

it takes two...



**BRENETTE WILDER**  
*Product Engineer,  
Fairbanks Morse,  
Kansas City, Kansas*



**JASON JAMES**  
*Fabrication Supervisor,  
DeVilbiss,  
Decatur, Arkansas*

...and three...and four...and five...



**BEVERLY JACOBS**  
*Receptionist,  
Fairbanks Morse,  
Kansas City, Kansas*



**JANE DONG**  
*Production Planning,  
Wisetech,  
Suzhou, China*



**KAMALA PURAM**  
*Vice President  
Information Technology,  
Water Technologies Group,  
Pentair, St. Paul, Minnesota*



**GENE CASTON**  
*Manufacturing Manager,  
Hoffman,  
Mt. Sterling, Kentucky*



**ALBIN ERHART**  
*Sales Program  
Development Manager,  
Pentair Water Treatment,  
Brookfield, Wisconsin*

*Pentair is a diversified operating company that builds value for stakeholders by acquiring, renewing, and developing manufacturing companies. With 2002 sales of \$2.6 billion, Pentair comprises three core business groups: tools, water technologies, and enclosures. Headquartered in St. Paul, Minnesota, the company employs 12,000 people in more than 50 locations around the world. Pentair common stock is traded on the New York Stock Exchange under the symbol: PNR*

# we deliver

The people that made Pentair perform in 2002 delivered earnings per share of \$2.61, built net sales to \$2.6 billion, generated record free cash flow of \$214 million, introduced hundreds of new products, saved \$50 million via lean enterprise and supply chain management practices, and integrated two acquisitions with combined annual sales of almost \$150 million.

## ...and more to build our business.



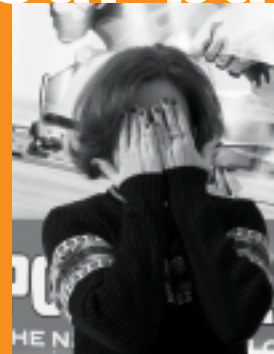
VUE LOR  
*Press Operator,  
Plymouth Products,  
Sheboygan, Wisconsin*



KEI GRATTON  
*Shareholder,  
Minneapolis, Minnesota*



KISEKO TAKAGI  
*President,  
Schroff Japan,  
Yokohama, Japan*



MARYANN WEAVER  
*Executive Assistant,  
Porter-Cable/Delta,  
Jackson, Tennessee*



DWAINE SMITH  
*Welder,  
Hoffman,  
Mt. Sterling, Kentucky*

# results

## financial highlights 2002

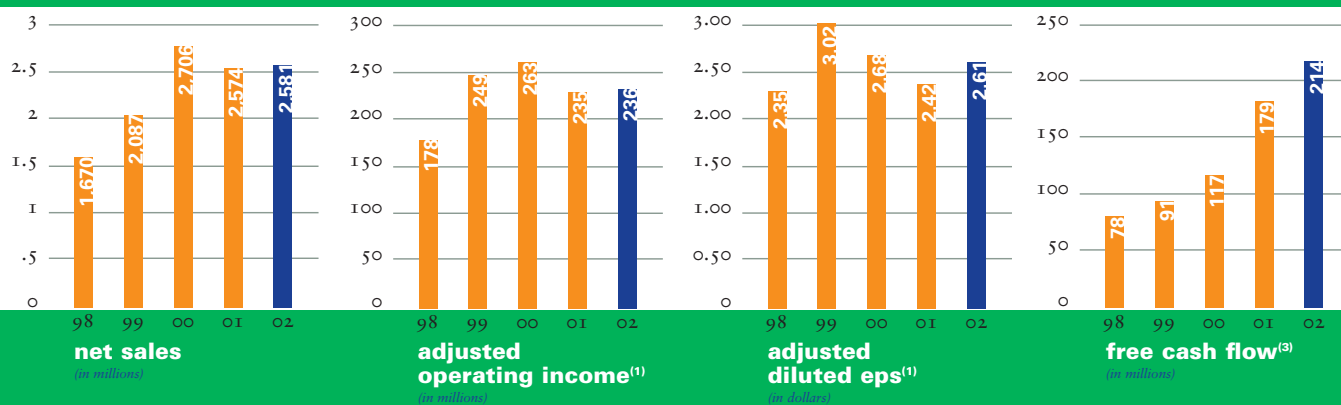
Pentair, Inc. and Subsidiaries

Years ended December 31

(Dollars in thousands, except per-share data)

	2002	2001	2000	1999	1998
<b>Operations:</b>					
Net sales	\$ 2,580,783	\$2,574,080	\$ 2,705,630	\$ 2,087,063	\$ 1,669,865
Operating income	235,992	157,761	202,030	201,726	164,242
Adjusted operating income <sup>(1)</sup>	235,992	234,928	263,275	249,183	178,154
Net income — continuing operations	129,902	57,516	81,868	98,088	90,720
Adjusted net income <sup>(1)</sup>	129,902	119,328	130,240	133,557	102,112
Diluted EPS — continuing operations	2.61	1.17	1.68	2.21	2.09
Adjusted diluted EPS <sup>(1)</sup>	2.61	2.42	2.68	3.02	2.35
Net cash provided by operating activities	270,794	232,334	184,947	144,296	120,872
Capital expenditures <sup>(2)</sup>	56,696	53,668	68,041	53,671	43,335
Free cash flow <sup>(3)</sup>	214,098	178,666	116,906	90,625	77,537
Number of employees at year end	11,900	11,700	13,100	12,400	8,800
<b>Other financial data:</b>					
Total debt	735,085	723,706	913,974	1,035,084	340,721
Shareholders' equity	1,105,724	1,015,002	1,010,591	990,771	707,628
Total debt as a percent of total capital	39.9%	41.6%	47.5%	51.1%	32.5%
Return on average shareholders' equity	12.3%	3.2%	5.6%	12.2%	15.4%
Cash dividends declared per common share	0.74	0.70	0.66	0.64	0.60
Closing stock price	34.55	36.52	24.19	38.50	39.81
<b>Reconciliation of adjustments:</b>					
Restructuring charge	—	41,060	24,789	23,048	—
Tax effect of restructuring charge	—	(11,291)	(8,887)	(8,413)	—
Diluted EPS effect of restructuring charge	—	0.60	0.33	0.34	—
Goodwill amortization <sup>(4)</sup>	—	36,107	36,456	24,409	13,912
Tax effect of goodwill amortization <sup>(4)</sup>	—	(4,064)	(3,986)	(3,575)	(2,520)
Diluted EPS effect of goodwill amortization <sup>(4)</sup>	—	0.65	0.67	0.47	0.26
Weighted-average shares — diluted	49,744	49,297	48,645	44,287	43,149

(1) Excludes restructuring charge and goodwill amortization. (2) Includes \$23.0 million for the acquisition of a previously leased facility. (3) Free cash flow defined as net cash provided by operating activities less capital expenditures. (4) Effective January 1, 2002, we adopted SFAS No. 142 which requires goodwill and intangible assets deemed to have an indefinite life no longer be amortized. This standard did not require restatement of prior period amounts to be consistent with the current year presentation. Certain financial information has been presented to show the effect of excluding goodwill amortization for the prior year periods to be comparable with the current year presentation.



