four simple words

Pentair, Inc. Summary Annual Report 2004

financial highlights

Pentair, Inc. and Subsidiaries

(Dollars in thousands, except per-share data)	**2004**	2003	2002	2001	2000
	Years ended December 31				
Operations					
Net sales	**$ 2,278,129**	$1,642,987	$ 1,488,453	$1,572,435	$1,675,972
Operating income	**247,242**	170,210	131,295	86,205	171,803
Excluding certain items (1)	**247,242**	170,210	131,295	154,098	218,367
Net income — continuing operations	**137,024**	98,150	74,999	30,748	83,788
Excluding certain items (1)	**137,024**	98,150	74,999	83,489	119,200
Diluted EPS — continuing operations	**1.35**	0.99	0.75	0.31	0.86
Excluding certain items (1)	**1.35**	0.99	0.75	0.85	1.23
Net cash provided by operating activities	**264,091**	262,939	270,794	232,334	184,947
Capital expenditures (2)	**48,867**	43,622	56,696	53,668	68,041
Free cash flow (3)	**215,224**	219,317	214,098	178,666	116,906
Number of employees at year end	**12,900**	9,000	8,600	8,700	9,900
Other financial data					
Total debt	**736,105**	806,493	735,085	723,706	913,974
Shareholders' equity	**1,447,794**	1,261,478	1,105,724	1,015,002	1,010,591
Total debt as a percent of total capital	**33.7%**	39.0%	39.9%	41.6%	47.5%
Return on average shareholders' equity	**12.6%**	11.9%	12.3%	3.2%	5.6%
Cash dividends declared per common share	**0.43**	0.41	0.37	0.35	0.33
Closing stock price	**43.56**	22.85	17.28	18.26	12.09
Restructuring charge	**—**	—	—	41,060	19,393
Tax effect of restructuring charge	**—**	—	—	(11,291)	(7,384)
Diluted EPS effect of restructuring charge	**—**	—	—	0.30	0.12
Goodwill amortization (4)	**—**	—	—	26,833	27,171
Tax effect of goodwill amortization (4)	**—**	—	—	(3,861)	(3,768)
Diluted EPS effect of goodwill amortization (4)	**—**	—	—	0.23	0.24
Weighted-average shares — diluted	**101,706**	99,620	99,489	98,594	97,290

On May 17, 2004, our Board of Directors approved a 2-for-1 stock split in the form of a 100 percent stock dividend payable on June 8, 2004, to shareholders of record as of June 1, 2004. All share and per share information presented has been retroactively restated to reflect the effect of this stock split.

Effective after the close of business October 2, 2004, we completed the sale of the Tools Group to The Black & Decker Corporation. Our consolidated financial statements have been restated to reflect the Tools Group as a discontinued operation for all periods presented.

(1) Excludes restructuring charge, cumulative change in accounting principle, and goodwill amortization net of any related tax effects. (2) 2002 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.

Pentair is a focused diversified industrial manufacturing company headquartered in Minnesota. Its Water Group is a global leader in providing innovative products and systems used worldwide in the movement, treatment, storage and enjoyment of water. Pentair's Enclosures Group is a leader in the global enclosures market, designing and manufacturing standard, modified, and custom enclosures that house and protect sensitive electronics and electrical components. With 2004 revenues of $2.28 billion, Pentair has approximately 13,000 employees worldwide.

Pentair is a superior operating company

discipline

driving growth — both organic and acquired

drive

with a proven talent base

talent

and boldly managing the portfolio

action

to our shareholders

Discipline, drive, talent, action. These four simple words represent the core strategies that generated total returns of 92.3 percent (share price appreciation and dividends) for Pentair shareholders in 2004. This outstanding performance reflects an enviable list of accomplishments. Included among them are the following:

- We traded the earnings of the Tools Group, and its prospects, for the earnings of WICOR Inc., and water market prospects, for a net cost of approximately $100 million. With the WICOR acquisition, we will nearly double our water technology revenue and expand our global reach. We completed the transactions earlier than expected, and finished the year with a considerably stronger balance sheet.

- We achieved sales growth of 39 percent for the year, or 14 percent on an organic basis (removing the effects of acquisitions and excluding favorable foreign currency exchange). Total revenues were $2.3 billion, or $3.1 billion including the discontinued businesses. This demonstrates the value of the organic growth initiatives we instituted two years ago, and supports our belief that we have positioned the Company for growth in the global water and enclosures markets. So, even while the transformation was a huge undertaking, we clearly kept our eyes on the customer.

