

Pentair, Inc.
Waters Edge Plaza
1500 County Road B2 West
St. Paul, MN 55113
651 636 7920 Tel
651 639 5203 Fax

News Release



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Contact: Mark Cain (651) 639-5278

Pentair First Quarter 2002 EPS Exceeds Analysts' Consensus Estimates, Free Cash Flow Reaches Record First Quarter Levels, Second Quarter Guidance Revised Upward

ST. PAUL, Minn. — April 16, 2002 — Pentair (NYSE: PNR) today announced that its first quarter 2002 earnings per share (EPS) of \$0.43 exceeded analysts' consensus earnings estimates by \$0.05 or 13 percent, while free cash flow in the first quarter of 2002 reached \$15 million — a \$68 million gain over year-ago levels. In addition, Pentair said it has raised its expectations for second quarter 2002 EPS to a range of between \$0.75 and \$0.80, while FY2002 EPS is anticipated in the range of between \$2.75 and \$2.90.

"Our Tools business performed well in the first quarter, our Water Technologies businesses realized improvements in some key markets, and the restructuring of our Enclosures business is proceeding as expected," said Randall J. Hogan, president and CEO, who will succeed Winslow H. Buxton as Pentair chairman effective May 1, 2002. "The first quarter provided ample evidence that our supply management and lean enterprise initiatives have taken root, and that our action plans are beginning to drive growth as evidenced by higher backlogs in the Tools and Water businesses. Our businesses are committed to return to — and exceed — their previously high levels of performance."

Pentair's continuing EPS for the first quarter of 2002 was \$0.43, compared to continuing EPS of \$0.42 in the previous year, or \$0.58 excluding 2001 goodwill amortization. [Due to the cessation of goodwill amortization on January 1, 2002, all references to 2001 operating results in this narrative exclude the impact of 2001 goodwill amortization.] First quarter operating income margins were 7.5 percent, as compared to 7.3 percent in the fourth quarter of 2001. First quarter 2002 operating income was \$45.7 million, compared to \$61.9 million in the first quarter of 2001. First quarter net sales totaled \$613.4 million, versus \$671.4 million in the year earlier period. At \$15 million, free cash flow was the highest first-quarter free cash flow that Pentair has generated in the last decade.

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In the Tools Group, first quarter 2002 sales were nine percent higher than in the same period last year, while operating income improved 64 percent on the same comparison. First quarter operating income margins gained 220 basis points over the first quarter 2001. Sell-through in most channels improved during the first quarter, and higher order rates resulted in increased backlogs. Higher profits were driven by higher volume, improved cost productivity, and results generated by the Group's supply chain and lean enterprise practices.

In the Water Technologies Group, the strongest pump sales in more than a year partially offset the impact of flat water treatment markets and seasonal weakness in pool and spa equipment markets, netting a four percent decline in first quarter 2002 sales. First quarter 2002 operating income declined nine percent from the same period last year. First quarter operating income margins were 14 percent, a 260 basis point gain over the fourth quarter of last year.

In the Enclosures segment, sales in the first quarter of 2002 declined 34 percent from the record levels of a year ago. North American industrial orders and sales have stabilized from the fourth quarter, while European and Asian markets remain weak. Operating income for the Group was down compared to the first quarter of 2001 due to significant industry-wide sales declines, but operating income margins rose 90 basis points over the fourth quarter 2001 levels as the benefits of cost productivity and restructuring initiatives began to read out in the Group's results. Pentair said it had closed four of five enclosures manufacturing facilities scheduled for shut-down. Four support facilities also were closed. The group's workforce was reduced by another 400 employees during the first quarter.

"We've made progress in restoring the tools business and in reducing costs across the board, but we're also pursuing new growth opportunities," Hogan said. "Certainly, we are in a very good position to take advantage of further strengthening in our markets. Our progress on growth actions, coupled with the increasing impact of our cost productivity activities, makes us confident that Pentair's performance should continue to trend upward through 2002. Just how steep that upward trend runs will be largely determined by the pace of economic recovery."

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	
	March 30 2002	March 31 2001
Net sales	\$ 613,435	\$ 671,383
Cost of goods sold	466,052	507,396
Gross profit	147,383	163,987
<i>% of net sales</i>	24.0%	24.4%
Selling, general and administrative ⁽¹⁾	93,292	103,392
<i>% of net sales</i>	15.2%	15.4%
Research and development	8,364	7,739
<i>% of net sales</i>	1.4%	1.2%
Operating income	45,727	52,856
<i>% of net sales</i>	7.5%	7.9%
Net interest expense	13,730	17,716
<i>% of net sales</i>	2.2%	2.6%
Other expense, write-off of investment	—	2,500
<i>% of net sales</i>	n/a	0.4%
Income before income taxes	31,997	32,640
<i>% of net sales</i>	5.2%	4.9%
Provision for income taxes	10,559	12,077
<i>Effective tax rate</i>	33.0%	37.0%
Net income	\$ 21,438	\$ 20,563
<i>% of net sales</i>	3.5%	3.1%
Earnings per common share		
Basic	\$ 0.44	\$ 0.42
Diluted	\$ 0.43	\$ 0.42
Weighted average common shares outstanding		
Basic	49,173	49,006
Diluted	49,584	49,127
Cash dividends declared per common share	\$ 0.18	\$ 0.17
Goodwill amortization disclosure		
Reported net income	\$ 21,438	\$ 20,563
Add back goodwill amortization, net of tax	—	8,000
Adjusted net income	\$ 21,438	\$ 28,563
Reported earnings per share - basic	\$ 0.44	\$ 0.42
Goodwill amortization	—	0.16
Adjusted net earnings per share - basic	\$ 0.44	\$ 0.58
Reported earnings per share - diluted	\$ 0.43	\$ 0.42
Goodwill amortization	—	0.16
Adjusted net earnings per share - diluted	\$ 0.43	\$ 0.58

