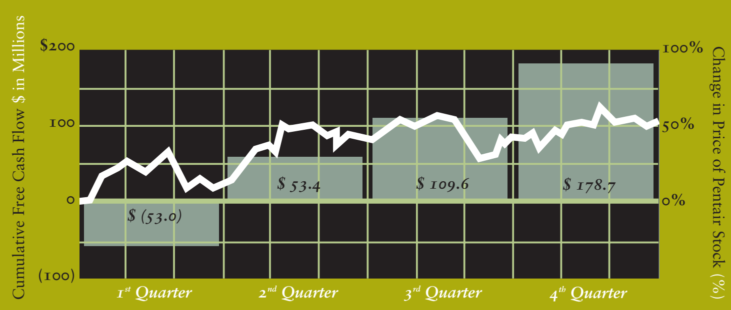
Pentair
Summary Annual Report 2001



Pentair Free Cash Flow and Stock Price Performance for 2001

Financial Highlights 2001

Pentair, Inc. and Subsidiaries — *Years ended December 31*

(Dollars in thousands, except per-share data)	2001	2000	1999
Net sales	$ 2,615,944	$ 2,748,013	$ 2,116,070
Operating income (1)	$ 198,821	$ 226,819	$ 224,774
Net income — continuing operations (1) (2) (3)	$ 87,285	$ 97,770	$ 112,723
Diluted EPS — continuing operations (1) (2) (3)	$ 1.77	$ 2.01	$ 2.55
Cash dividends declared per common share	$ 0.70	$ 0.66	$ 0.64
Total debt	$ 723,706	$ 913,974	$ 1,035,084
Shareholders' equity	$ 1,015,002	$ 1,010,591	$ 990,771
Debt/total capital	41.6%	47.5%	51.1%
Return on average common shareholders' equity (1)	6.1%	7.1%	13.8%
Net cash provided by operating activities	$ 232,334	$ 184,947	$ 144,296
Capital expenditures	$ 53,668	$ 68,041	$ 53,671
Free cash flow (4)	$ 178,666	$ 116,906	$ 90,625
Closing stock price	$ 36.52	$ 24.19	$ 38.50
Employees of continuing operations	11,700	13,100	12,400

(1) Excludes pre-tax restructuring charge of $41.1 million ($29.8 million after tax, or $0.60 per share), $24.8 million ($15.9 million after tax, or $0.33 per share) and $23.0 million ($14.6 million after tax, or $0.34 per share) in 2001, 2000, and 1999, respectively.

(2) Excludes loss on sale of discontinued operations of $(24.6) million, or $(0.50) per share, and income (loss) from discontinued operations of $(24.8) million, or $(0.51) per share, and $5.2 million, or $0.12 per share in 2001, 2000, and 1999, respectively.

(3) Excludes non-cash pre-tax cumulative effect of accounting change of $1.9 million ($1.2 million after tax, or $0.02 per share).

(4) Net cash provided by operating activities less capital expenditures

[Pentair is a diversified operating company that builds value for stakeholders by acquiring, renewing, and developing manufacturing companies. With 2001 sales of $2.6 billion, Pentair comprises three core business groups: tools, water technologies, and enclosures. Headquartered in St. Paul, Minnesota, the company employs 11,700 people in more than 50 locations around the world. Pentair common stock is traded on the New York Stock Exchange under the symbol: PNR]

Letter To Our *Shareholders*

Pentair made solid progress toward improved performance in 2001, but there's much more to be accomplished in 2002.

Randall J. Hogan

Pentair recorded concrete accomplishments in several important areas during 2001 — among them strong cash flow, reduced debt, innovative product development, and the adoption of lean enterprise practices. But our disappointing sales and earnings clearly illustrate another important fact: We have more work to do.

Last year, we said we would:

- *Establish a culture that emphasizes the value of cash flow;*
- *Refocus our corporate capabilities to drive high performance;*
- *Reinvigorate the Tools business to return it to superior performance; and,*
- *Position the Water Technologies and Enclosures businesses to perform in a weak economic environment.*

We met — and exceeded — the first two goals, we made progress on the third, and the fourth is underway.

Pentair exceeded its $150 million free cash flow goal by $29 million in 2001, generating a total of $179 million or free cash flow earnings per share of $3.62, up 50 percent over the prior year.

Working capital continued to improve dramatically. Overall, our 2001 average working capital decreased to 15.3 percent of sales versus 17.2 percent in the prior year, reflecting the results of our cash flow discipline. We still have productivity opportunities in working capital, which will help in achieving our $200 million free cash flow goal for 2002.

Our strong cash flow allowed us to pay down debt $190 million in 2001, resulting in a debt-to-total-capital ratio of 42 percent, versus 47 percent in the same period last year and 51 percent in 1999. Pentair has paid down debt of $480 million since April, 2000.

Our performance in 2001 was supported by the continuation of a cost reduction program we introduced late in 2000. Pentair's supply chain management initiatives were able to generate approximately $44 million incremental savings during 2001 despite lower purchase volumes. Headcount reductions totaled more than 1,600 employees during 2001 — more than 12 percent of Pentair's total employment — as we worked to size our businesses appropriately for the economic conditions we faced in 2001.

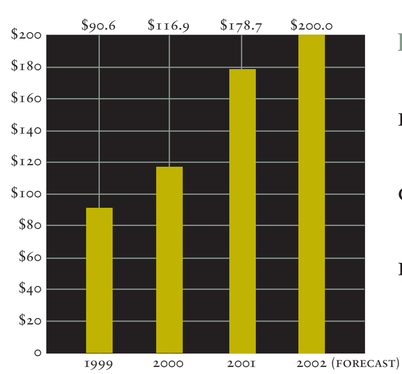
Cost saving was far from the only strategy we employed in 2001. We also reinforced the delivery of results, narrowed our focus on our core businesses by divesting Lincoln Industrial and Service Equipment, and increased investment in new product development.

Tools Group making good progress

In the Tools business, we continue to gain ground. Our plans to return the Tools Group to its traditional performance levels consisted of five key elements that combined to deliver a dramatic performance improvement:

Cost reduction — We trimmed headcount, restricted discretionary spending, reduced inventories, launched our lean enterprise initiative, reinforced our supply chain management effort, and focused on cost productivity as a measure of performance. These actions saved $30 million in Tools Group material costs during 2001.

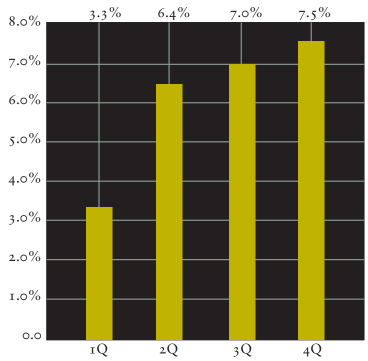
we generated cash



Upward trend in free cash flow $ in millions

PENTAIR GENERATED FREE CASH FLOW OF $179 MILLION IN 2001, $29 MILLION MORE THAN THE COMPANY'S $150 MILLION GOAL FOR THE YEAR. PENTAIR HAS SET A TARGET OF $200 MILLION IN FREE CASH FLOW FOR 2002.

we recovered



2001 Tools Group Margins by Quarter ROS %

PENTAIR'S TOOLS GROUP CONTINUED ITS RECOVERY VIA COST REDUCTIONS, PRICING, NEW PRODUCTS, CHANNEL MANAGEMENT, AND LEADERSHIP. MARGINS IN THE GROUP IMPROVED EACH QUARTER THROUGHOUT 2001.