- Earnings Per Share from continuing operations totaled $1.35, up 36 percent over the prior year. We also improved the earnings quality of our Company, moving margins from 10.4 percent in 2003 to 10.9 percent in 2004. At the Group level, 2004 margins in Water, excluding the impact of the WICOR acquisition, increased 40 basis points over those of 2003. In Enclosures, margins in 2004 were 350 basis points higher than in 2003. Our lean enterprise program — known as the Pentair Integrated Management System (PIMS) — and supply management activities continue to drive margin improvement.

- Our integration of both the Everpure and the former WICOR water businesses is proceeding well. Everpure has met our aggressive expectations in the first full year of ownership and the former WICOR businesses are being integrated efficiently and effectively.

- We generated $215 million of free cash flow (cash flow from operating activities less capital expenditures). Higher margins, coupled with on-going improvement in working capital productivity, continue to improve our ability to consistently generate positive cash flows.

- We reduced our outstanding debt by $70 million during 2004, while completing the largest acquisition in our history. At the end of 2004, Pentair's debt-to-total-capital ratio was 33.7 percent — approximately five points lower than what it was in late 2003. Clearly, we have the financial resources necessary to further expand our Water and Enclosures businesses.

- We announced a dividend rate increase of 18 percent to an annualized rate of $0.52 per share effective in February 2005, and implemented a two-for-one stock split in June 2004. The dividend increase was the 29th consecutive annual increase that Pentair has delivered to its shareholders.

These are no small feats. Many companies try to transform themselves and fail. Pentair, however, has had three successful transformations since 1966. More importantly, we maintained our momentum in 2004, accomplishing many other key projects and meeting our operating objectives — even while completing the largest transformation in our Company's history. These actions were consistent with our strategy to drive shareholder value by focusing on attractive growth markets where we can better control our own destiny, and building and executing a set of key operating disciplines to make Pentair a high performance company.

discipline

During the past three years, Pentair has worked to establish and maintain a set of operating disciplines designed to impart structure and accountability throughout the organization. Included among them is a commitment to deliver ever-improving results with measurements to track sales, operating income, earnings per share, receivables and inventories, free cash flow, debt, and a variety of market measures. Pentair has advanced this process by adopting key operating practices such as comprehensive standardized internal reporting processes; robust command and control mechanisms; and, more recently, the mechanism of strategy deployment as a means of linking actions, strategies, and goals. Applying these disciplines to our strategic initiatives, we are more effectively managing our cash flow, supply management and PIMS/lean enterprise processes, talent management, and organic growth initiatives across Pentair.

We are completing the integration of the former WICOR businesses and continuing our journey to a high performance company. We continue to drive our operating disciplines — honed over the past four years at what are now our highest-performing businesses — into all of our operations. We are reinforcing our efforts to build our talent base and equip our employees with the skills and tools they need to help grow Pentair. And, we have focused greater attention on the engines that will drive that growth, both organically and through acquisitions, in the future.

Accelerating international growth, operating initiatives

We have already taken many actions to accelerate growth at Pentair and continue to identify attractive new opportunities to strengthen shareholder value. Our vital next steps in building a fast-growing, global company include developing new growth platforms and seizing opportunities in markets beyond North America.

To assist in these efforts, we named Richard Cathcart as vice chairman of Pentair in February 2005. Rick has taken on primary responsibility for strategic growth initiatives, particularly international growth and business development. That means he will drive our strategic action for organic growth and accelerate sales around the world. In 2004, Pentair's sales into international markets were 23 percent of total sales; over the next five years, we intend to increase that percentage to 40 percent. We believe this objective is achievable, as we now have two attractive businesses — Water and Enclosures — that are global in nature.

Rick is the right person for this important role, having identified water as a growth platform for Pentair in 1995. In just 10 years, Rick led Pentair's water business from $100 million of sales to a $2 billion global leader. In 2004, he led the integration of the WICOR Inc. businesses, effectively doubling the size of our Water Group. And, throughout these significant transitions, he led a continued focus on results. Your board of directors and management team are confident Rick will strive for even greater success in Pentair's growth initiatives through his proven leadership, intellect, integrity and commitment.

drive

Pentair focuses on capturing organic and acquired growth opportunities across the organization. Growing organically requires that we focus on the customer and identify new and different opportunities to serve them. We are applying our growth evaluation framework — which we call our growth "trees" — to prioritize and track performance. These actions have proven-out in our successful efforts to segment distribution, enter new markets, and work with customers to identify emerging markets and new products. We must also capture opportunities for acquired growth. In identifying these opportunities, we will employ comprehensive financial evaluations, work to articulate the strategic role of the acquired business within Pentair, and form clear and concrete integration and leadership plans that deliver increased value for our shareholders.

talent

Pentair is building on the strengths of its proven talent base. Through our shared values, our Code of Business Conduct, and our ongoing desire not just to win, but to win right, Pentair has established a strong and supportive cultural foundation. We are building on that foundation by training our employees to succeed in our high-performance organizations, by nurturing and educating future leaders of the organization, by sharing best practices in professional development, and by employing the use of leadership and functional area councils that share and implement performance-enhancing strategies.