⁽¹⁾ During the first quarter of 2002, we adopted SFAS 142 which requires that goodwill no longer be amortized. First quarter 2001 selling, general and administrative (SG&A) expense includes \$9,014 of goodwill amortization (\$8,000 net of tax, or \$0.16 per diluted share). SG&A expense in 2001 excluding the impact of goodwill amortization was \$94,378, or 14.1% of sales.

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

<i>In thousands</i>	March 30 2002	December 31 2001	March 31 2001
Assets			
Current assets			
Cash and cash equivalents	\$ 20,946	\$ 39,844	\$ 33,003
Accounts and notes receivable, net	447,483	398,579	508,344
Inventories	295,391	300,923	383,194
Other current assets	87,211	90,932	94,547
Net assets of discontinued operations	3,613	5,325	106,633
Total current assets	854,644	835,603	1,125,721
Property, plant and equipment, net	318,758	329,500	346,820
Goodwill, net	1,085,463	1,088,206	1,132,070
Other assets	116,833	118,889	66,373
Total assets	\$ 2,375,698	\$ 2,372,198	\$ 2,670,984
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ —	\$ —	\$ 170,111
Current maturities of long-term debt	5,972	8,729	24,569
Accounts and notes payable	197,407	179,149	224,293
Accrued expenses and other current liabilities	240,767	240,555	243,982
Total current liabilities	444,146	428,433	662,955
Long-term debt	689,136	714,977	782,173
Other noncurrent liabilities	214,929	213,786	202,421
Total liabilities	1,348,211	1,357,196	1,647,549
Shareholders' equity	1,027,487	1,015,002	1,023,435
Total liabilities and shareholders' equity	\$ 2,375,698	\$ 2,372,198	\$ 2,670,984
Days sales in accounts receivable (13 month moving average)	64	64	68
Days inventory on hand (13 month moving average)	72	75	80
Days in accounts payable (13 month moving average)	58	59	61
Debt/total capital	40.4%	41.6%	48.8%

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

<i>In thousands</i>	Three months ended	
	March 30 2002	March 31 2001
Operating activities		
Net income	\$ 21,438	\$ 20,563
Depreciation	15,035	16,854
Amortization of intangibles and unearned compensation	864	9,884
Deferred income taxes	2,089	(880)
Other expense, write-off of investment	—	2,500
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	(48,583)	(45,438)
Inventories	3,255	6,615
Prepaid expenses and other current assets	1,146	(3,969)
Accounts payable	21,318	(22,866)
Employee compensation and benefits	(13,768)	(16,832)
Accrued product claims and warranties	287	(552)
Income taxes	9,295	6,791
Other current liabilities	8,051	(3,425)
Pension and post-retirement benefits	2,506	2,930
Other assets and liabilities	(2,879)	(2,378)
Net cash provided by (used for) continuing operations	20,054	(30,203)
Net cash provided by (used for) discontinued operations	1,712	(9,894)
Net cash provided by (used for) operating activities	21,766	(40,097)
Investing activities		
Capital expenditures	(6,980)	(12,859)
Proceeds from sale of businesses	1,138	—
Acquisitions, net of cash acquired	—	(6,937)
Equity investments	(2,081)	—
Other	(165)	—
Net cash used for investing activities	(8,088)	(19,796)
Financing activities		
Net short-term borrowings (repayments)	—	62,016
Proceeds from long-term debt	45	2,413
Repayment of long-term debt	(27,736)	(1,189)
Proceeds from exercise of stock options	1,490	251
Dividends paid	(8,851)	(8,331)
Net cash provided by (used for) financing activities	(35,052)	55,160
Effect of exchange rate changes on cash	2,476	2,792
Change in cash and cash equivalents	(18,898)	(1,941)
Cash and cash equivalents, beginning of period	39,844	34,944
Cash and cash equivalents, end of period	\$ 20,946	\$ 33,003
Free cash flow		
Net cash provided by (used for) operating activities	\$ 21,766	\$ (40,097)
Less capital expenditures	(6,980)	(12,859)
Free cash flow	\$ 14,786	\$ (52,956)
Weighted average common shares outstanding - diluted		
	49,584	49,127
Free cash flow per share	\$ 0.30	\$ (1.08)