Pricing discipline — We overhauled our pricing practices in 2001 to give us greater flexibility in serving multiple distribution channels and protecting margins. As a result, our realized price was about two percent higher in the fourth quarter of 2001 than in the same period the prior year.

New products — Innovation is the key to the tools market, and we increased our spending to drive sales and market share gains by offering a broader-than-ever range of innovative new tools including the first cordless router, a cordless jigsaw, a cordless twin power source brad nailer, a two-speed 13" planer, three direct-drive oil lube air compressors, a new range of pneumatic tools, and accessories to go with them. In fact, at the National Hardware Show in August 2001, we introduced 75 new products that yielded some $48 million in sales in 2001. Those same 75 new products are expected to generate an estimated $110 million in sales during 2002.

Channel management — We're doing a much better job of attending to the needs of all tools channels. We corrected our under-representation in some channels, and launched plans to enter new channels in which we didn't previously participate. For example, in 2001 we launched a major sales focus on new channels including plumbing and heating, ventilation and air conditioning (HVAC); agriculture dealers; and electrical distributors. We also have enhanced our customer service capabilities through technology and organizational realignment by channel.

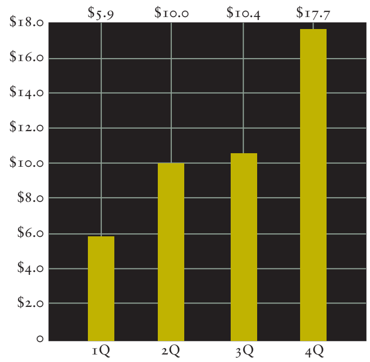
Leadership — We began 2001 with top-level management changes and fine-tuned the team with a rich mix of DeVilbiss Air Power Company, Porter-Cable, and outside talent. Today, we have a top-notch team in place, a fact that will continue to become apparent as the results they drive read out in 2002.

In summary, we have streamlined our Tools operations, cut overall operating and material costs, invigorated innovation, and redoubled efforts to return the business to high performance levels. These actions are delivering results and we're confident that 2002 will find the Group returning to strong revenue and profit performance.

Restructuring Enclosures

In Enclosures, our performance has been hit hard by the recessionary economy. The decrease in volume during 2001 was attributed to sharp declines in all enclosures markets, and an industrial market that was at its lowest point in the last decade.

we delivered savings



2001 incremental savings $ in millions

PENTAIR'S SUPPLY CHAIN MANAGEMENT INITIATIVES DELIVERED $44 MILLION OF INCREMENTAL SAVINGS DURING 2001. COST SAVING ACTIVITIES ARE EXPECTED TO CONTRIBUTE AN ESTIMATED $20 MILLION OF INCREMENTAL SAVINGS IN 2002.

Our response has been focused on reducing our overall cost structure, redefining our business mix, and strengthening our core capabilities. These actions allowed Enclosures to remain profitable throughout 2001, and we took further action by restructuring the business beginning in the Fourth Quarter 2001. The majority of a $41 million pre-tax restructuring charge was applied to support our objectives of reducing capacity by approximately 20 percent and headcount by some 25 percent. We expect this restructuring to return approximately a $15 million savings in 2002, and an annualized savings of $21 million thereafter.

The weakness that characterized enclosures markets in 2001 validates our strategy of maintaining broad product offerings that serve the full spectrum of enclosure markets and customers worldwide.

Pools buoyed Water Technologies' results

Performance in our Pool and Water Treatment businesses was on par with last year, while the Pump business experienced the effects of a softer economy and a decline in the industrial business. Despite lower earnings, the Water Technologies Group was a major contributor to Pentair's strong cash flow performance.

Although cost control and cash management have been at the forefront of our initiatives in the soft economy that characterized 2001, we have also been aggressively developing our engine for growth through innovation.

In our Water Treatment business, we are bringing next generation technologies to market in each of the key product families, including pressure vessels, valves, and reverse osmosis membrane housings. For example, a new proprietary materials technology for pressure tanks will lower the unit cost of our tank products and allow us to further penetrate the global pressure vessel market with products that last longer, perform better, and cost no more than steel.

Our Pump business continues to expand into value-added systems to gain incremental sales. For example, our new pre-packaged fire control systems have been very successful and have been specified for installation at newly constructed Target® stores.

Our Pool and Spa Equipment business has built upon the success of its Spectrum Amerlite (SAm) lights for swimming pools and is now introducing a similar system for spa applications. In addition, we have recently introduced a new low-NOx pool heater to the California market, where it is one of only a few such products capable of meeting new environmental requirements.

Pentair in 2002: A practical, powerful business

We believe that companies that make decisions in the best interests of shareholders, employees, and customers are the companies that will survive and excel. We intend to do just that — excel. What remains is for us to build on our momentum and focus our efforts in 2002 on three key actions:

1. Drive operating excellence — We are excited about the supply management and lean enterprise initiatives that have taken root in all our operating units. These two initiatives will assist us in achieving our goal of five-percent total cost productivity every year. This measure of productivity is a simple one — it means that we need to make our products five percent less expensively every year in order to meet competitive pressures and improve the performance we deliver to our shareholders and customers.

2. Commit to growth — Many of our businesses have exciting action plans to drive growth. These include new products, like the Tiger Claw™ variable angle saw by Porter-Cable; new channels to market, such as the security distributor channel that Hoffman Enclosures has added to its distribution network; and new territory developments, like Water Technologies' expansion into the Chinese market. We have many opportunities for growth in all three groups and we are committed to pursuing them aggressively.

3. Complete the performance turnarounds — The Tools business is on the mend, and our team is committed to regain its former status as a world leader. The Enclosures team can still taste the success they enjoyed as recently as the first quarter of 2001, and they are committed to get back to that level.

In 2002, we are working to reduce our overall cost structure by $38 million by further simplifying and rationalizing our infrastructure, capturing supply management opportunities, and implementing lean enterprise practices throughout the organization. Our efforts to strengthen our processes and systems capabilities, reinvigorate product development, and develop stronger talent throughout the company will continue. Finally, we will maintain our momentum on cash flow and improving return on investment.

These actions, which are elaborated upon in the operating group discussions that follow this letter, should substantially improve Pentair's performance through the remainder of 2002 — regardless of the prevailing economic conditions.

Pentair is in good shape and getting better. What remains is for us to move forward, and deliver strong results in 2002. I'm confident we can do just that.

Pentair will maintain its focus on improving cash flow, sales, and earnings. Our shareholders and our employees have every reason to be optimistic about where we're going and what the future holds for us.

I look forward to that future and invite you to join the entire Pentair organization in our enthusiasm.