Growth plans target customers, channel management, new geographies, and new products

The organic growth emphasis at Pentair is centered on four elements: building a stronger customer focus, more effectively managing the channels of distribution, entering new geographies, and developing innovative new products. In early 2005, for example, we announced an important strategic alliance with Ecolab — the leading global developer and marketer of premium cleaning, sanitizing, pest elimination, maintenance and repair products for a broad array of industries. Under the agreement, Ecolab is delivering Pentair's market-leading water treatment and filtration solutions to the foodservice and hospitality markets through Ecolab's world-class sales and service organization. The great breadth and depth of Pentair's product lines, combined with Ecolab's sales, marketing and service capabilities, will strengthen our position and increase our volume by providing filtration and water conditioning customers with higher levels of service and a broader product offering.

Steps we took in recent years to segment distribution in our North American electrical enclosures markets serve as another example of how Pentair can grow by addressing the needs of the customer. We strengthened our leading position in electrical enclosures by segmenting our distribution according to end-industry markets. This allowed us to tailor distribution to end markets such as industrial, commercial and networking, and added hundreds of new distributors to the base. The segmentation process has resulted in more than $50 million of sales from new distributors added since 1999, with about 30 percent of those added sales coming from targeted growth markets.

An example of how product development plays a role in our growth plans can be found in our Enclosures Group's Advanced Telecommunications Computing Architecture (ATCA) packaging system. This product is the industry's first open architecture platform specification for carrier-grade central office equipment. Our global Enclosures business was directly involved in the establishment of the standard and was the first in the industry to provide a complete range of fully functional units, less than 12 months after approval of the standard. The ATCA standard reflects the innovative thinking that typifies the strong organic growth results in our Enclosures business.

Pentair will continue to grow by addressing customer needs, by more effectively managing distribution channels, by entering new geographies, and by introducing new and innovative products throughout the world.

action

Pentair has made three successful transformations since its inception in 1966. Of these, the most recent transformed Pentair to a water-led diversified manufacturer from a tools-led manufacturer and, in the process, added more than $2 billion to Pentair's market capitalization. Through bold portfolio management and by targeting our most attractive markets, we have achieved higher performance levels and delivered higher returns to our shareholders, thereby positioning the Company for new growth and added value.

Driving high performance

Looking ahead, our plans center on actions in five key areas:

1. Achieve excellence in our operating initiatives

In 2001, Pentair began improving its operating practices through three key strategic initiatives: our PIMS lean enterprise practices, supply management, and cash flow. By working these initiatives hard, we established consistently high levels of free cash flow in each of the past four years, reduced our costs, improved productivity, and crafted a stronger operating entity overall. Today, we are working to further institutionalize these processes, making them part of our culture.

2. Craft a stronger global orientation

Our international strategy is a work in progress. At this stage, we are building the leadership necessary to drive international growth and marshal the resources to support it. While most of our resources are deployed in our key established markets, the greatest growth opportunities reside in other regions of the globe. We are actively working to align our resources and investments with these bright opportunities, particularly those in Asia and Eastern Europe.

3. Grow through internal development and acquisitions

In 2002, Pentair launched an initiative to exploit our growth prospects, setting a five-year goal of achieving organic sales growth of five to eight percent annually. The results thus far are encouraging, with both of our operating groups recording positive organic growth in 2003 and double-digit organic growth in 2004. As previously mentioned, we believe we can accelerate organic growth through our emphasis on customers, channels, geographies, and products.

Acquisitions will continue to play a role in our growth strategy. We are confident we have built a good acquisition capability, and we are institutionalizing that capability so that it can be sustained and repeated with each new acquisition. Our disciplines require that we have a well-articulated strategic fit, a strong rationale for our ownership, a clear leadership plan, and a detailed integration plan, in addition to the bottom-up financial analysis.

4. Maintain our values

My shorthand for Pentair's ethics and business conduct consists of two words: Win Right. By that, I mean that Pentair sets its sights on winning in all aspects of business but, more importantly, we want to win only in ways that are consistent with our high standards of ethics.

