capital spending and weak global technology markets. Enclosures Group sales have been essentially flat during the last three quarters, but margins improved sequentially by 90 basis points in the first quarter of 2002 and gained another 170 basis points in the second quarter of 2002.

"There's uncertainty about the economy and its impact on business in the current environment," Hogan said. "Despite these circumstances, our Tools business has regained double-digit margins and moved from defense to offense; margins in the Water Technologies business are strong, and our core pump and water treatment markets are improving; and, cost productivity actions in our Enclosures business are taking hold while industrial markets appear to be stabilizing."

"Looking forward, assuming our markets continue their current pace of recovery, that we continue to build share in our water markets, and that Enclosures' sales are flat to up slightly in the second half, we expect to remain on track with 2002 EPS expectations of between \$2.80 and \$2.90," Hogan added.

In a separate filing today to the SEC, Pentair filed an amended first quarter 2002 10-Q to conform its financial statements to EITF #01-9. This EITF reclassifies certain selling expenses from SG&A as a reduction in net sales. This reclassification does not change operating or net income for the quarter or any prior accounting period. Conforming adjustments for prior periods are included in the tables following this news release.

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 11,500 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. Forward-looking statements included herein are made as of the date hereof and the company undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances. Actual results could differ materially from anticipated results.

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

<i>In thousands, except per-share data</i>	Three months ended		Six months ended	
	June 29 2002	June 30 2001	June 29 2002	June 30 2001
	\$ 708,116	\$ 689,427	\$ 1,311,179	\$ 1,353,596
Net sales ⁽²⁾	\$ 532,136	\$ 531,294	\$ 998,188	\$ 1,038,690
Gross profit	175,980	158,133	312,991	314,906
% of net sales	24.9%	22.9%	23.9%	23.3%
Selling, general and administrative ⁽¹⁾⁽²⁾	92,367	90,534	175,287	186,712
% of net sales	13.0%	13.1%	13.4%	13.8%
Research and development	9,021	7,250	17,385	14,989
% of net sales	1.3%	1.1%	1.3%	1.1%
Operating income	74,592	60,349	120,319	113,205
% of net sales	10.5%	8.8%	9.2%	8.4%
Net interest expense	10,476	16,241	24,206	33,957
% of net sales	1.5%	2.4%	1.8%	2.5%
Other expense, write-off of investment	—	—	—	2,500
% of net sales	n/a	n/a	n/a	0.2%
Income before income taxes	64,116	44,108	96,113	76,748
% of net sales	9.1%	6.4%	7.3%	5.7%
Provision for income taxes	21,140	15,552	31,699	27,629
Effective tax rate	33.0%	35.3%	33.0%	36.0%
Net income	\$ 42,976	\$ 28,556	\$ 64,414	\$ 49,119
% of net sales	6.1%	4.1%	4.9%	3.6%
Earnings per common share				
Basic	\$ 0.87	\$ 0.58	\$ 1.31	\$ 1.00
Diluted	\$ 0.86	\$ 0.58	\$ 1.29	\$ 1.00
Weighted average common shares outstanding				
Basic	49,228	49,032	49,201	49,019
Diluted	50,039	49,274	49,812	49,200
Cash dividends declared per common share				
	\$ 0.18	\$ 0.17	\$ 0.36	\$ 0.34
Goodwill amortization disclosure				
Reported net income	\$ 42,976	\$ 28,556	\$ 64,414	\$ 49,119
Add back goodwill amortization, net of tax	—	8,200	—	16,200
Adjusted net income	\$ 42,976	\$ 36,756	\$ 64,414	\$ 65,319
Reported earnings per share – basic	\$ 0.87	\$ 0.58	\$ 1.31	\$ 1.00
Goodwill amortization	—	0.17	—	0.33
Adjusted net earnings per share – basic	\$ 0.87	\$ 0.75	\$ 1.31	\$ 1.33
Reported earnings per share – diluted	\$ 0.86	\$ 0.58	\$ 1.29	\$ 1.00
Goodwill amortization	—	0.17	—	0.33
Adjusted net earnings per share – diluted	\$ 0.86	\$ 0.75	\$ 1.29	\$ 1.33

⁽¹⁾ During the first quarter of 2002, we adopted SFAS 142, which requires that goodwill no longer be amortized. Selling, general and administrative (SG&A) expense for the three and six month periods of 2001 includes \$9,238 and \$18,252 of goodwill amortization, respectively (\$8,200 and \$16,200 net of tax, or \$0.17 and \$0.33 per diluted share, respectively). SG&A expense for the three and six month periods of 2001 excluding the impact of goodwill amortization was \$81,296 and \$168,460, or 11.8% and 12.4% of sales, respectively.