Randall J. Hogan

Randall J. Hogan
President and Chief Executive Officer

How can a simple thing like a glass of water bring a smile to a child's face? While safe, clean water may be abundant in developed nations, it remains a luxury for the majority of the world's people.

Pentair is playing a key role in making safe, clean water available to an ever-growing portion of the world's population. In 2001, Pentair Water Treatment led the market in supplying pressure vessels for reverse osmosis systems in *(continues next page)*

for safe, clean water

Residents of Port Lisas, Trinidad, will enjoy the benefits of safe, clean water when the largest desalination operation in the Western Hemisphere is completed. CodeLine's™ fiberglass-reinforced membrane housings — designed specifically for reverse osmosis, desalination, microfiltration, ultrafiltration and nanofiltration processes — form the core of the 28.8 million-gallon-per-day filtration plant. A smaller operation in Menifee, California *[left]* features state-of-the-art CodeLine MultiPort vessels that provide potable water to a rapidly growing retirement community.

numerous water filtration projects under construction the world over. CodeLine™-brand reverse osmosis pressure vessels — fiberglass-reinforced membrane housings designed to withstand the high pressures required to filter microscopic material from water — are at the core of a 28.8 million-gallon-per-day reverse osmosis plant being constructed at Point Lisas, Trinidad. Rapid growth in the last decade has outstripped the supply of potable water in this region of Trinidad, and this $120 million facility — the largest in the western hemisphere — will treat seawater for industry, making more potable water available for consumption.

Pentair Water Treatment also is supplying pressure vessels for Florida's Tampa Bay project — the largest desalination plant of its kind in the United States.

Ensuring safe, abundant supplies of water

CodeLine is one of several leading brands aligned under Pentair's Water Technologies Group, which collectively provide the equipment and expertise for moving, treating, storing, and enjoying water. The Group consists of three global businesses: The Pentair Pump Group, Pentair Water Treatment, and Pentair Pool Products. These businesses manufacture products and systems sold into residential, commercial, industrial, municipal, and recreational markets.

The Pentair Pump Group is one of the top ten pump businesses in the world, and is the second largest water and wastewater pump business in North America. Its product offerings range from light-duty household utility pumps to massive, high-flow turbine pumps designed for municipal water applications. Brand names within the Pump Group include Myers®, Fairbanks Morse®, Hydromatic®, Aurora®, Water Ace®, and Shur-Dri®.

Pentair Water Treatment holds the number one position in the worldwide water treatment control valve and fiberglass pressure vessel market. It manufactures a wide range of control valves for residential, commercial, and industrial water conditioning systems. The business also offers an industry leading range of fiberglass/composite pressure vessels and storage tanks. Brand names within Pentair Water Treatment include Fleck®, SIATA, CodeLine, Structural, and WellMate™.

The Water Technologies Group launched the Pentair Pool Products name in early 2001, integrating ten pool and spa equipment brand names under a common identity. This decision, together with other strategies aimed at building the pool business' top line, resulted in Pentair Pool Products displacing its chief competitor to become the world's largest pool and spa equipment manufacturer.

The Water Technologies Group reported 2001 sales of $887.5 million, a two percent decline from 2000. Operating income for the segment totaled

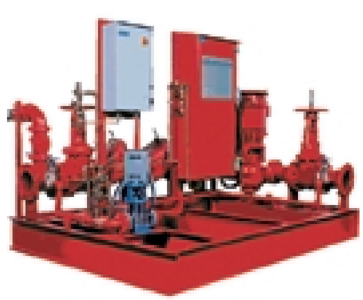
$109.8 million, down nine percent from 2000. The weak economic environment, coupled with unfavorable sales mix within the Pump business, dampened the Water Technologies Group's five-year annualized growth rate of 50 percent. The Water Technologies Group was a major contributor to Pentair's profit and strong cash flow performance during 2001.

Strategy emphasizes cost productivity, new product technology

Efforts to reduce the Group's overall cost structure in 2002 are placing priority on implementation of lean enterprise practices throughout the organization. Coupled with benefits of on-going supply management opportunities and reduction in inventories, these activities will support margin growth in the Water Technologies Group.

The Water Technologies Group is committed to growing at twice the industry average. This higher standard of performance will be achieved as a result of accelerated product development cycles. The Group also will continue to pursue system and service opportunities in most areas of its business. With additional strategic acquisitions to expand its expertise in these areas, the Water Technologies segment has bright prospects for further growth and improved performance.

water technologies


Pentair Pump Group, Pentair Water Treatment and Pentair Pool Products

For many people, accessing today's technology is a simple matter of plugging in a computer and establishing an account with an Internet service provider. This customer convenience is made possible by a large and complex technical infrastructure representing multi-billion dollar investments. The immense task of managing and maintaining this infrastructure is accomplished with the help of a host of technology savvy companies, including Pentair. *(continues next page)*

for communication

A Manitoba Telecom Services technician installs components in an outdoor digital subscriber line (DSL) enclosure that houses and protects the critical connection between local customer lines and MTS' DSL hubs *[left]*. Designed and built by Pentair's Hoffman Enclosures unit, these enclosures are a critical element in MTS' ability to provide high-speed Internet access to business and residential customers via its growing DSL network.

In 2001, for example, Pentair's Hoffman Enclosures played an important role in the expansion of telecommunications services provided by Manitoba's preeminent, full-service telecommunications company, Manitoba Telecom Services, Inc. (MTS). The decision to expand MTS' digital subscriber line (DSL) network required 450 outdoor DSL multiplexers — enclosures that house and protect the critical connection between the DSL hub and the customer's household or place of business. Hoffman Enclosures delivered a successful proposal for a fully integrated, custom enclosure within a very condensed timeframe; a prototype was designed, built, and components integrated in just 12 business days, and the first dozen units were delivered within a month of earning the contract.

The MTS project reflects the technology expertise and rapid response capabilities of Pentair's Enclosures businesses. Using its core industrial and electronic enclosures technologies as a foundation, the Group has leveraged existing assets to broaden its customer base and add new distributors, helping mitigate the impact of the economic downturn.

Safeguarding today's new technology

Many of the intricate components and equipment that make up the infrastructure of today's industrial, electrical, and technology markets are housed in enclosures and systems manufactured by Pentair's Enclosures Group. The Group goes to market under three primary brands: Hoffman Enclosures®, Schroff®, and Pentair Electronic Packaging®. Products manufactured by the Group include metal and composite enclosures that protect sensitive controls, components, and instrumentation.

The Group has a solid leadership position in global enclosure markets. Hoffman, the leading North American producer of electrical enclosures, sells through distributors to original equipment manufacturers (OEMs) as well as construction, petrochemical, automotive, pharmaceutical, and general manufacturing industries. Schroff, a leader in European and Asian electronic enclosure markets, sells direct to electronics, datacom, and telecom manufacturers. Pentair Electronic Packaging is a North American organization with a worldwide focus that provides custom and off-the-shelf enclosure packaging solutions to datacom and telecom OEMs via sales representatives and direct sales people.