Underlying our aggressive plans for 2005 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. We worked hard to make certain that we were in compliance with Section 404 of the Sarbanes-Oxley Act during 2004, and we are proud to report that we had no material weaknesses and received an unqualified opinion from our external auditor on the effectiveness of our internal control over financial reporting.

For 38 years, Pentair has enjoyed a reputation as a conservative, no-nonsense company that operates in accordance with a long-standing Code of Business Conduct. We all place great value in that reputation. We will win, but we will win right.

5. Build talent to drive results

The talent management initiative launched in 2001 has grown to encompass a variety of programs and best practices that will nurture talent across the organization over the long term. Short term, we have strengthened our human resources function to support general management in this critical area. For example, we upgraded the talent in our supply management organization, enabling us to achieve purchasing synergies from acquisitions. Further, we are focusing on sharing our operating disciplines enterprise-wide, supporting professional development, and building competencies in international management and in other key functional areas, such as engineering and strategic marketing. This new, more proactive talent management process will be a central part of driving Pentair's high performance culture in the years ahead.

A new understanding

In summary, we believe we have the business mix, the leadership, and the resources to substantially improve our performance in 2005 and beyond. We will achieve our goals by remaining close to our businesses, staying grounded and practical in our outlook, practicing our proven competencies, and expanding our skill sets. Our future is made more secure through efforts to expand internationally, to achieve organic growth and balance it with disciplined acquisitions, and to extend our reach through new channels of commerce and product offerings.

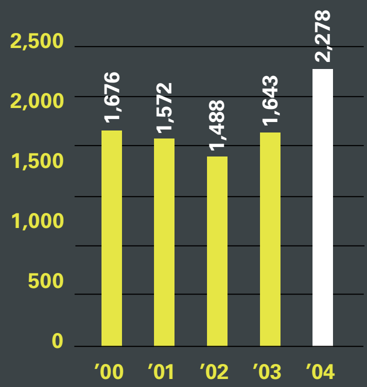
Discipline, drive, talent, action. Our performance in 2004 reflects the potential that these words — and the underlying value proposition they represent — offer for Pentair shareholders. We enter 2005 with a new understanding of what is possible and with greater confidence in our abilities to drive shareholder value by focusing on attractive growth markets where we can better control our own destiny and execute our operating disciplines. We at Pentair look forward to the future and thank you for your support.

Randall J. Hogan
Chairman and Chief Executive Officer

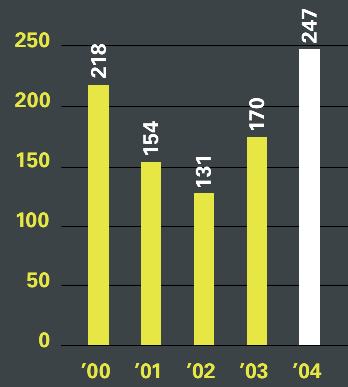
overview

groups	markets	offerings	brands
Water	**Pump Systems** Residential, commercial and municipal applications for sump, well and waste water; turf and agricultural spraying and irrigation; fire protection; car wash; marine; HVAC; water treatment; foodservice; water feature; pressure cleaning; and general commercial and industrial applications.	Products range from light-duty diaphragm pumps to high-flow turbine pumps and solid handling pumps designed for water and wastewater applications, agricultural spraying, as well as pressure tanks for residential applications.	STA-RITE®, Myers®, Flotec®, Aurora®, Hypro®, Hydromatic®, Fairbanks Morse®, Berkeley®, Aermotor™, Water Ace®, Layne & Bowler™, Simer®, Verti-line™, Sherwood®, SherTech®, Diamond™, FoamPro®, Onga™, Nocchi™, Shur-Dri®, SHURflo®, and Edwards®.
	Filtration and Purification Residential, commercial, industrial, municipal, foodservice, recreational vehicles, aviation, and marine.	Control valves; residential, commercial, and industrial filtration housings; replaceable cartridge elements; carbon block filtration; drinking water filtration system components; fiberglass wound pressure tanks and vessels, brine cabinets, and storage tanks; pumps for recreational vehicles, marine, industrial applications and foodservice.	Fleck®; SIATA™; CodeLine®; Structural™; WellMate™; American Plumber®, Armor®, Everpure®, Pentek™, OMNIFILTER®, Park International™, SHURflo®, and Fibredyne™.
	Pool and Spa Residential, commercial, and municipal markets for domestic and international in-ground and above-ground pools, spas, jetted tubs, aquarium, pond and aquaculture applications.	A complete line of commercial and residential pool/spa equipment and accessories including pumps, filters, heaters, lights, automation, automatic pool cleaners, commercial deck equipment, barbeque deck equipment, aquatic pond products and accessories, pool tile and interior finishing surfaces, maintenance equipment, spa/jetted tub hydrotherapy fittings and pool/spa accessories.	Pentair Pool Products®, Pentair Water Pool and Spa™, National Pool Tile Group®, Pentair Aquatics®, STA-RITE®, Paragon Aquatics®, Pentair Spa & Bath™, Kreepy Krauly®, Compool®, WhisperFlo®, PoolShark®, Legend™, Rainbow™, Ultra Jet®, Vico®, FIBERworks®, and Intellitouch™.
Enclosures	**Electrical** Automotive; petroleum and petrochemical; food and beverage; machine tool and other industrial manufacturing customers; defense and security; and commercial construction.	Enclosures, cabinets, data networking and communications, structural support, and thermal protection solutions to protect electrical and electronic control components, and instruments.	Hoffman®
	Electronic Telecom, computer networks, data communication, industrial controls, transport, test and measurement, medical, defense, and aerospace.	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®
	Electronic OEMs Datacom, telecom, medical, security/defense, test and measurement, general industrial and semiconductor equipment.	Standard, modified and custom electronic enclosure solutions ranging from Schroff brand electronic products to stamped chassis, custom indoor and outdoor cabinets, aluminum enclosures and slide rail/cable management solutions. Solutions offered include prototype through high-volume production, soft-tool fabrication through stage/progressive tooling, and complete system integration capabilities from Level 1 through 5.	Schroff®, Taunus™, Pentair Electronic Packaging™.