⁽²⁾ We adopted Emerging Issues Task Force (EITF) Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products. This new guidance was effective for Pentair beginning January 1, 2002. EITF 01-9 requires that certain payments to our customers for cooperative advertising and certain sales incentive offers that were historically classified in selling, general and administrative expense be reclassified and shown as a reduction in net sales. EITF 01-9 also requires the reclassification of previously reported results of operations for periods prior to the adoption to conform to the current presentation.

Pentair, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

<i>In thousands</i>	June 29 2002	December 31 2001	June 30 2001
Assets			
Current assets			
Cash and cash equivalents	\$ 29,289	\$ 39,844	\$ 27,689
Accounts and notes receivable, net	450,701	398,579	475,813
Inventories	305,663	300,923	345,097
Other current assets	88,276	90,932	96,330
Net assets of discontinued operations	2,399	5,325	109,060
Total current assets	876,328	835,603	1,053,989
Property, plant and equipment, net	314,655	329,500	341,037
Goodwill, net	1,098,952	1,088,206	1,114,115
Other assets	110,894	118,889	91,275
Total assets	\$ 2,400,829	\$ 2,372,198	\$ 2,600,416
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ —	\$ —	\$ 98,828
Current maturities of long-term debt	6,089	8,729	4,463
Accounts and notes payable	206,159	179,149	230,286
Accrued expenses and other current liabilities	250,235	240,555	244,731
Total current liabilities	462,483	428,433	578,308
Long-term debt	638,554	714,977	780,888
Other noncurrent liabilities	221,655	213,786	199,343
Total liabilities	1,322,692	1,357,196	1,558,539
Shareholders' equity	1,078,137	1,015,002	1,041,877
Total liabilities and shareholders' equity	\$ 2,400,829	\$ 2,372,198	\$ 2,600,416
Days sales in accounts receivable (13 month moving average)	63	65	68
Days inventory on hand (13 month moving average)	68	75	79
Days in accounts payable (13 month moving average)	57	59	60
Debt/total capital	37.4%	41.6%	45.9%

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

<i>In thousands</i>	Six months ended	
	June 29 2002	June 30 2001
Operating activities		
Net income	\$ 64,414	\$ 49,119
Depreciation	30,376	32,830
Amortization of intangibles and unearned compensation	1,728	20,565
Deferred income taxes	3,485	264
Other expense, write-off of investment	—	2,500
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	(43,527)	(16,233)
Inventories	(1,620)	42,752
Prepaid expenses and other current assets	(5,092)	(7,464)
Accounts payable	25,472	(15,222)
Employee compensation and benefits	1,099	(16,333)
Accrued product claims and warranties	1,894	(564)
Income taxes	8,496	7,000
Other current liabilities	8,077	(6,017)
Pension and post-retirement benefits	3,508	2,765
Other assets and liabilities	1,222	(5,050)
Net cash provided by continuing operations	99,532	90,912
Net cash provided by (used for) discontinued operations	2,927	(12,387)
Net cash provided by operating activities	102,459	78,525
Investing activities		
Capital expenditures	(15,275)	(25,131)
Proceeds from sale of businesses	1,547	—
Acquisitions, net of cash acquired	—	(1,937)
Equity investments	(4,169)	(16,698)
Other	(165)	—
Net cash used for investing activities	(18,062)	(43,766)
Financing activities		
Net short-term borrowings (repayments)	—	(8,586)
Proceeds from long-term debt	89	2,413
Repayment of long-term debt	(81,123)	(21,683)
Proceeds from exercise of stock options	2,107	1,648
Dividends paid	(17,713)	(16,665)
Net cash used for financing activities	(96,640)	(42,873)
Effect of exchange rate changes on cash	1,688	859
Change in cash and cash equivalents	(10,555)	(7,255)
Cash and cash equivalents, beginning of period	39,844	34,944
Cash and cash equivalents, end of period	\$ 29,289	\$ 27,689
Free cash flow		
Net cash provided by operating activities	\$ 102,459	\$ 78,525
Less capital expenditures	(15,275)	(25,131)
Free cash flow	\$ 87,184	\$ 53,394
Weighted average common shares outstanding – diluted	49,812	49,200
Free cash flow per share	\$ 1.75	\$ 1.09