The Group offers some of the best design and manufacturing capabilities in the industry with a full spectrum of products. The Enclosure businesses also provide integration services for their customers, and can manage the outsourcing of third party, non-core operations. Pentair has a worldwide presence, with enclosure facilities in the U.S. and key European markets, as well as Japan, China, and Brazil.

Profitable in a precarious market

The year 2001 was a difficult period for most capital goods manufacturers. With the curtailment of capital spending in industrial and commercial markets, and the precipitous decline in telecom markets, the Group faced a need to reduce costs. The majority of a $41.1 million pre-tax restructuring charge taken in the fourth quarter of 2001 reduced the Group's operating capacity by approximately 20 percent and trimmed headcount by some 25 percent. In the fourth quarter of 2001, plant closures were announced at locations in Pennsauken, New Jersey; Brooklyn Center, Minnesota; and in Europe. In addition, several support facilities are being closed. The restructuring, which will be completed in the first half of 2002, will yield an estimated $15 million in cost savings during 2002, and $21 million of savings annually thereafter. While the restructuring was comprehensive, it will not interfere with the Group's ability to serve our customers.

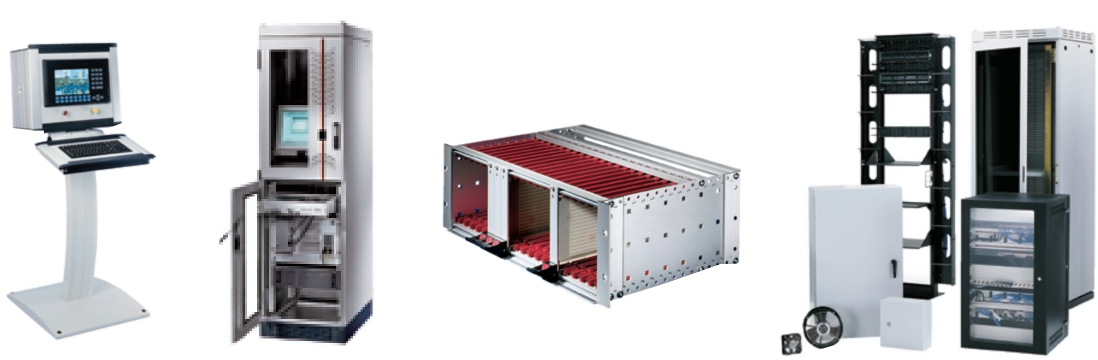
Enclosure Group sales totaled $689.8 million in 2001, an 11 percent decline over 2000 levels, and pre-restructuring operating income totaled $41.2 million, a 56 percent decrease over the previous year. The decrease in volume is attributed to sharp declines in all enclosures markets, with the industrial market at its lowest point in the last decade. Full-year margins dropped from 12.2 percent in 2000 to 6.0 percent in 2001 as revenues declined faster than fixed costs were reduced.

Strategy focuses on cost structure

The goal of the Group in 2002 will be to reduce operating costs by simplifying and rationalizing its infrastructure and by capturing savings through supply management activities, as well as continuing to implement lean enterprise programs throughout the worldwide organization. The Group will also work to take full advantage of opportunities that arise. We will exploit our strengths in a competitive environment.

The restructured Enclosures organization has excellent long-term prospects, and Pentair is taking the right steps to build on its position in global markets.

enclosures



Hoffman Enclosures, Schroff and Pentair Electronic Packaging

tools

Tools GROUP

Carpenters and craftsmen alike appreciate innovative, well-designed tools. That's why the brands of Pentair's Tools Group — Porter-Cable, Delta®, Biesemeyer®, Ex-Cell™, DAPC™, Air America®, Charge Air Pro®, and Water Driver™ — are among those preferred by savvy professionals and discriminating do-it-yourselfers. Innovation in new product development is a hallmark of Pentair's Tools Group, a fact supported by the hundreds of awards and honors bestowed upon its products in 2001 alone. *(continues next page)*

for craftsmanship

Woodworker, journalist, and educator, George Vondriska puts Porter-Cable's cordless twin power source brad nailer to the test in his workshop. The cordless nailer, which can be operated by a traditional compressor or its own battery powered on-board mini-compressor, is the creation of a reinvigorated product development function within the Pentair Tools Group. This is the same engineering group that developed the radical concept behind the one-of-a-kind Tiger Claw™ *[left]*, a variable angle construction saw featuring a cutting head that rotates in two dimensions.

Tools GROUP

As a contributing editor at one of the nation's leading woodworking magazines, and a woodworking educator, George Vondriska has used hundreds of tools from virtually every tool manufacturer in North America. It's no coincidence, therefore, that Pentair tools play a large role in the projects that George undertakes for his personal pleasure. The much-heralded Delta® two-speed 13" planer and Porter-Cable's new cordless twin power source brad nailer and cordless router have all been put to good use in George's shop, just as they have in thousands of workshops throughout North America.

While product innovation has long been a core competency of Pentair's Tools Group, the development process was accelerated in 2001 to provide a constant stream of innovative new products, to improve product launch speed by 50 percent, and to achieve lower costs while maintaining high quality levels. The innovation process combines the most advanced technology available with a deep understanding of end-users' needs, especially those needs that are in the early stages of development and are not served by any products on the market.

Cost reduction was another facet of the recovery strategy. The Group trimmed headcount, restricted discretionary spending, reduced inventories, launched its lean enterprise initiative, reinforced its supply chain management, and focused on cost productivity as a measure of performance.

Implementing lean enterprise practices, which reduce the waste of space, time, and effort throughout the business, delivered tangible benefits. For example, the Tiger Saw™ assembly line at Porter-Cable improved its labor productivity 24 percent, reduced its use of factory space 56 percent, and cut walking distance for plant associates by 16 percent. The net result of the supply management program, lean enterprise activity, and integrated product cost reduction was a quarter-by-quarter improvement in margins and a $43 million improvement in costs during the year.

In addition, the Tools Group revised its pricing in 2001 to allow more flexibility in serving its many distribution channels, and to protect margins. The result was a two percent improvement in realized prices in the fourth quarter of 2001 over those of the same period last year. The Group also entered new channels, including plumbing and HVAC, agriculture dealers, and electrical distributors.

Strong organic growth programs driving margin improvement

Sales in the Tools Group totaled $1.039 billion in 2001, a three percent decline from the previous year. Operating income for the segment was $63.2 million, up 117 percent from 2000. Excluding one-time charges taken in 2000, fourth quarter 2001 margins improved 600 basis points over previous year levels, and margins in the Group improved in each quarter of 2001.

In 2002, the Tools Group will drive growth through faster innovation and new product development, coupled with expanded accessory product offerings and further penetration of new and existing channels. Growth objectives will be supported by efforts aimed at expanding the service business and pursuing international markets.

The Group will continue to reduce its overall cost structure in 2002, principally through lean enterprise practices and supply management opportunities. These efforts will deliver improved productivity, which in turn will increase margins in 2002 and 2003.