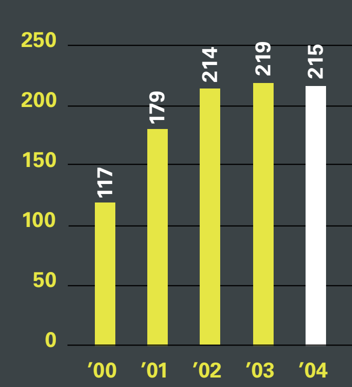
	customers	competitors	locations
	Professional distributors, plumbing wholesalers, catalog distributors, hardware co-op distributors, supply houses, contractors, original equipment manufacturers, home centers, independent dealers, vertically integrated dealers, food and beverage companies, builders, specialty pool retailers, service companies, and swimming pool buying groups.	Astral, Cuno, Ebara, Ecowater, Flexcon, Flint & Walling, Flowserve, Gormann Rupp, Grundfos, Hayward, ITT, Jandy, Osmonics/GE, Pall, Peerless, Raypak, Wayne, and Zodiac.	Ashland and Chardon, Ohio; North Aurora and Hanover Park, Illinois; Kansas City, Kansas; Delavan, Brookfield and Sheboygan, Wisconsin; Murrieta, Cypress, and Long Beach, California; Grand Island, Nebraska; New Brighton, Minnesota; Portland, Oregon; Dover, New Hampshire; Monterrey and Reynosa, Mexico; Buc and Colombes, France; Herentals, Belgium; Pisa, Florence, and Milan, Italy; Longstanton Cambridge and Billingham, England; Melbourne, Australia; Coimbatore, New Delhi, and Goa, India; Suzhou and Shanghai, China.
	Industrial/Electrical MRO, OEM, electrical and data contractors; Motorola, Ericsson, Siemens, Intel, Philips, and electronic components distributors; Dell, HP, Motorola, Lucent, Abbott Labs, General Electric, Applied Materials, and ASML.	APW, Cooper B-Line, Elma, Hammond, Knürr, Rittal, Saginaw, Sanmina, Wiegmann, and regional competitors.	Mt. Sterling, Kentucky; Anoka, Minnesota; Warwick, Rhode Island; Des Plaines, Illinois; Scarborough, Ontario, Canada; Reynosa and Mexico City, Mexico; Boituva, Brazil; Straubenhardt, Germany; Hemel Hempstead, United Kingdom; Betschdorf, France; Skarpnäck, Sweden; Varese, Italy; Shinyokohama, Japan; Singapore; Qingdao, China.