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

<i>In thousands, except per-share data</i>	First Qtr 2001	Second Qtr 2001	Third Qtr 2001	Fourth Qtr 2001	Year 2001
Net sales ⁽¹⁾	\$ 664,169	\$ 689,427	\$ 636,175	\$ 584,309	\$ 2,574,080
Cost of goods sold	507,396	531,294	487,033	442,222	1,967,945
Gross profit	156,773	158,133	149,142	142,087	606,135
% of net sales	23.6%	22.9%	23.4%	24.3%	23.5%
Selling, general and administrative ⁽¹⁾	96,178	90,534	90,153	100,233	377,098
% of net sales	14.5%	13.1%	14.2%	17.2%	14.6%
Research and development	7,739	7,250	7,805	8,377	31,171
% of net sales	1.2%	1.1%	1.2%	1.4%	1.2%
Restructuring charge	—	—	—	40,105	40,105
% of net sales	n/a	n/a	n/a	6.9%	1.6%
Operating income (loss)	52,856	60,349	51,184	(6,628)	157,761
% of net sales	8.0%	8.8%	8.0%	(1.1%)	6.1%
Net interest expense	17,716	16,241	14,409	13,122	61,488
% of net sales	2.7%	2.4%	2.3%	2.2%	2.4%
Other expense, write-off of investment	2,500	—	—	485	2,985
% of net sales	0.4%	n/a	n/a	0.1%	0.1%
Income (loss) from continuing operations before income taxes	32,640	44,108	36,775	(20,235)	93,288
% of net sales	4.9%	6.4%	5.8%	(3.5%)	3.6%
Provision for income taxes	12,077	15,552	12,104	(3,961)	35,772
Effective tax rate	37.0%	35.3%	32.9%	19.6%	38.3%
Income (loss) from continuing operations	20,563	28,556	24,671	(16,274)	57,516
% of net sales	3.1%	4.1%	3.9%	(2.8%)	2.2%
Loss on disposal of discontinued operations, net of tax	—	—	—	(24,647)	(24,647)
Net income (loss)	\$ 20,563	\$ 28,556	\$ 24,671	\$ (40,921)	\$ 32,869
Earnings per common share					
<i>Basic</i>					
Continuing operations	\$ 0.42	\$ 0.58	\$ 0.50	\$ (0.33)	\$ 1.17
Discontinued operations	—	—	—	(0.50)	(0.50)
Basic earnings per common share	\$ 0.42	\$ 0.58	\$ 0.50	\$ (0.83)	\$ 0.67
<i>Diluted</i>					
Continuing operations	\$ 0.42	\$ 0.58	\$ 0.50	\$ (0.33)	\$ 1.17
Discontinued operations	—	—	—	(0.50)	(0.50)
Diluted earnings per common share	\$ 0.42	\$ 0.58	\$ 0.50	\$ (0.83)	\$ 0.67
Weighted average common shares outstanding					
Basic	49,006	49,032	49,082	49,070	49,047
Diluted	49,127	49,274	49,410	49,376	49,297
Cash dividends declared per common share	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.18	\$ 0.70
Goodwill amortization disclosure (continuing operations)					
Reported net income	\$ 20,563	\$ 28,556	\$ 24,671	\$ (16,274)	\$ 57,516
Add back goodwill amortization, net of tax	8,000	8,200	7,953	7,890	32,043
Adjusted net income	\$ 28,563	\$ 36,756	\$ 32,624	\$ (8,384)	\$ 89,559
Reported earnings per share – basic	\$ 0.42	\$ 0.58	\$ 0.50	\$ (0.33)	\$ 1.17
Goodwill amortization	0.16	0.17	0.16	0.16	0.65
Adjusted net earnings per share – basic	\$ 0.58	\$ 0.75	\$ 0.66	\$ (0.17)	\$ 1.82
Reported earnings per share – diluted	\$ 0.42	\$ 0.58	\$ 0.50	\$ (0.33)	\$ 1.17
Goodwill amortization	0.16	0.17	0.16	0.16	0.65
Adjusted net earnings per share – diluted	\$ 0.58	\$ 0.75	\$ 0.66	\$ (0.17)	\$ 1.82

⁽¹⁾ Adjusted to give effect to the adoption of EITF 01-9.