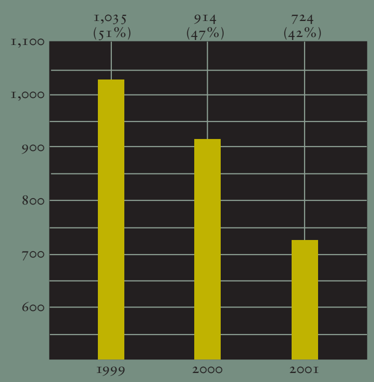
Capitalizing on its manufacturing, product innovation, marketing, and brand awareness strategies, the Tools Group succeeds by offering broad product lines to an ever-widening range of customers through multiple channels of distribution.

tools

tools group

Porter-Cable, Delta and DeVilbiss Air Power Company

we reduced debt



Total Debt $ in Millions (Debt/Capital)

PENTAIR PAID DOWN APPROXIMATELY $190 MILLION OF DEBT DURING 2001, MAKING USE OF FREE CASH FLOW AND PROCEEDS FROM DIVESTITURES. DEBT-TO-TOTAL CAPITAL AT THE END OF THE YEAR WAS 42 PERCENT, VERSUS 47 PERCENT AT THE END OF 2000.

Net sales

Sales by segment and the year-over-year changes were as follows:

(Dollars in thousands)	2001	2000	1999	2001 vs. 2000 $ change	2001 vs. 2000 % change	2000 vs. 1999 $ change	2000 vs. 1999 % change
Tools	$ 1,038,606	$ 1,066,616	$ 875,643	$ (28,010)	(2.6%)	$ 190,973	21.8%
Water	887,518	903,672	582,927	(16,154)	(1.8%)	320,745	55.0%
Enclosures	689,820	777,725	657,500	(87,905)	(11.3%)	120,225	18.3%
Total	$ 2,615,944	$ 2,748,013	$ 2,116,070	$ (132,069)	(4.8%)	$ 631,943	29.9%

Net sales in 2001 decreased by 4.8%, consisting of 4.4% volume decline and 0.5% unfavorable foreign currency effect, offset by 0.1% price increase. Net sales in 2000 increased 29.9%, consisting of 32.5% volume increase (up about 8% adjusted for acquisitions), offset by 1.0% decline in price and 1.6% unfavorable foreign currency effect.

Tools

The 2.6 percent decline in Tools segment sales in 2001 was primarily due to:

- lower sales volume due to the weak economy; and
- lower average selling prices in the first nine months of the year, stemming from the mid-2000 price discounting activities, somewhat offset by an increase in realized selling prices in the fourth quarter of 2001.

The 21.8 percent increase in Tools segment sales in 2000 was primarily due to:

- the September 1999 acquisition of DeVilbiss Air Power Company (DAPC); and
- higher sales volume in our Porter-Cable/Delta business.

These increases in 2000 were partially offset by:

- lower sales volume in 2000 for generators due to high inventories at distributors and retailers at the end of 1999 and lower storm sales in 2000; and
- lower average selling prices, primarily in our Porter-Cable/Delta business, due to price discounting in some markets on some products in 2000 to recover market share.

Water

The 1.8 percent decline in Water segment sales in 2001 was primarily due to:

- lower sales volume for our industrial pumps and components for large water filtration systems as a weaker economy slowed demand; and
- unfavorable foreign currency translation resulting from the stronger U.S. dollar.

These decreases in 2001 were partially offset by:

- higher sales volume in our pool and spa equipment business as we increased our market share.

The 55.0 percent increase in Water segment sales in 2000 was primarily due to:

- the August 1999 acquisition of the pressure vessel and pool and spa equipment businesses of Essef Corporation; and
- higher sales volume in our pump and valve businesses due to increased demand.

These increases in 2000 were somewhat offset by:

- unfavorable impacts of foreign currency translation.

Enclosures

The 11.3 percent decline in Enclosures segment sales in 2001 was primarily due to:

- lower sales volume attributable to sharp declines in all enclosures markets, somewhat offset by increased sales due to the expansion in the number of Hoffman distributors; and
- unfavorable impacts of foreign currency translation.

The 18.3 percent increase in Enclosures segment sales in 2000 was primarily due to:

- higher sales volume due to strong demand for our products in the telecom and datacom markets and with industrial original equipment manufacturers.

The increase in 2000 was somewhat offset by:

- unfavorable impacts of foreign currency translation. Excluding the impacts of foreign currency translation, 2000 Enclosures segment sales increased by 22 percent over 1999.

Operating income

The following table provides a comparison of operating income by segment excluding special items noted below:

				% of net sales		
(Dollars in thousands)	2001	2000	1999	2001	2000	1999
Tools (1)	$ 63,232	$ 59,147	$ 106,985	6.1%	5.5%	12.2%
Water	109,792	120,732	73,362	12.4%	13.4%	12.6%
Enclosures (2)	41,239	94,643	63,089	6.0%	12.2%	9.6%
Corporate/other (3)	(15,442)	(17,703)	(18,662)			
Total	$ 198,821	$ 256,819	$ 224,774	7.6%	9.3%	10.6%

(1) Tools segment operating income excludes restructuring charge expense of $5.4 million in 2000 and $6.3 million in 1999. Operating income also excludes one-time pre-tax costs to establish an additional $30.0 million in accounts receivable ($5.0 million in the second quarter of 2000 and $17.0 million in the fourth quarter of 2000) and inventory ($8.0 million in the fourth quarter of 2000) reserves.
(2) Enclosures segment operating income excludes restructuring charge expense (income) of $39.4 million in 2001, $(1.6) million in 2000 (due to a change in estimate of the 1999 restructuring liability), and $16.7 million in 1999.
(3) Excludes restructuring charge expense of $1.7 million in 2001 and $21.0 million in 2000.

Tools

The 0.6 percentage point increase in Tools segment 2001 operating income margin excluding special items was primarily due to:

- cost savings from our supply chain management and lean enterprise initiatives.

This increase in 2001 was partially offset by:

- lower sales volume due to the weak economy;
- lower average selling prices in the first nine months of the year, stemming from the mid-2000 price discounting activities, somewhat offset by an increase in realized selling prices in the fourth quarter of 2001;
- higher warranty costs.

The 6.7 percentage point decline in Tools segment 2000 operating income margin excluding special items was primarily due to:

- lower sales volume for generators and a change in product mix in our Porter-Cable/Delta business; and
- lower average selling prices due to price discounting to recover market share.

Water

The 1.0 percentage point decline in Water segment operating income margin in 2001 was primarily due to:

- lower sales volume in our higher margin pump and water treatment businesses which have been more directly affected by the economic slowdown.

The decline in 2001 was partially offset by:

- higher sales volume in our pool and spa equipment business as we increased our market share.

The 0.8 percentage point increase in Water segment operating income margin in 2000 was primarily due to:

- improved margins in the pool and spa equipment businesses acquired in August 1999;
- increased volume for pumps and valves; and
- material cost savings as a result of supply management initiatives coupled with increased labor productivity.

These increases in 2000 were partially offset by:

- unfavorable impacts of foreign currency translation.