## letter to shareholders

A year ago at this time, I expressed my expectation that Pentair's performance would substantially improve through the year 2002 as a result of efforts in three key areas: completing the performance turnarounds of our Tools and Enclosures businesses, driving operating excellence, and committing to growth. I'm pleased to report that those expectations were largely fulfilled in 2002, and that our hard work has begun to deliver results:

- ▶ For the third year in a row, we achieved record free cash flow reaching \$214 million in 2002. Our debt is now below 40 percent of total capital;
- ▶ Earnings per share of \$2.61 in 2002 reflected an eight percent gain over the prior year (excluding goodwill amortization and restructuring charge in 2001);
- ▶ Our return on invested capital increased to 14 percent in 2002, versus 10 percent in 2001;
- ▶ We have demonstrated our drive for operating excellence with our dedication to Lean Enterprise, which we call the Pentair Integrated Management System (PIMS), and Supply Chain Management practices, which generated savings of more than \$50 million in 2002;
- ▶ Our Enclosures Group fought through huge challenges in a depressed market environment and improved its return on sales in every quarter of 2002 on flat sales;
- ▶ Both the Tools and Water Technologies Groups achieved organic growth despite a tough economy;
- ▶ We made two acquisitions — Plymouth Products and Oldham Saw — that are strategic to the Water Technologies and Tools Groups, and these new businesses are already contributing to our earnings; and
- ▶ We continue to execute our strategies ethically and with integrity, upholding the tenets of the Pentair Code of Conduct.



**RANDALL J. HOGAN**  
*Chairman and  
Chief Executive Officer,  
Pentair, St. Paul, Minnesota*

### Accelerating Organic Growth in 2003

To leverage Pentair's improved operating capabilities, product development, and cost productivity efforts, we committed to grow by defining concrete initiatives and driving execution for top-line results. Our goal is to realize organic sales growth of between five percent and eight percent. Exploring new business platforms within our existing operations, expanding product lines, entering new channels, and establishing our businesses in new geographic markets are all avenues we are pursuing in an effort to accelerate Pentair's performance in the years ahead. The following are representative of efforts currently underway in our businesses:

#### In Tools:

**New products** New products are one of several initiatives adopted by the Tools Group as a means of achieving organic sales growth. The Group ended 2002 with a number of positive product development highlights, including:

- ▶ Improved time-to-market through shorter product development cycles — as much as 50 percent shorter than in 2001.
- ▶ New products — defined as products launched in the last 12 months — accounted for some 30 percent of 2002 sales.
- ▶ Patent applications, which we track as an indicator of results in R&D, were up more than 70 percent from 2001.

We have some very exciting new products in the pipeline for 2003, which we think will enhance our reputation as one of the most innovative power tool manufacturers.



**JIM FOSTER**  
*Safety Engineer,  
DeVilbiss Air Power,  
Decatur, Arkansas*



**JEFF WESSEL**  
*Senior Project Engineer,  
Porter-Cable/Delta,  
Jackson, Tennessee*

**Service branch expansion** Our network of service branches is an important link to the professional tool user, providing us direct contact with the most demanding consumers we serve. The service branches were a significant driver of sales growth in 2002, and we will establish more Porter-Cable/Delta branches in under-represented areas, which we expect will increase our opportunity to interact directly with professionals, enhance our brand awareness, and grow our sales.

**Industrial channel growth** We believe the Porter-Cable and Delta brands are well positioned in the premium/professional market. We refocused efforts to serve this channel starting in mid-2001 and are already delivering results — during 2002, our sales in the industrial channel were up almost 10 percent versus 2001. We aim to improve upon that number in 2003.



**MARY LOU PEREZ**  
*Pump Assembler,  
DeVilbiss Air Power,  
Decatur, Arkansas*

**Accessories** Our newly acquired Oldham Saw business has performed well and will serve as the platform for organic growth in the accessory area. The Home Depot recognized Oldham’s outstanding performance, naming the company Vendor of the Year for the Hardware department. This is the second time in three years Oldham has been

recognized with this award. We believe that the combination of Oldham’s strong capabilities, together with our position in the tools business, will fuel growth in accessories.



**AMY COWEN**  
*VP Logistics & Customer Service,  
Porter-Cable/Delta,  
Jackson, Tennessee*

**In Water Technologies:**

**Expansion of the packaged system product line** One of the Water Technologies Group’s key growth initiatives addresses the expansion of the packaged system concept. To date, our efforts have been focused on packaged fire pump systems, where we doubled sales from 2001 to 2002. Now we intend to further expand our sales in the years ahead by introducing the next series

of integrated systems. These include custom domestic water booster systems, municipal pumping stations, and irrigation systems. We anticipate other new products — targeted for commercial, OEM, industrial, and fire protection market segments — will also support the growth objectives.

**New pool and spa equipment products** In the Pool business, we continue to introduce new products that enhance the efficiency and enjoyment of pools and spas. The acquisition of two product lines in early 2003 — HydroTemp heat pumps and Letro Products pool cleaners — further expands our pool and spa equipment offering and will provide a basis for further product line extensions. In addition, we’re aggressively growing the Pool business overseas with more European product lines and deeper channel penetration.



**MARCI RICK**  
*Technical Support Specialist,  
Plymouth Products,  
Sheboygan, Wisconsin*



**MILDRED RIVERA**  
*Operator/Assembler,  
Plymouth Products,  
Sheboygan, Wisconsin*



**CHARLES “MAC”  
MCKENZIE**  
*Welder,  
Fairbanks Morse, Kansas City,  
Kansas*

**Improving the distribution footprint of the Water Treatment business** In Water Treatment, we’re improving the footprint for residential products by adding distributors and developing new products. In the fourth quarter of 2002 alone, we added 29 distributors — well on our way to having 75 new distributors by 2003.

**Expansion of Asian capabilities** While we are active in Asian water markets, the rapid pace of growth in this region — as high as 20 percent in 2002 — offers compelling incentive to expand our manufacturing capabilities and product lines.



**In Enclosures:**

**A focus on targeted market segments** Our Enclosures Group has identified several large attractive market segments having unique requirements for specialized enclosure products. We are now serving these markets, which include security, defense, medical, and food and beverage, with realigned marketing, product design and sales resources. In addition to targeted sales and distribution efforts, we are providing unique products geared to address the needs of users in these key markets. This initiative has already led to several significant contract wins.



**ORLANDO SALVADOR**  
PIMS Coordinator,  
Hoffman,  
Reynosa, Mexico



**PAULINE SMITH**  
Customer Service Coordinator,  
Hoffman,  
Mt. Sterling, Kentucky

**Continuing the pursuit of strategic**

**OEMs** In the late '90s, our Pentair Electronic Packaging (PEP) business was created to provide made-to-specification enclosures for direct sale to telecom and datacom OEMs. PEP's success in this approach — sales more than tripled between 1999 and 2001 — has prompted the Enclosures team to adopt a similar strategy in



**WILLIAM MYNHIER**  
Quality Technician,  
Hoffman,  
Mt. Sterling, Kentucky

working with *non-telecom/datacom* OEM businesses. Specific examples of this strategy in action include a supplier relationship with a major controls and automation manufacturer whose Mexican operations are served directly out of our Reynosa, Mexico facility, and one of the world's largest medical equipment manufacturers whose global production we also support.

**Leveraging our engineering and channel management capabilities** We are broadening our traditional product offering to take full advantage of our engineering and channel management capabilities. For example, we have greatly expanded our range of composite enclosures for applications that require corrosion

resistance and/or lightweight materials. Coupled with other recent successes, we now provide a greater range of solutions for our established channels such as new fiberglass enclosures and thermal management products. Concurrently, we are expanding our channel by attacking adjacent markets, such as commercial and networking, with a full array of new products.

**Globalize** We believe the Enclosures Group already has both the broadest product range in the industry and the largest global footprint, and it is working to capitalize on that position, following our end-customers to expanding markets. Along the way we are strengthening relationships and driving higher sales.



**TROY JOHNSON**  
*Production Coordinator,  
Fairbanks Morse,  
Kansas City, Kansas*

**Continuing Tradition of Strong, Ethical Corporate Governance**

Underlying our aggressive plans for 2003 is an ongoing commitment to remaining forthright and ethical in all aspects of our business, and especially so in matters related to finance and accounting practices.

The New York Stock Exchange (NYSE) proposed several initiatives aimed at preventing the type of financial mismanagement that marred the reputation of Corporate America in 2002. We at Pentair stand in full support of the NYSE’s initiatives. In fact, many of the Exchange’s proposals have been routine practices at Pentair for some time. Likewise, we welcomed the Security Exchange Commission’s (SEC) requirement that executives attest to the integrity of their financial statements by signing a sworn statement. This attestation is now part of our standard procedures.