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

In thousands	First Qtr 2002	Second Qtr 2002	Six Months 2002	First Qtr 2001	Second Qtr 2001	Six Months 2001	Third Qtr 2001	Fourth Qtr 2001	Year 2001
Net sales to external customers ⁽¹⁾									
Tools	\$ 252,092	\$ 303,771	\$ 555,863	\$ 234,404	\$ 274,419	\$ 508,823	\$ 241,487	\$ 251,335	\$ 1,001,645
Water	211,411	265,531	476,942	219,626	239,854	459,480	230,370	192,765	882,615
Enclosures	139,560	138,814	278,374	210,139	175,154	385,293	164,317	140,210	689,820
Consolidated	\$ 603,063	\$ 708,116	\$ 1,311,179	\$ 664,169	\$ 689,427	\$ 1,353,596	\$ 636,174	\$ 584,310	\$ 2,574,080
Operating income (loss) as reported									
Tools	\$ 16,686	\$ 30,837	\$ 47,523	\$ 7,863	\$ 18,218	\$ 26,081	\$ 17,524	\$ 19,627	\$ 63,232
Water	29,747	43,708	73,455	28,193	35,650	63,843	28,427	17,522	109,792
Enclosures	4,608	6,995	11,603	21,237	9,834	31,071	8,740	(37,954)	1,857
Other	(5,314)	(6,948)	(12,262)	(4,437)	(3,353)	(7,790)	(3,507)	(5,823)	(17,120)
Consolidated	\$ 45,727	\$ 74,592	\$ 120,319	\$ 52,856	\$ 60,349	\$ 113,205	\$ 51,184	\$ (6,628)	\$ 157,761
Restructuring charge									
Tools	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Water	—	—	—	—	—	—	—	—	—
Enclosures	—	—	—	—	—	—	—	—	39,382
Other	—	—	—	—	—	—	—	1,678	1,678
Consolidated⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 41,060	\$ 41,060
Goodwill amortization									
Tools	\$ —	\$ —	\$ —	\$ 2,319	\$ 2,319	\$ 4,638	\$ 2,318	\$ 2,318	\$ 9,274
Water	—	—	—	4,549	4,859	9,408	4,575	4,577	18,560
Enclosures	—	—	—	2,146	2,060	4,206	2,066	2,001	8,273
Total goodwill amortization	—	—	—	9,014	9,238	18,252	8,959	8,896	36,107
Amortization of unearned compensation	864	864	1,728	870	1,443	2,313	1,442	1,813	5,568
Total amortization	\$ 864	\$ 864	\$ 1,728	\$ 9,884	\$ 10,681	\$ 20,565	\$ 10,401	\$ 10,709	\$ 41,675
Operating income (loss) excluding restructuring charge and goodwill amortization									
Tools	\$ 16,686	\$ 30,837	\$ 47,523	\$ 10,182	\$ 20,537	\$ 30,719	\$ 19,842	\$ 21,945	\$ 72,506
Water	29,747	43,708	73,455	32,742	40,509	73,251	33,002	22,099	128,352
Enclosures	4,608	6,995	11,603	23,383	11,894	35,277	10,806	3,429	49,512
Other	(5,314)	(6,948)	(12,262)	(4,437)	(3,353)	(7,790)	(3,507)	(4,145)	(15,442)
Consolidated	\$ 45,727	\$ 74,592	\$ 120,319	\$ 61,870	\$ 69,587	\$ 131,457	\$ 60,143	\$ 43,328	\$ 234,928
Operating income before restructuring charge and goodwill amortization as a percent of net sales									
Tools	6.6%	10.2%	8.5%	4.3%	7.5%	6.0%	8.2%	8.7%	7.2%
Water	14.1%	16.5%	15.4%	14.9%	16.9%	15.9%	14.3%	11.5%	14.5%
Enclosures	3.3%	5.0%	4.2%	11.1%	6.8%	9.2%	6.6%	2.4%	7.2%
Consolidated	7.6%	10.5%	9.2%	9.3%	10.1%	9.7%	9.5%	7.4%	9.1%

⁽¹⁾ Adjusted to give effect to the adoption of EITF 01-9.

⁽²⁾ \$955 thousand of the fourth quarter 2001 restructuring charge is included in cost of goods sold on the consolidated income statements for the write-down of inventory on certain product lines that were discontinued as a result of plant closures.

Pentair, Inc. and Subsidiaries
Additional Supplemental Financial Information (Unaudited)

In thousands	2000	1999	1998	1997	1996
<i>Net sales to external customers⁽¹⁾</i>					
Tools	\$ 1,029,658	\$ 850,327	\$ 644,226	\$ 559,907	\$ 467,464
Water	898,247	579,236	438,810	304,647	216,769
Enclosures	777,725	657,500	586,829	600,491	566,919
Other	—	—	—	128,136	133,360
Consolidated	\$ 2,705,630	\$ 2,087,063	\$ 1,669,865	\$ 1,593,181	\$ 1,384,512
<i>Goodwill amortization</i>					
Tools	\$ 9,285	\$ 3,282	\$ 287	\$ 214	\$ 306
Water	18,074	12,714	7,793	7,363	4,920
Enclosures	9,097	8,413	5,832	5,576	5,667
Other	—	—	—	418	502
Total goodwill amortization	36,456	24,409	13,912	13,571	11,395
Amortization of unearned compensation	2,675	1,578	1,571	1,669	1,400
Total amortization	\$ 39,131	\$ 25,987	\$ 15,483	\$ 15,240	\$ 12,795
<i>SG&A expense⁽¹⁾</i>					
	\$ 396,105	\$ 310,700	\$ 261,302	\$ 241,062	\$ 216,775

⁽¹⁾ Adjusted to give effect to the adoption of EITF 01-9.