Enclosures

The 6.2 percentage point decline in Enclosures 2001 operating income margin excluding special items was primarily due to:

- lower sales volume, attributable to sharp declines in all enclosures markets;
- unfavorable product mix; and
- higher benefit costs.

These decreases in 2001 were partially offset by:

- lower costs, primarily due to headcount reductions.

The 2.6 percentage point increase in Enclosures 2000 operating income margin excluding special items was primarily due to:

- higher sales volume due to strong demand for our products in the telecom and datacom markets and with industrial original equipment manufacturers.

This increase in 2000 was somewhat offset by:

- unfavorable product mix; and
- unfavorable impacts of foreign currency translation in 2000.

Report of management

We are responsible for the integrity and objectivity of the financial information presented in this report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include certain amounts based on our best estimates and judgment.

We are also responsible for establishing and maintaining our accounting systems and related internal controls, which are designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded. These systems and controls are reviewed by the internal auditors. In addition, our code of conduct states that our affairs are to be conducted under the highest ethical standards.

The independent auditors provide an independent review of the financial statements and the fairness of the information presented therein. The Audit and Finance Committee of the Board of Directors, composed solely of outside directors, meets regularly with us, our internal auditors and our independent auditors to review audit activities, internal controls, and other accounting, reporting, and financial matters. Both the independent auditors and internal auditors have unrestricted access to the Audit and Finance Committee.

Randall J. Hogan

RANDALL J. HOGAN
President and Chief Executive Officer
St. Paul, Minnesota
February 8, 2002

DAVID D. HARRISON
Executive Vice President and Chief Financial Officer

Independent auditors' report on condensed financial information

To the Board of Directors and Shareholders of Pentair, Inc.:

We have audited the consolidated balance sheets of Pentair, Inc. and subsidiaries (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flow for each of the three years in the period ended December 31, 2001. Such consolidated financial statements and our report thereon dated February 8, 2002, expressing an unqualified opinion (which are not included herein), are included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2001. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements of the Company is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

Minneapolis, Minnesota
February 8, 2002

CONDENSED CONSOLIDATED STATEMENTS *of* income

Pentair, Inc. and Subsidiaries	Years ended December 31		
(Dollars in thousands, except per-share data)	2001	2000	1999
Net sales	$ 2,615,944	$ 2,748,013	$ 2,116,070
Cost of goods sold	1,967,945	2,051,515	1,529,419
Gross profit	647,999	696,498	586,651
Selling, general and administrative	418,962	438,488	339,707
Research and development	31,171	31,191	22,170
Restructuring charge	40,105	24,789	23,048
Operating income	157,761	202,030	201,726
Interest income	960	1,488	1,472
Interest expense	62,448	76,387	45,054
Other expense, write-off of investment	2,985	—	—
Income from continuing operations before income taxes	93,288	127,131	158,144
Provision for income taxes	35,772	45,263	60,056
Income from continuing operations	57,516	81,868	98,088
Income (loss) from discontinued operations, net of tax	—	(24,759)	5,221
Loss on disposal of discontinued operations, net of tax	(24,647)	—	—
Cumulative effect of accounting change, net of tax	—	(1,222)	—
Net income	$ 32,869	$ 55,887	$ 103,309

Earnings per common share

Basic			
Continuing operations	$ 1.17	$ 1.68	$ 2.24
Discontinued operations	(0.50)	(0.51)	0.12
Cumulative effect of accounting change	—	(0.02)	—
Basic earnings per common share	$ 0.67	$ 1.15	$ 2.36
Diluted			
Continuing operations	$ 1.17	$ 1.68	$ 2.21
Discontinued operations	(0.50)	(0.51)	0.12
Cumulative effect of accounting change	—	(0.02)	—
Diluted earnings per common share	$ 0.67	$ 1.15	$ 2.33

Pro forma amounts assuming the accounting change is applied retroactively

Continuing operations	$ 57,516	$ 81,868	$ 97,514
Discontinued operations	(24,647)	(24,759)	5,221
Net income	$ 32,869	$ 57,109	$ 102,735
Pro forma earnings per common share			
Basic			
Continuing operations	$ 1.17	$ 1.68	$ 2.23
Discontinued operations	(0.50)	(0.51)	0.12
Basic earnings per common share	$ 0.67	$ 1.17	$ 2.35
Diluted			
Continuing operations	$ 1.17	$ 1.68	$ 2.20
Discontinued operations	(0.50)	(0.51)	0.12
Diluted earnings per common share	$ 0.67	$ 1.17	$2.32
Weighted average common shares outstanding			
Basic	49,047	48,544	43,803
Diluted	49,297	48,645	44,287

condensed consolidated BALANCE SHEETS

Pentair, Inc. and Subsidiaries	*Years ended December 31*	
(Dollars in thousands, except per-share data)	2001	2000
Assets		
Current assets		
Cash and cash equivalents	$ 39,844	$ 34,944
Accounts and notes receivable, net of allowance of $14,142 and $18,636, respectively	398,579	468,081
Inventories	300,923	392,495
Deferred income taxes	69,953	72,577
Prepaid expenses and other current assets	20,979	22,442
Net assets of discontinued operations	5,325	101,263
Total current assets	835,603	1,091,802
Property, plant and equipment, net	329,500	352,984
Other assets		
Goodwill, net	1,088,206	1,141,102
Other	118,889	58,137
Total other assets	1,207,095	1,199,239
Total assets	$ 2,372,198	$ 2,644,025
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings	$ —	$ 108,141
Current maturities of long-term debt	8,729	23,999
Accounts and notes payable	179,149	250,088
Employee compensation and benefits	74,888	84,197
Accrued product claims and warranties	37,590	42,189
Income taxes	6,252	5,487
Other current liabilities	121,825	134,691
Total current liabilities	428,433	648,792
Long-term debt	714,977	781,834
Pension and other retirement compensation	74,263	59,313
Postretirement medical and other benefits	43,583	34,213
Deferred income taxes	34,128	37,133
Other noncurrent liabilities	61,812	72,149
Total liabilities	1,357,196	1,633,434
Commitments and contingencies		
Shareholders' equity		
Common shares par value $0.16⅔; 49,110,859 and 48,711,955 shares issued and outstanding, respectively	8,193	8,119
Additional paid-in capital	478,541	468,425
Retained earnings	566,626	568,084
Unearned restricted stock compensation	(9,440)	(7,285)
Accumulated other comprehensive loss	(28,918)	(26,752)
Total shareholders' equity	1,015,002	1,010,591
Total liabilities and shareholders' equity	$ 2,372,198	$ 2,644,025