In addition, Pentair’s board of directors is in full compliance with all effective corporate governance rules and laws that apply to publicly held companies in the United States as a result of Congressional action, rule-making by the SEC, and proposed rule-making by the NYSE.

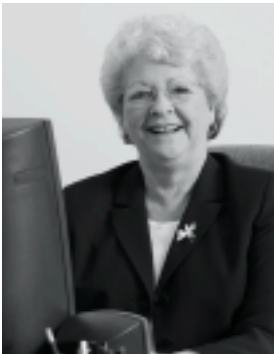
For 37 years, Pentair has enjoyed a reputation as a conservative, no-nonsense company that operates in accordance with a long-standing Code of Business Conduct (see pages 12 and 13). We all place great value in that reputation and, going forward, we will continue to paint by the numbers and color inside the lines.

**Pentair's value proposition**

We have moved beyond recovery in our Tools business and we are now working to push the performance of that business beyond the high levels it achieved in the past. We believe our Water Technologies business has built a strong basis for margin expansion that should generate excellent results as our core pump and water treatment markets continue to improve. Cost productivity actions and repositioning to serve growth markets in our Enclosures business continue to improve the bottom line and we are encouraged that industrial markets appear to be stabilizing. Pentair's cash flow discipline has been firmly established, and we continued a 27-year tradition of returning more cash to shareholders via an 11 percent dividend increase effective in the second quarter of 2003. We have committed to growing Pentair through several concrete initiatives, and we are working to achieve top-line results.



**GERARDO VASQUEZ**  
*Assembler,  
DeVilbiss Air Power,  
Decatur, Arkansas*



**MAVIS LAMBERT**  
*Human Resource Manager,  
Hydromatic,  
Ashland, Ohio*



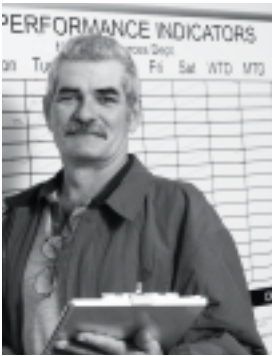
**SALLY KEOTA**  
*Material Handler,  
Pentair Water Treatment,  
Brookfield, Wisconsin*

In light of our progress in these areas, Pentair’s value proposition merits consideration not only for the quality and stability it represents, but for the opportunity it offers. Consider the following:

▶ We have instilled in our organization new respect for, and discipline in, the fundamentals of business. We have redefined the role of our operating leadership at both the corporate level and in our businesses; established better processes for operating review and oversight; improved our acquisition and integration capabilities; strengthened our business and financial analysis and communication; and, accelerated organization development, while changing the reward system to be more closely aligned with improved shareholder value.

▶ We have made excellent progress on our five key initiatives: our emphasis on cash flow has become part of our culture; our Supply Management initiative is driving performance gains in all of our businesses; our PIMS program is advancing new concepts across the organization and we are further accelerating its implementation; our commitment to our Talent Management efforts has been redoubled; and we are pursuing clear well-defined plans to build organic sales growth while remaining alert to acquisition opportunities that have the potential to expand or extend our existing business interests and offer high value for our shareholders.

▶ Each of Pentair’s business groups offer unique opportunities for added value in the short term, as well as attractive returns in the long term. Our enclosure businesses play a critical role in advancing industry and technology by housing and protecting sensitive electronic equipment. Our



**CHUCK NEAVEAR**  
*Assembly Supervisor,  
DeVilbiss Air Power, Decatur,  
Arkansas*



**JASON SREET**  
*Assembler,  
Hydromatic,  
Ashland, Ohio*

water businesses serve the fundamental need for safe, clean water. Our tools businesses help meet the requirements of shelter. We target higher-than-industry growth rates in each of these segments, provide value-added product and service innovations, and continue our drive toward world-class operating status.

- ▶ We continue to execute our strategies ethically and with integrity, upholding the tenets of the Pentair Code of Conduct.

We fully expect that ongoing progress on the initiatives outlined above,

coupled with a return to more normal business conditions, will allow us to achieve our goals of long-term earnings growth of 20 percent annually and solid free cash flow generation. With the continued support of our shareholders, customers, and employees, Pentair is



**PAUL MAZURA**  
*Vice President Product  
Development Europe, Schroff,  
Straubenhardt, Germany*



**JOHN SULLIVAN**  
*Quality Engineer,  
Porter-Cable/Delta,  
Jackson, Tennessee*



**ANNE NING**  
*Operations Manager,  
Pentair Water Technologies,  
Suzhou, China*

becoming a stronger company, bolstering its concrete record of accomplishment, and building a bright and prosperous future.



**RANDALL J. HOGAN**  
*Chairman and Chief Executive Officer*

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.

# code of business conduct



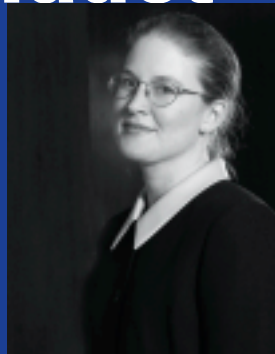
**MICHAEL BROWN**  
*Machine Operator,  
Fairbanks Morse,  
Kansas City, Kansas*



**LIU HONG-BING**  
*Assembly Line Worker,  
Wisetech,  
Suzhou, China*



**JAMES JEFFERSON**  
*Machinist,  
Fairbanks Morse,  
Kansas City, Kansas*



**ANGELA LAGESON**  
*Assistant General Counsel,  
Pentair,  
St. Paul, Minnesota*



**MICHELLE ROBERSON**  
*Assembly,  
Hoffman,  
Mt. Sterling, Kentucky*

- > **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.**

# operating guidelines

	<b>offerings</b>	<b>brands</b>	<b>applications</b>	<b>markets</b>
<b>Delta</b>	A full line of benchtop and stationary woodworking machines, and a complete line of accessories.	Delta, Delta Shopmaster, Delta Industrial, and Biesemeyer.	Woodworking, cabinet and furniture making, commercial and residential construction.	DIY/homeshop craftsmen; residential, commercial, and industrial construction; remodelers; cabinet manufacturers, case goods, and furniture makers.
<b>Porter-Cable</b>	Portable electric tools and related accessories; pneumatic nailers; and cordless tools including air powered nailing products, saws, routers, sanders, grinders, drills, etc.	Porter-Cable and FLEX.	Commercial and residential construction, professional woodworking and DIY.	Contractor, remodeler, DIYer, woodworker; furniture manufacturer, industrial fabrication and maintenance.
<b>DeVilbiss Air Power Company</b>	Pressure washers, air compressors, generators, pneumatic tools.	Air America, Ex-Cell, Power Back, Charge Air Pro, 2 by 4, and a variety of private label brands.	Commercial, contractor, and DIY activities.	Homeowners, professional building contractors, automotive, woodworkers, and industrial markets.
<b>Tools Accessories Platform</b>	Router bits, circular saw blades, and related accessories.	Oldham, Viper, Hickory, United States Saw, Delta, and Porter-Cable.	Commercial and residential construction and DIY activities.	Contractor, remodeler, DIYer, woodworker, furniture manufacturer, industry.
<b>Pentair Pump Group</b>	Products range from light duty household utility pumps to massive, high-flow turbine pumps designed for municipal water applications.	Myers, Shur-Dri, Fairbanks Morse, Aurora, Verti-line, Layne & Bowler, Hydromatic, Water Ace.	Pumps for residential and municipal wells; water treatment and wastewater solids handling; and fire protection.	Residential, commercial, municipal applications for sump, well and irrigation, fire, commercial HVAC, waste and water treatment, general industrial.
<b>Pentair Water Treatment</b>	Control valves; fiberglass pressure vessels; storage tanks; residential, commercial, and industrial filtration housings; replaceable cartridge elements; and drinking water filtration system components.	Fleck, SIATA, CodeLine, Structural, WellMate, American Plumber, Armor.	Products used in the manufacture of water softeners and filtration, deionization, desalination systems, and residential water filtration.	Residential, Commercial, Industrial, Municipal.
<b>Pentair Pool Products</b>	A complete line of pool/spa equipment and accessories including pumps, filters, valves, heaters, automatic controls, lights, automatic cleaners, commercial deck equipment, pool tile/finishing materials, cleaning/maintenance equipment, spa/jetted tub hydrotherapy fittings and pool/spa accessories.	Pentair, National Pool Tile, Rainbow Lifeguard, Paragon Aquatics, and Kreepy Krauly.	Pool and spa construction, maintenance, repair, and operations.	Residential, Commercial, and Municipal markets for in-ground and above-ground pools, Spas, and jetted tubs.
<b>Hoffman Enclosures</b>	Metallic and non-metallic enclosures and cabinets that house electrical and electronic controls, instruments, and components, as well as thermal management products.	Hoffman	Housing and storage of electrical and electronic controls, instruments, and components.	Automotive; petroleum and petrochemical; food; machine tool, and other industrial manufacturing customers; defense and security; and commercial construction.
<b>Pentair Enclosures Europe</b>	Metallic enclosures consisting of 19-inch racks, subracks and cabinets as structural parts for electrical and electronic devices/installations, as well as integrated solutions with power supplies, backplanes and thermal management products.	Schroff	Structural parts/housings for electrical and electronic devices/installations.	Telecom, computer networks, data communication, industrial controls, transport, test and measurement, medical, defense, and aerospace.
<b>Pentair Electronic Packaging</b>	Standard, modified, and custom enclosures and cabinets; cases, subracks, backplanes, turn-key, and custom micro-computer systems; and high-volume stamped chassis and assemblies.	Schroff, Taunus, Pentair Electronic Packaging.	Housing and storage of electrical and electronic controls, instruments, and components.	Electronics; datacom and telecom; medical; security; general industrial.