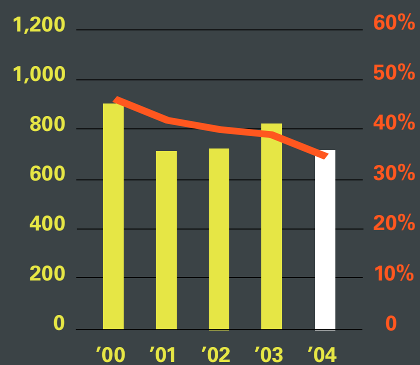
net sales
($ in millions)



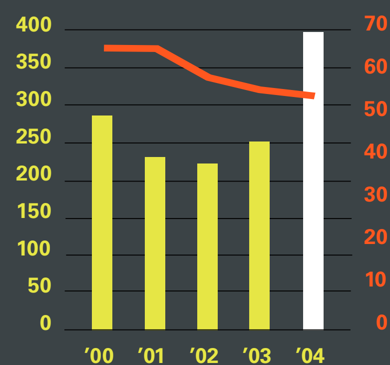
adjusted operating income ($ in millions)



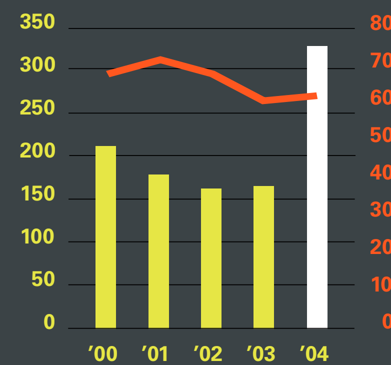
free cash flow
($ in millions)



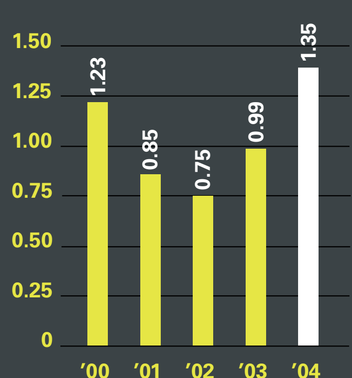
total debt ($ in millions) **debt/total capital**



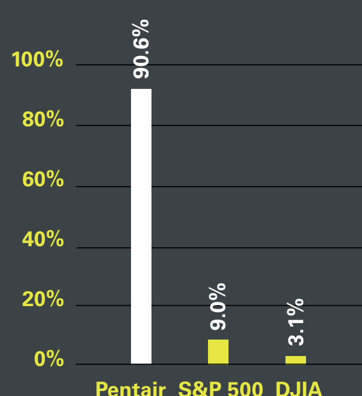
accounts receivable ($ in millions) **days sales outstanding** (13 month moving average)



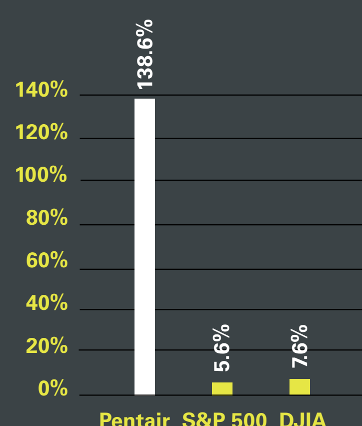
inventories ($ in millions) **days on hand** (13 month moving average)



adjusted diluted eps
($ per share)

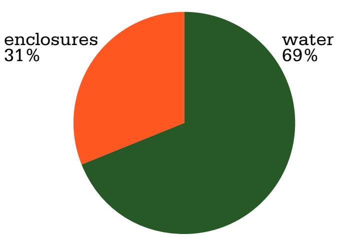


1-year stock price appreciation

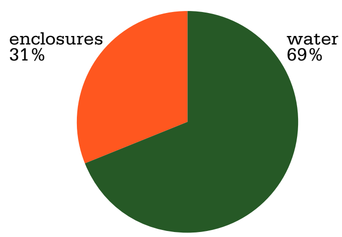


3-year stock price appreciation

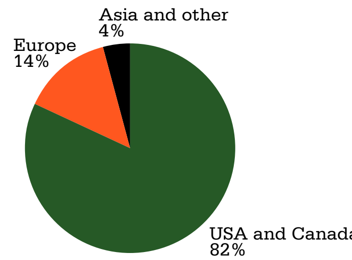
Pentair has an ongoing commitment to remaining forthright and ethical in all aspects of business, and especially so in matters related to finance and accounting practices. **We worked hard to make certain that we were in compliance with Section 404 of the Sarbanes-Oxley Act during 2004, and we are proud to report that we had no material weaknesses and received an unqualified opinion from our external auditor on the effectiveness of our internal control over financial reporting.**