condensed consolidated statements of cash flow

Pentair, Inc. and Subsidiaries	Years ended December 31		
(Dollars in thousands)	2001	2000	1999
Operating activities			
Net income	$ 32,869	$ 55,887	$ 103,309
Depreciation	62,674	59,897	56,081
Amortization of intangibles and unearned compensation	41,675	39,131	25,987
Deferred income taxes	(5,315)	9,735	(1,954)
Restructuring charge	41,060	24,789	23,048
Other expense, write-off of investment	2,985	—	—
Loss on disposal of discontinued operations	24,647	—	—
Cumulative effect of accounting change	—	1,222	—
Changes in assets and liabilities, net of effects of business acquisitions and dispositions			
Accounts and notes receivable	70,890	17,908	(28,282)
Inventories	87,840	(45,893)	(26,449)
Prepaid expenses and other current assets	653	(9,588)	7,779
Accounts payable	(69,321)	32,973	26,423
Employee compensation and benefits	(13,185)	(10,810)	32,660
Accrued product claims and warranties	(4,468)	(6,318)	8,344
Income taxes	9,942	(8,467)	(4,462)
Other current liabilities	(50,758)	(17,715)	(48,076)
Pension and post-retirement benefits	17,199	5,353	953
Other assets and liabilities	(7,205)	(7,296)	(18,791)
Net cash provided by continuing operations	242,182	140,808	156,570
Net cash provided by (used for) discontinued operations	(9,848)	44,139	(12,274)
Net cash provided by operating activities	232,334	184,947	144,296
Investing activities			
Capital expenditures	(53,668)	(68,041)	(53,671)
Proceeds from sale of businesses	70,100	—	—
Acquisitions, net of cash acquired	(1,937)	—	(953,124)
Equity investments	(25,438)	—	—
Other	(186)	(32)	1,664
Net cash used for investing activities	(11,129)	(68,073)	(1,005,131)
Financing activities			
Net short-term borrowings (repayments)	(108,336)	(42,471)	150,612
Proceeds from long-term debt	2,811	8,108	351,297
Repayment of long-term debt	(84,525)	(82,271)	(59,814)
Proceeds from long-term bonds	—	—	250,000
Debt issuance costs	—	—	(2,430)
Proceeds from bridge loans	—	—	450,000
Repayment of bridge loans	—	—	(450,000)
Proceeds from exercise of stock options	2,913	3,100	4,454
Proceeds from issuance of common stock, net	—	774	214,480
Repurchases of common stock	(1,458)	(410)	(4,030)
Dividends paid	(34,327)	(32,038)	(28,201)
Net cash provided by (used for) financing activities	(222,922)	(145,208)	876,368
Effect of exchange rate changes on cash	6,617	263	18,344
Change in cash and cash equivalents	4,900	(28,071)	33,877
Cash and cash equivalents, beginning of period	34,944	63,015	29,138
Cash and cash equivalents, end of period	$ 39,844	$ 34,944	$ 63,015

SELECTED financial data

Pentair, Inc. and Subsidiaries — *Years ended December 31*

(Dollars in thousands, except per-share data)	2001	2000	1999	1998	1997	1996
Statement of operations						
Net sales: Tools	$ 1,038,606	$ 1,066,616	$ 875,643	$ 661,782	$ 573,787	$ 478,107
Water	887,518	903,672	582,927	441,030	306,047	218,344
Enclosures	689,820	777,725	657,500	586,829	600,491	566,919
Other	—	—	—	—	128,136	133,360
Total	2,615,944	2,748,013	2,116,070	1,689,641	1,608,461	1,396,730
Cost of goods sold	1,967,945	2,051,515	1,529,419	1,227,427	1,189,777	1,032,343
Other costs and expenses	450,133	469,679	361,877	297,972	272,578	240,982
Restructuring charge	40,105	24,789	23,048	—	—	—
Operating income: Tools	63,232	23,751	100,680	80,383	62,669	45,800
Water	109,792	120,732	73,362	56,264	32,366	30,562
Enclosures	1,857	96,268	46,346	46,026	47,282	53,856
Other	(17,120)	(38,721)	(18,662)	(18,431)	3,789	(6,813)
Total	157,761	202,030	201,726	164,242	146,106	123,405
Gain on sale of business	—	—	—	—	10,313	—
Net interest expense	61,488	74,899	43,582	19,855	19,729	16,849
Other expense, write-off of investment	2,985	—	—	—	—	—
Provision for income taxes	35,772	45,263	60,056	53,667	58,089	42,860
Income from continuing operations	57,516	81,868	98,088	90,720	78,601	63,696
Income (loss) from discontinued operations, net of tax	—	(24,759)	5,221	16,120	12,999	10,813
Loss on disposal of discontinued operations, net of tax	(24,647)	—	—	—	—	—
Cumulative effect of accounting change, net of tax	—	(1,222)	—	—	—	—
Net income	32,869	55,887	103,309	106,840	91,600	74,509
Preferred dividends	—	—	—	(4,267)	(4,867)	(4,928)
Income available to common shareholders	32,869	55,887	103,309	102,573	86,733	69,581
Common share data						
Diluted EPS — continuing operations	$ 1.17	$ 1.68	$ 2.21	$ 2.09	$ 1.81	$ 1.47
Diluted EPS — discontinued operations	(0.50)	(0.51)	0.12	0.37	0.30	0.26
Diluted EPS — cumulative effect of accounting change	—	(0.02)	—	—	—	—
Diluted EPS — net income	0.67	1.15	2.33	2.46	2.11	1.73
Cash dividends declared per common share	0.70	0.66	0.64	0.60	0.54	0.50
Balance sheet data						
Property and equipment, net	$ 329,500	$ 352,984	$ 367,783	$ 271,389	$ 261,486	$ 270,071
Total assets	2,372,198	2,644,025	2,706,516	1,484,207	1,413,494	1,236,694
Total debt	723,706	913,974	1,035,084	340,721	328,538	312,817
Shareholders' equity	1,015,002	1,010,591	990,771	707,628	627,653	560,751
Debt/total capital	41.6%	47.5%	51.1%	32.5%	34.4%	35.8%
Return on average common shareholders' equity	3.2%	5.6%	12.6%	16.7%	16.0%	14.4%
Other data						
Depreciation	$ 62,674	$ 59,897	$ 56,081	$ 46,571	$ 47,577	$ 42,620
Amortization of intangibles and unearned compensation	41,675	39,131	25,987	15,483	15,240	12,795
Capital expenditures	53,668	68,041	53,671	43,335	69,364	67,216
Employees of continuing operations	11,700	13,100	12,400	8,800	8,800	8,000

All financial information reflects our Equipment segment (Century Mfg Co./Lincoln Automotive and Lincoln Industrial businesses) as discontinued operations.
The 2001 results reflect a pre-tax loss on the sale of these businesses of $36.3 million ($24.6 million after tax, or $0.50 per share). The 2000 results reflect a non-cash pre-tax cumulative effect of accounting change related to revenue recognition that reduced income by $1.9 million ($1.2 million after tax, or $0.02 per share).
The 1997 results include a pre-tax gain on the sale of Federal Cartridge of $10.3 million ($1.2 million after tax, or $0.03 per share).

Board of **directors** *and Pentair* **officers**

Board of directors

WINSLOW H. BUXTON *(3, 4, 5), 62*
Chairman of the Board of Pentair, Inc.

WILLIAM J. CADOGAN *(3, 4), 53*
Former Chairman and Chief Executive Officer of ADC Telecommunications.

BARBARA B. GROGAN *(2, 4, 5), 54*
Chairman and President of Western Industrial Contractors, Inc.