customers	competitors	strengths	locations	web
Home Depot, Lowe's, Sears, industrial tool distributors, mail order/e-commerce, hardware stores.	DeWalt, Makita, Ryobi, Grizzly, Skil, Powermatic, Emerson, and Jet.	Strong brand name – one of the most respected names in the business; Asian manufacturing capability.	Tupelo, Mississippi; Mesa, Arizona; Jackson, Tennessee; Ontario, Canada; Taichung, Taiwan; Qingdao and Suzhou, China.	deltawoodworking.com
Home Depot, Lowe's, Sears, industrial tool distributors, Mail order/e-commerce, hardware stores, lumber and building supply.	Skil/Bosch, Hitachi, Black & Decker/DeWalt, Stanley Works, Makita, and Milwaukee.	Professional brand name recognition, innovation, and best-in-class quality and value.	Jackson, Tennessee; Steinheim, Germany; Ontario, Canada.	porter-cable.com
Home Depot, Lowe's, Sears, Sam's Club, regional home centers, farm & agriculture stores, hardware, and STAFDA/Industrial.	Campbell-Hausfeld, Coleman, Karcher, Generac, DeWalt, Ingersoll Rand, and Florida Pneumatic.	DeVilbiss' new products, high quality, performance, and value has made DeVilbiss a leader in air compressor and pressure washer markets, and a strong player in generators and air tool markets.	Jackson, Tennessee; Decatur, Arkansas.	devap.com
Home Depot, Lowe's, Sears; lumber yards; industrial tool distributors; mail order/e-commerce; hardware stores.	DeWalt/Black & Decker, American Tool, Vermont American, Freud, various tool manufacturers.	Oldham Saw holds the leading share in the router bit category, and holds the second place position in the circular saw blade category in North America.	West Jefferson, North Carolina.	oldham-usa.com
Home centers, wholesale and retail distributors, plumbing wholesalers, supply houses, contractors, direct.	ITT, Grundfos, Flygt, Red Jacket, Wayne, Sta-Rite/WICOR (a div. of Wisconsin Energy).	One of the top 10 pump businesses in the world, and the second largest water and wastewater pump business in North America.	Ashland, Ohio; North Aurora, Illinois; Kansas City, Kansas; Shanghai, China.	aurorapump.com fairbanksmorsepump.com hydromatic.com laynevertiline.com femyers.com waterace.com shur-dri.com
Independent dealers, vertically integrated dealers, plumbing supply houses.	WICOR (a div. of Wisconsin Energy), KX Industries, Omnipure, Keystone, Osmonics/GE.	Holds the number one position in the worldwide water treatment control valve and fiberglass pressure vessel market, leading supplier of filtration products to residential, commercial, industrial markets.	Brookfield & Sheboygan, Wisconsin; Chardon, Ohio; Herentals, Belgium; Buc & Colombes, France; New Delhi & Goa, India; Billingham, England; Florence & Milan, Italy; Shanghai, China.	pentairwater.com fleckcontrols.com structural.com wellmate.com
Distributors, OEMs, builders, commercial contractors, pool service and specialty pool retailers.	Hayward, Sta-Rite.	The world's largest pool and spa equipment manufacturer.	Sanford, North Carolina; Moorpark, El Monte, and Anaheim, California; Lagrangeville, New York; Johannesburg, South Africa; Pregnana Milanese, Italy.	nptgonline.com paragonaquatics.com pentairpool.com rainbow-lifeguard.com
Industrial/Electrical MRO, OEM, electrical and data (on-premise) contractors.	Rittal, Saginaw, Hammond, Wiegmann, Cooper B-Line, local machine shops.	The leading North American producer of electrical enclosures; depth and breadth of product offering; low cost manufacturing; strong brand; and premier electrical distribution.	Anoka, Minnesota; Mt. Sterling, Kentucky; Reynosa and Mexico City, Mexico; Scarborough, Ontario, Canada; Boituva, Brazil; Singapore.	hoffmanonline.com
OEMs, Motorola, Ericsson, Siemens, Intel and electronic components distributors.	Rittal, Knuer, APW, Elma.	Worldwide brand recognition; Schroff pioneered the market for standardized 19-inch electronics packaging; product expertise; unit-cost efficiencies, integration capabilities.	Germany, United Kingdom, France, Sweden, Italy, and Poland.	schroff.de schroff.fr schroff.uk schroff.se
OEMs, Telecoms, Datacoms, Motorola, Lucent, Dell, HP, Distributors.	APW, Sanmina, Flextronics, Rittal, regional competitors.	Platform-based full-line solutions, speed and flexibility, global reach, supply chain management.	Warwick, Rhode Island; Des Plaines, Illinois; Reynosa, Mexico; Boituva Brazil.	pentair-ep.com

# overview

# we believe

Pentair has been – and continues to be – forthright and ethical in all aspects of business, and especially so in matters related to finance and accounting practices. For 37 years, Pentair has enjoyed a reputation as a conservative, no-nonsense business that operates in accordance with a long-standing Code of Business Conduct. The employees of Pentair place great value in that reputation, and will continue to paint by the numbers and color inside the lines.

...and more...and more...