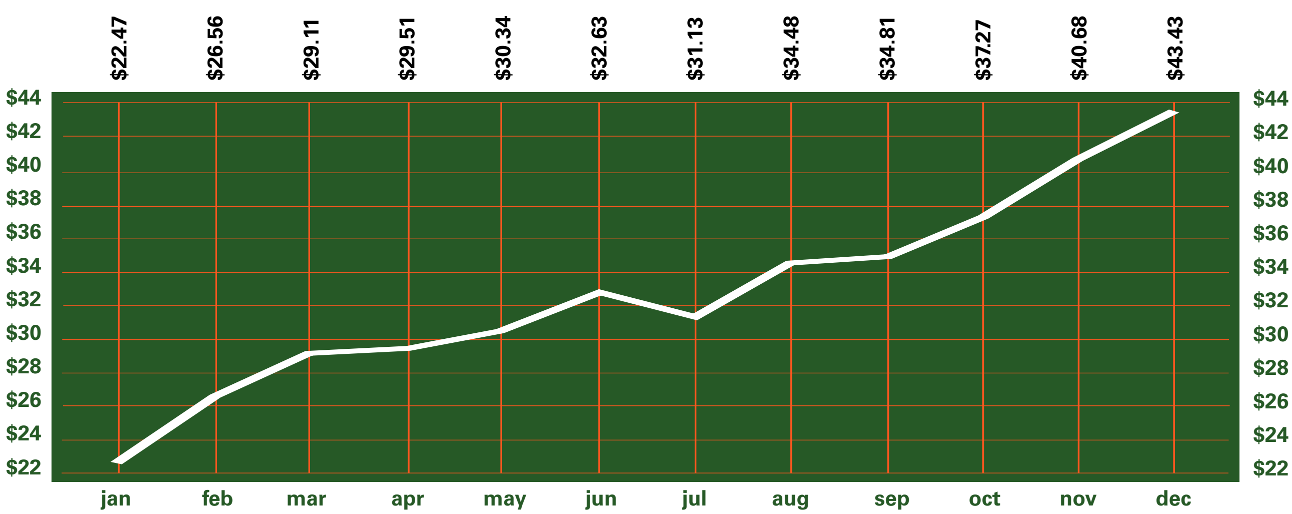
2004 net sales by business segment
2004 = $2.3 billion



2004 operating income by business segment



2004 geographic sales
from point of origin



Pentair stock price
($ per share)

CERTIFICATIONS *The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2004 the certifications of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act. The Company submitted to the New York Stock Exchange during 2004 the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.*

financial overview

Pentair, Inc. is a focused diversified industrial manufacturing company comprised of two operating segments: Water and Enclosures.

Our Water Group is a global leader in providing innovative products and systems used worldwide in the movement, treatment, storage and enjoyment of water. The Water Group offers a broad array of products and systems to multiple markets and customers. We have identified a target water industry totaling $50 billion, with a primary focus on three markets: Pump (approximately 40% in sales), Pool & Spa (approximately 30% of sales) and Filtration (approximately 30% of sales).

The Pump market is addressed with products ranging from light duty diaphragm pumps to high-flow turbine pumps and solid handling pumps designed for water and wastewater applications, agricultural spraying, as well as pressure tanks for residential applications. Applications for our broad range of products include pumps for residential and municipal wells, water treatment, wastewater solids handling, pressure boosting, engine cooling, fluid delivery, circulation and transfer.

The Pool & Spa market is addressed with a complete line of commercial and residential pool/spa equipment and accessories including pumps, filters, heaters, lights, automatic controls, automatic pool cleaners, commercial deck equipment, barbeque deck equipment, aquatic pond products and accessories, pool tile and interior finishing surfaces, maintenance equipment, spa/jetted tub hydrotherapy fittings and pool/spa accessories. Applications for our pool products include commercial/residential pool and spa construction, maintenance, repair, service and retail.

The Filtration market is addressed with control valves, filtration components, tanks, pressure vessels, and specialty dispensing pumps and provide flow solutions for specific end-user market applications including foodservice, recreation vehicles, marine and aviation. Filtration products are used in the manufacture of water softners; filtration, deionization, and desalination systems; and industrial and residential water filtration applications.