CHARLES A. HAGGERTY *(2, 3, 4, 5), 60*
Chief Executive Officer of LeConte Associates, LLC.

WILLIAM H. HERNANDEZ *(1), 53*
Senior Vice President, Finance, of PPG Industries.

RANDALL J. HOGAN *(3, 4, 5), 46*
President and Chief Executive Officer of Pentair, Inc.

STUART MAITLAND *(1, 2), 56*
Former Director of Manufacturing Operations for Vehicle Operations, Ford Motor Company.

AUGUSTO MEOZZI *(1, 5), 62*
Chief Operating Officer of the Isola Group.

WILLIAM T. MONAHAN *(2), 54*
Chairman of the Board and Chief Executive Officer of Imation.

KAREN E. WELKE *(1, 5), 57*
Former Group Vice President for Medical Markets, 3M Company.

(1) Audit and Finance Committee, (2) Compensation/HR Committee, (3) Executive Committee, (4) Nominating/Governance, Public Policy and Share Rights Committee, (5) European Policy Subcommittee.

Corporate officers

WINSLOW H. BUXTON *Chairman of the Board*

RANDALL J. HOGAN *President and Chief Executive Officer*

DAVID D. HARRISON *Executive Vice President and Chief Financial Officer*

RICHARD J. CATHCART *President and Chief Operating Officer, Water Technologies*

FRANK J. FERACO *President and Chief Operating Officer, Tools*

MICHAEL V. SCHROCK *President and Chief Operating Officer, Enclosures*

LOUIS L. AINSWORTH *Senior Vice President and General Counsel*

KAREN A. DURANT *Vice President and Controller*

DEB S. KNUTSON *Vice President, Human Resources*

board of directors

from left to right

seated: KAREN E. WELKE and AUGUSTO MEOZZI

standing: WILLIAM T. MONAHAN, CHARLES A. HAGGERTY, STUART MAITLAND, BARBARA B. GROGAN, RANDALL J. HOGAN, WILLIAM J. CADOGAN, WINSLOW H. BUXTON, and WILLIAM H. HERNANDEZ

Investor Information

Common stock data Pentair common stock is listed on the New York Stock Exchange under the symbol PNR. The price information below represents closing sale prices reported in the Dow Jones Historical Stock Quote Reporter Service for the calendar year 2001. There were 4,229 shareholder accounts on December 31, 2001.

Price range and dividends of common stock ($)

2001	High	Low	Div.	Last	2000	High	Low	Div.	Last
1Q	30 9/16	22 1/2	0.17	25 31/64	1Q	39 7/16	31 13/16	0.16	37 1/16
2Q	36 13/32	24 1/2	0.17	33 51/64	2Q	44	35 5/16	0.16	35 1/2
3Q	38 3/64	28 57/64	0.18	30 49/64	3Q	36 3/8	23 15/16	0.17	26 3/4
4Q	39 9/32	29 47/64	0.18	36 33/64	4Q	30 1/2	21	0.17	24 3/16

Common dividends Dividends are $0.18 per share quarterly for an indicated annual rate of $0.72 per share. Pentair has now paid 104 consecutive quarterly dividends.

Dividend reinvestment Pentair has established a Dividend Reinvestment Plan. This plan enables shareholders to automatically reinvest Pentair dividends and to invest up to an additional $3,000 per calendar quarter in Pentair common stock, with any costs of purchasing the shares paid by the Company. The plan brochure and enrollment cards are available from the Company or Wells Fargo Bank Minnesota, N.A.

Direct book entry registration Pentair offers its shareholders the opportunity to participate in the Company's Direct Book Entry Registration service. Direct Book Entry is an uncertificated form of stock ownership that provides protection against loss, theft, and inadvertent destruction of stock certificate(s), while reducing administrative costs. Plan brochures and enrollment forms are available from the Company or Wells Fargo Bank Minnesota, N.A.

Annual meeting The annual meeting of shareholders will be held in the Auditorium at the Lutheran Brotherhood Building, 625 Fourth Avenue, Minneapolis, Minnesota, at 10:00 a.m. on May 1, 2002. Management and directors encourage all shareholders to attend the annual meeting.

Form 10-K available A copy of the Company's annual report on Form 10-K, as filed with the Securities and Exchange Commission, will be provided on request. Written requests should be directed to Pentair Investor Relations.

Takeover defense Pentair is committed to protecting its stakeholders from harm by corporate raiders and unfriendly takeover actions. Information on our position may be obtained by writing to the Pentair, Inc. corporate secretary at the corporate office.

Forward-looking statements This summary annual report contains forward-looking statements that are based on current expectations, estimates, and projections. These statements are not guarantees of future performance and involve risks and uncertainties, which are difficult to predict. For a discussion of these risks and uncertainties, please refer to Forms 10-Q and 10-K, which Pentair files with the Securities and Exchange Commission.

Trademarks, copyrights, and trade names Certain trademarks, copyrights, and trade names are owned or licensed by Pentair, Inc. or its wholly owned subsidiaries. Other trademarks, copyrights, and trade names may also appear in this report. It is not Pentair's intent to imply that these are its own.

Registrar and transfer agent Wells Fargo Bank Minnesota, N.A., St. Paul, MN 55164

Certified public accountants Deloitte & Touche LLP, Minneapolis, MN 55402

Code of Business Conduct

Pentair, Inc. chooses to be an independent, publicly owned company, and this statement is to guide the development of its organization and the conduct of its business affairs. Our businesses are to be managed in keeping with the highest business, ethical, moral and patriotic standards applicable to a publicly owned corporation. Our businesses are to be operated so that we are respected for our actions by shareholders, employees, plant communities, customers, suppliers, investors and all other stakeholders. Our approach to business is intended to make Pentair, Inc. a top-performing company managed and operated to provide long-term benefits to all constituents.

Operating Guidelines

- Balanced consideration will be given to the interests of shareholders and employees in managing the corporation.
- The corporation staff will be kept to minimum size, and subsidiary operations will be as autonomous as practicable.
- A strong work ethic is expected of all constituents. Good performance will be freely recognized. Poor performance will not be condoned.
- We will strive to: operate with the highest regard for the environment; eliminate environmental risks from the workplace; and minimize emissions and waste.
- The dignity and self-worth of all persons involved with the Company will be respected.
- Safety in the workplace and in work practices shall be maximized.
- We will encourage, aid and promote the physical and mental health and wellness of employees and their families.
- Qualified employees will be given priority for internal employment opportunities.
- Standards of ethics, integrity and work practices shall apply equally to all employees.
- We will honor agreements, meet obligations timely, maintain the spirit and intent of our commitments, and value good relationships.
- Hiring emphasis will recognize ability, compatibility and integrity, and will not discriminate on the basis of sex, religion, race or age.
- We will promote open and candid communications with emphasis on informality and on conversational exchanges.

we deliver

PENTAIR MADE SOLID PROGRESS

TOWARD IMPROVED PERFORMANCE IN 2001,

BUT THERE'S MUCH MORE

TO BE ACCOMPLISHED IN 2002.

Pentair

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