**JEANETTE  
SUNDHOLM**  
*Cost Clerk, Pentair  
Water Treatment,  
Brookfield, Wisconsin*



**DAVID D. HARRISON**  
*Executive Vice President and  
Chief Financial Officer,  
Pentair,  
St. Paul, Minnesota*



**SARINA FERNANDES**  
*Purchasing Executive,  
Pentair Water India,  
Goa, India*



**JUDY CARLE**  
*Finance Director,  
Pentair Electronic Packaging,  
St. Paul, Minnesota*



**SANDI FOUST**  
*General Accountant,  
Fairbanks Morse,  
Kansas City, Kansas*

# financial reports

## Report of management

We are responsible for the integrity and objectivity of the financial information presented in this report. The condensed consolidated financial statements presented herein are derived from the consolidated financial statements included in our Annual Report on Form 10-K. The consolidated 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**  
Chairman and Chief Executive Officer  
St. Paul, Minnesota  
January 30, 2003



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

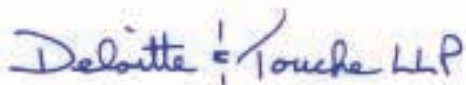
## Independent auditors' report on condensed financial information

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, 2002 and 2001, and the related consolidated statements of income, changes in shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2002. Such consolidated financial statements and our report thereon dated January 30, 2003, 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, 2002. 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 balance sheets [page 22] as of December 31, 2002 and 2001, and the related condensed consolidated statements of income [page 21] and cash flows [page 23] for each of the three years in the period ended December 31, 2002, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

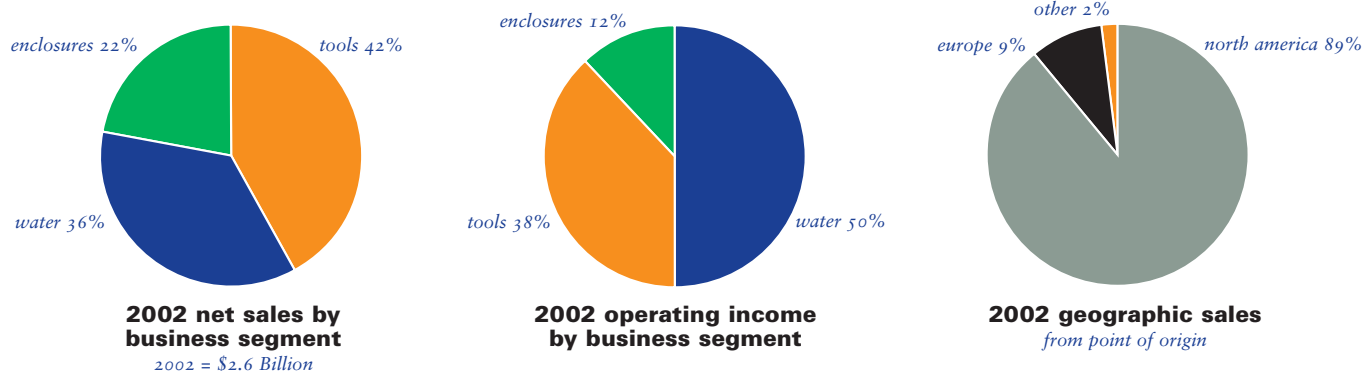
As discussed in Note 1 to the consolidated financial statements included in the Annual Report on Form 10-K, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."



Minneapolis, Minnesota  
January 30, 2003

## overview

We are a diversified industrial manufacturer operating in three segments: Tools, Water, and Enclosures. Our Tools segment manufactures and markets a wide range of power tools under several brand names generating approximately 40 percent of total revenues. Our Water segment manufactures and markets essential products for the transport and treatment of water and wastewater and generates approximately 35 percent of revenues. Our Enclosures segment accounts for approximately 25 percent of revenues, and designs, manufactures, and markets standard, modified and custom enclosures that protect sensitive controls and components for markets that include data communications, networking, telecommunications, test and measurement, automotive, medical, security, defense, and general electronics.



We refer to a non-GAAP financial measure, adjusted operating income (GAAP operating income excluding goodwill amortization and restructuring charges), because we believe it allows investors and management to meaningfully compare our operating performance between different periods.

## tools

In thousands	2002	2001	2000	1999	1998	1997	1996
Net sales	\$ 1,092,331	\$ 1,001,645	\$ 1,029,658	\$ 850,327	\$ 644,226	\$ 559,907	\$ 467,464
Sales growth %	9.1%	(2.7%)	21.1%	32.0%	15.1%	19.8%	
Operating income as reported	\$ 97,598	\$ 63,232	\$ 23,751	\$ 100,680	\$ 80,383	\$ 62,669	\$ 45,800
Add back goodwill amortization	—	9,274	9,285	3,282	287	214	306
Add back restructuring charge	—	—	5,396	6,305	—	—	—
Adjusted operating income	\$ 97,598	\$ 72,506	\$ 38,432	\$ 110,267	\$ 80,670	\$ 62,883	\$ 46,106
% of net sales	8.9%	7.2%	3.7%	13.0%	12.5%	11.2%	9.9%
Percentage point change	1.7	3.5	(9.3)	0.5	1.3	1.3	

### net sales — tools

The 9.1 percent increase in Tools segment sales in 2002 was primarily due to:

- higher sales volume in our DeVilbiss Air Power Company (DAPC) business, particularly for pressure washers;
- higher sales volume in our Delta business as a result of our new sub-branding strategy through the creation of Delta Shopmaster™ and Delta Industrial.™ The Delta Shopmaster™ brand is targeted toward the entry-level do-it-yourselfer and the Delta Industrial™ brand is targeted toward the professional craftsman; and
- the fourth quarter 2002 acquisition of Oldham Saw Co., Inc. (Oldham Saw).

These increases were partially offset by:

- declines in average selling prices due to the introduction of lower price point products for the Delta Shopmaster™ brand and heavy second-half 2002 promotional discounting in a more competitive marketplace.

The 2.7 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 stemming from the mid-2000 price discounting activities.

### operating income — tools

The 1.7 percentage point increase in Tools segment 2002 adjusted operating income as a percent of net sales was primarily due to:

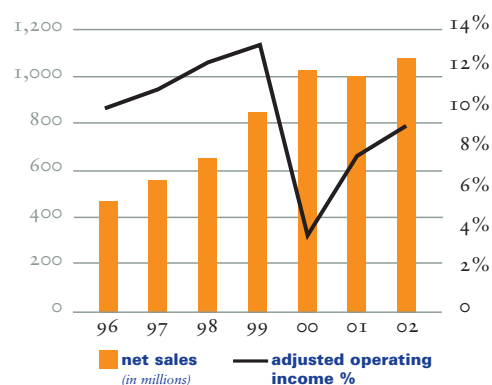
- higher sales volume in our DAPC and Delta businesses, partially offset by price declines due to promotional discounting;
- cost savings as a result of our supply management and lean enterprise initiatives; and
- the fourth quarter 2002 acquisition of Oldham Saw.

The 3.5 percentage point increase in Tools segment 2001 adjusted operating income as a percent of net sales was primarily due to:

- additional inventory valuation and bad debt reserves established in 2000 of \$30 million (2.9 percentage points), and cost savings from our supply chain management and lean enterprise initiatives.

These increases were partially offset by:

- lower sales volume due to the weak economy and selling prices stemming from mid-2000 price discounting activities, higher warranty costs, and unfavorable pension costs due to lower returns on pension assets.



## water

In thousands	2002	2001	2000	1999	1998	1997	1996
Net sales	<b>\$ 932,420</b>	\$ 882,615	\$ 898,247	\$ 579,236	\$ 438,810	\$ 304,647	\$ 216,769
Sales growth %	<b>5.6%</b>	(1.7%)	55.1%	32.0%	44.0%	40.5%	
Operating income as reported	<b>\$ 126,559</b>	\$ 109,792	\$ 120,732	\$ 73,362	\$ 56,264	\$ 32,366	\$ 30,562
Add back goodwill amortization	—	18,560	18,074	12,714	7,793	7,363	4,920
Adjusted operating income	<b>\$ 126,559</b>	\$ 128,352	\$ 138,806	\$ 86,076	\$ 64,057	\$ 39,729	\$ 35,482
% of net sales	<b>13.6%</b>	14.5%	15.5%	14.9%	14.6%	13.0%	16.4%
Percentage point change	<b>(0.9)</b>	(1.0)	0.6	0.3	1.6	(3.4)	

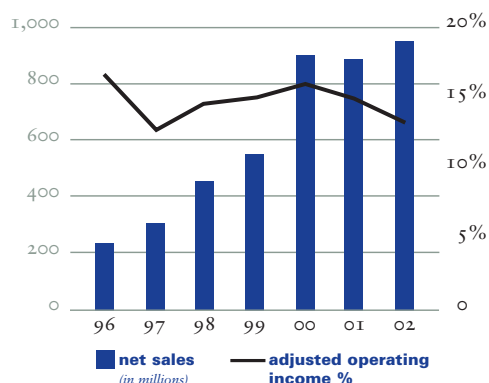
### net sales — water

The 5.6 percent increase in Water segment sales in 2002 was primarily due to:

- higher pump sales, with most of the growth coming from the residential retail and municipal markets;
- the October 2002 acquisition of Plymouth Products, Inc. (Plymouth Products); and
- higher sales volume in our pool and spa equipment business.