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

<i>In thousands, except per-share data</i>	Three months ended					Year 2001
	March 31 2001	June 30 2001	September 29 2001	December 31 2001	Year 2001	
Net sales	\$ 671,383	\$ 702,076	\$ 646,559	\$ 595,926	\$ 2,615,944	
Cost of goods sold	507,396	531,294	487,033	442,222	1,967,945	
Gross profit	163,987	170,782	159,526	153,704	647,999	
<i>% of net sales</i>	24.4%	24.3%	24.7%	25.8%	24.8%	
Selling, general and administrative	103,392	103,183	100,537	111,850	418,962	
<i>% of net sales</i>	15.4%	14.7%	15.5%	18.8%	16.0%	
Research and development	7,739	7,250	7,805	8,377	31,171	
<i>% of net sales</i>	1.2%	1.0%	1.2%	1.4%	1.2%	
Restructuring charge	—	—	—	40,105	40,105	
<i>% of net sales</i>	n/a	n/a	n/a	6.7%	1.5%	
Operating income (loss)	52,856	60,349	51,184	(6,628)	157,761	
<i>% of net sales</i>	7.9%	8.6%	7.9%	(1.1%)	6.0%	
Net interest expense	17,716	16,241	14,409	13,122	61,488	
<i>% of net sales</i>	2.6%	2.3%	2.2%	2.2%	2.4%	
Other expense, write-off of investment	2,500	—	—	485	2,985	
<i>% of net sales</i>	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	
<i>% of net sales</i>	4.9%	6.3%	5.7%	(3.4%)	3.6%	
Provision for income taxes	12,077	15,552	12,104	(3,961)	35,772	
<i>Effective tax rate</i>	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	
<i>% of net sales</i>	3.1%	4.1%	3.8%	(2.7%)	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	

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

<i>In thousands</i>	<u>2002</u>				<u>2001</u>		
	<u>First</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Year</u>	
<i>Net sales to external customers</i>							
Tools	\$ 261,069	\$ 240,392	\$ 285,905	\$ 250,677	\$ 261,632	\$ 1,038,606	
Water	212,806	220,852	241,017	231,565	194,084	887,518	
Enclosures	139,560	210,139	175,154	164,317	140,210	689,820	
Consolidated	\$ 613,435	\$ 671,383	\$ 702,076	\$ 646,559	\$ 595,926	\$ 2,615,944	
<i>Operating income (loss) as reported</i>							
Tools	\$ 16,686	\$ 7,863	\$ 18,218	\$ 17,524	\$ 19,627	\$ 63,232	
Water	29,747	28,193	35,650	28,427	17,522	109,792	
Enclosures	4,608	21,237	9,834	8,740	(37,954)	1,857	
Other	(5,314)	(4,437)	(3,353)	(3,507)	(5,823)	(17,120)	
Consolidated	\$ 45,727	\$ 52,856	\$ 60,349	\$ 51,184	\$ (6,628)	\$ 157,761	
<i>Restructuring charge (income)</i>							
Tools	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Water	—	—	—	—	—	—	
Enclosures	—	—	—	—	39,382	39,382	
Other	—	—	—	—	1,678	1,678	
Consolidated⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ 41,060	\$ 41,060	
<i>Goodwill amortization</i>							
Tools	\$ —	\$ 2,319	\$ 2,319	\$ 2,318	\$ 2,318	\$ 9,274	
Water	—	4,549	4,859	4,575	4,577	18,560	
Enclosures	—	2,146	2,060	2,066	2,001	8,273	
Total goodwill amortization	—	9,014	9,238	8,959	8,896	36,107	
Amortization of unearned compensation	864	870	1,443	1,442	1,813	5,568	
Total amortization	\$ 864	\$ 9,884	\$ 10,681	\$ 10,401	\$ 10,709	\$ 41,675	
<i>Operating income (loss) excluding restructuring charge and goodwill amortization</i>							
Tools	\$ 16,686	\$ 10,182	\$ 20,537	\$ 19,842	\$ 21,945	\$ 72,506	
Water	29,747	32,742	40,509	33,002	22,099	128,352	
Enclosures	4,608	23,383	11,894	10,806	3,429	49,512	
Other	(5,314)	(4,437)	(3,353)	(3,507)	(4,145)	(15,442)	
Consolidated	\$ 45,727	\$ 61,870	\$ 69,587	\$ 60,143	\$ 43,328	\$ 234,928	
<i>Operating income (loss) before restructuring charge and goodwill amortization as a percent of net sales</i>							
Tools	6.4%	4.2%	7.2%	7.9%	8.4%	7.0%	
Water	14.0%	14.8%	16.8%	14.3%	11.4%	14.5%	
Enclosures	3.3%	11.1%	6.8%	6.6%	2.4%	7.2%	
Consolidated	7.5%	9.2%	9.9%	9.3%	7.3%	9.0%	

⁽¹⁾ \$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.