The 1.7 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 impacts of foreign currency translation. These decreases were partially offset by higher sales volume in our pool and spa equipment business as we increased our market share.



### operating income – water

The 0.9 percentage point decline in Water segment adjusted operating income as a percent of net sales in 2002 was primarily due to:

- unfavorable product mix as a result of higher sales of lower margin residential retail pumps;
- higher costs at certain pump and water treatment businesses; and
- price declines, primarily related to large international water treatment projects for reverse osmosis housings.

The 1.0 percentage point decline in Water segment adjusted operating income as a percent of net sales in 2001 was primarily due to:

- unfavorable product mix resulting from lower sales volume of certain high margin pump and water treatment products, which were more directly affected by the economic slowdown. These decreases were partially offset by higher sales volume in our pool and spa equipment business.

## enclosures

In thousands	2002	2001	2000	1999	1998	1997	1996
Net sales	\$ 556,032	\$ 689,820	\$ 777,725	\$ 657,500	\$ 586,829	\$ 600,491	\$ 566,919
Sales growth %	(19.4%)	(11.3%)	18.3%	12.0%	(2.3%)	5.9%	
Operating income as reported	\$ 29,942	\$ 1,857	\$ 96,268	\$ 46,346	\$ 46,026	\$ 47,282	\$ 53,856
Add back goodwill amortization	—	8,273	9,097	8,413	5,832	5,576	5,667
Add back restructuring charge	—	39,382	(1,625)	16,743	—	—	—
Adjusted operating income	\$ 29,942	\$ 49,512	\$ 103,740	\$ 71,502	\$ 51,858	\$ 52,858	\$ 59,523
% of net sales	5.4%	7.2%	13.3%	10.9%	8.8%	8.8%	10.5%
Percentage point change	(1.8)	(6.1)	2.4	2.1	0.0	(1.7)	

### net sales – enclosures

The 19.4 percent decline in Enclosures segment sales in 2002 was primarily due to:

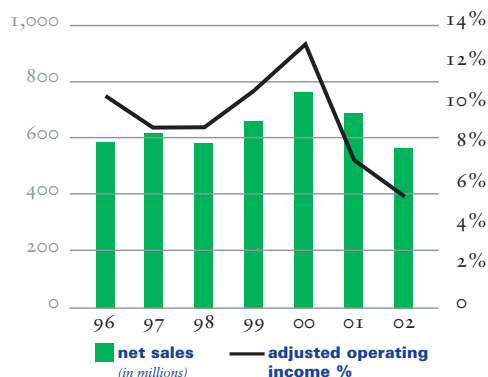
- lower sales volume reflecting severely reduced capital spending in the industrial market and over-capacity and weak demand in the datacom and telecom markets, partially offset by favorable foreign currency effects.

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, and unfavorable impacts of foreign currency translation, somewhat offset by increased sales due to the expansion in the number of Hoffman distributors.

### operating income – enclosures

The 1.8 percentage point decline in Enclosures segment 2002 adjusted operating income as a percent of net sales was primarily due to:



- lower sales volume due to continuing significant industry-wide sales declines, resulting in unabsorbed overhead despite reductions in overall cost structure, partially offset by savings realized as a part of our restructuring program, net of one-time nonrecurring costs.

The 6.1 percentage point decline in Enclosures segment 2001 adjusted operating income as a percent of net sales was primarily due to:

- lower sales volume, attributable to sharp declines in all enclosures markets, unfavorable product mix, and unfavorable pension costs due to lower returns on pension assets. These decreases in 2001 were partially offset by lower costs, primarily due to headcount reductions.

# condensed consolidated statements of income

Pentair, Inc. and Subsidiaries

Years ended December 31

In thousands, except per-share data	2002	2001	2000
Net sales	\$ 2,580,783	\$ 2,574,080	\$ 2,705,630
Cost of goods sold	1,965,076	1,967,945	2,051,515
Gross profit	615,707	606,135	654,115
Selling, general and administrative	342,806	377,098	396,105
Research and development	36,909	31,171	31,191
Restructuring charge	—	40,105	24,789
Operating income	235,992	157,761	202,030
Interest income	793	960	1,488
Interest expense	44,338	62,448	76,387
Other expense, write-off of investment	—	2,985	—
Income from continuing operations before income taxes	192,447	93,288	127,131
Provision for income taxes	62,545	35,772	45,263
Income from continuing operations	129,902	57,516	81,868
Loss from discontinued operations, net of tax	—	—	(24,759)
Loss on disposal of discontinued operations, net of tax	—	(24,647)	—
Cumulative effect of accounting change, net of tax	—	—	(1,222)
Net income	\$ 129,902	\$ 32,869	\$ 55,887

## Earnings per common share

### Basic

Continuing operations	\$ 2.64	\$ 1.17	\$ 1.68
Discontinued operations	—	(0.50)	(0.51)
Cumulative effect of accounting change	—	—	(0.02)
Basic earnings per common share	\$ 2.64	\$ 0.67	\$ 1.15

### Diluted

Continuing operations	\$ 2.61	\$ 1.17	\$ 1.68
Discontinued operations	—	(0.50)	(0.51)
Cumulative effect of accounting change	—	—	(0.02)
Diluted earnings per common share	\$ 2.61	\$ 0.67	\$ 1.15

## Weighted average common shares outstanding

Basic	49,235	49,047	48,544
Diluted	49,744	49,297	48,645

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in Pentair's Annual Report on Form 10-K.

# condensed consolidated balance sheets

Pentair, Inc. and Subsidiaries

December 31

In thousands, except share and per-share data

	2002	2001
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 39,648	\$ 39,844
Accounts and notes receivable, net of allowance of \$16,676 and \$14,142, respectively	403,793	398,579
Inventories	293,202	300,923
Deferred tax assets	55,234	69,953
Prepaid expenses and other current assets	17,132	20,979
Net assets of discontinued operations	1,799	5,325
Total current assets	810,808	835,603
Property, plant and equipment, net	351,316	329,500
Other assets		
Goodwill	1,218,341	1,088,206
Other	133,985	118,889
Total other assets	1,352,326	1,207,095
Total assets	\$ 2,514,450	\$ 2,372,198
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Short-term borrowings	\$ 686	\$ —
Current maturities of long-term debt	60,488	8,729
Accounts payable	171,709	179,149
Employee compensation and benefits	84,965	74,888
Accrued product claims and warranties	36,855	37,590
Income taxes	12,071	6,252
Other current liabilities	109,426	121,825
Total current liabilities	476,200	428,433
Long-term debt	673,911	714,977
Pension and other retirement compensation	124,301	74,263
Postretirement medical and other benefits	42,815	43,583
Deferred tax liabilities	31,728	34,128
Other noncurrent liabilities	59,771	61,812
Total liabilities	1,408,726	1,357,196
Commitments and contingencies		
Shareholders' equity		
Common shares par value \$0.16 2/3; 49,222,450 and 49,110,859 shares issued and outstanding, respectively	8,204	8,193
Additional paid-in capital	482,695	478,541
Retained earnings	660,108	566,626
Unearned restricted stock compensation	(5,138)	(9,440)
Accumulated other comprehensive loss	(40,145)	(28,918)
Total shareholders' equity	1,105,724	1,015,002
Total liabilities and shareholders' equity	\$ 2,514,450	\$ 2,372,198

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in Pentair's Annual Report on Form 10-K.



# condensed consolidated statements of cash flows

Pentair, Inc. and Subsidiaries

Years ended December 31

In thousands	2002	2001	2000
<b>Operating activities</b>			
Net income	\$ 129,902	\$ 32,869	\$ 55,887
Depreciation	58,833	62,674	59,897
Goodwill amortization	—	36,107	36,456
Other amortization	5,869	5,568	2,675
Deferred taxes	11,007	(5,315)	9,735
Restructuring charge	—	41,060	24,789
Other expense, write-off of investment	—	2,985	—
Loss on disposal of discontinued operations	—	24,647	—
Cumulative effect of accounting change	—	—	1,222
<b>Changes in assets and liabilities, net of effects of business acquisitions and dispositions</b>			
Accounts and notes receivable	25,535	70,890	17,908
Inventories	29,717	87,840	(45,893)
Prepaid expenses and other current assets	8,147	653	(9,588)
Accounts payable	(18,356)	(69,321)	32,973
Employee compensation and benefits	6,289	(13,185)	(10,810)
Accrued product claims and warranties	(1,704)	(4,468)	(6,318)
Income taxes	5,863	9,942	(8,467)
Other current liabilities	(18,384)	(50,758)	(17,715)
Pension and post-retirement benefits	15,030	17,199	5,353
Other assets and liabilities	9,520	(7,205)	(7,296)
Net cash provided by continuing operations	267,268	242,182	140,808
Net cash provided by (used for) discontinued operations	3,526	(9,848)	44,139
Net cash provided by operating activities	270,794	232,334	184,947
<b>Investing activities</b>			
Capital expenditures	(33,744)	(53,668)	(68,041)
Acquisition of previously leased facility	(22,952)	—	—
Proceeds from sale of businesses	1,744	70,100	—
Acquisitions, net of cash acquired	(170,270)	(1,937)	—
Equity investments	(9,383)	(25,438)	—
Other	(7)	(186)	(32)
Net cash used for investing activities	(234,612)	(11,129)	(68,073)
<b>Financing activities</b>			
Net short-term borrowings (repayments)	665	(108,336)	(42,471)
Proceeds from long-term debt	462,599	2,811	8,108
Repayment of long-term debt	(468,161)	(84,525)	(82,271)
Proceeds from exercise of stock options	2,730	2,913	3,100
Proceeds from issuance of common stock, net	—	—	774
Repurchases of common stock	—	(1,458)	(410)
Dividends paid	(36,420)	(34,327)	(32,038)
Net cash used for financing activities	(38,587)	(222,922)	(145,208)
Effect of exchange rate changes on cash	2,209	6,617	263
Change in cash and cash equivalents	(196)	4,900	(28,071)
Cash and cash equivalents, beginning of period	39,844	34,944	63,015
Cash and cash equivalents, end of period	\$ 39,648	\$ 39,844	\$ 34,944

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in Pentair's Annual Report on Form 10-K.

## selected financial data

Pentair, Inc. and Subsidiaries

Years ended December 31

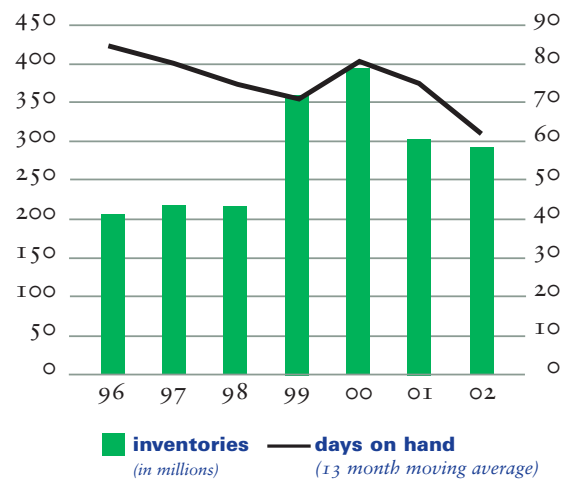
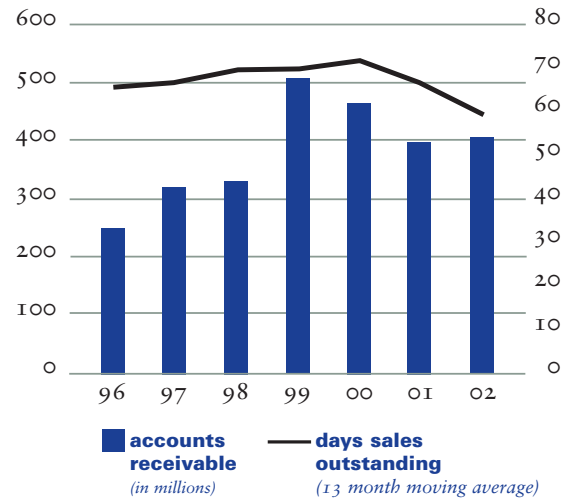
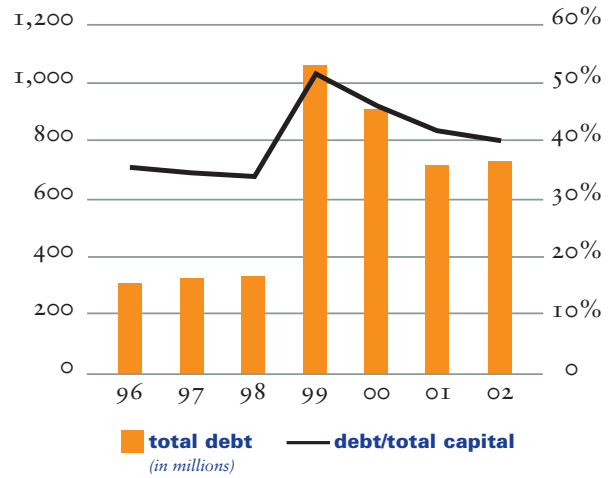
In thousands, except per-share data

	2002	2001	2000	1999
<b>Statement of operations</b>				
Net sales	\$ 2,580,783	\$ 2,574,080	\$ 2,705,630	\$ 2,087,063
<i>Sales growth</i>	<b>0.3%</b>	(4.9%)	29.6%	25.0%
Cost of goods sold	<b>1,965,076</b>	1,967,945	2,051,515	1,529,419
Gross profit	<b>615,707</b>	606,135	654,115	557,644
Margin %	<b>23.9%</b>	23.5%	24.2%	26.7%
Selling, general and administrative	<b>342,806</b>	377,098	396,105	310,700
Research and development	<b>36,909</b>	31,171	31,191	22,170
Restructuring charge	—	40,105	24,789	23,048
Operating income	<b>235,992</b>	157,761	202,030	201,726
Margin %	<b>9.1%</b>	6.1%	7.5%	9.7%
Margin % excluding restructuring charge	<b>9.1%</b>	7.7%	8.4%	10.8%
Gain on sale of business	—	—	—	—
Net interest expense	<b>43,545</b>	61,488	74,899	43,582
Other expense, write-off of investment	—	2,985	—	—
Provision for income taxes	<b>62,545</b>	35,772	45,263	60,056
Income from continuing operations	<b>129,902</b>	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	<b>129,902</b>	32,869	55,887	103,309
Preferred dividends	—	—	—	—
Income available to common shareholders	<b>129,902</b>	32,869	55,887	103,309
<b>Common share data</b>				
Basic EPS – continuing operations	<b>2.64</b>	1.17	1.68	2.24
Diluted EPS – continuing operations	<b>2.61</b>	1.17	1.68	2.21
Cash dividends declared per common share	<b>0.74</b>	0.70	0.66	0.64
Stock dividends declared per common share	—	—	—	—
Market value per share (December 31)	<b>34.55</b>	36.52	24.19	38.50
<b>Balance sheet data</b>				
Accounts receivable	<b>403,793</b>	398,579	468,081	502,235
Inventories	<b>293,202</b>	300,923	392,495	352,830
Property and equipment, net	<b>351,316</b>	329,500	352,984	367,783
Goodwill, net	<b>1,218,341</b>	1,088,206	1,141,102	1,164,056
Total assets	<b>2,514,450</b>	2,372,198	2,644,025	2,706,516
Total debt	<b>735,085</b>	723,706	913,974	1,035,084
Shareholders' equity	<b>1,105,724</b>	1,015,002	1,010,591	990,771
<b>Other data</b>				
Debt/total capital	<b>39.9%</b>	41.6%	47.5%	51.1%
Depreciation	<b>58,833</b>	62,674	59,897	56,081
Goodwill amortization	—	36,107	36,456	24,409
Tax effect of goodwill amortization (1)	—	(4,064)	(3,986)	(3,575)
Diluted EPS effect of goodwill amortization (1)	—	0.65	0.67	0.47
Other amortization	<b>5,869</b>	5,568	2,675	1,578
Net cash provided by operating activities	<b>270,794</b>	232,334	184,947	144,296
Capital expenditures	<b>56,696</b>	53,668	68,041	53,671
Employees of continuing operations	<b>11,900</b>	11,700	13,100	12,400
DSO (13 month moving average)	<b>59</b>	65	71	68
DOH (13 month moving average)	<b>63</b>	75	80	71

(1) Effective January 1, 2002, we adopted SFAS No. 142, Goodwill and Other Intangible Assets. This new standard requires that goodwill and intangible assets deemed to have an indefinite life no longer be amortized, was included as a part of selling, general and administrative expense. This standard did not require restatement of prior-period amounts to be consistent with the current-year presentation and therefore we have not made any adjustments to historical financial information presented. However, we have provided supplemental tax and diluted EPS information as we believe it is necessary to the understanding of historical financial information.

Years ended December 31

	1998	1997	1996
\$ 1,669,865	\$ 1,593,181	\$ 1,384,512	
4.8%	15.1%		
1,227,427	1,189,777	1,032,343	
442,438	403,404	352,169	
26.5%	25.3%	25.4%	
261,302	241,062	216,775	
16,894	16,236	11,989	
—	—	—	
164,242	146,106	123,405	
9.8%	9.2%	8.9%	
9.8%	9.2%	8.9%	
—	10,313	—	
19,855	19,729	16,849	
—	—	—	
53,667	58,089	42,860	
90,720	78,601	63,696	
16,120	12,999	10,813	
—	—	—	
—	—	—	
106,840	91,600	74,509	
(4,267)	(4,867)	(4,928)	
102,573	86,733	69,581	
2.25	1.94	1.57	
2.09	1.81	1.47	
0.60	0.54	0.50	
—	—	100%	
39.81	35.94	32.25	
331,672	314,289	246,436	
216,084	215,957	206,957	
271,389	261,486	270,071	
448,893	416,605	287,417	
1,484,207	1,413,494	1,236,694	
340,721	328,538	312,817	
707,628	627,653	560,751	
32.5%	34.4%	35.8%	
46,571	47,577	42,620	
13,912	13,571	11,395	
(2,520)	(2,321)	(1,576)	
0.26	0.25	0.22	
1,571	1,669	1,400	
120,872	107,896	104,479	
43,335	69,364	67,216	
8,800	8,800	8,000	
68	65	64	
75	80	85	



# board of directors

- (1) Audit and Finance Committee
- (2) Compensation Committee
- (3) Governance Committee
- (4) International Committee



WILLIAM J. CADOGAN  
(3), 54  
General Partner,  
St. Paul Venture Capital



BARBARA B. GROGAN  
(2,3,4), 55  
Chairman and President of  
Western Industrial Contractors, Inc.



CHARLES A. HAGGERTY  
(2,3,4), 61  
Chief Executive Officer of  
LeConte Associates, LLC



WILLIAM H. HERNANDEZ  
(1), 54  
Senior Vice President, Finance,  
of PPG Industries, Inc.

# corporate leadership

RANDALL J. HOGAN  
*Chairman and Chief Executive Officer*

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

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

H. EUGENE SWACKER  
*Interim President, Tools*

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

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

KAREN A. DURANT  
*Vice President Finance and Controller*



RANDALL J. HOGAN  
(4), 47  
*Chairman and  
Chief Executive Officer of  
Pentair, Inc.*



STUART MAITLAND  
(1,2), 57  
*Former Director of  
Manufacturing Operations  
for Vehicle Operations,  
Ford Motor Company*



AUGUSTO MEOZZI  
(1,4), 63  
*President and Chief Executive  
Officer of North American  
Operations, Isola Group*



WILLIAM T. MONAHAN  
(2), 55  
*Chairman of the Board and  
Chief Executive Officer  
of Imation Corp.*



KAREN WELKE  
(1,4), 58  
*Former Group Vice  
President for  
Medical Markets,  
3M Company*

## 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 2002. There were 4,092 shareholder accounts on December 31, 2002.

### Price range and dividends of common stock (\$)

2002	High	Low	Div.	Last	2001	High	Low	Div.	Last
1Q	45.1406	32.3750	0.18	44.9688	1Q	30.5625	22.5000	0.17	25.4844
2Q	49.6094	42.3438	0.18	48.0781	2Q	36.4063	24.5000	0.17	33.7969
3Q	47.1094	36.8400	0.19	37.7900	3Q	38.0469	28.8906	0.18	30.7656
4Q	38.3100	29.3400	0.19	34.5500	4Q	39.2813	29.7344	0.18	36.5156

**Common dividends** Dividends are \$0.19 per share quarterly for an indicated annual rate of \$0.76 per share. Pentair has now paid 108 consecutive quarterly dividends. Effective with the second quarter 2003, the dividend rate increased to \$0.21 per share for an indicated annual rate of \$0.84 per share.

**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 Thrivent Financial (formerly Lutheran Brotherhood), 625 Fourth Avenue South, Minneapolis, Minnesota, at 10:00 a.m. on April 30, 2003. 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.

**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. Important factors that could cause actual results to differ materially include changes in industry conditions, changes in business strategies, governmental and regulatory policies, general economic conditions, and changes in operating factors.

**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

# we excel

We believe that, in the long term, companies that make decisions in the best interest of their shareholders, employees, and customers are the companies that will survive and excel. Pentair intends to do just that – excel.

...and more...and more...



TARA KOELE  
*Senior Project Engineer  
& Lab Supervisor,  
Plymouth Products,  
Sheboygan, Wisconsin*



BARBARA JONES  
*Computer Operations,  
Porter-Cable/Delta,  
Jackson, Tennessee*



GORDON JOHNSON &  
DON SCHROEDER  
*Assemblers,  
Pentair Water Treatment,  
Brookfield, Wisconsin*



HAEZAL & GRETA  
*Future Product Engineer,  
and Systems Controller,  
respectively*



KENNY HARRIS  
*Drill Press Operator,  
Fairbanks Morse,  
Kansas City, Kansas*

...it takes us...and you.



**DAVID KEITHLEY**  
*Motor Assembler,  
Fairbanks Morse,  
Kansas City, Kansas*



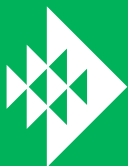
**LAURA RYAN**  
*Administrative Assistant,  
DeVilbiss Air Power,  
Decatur, Arkansas*



**EVA-ANNINA OPPINGER**  
*Advertising & Public Relations  
Manager,  
Pentair Enclosures Europe,  
Straubenhardt, Germany*



**ROBERT STANGL**  
*Shareholder,  
St. Paul, Minnesota*



**Pentair**

**Waters Edge Plaza  
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St. Paul, Minnesota 55113  
651.636.7920 tel**

**[www.pentair.com](http://www.pentair.com)**