Our Enclosures Group is a leader in the global enclosures market, designing and manufacturing standard, modified and custom enclosures that house and protect sensitive electronics and electrical components. The Enclosures Group focuses its business portfolio on four primary industries: Commercial & Industrial (35% of segment), Telecom and Datacom (35% of segment), Electronics (25% of segment), and Networking (5% of segment). The segment goes to market under four primary trade marks: Hoffman®, Schroff®, Pentair Electronic Packaging™, and Taunus™. Products and related accessories include metallic and composite enclosures, cabinets, cases, subracks, backplanes, and associated thermal management systems. Applications served include industrial machinery, data communications, networking, telecommunications, test and measurement, automotive, medical, security, defense, and general electronics.

water

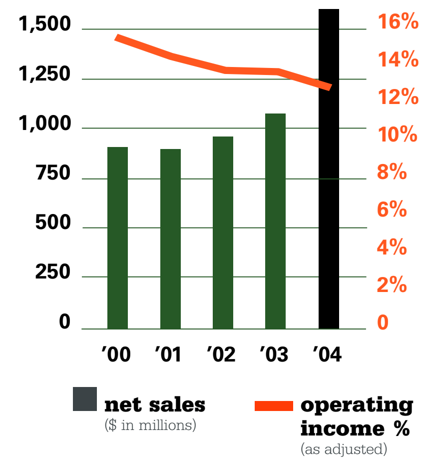
(Dollars in thousands)	**2004**	2003	2002	2001	2000
Net sales	**$ 1,563,394**	$ 1,060,303	$ 932,420	$ 882,615	$ 898,247
Sales growth %	**47.4%**	13.7%	5.6%	(1.7%)	55.1%
Operating income as reported	**$ 197,310**	$ 143,962	$ 126,559	$ 109,792	$ 120,732
Add back goodwill amortization	**—**	—	—	18,560	18,074
Operating income excluding goodwill amortization	**$ 197,310**	$ 143,962	$ 126,559	$ 128,352	$ 138,806
% of net sales	**12.6%**	13.6%	13.6%	14.5%	15.5%
Percentage point change	**(1.0)**	0.0	(0.9)	(1.0)	0.6

Net sales

The 47.4 percent increase in Water segment sales in 2004 from 2003 was primarily the result of:

- an increase in sales volume driven by our July 31, 2004 acquisition of WICOR and our December 31, 2003 acquisition of Everpure;

- higher organic growth for pool and spa equipment by capturing a larger share of the increasing spend on the home environment, primarily through the expansion of our product offerings, including the introduction of several new innovative products and product systems;
- strong sales of pumps for residential water systems and sump pumps, somewhat driven by North American weather patterns, combined with strong demand for commercial and engineered pumping systems;
- significant growth in international markets;
- an increase in the sales of water filtration products including residential and industrial tanks and valves in the U.S. and European markets, which was driven particularly in the first half of 2004 by rebounding economic conditions consistent with increased housing starts and the low interest rate environment;
- favorable foreign currency effects; and
- selective increases in selling prices to mitigate inflationary cost increases.



The 13.7 percent increase in Water segment sales in 2003 from 2002 was primarily the result of:

- sales attributable to our September 30, 2002 acquisition of Plymouth Products;
- higher sales of residential pumps and pool equipment;
- an increase in European sales, particularly commercial valves, water conditioning and pool products;
- continued growth in the developing markets of Asia and India; and
- favorable foreign currency effects.

Operating income

The 1.0 percentage point decline in Water segment operating income as a percent of net sales in 2004 from 2003 was primarily the result of:

- lower initial margins associated with our July 31, 2004 acquisition of WICOR;
- inflationary cost increases, particularly as it related to the costs of motors and resins;
- cost of outside support for integration planning and communications related to the WICOR acquisition;
- the expensing of fair market value inventory adjustments related to inventory acquired in the Everpure and WICOR transactions; and
- expenses related to factory capacity rationalization.

These decreases were partially offset by:

- favorable operating leverage provided by supply management savings and productivity gains from higher sales volume;
- selective increases in selling prices to mitigate inflationary cost increases; and
- higher margins associated with our December 31, 2003 acquisition of Everpure.

The unchanged Water segment operating income as a percent of net sales in 2003 from 2002 was primarily the result of:

- benefits from the continued success of our PIMS and supply management initiatives;
- increased volume in our expanding markets of Europe, Asia, and India; and
- favorable foreign currency effects.

These benefits were offset by:

- increased selling and R&D expense;
- higher insurance costs in 2003; and
- price and volume declines related to our desalination (Codeline®) product line and costs associated with downsizing the Chardon, Ohio operation and moving most of this product line to our factory in India.

enclosures

(Dollars in thousands)	2004	2003	2002	2001	2000
Net sales	**$ 714,735**	$ 582,684	$ 556,033	$ 689,820	$ 777,725
Sales growth %	**22.7%**	4.8%	(19.4%)	(11.3%)	18.3%
Operating income as reported	**$ 87,844**	$ 51,094	$ 29,942	$ 1,857	$ 96,268
Add back goodwill amortization	**—**	—	—	8,273	9,097
Add back restructuring charge	**—**	—	—	39,382	(1,625)
Operating income excluding goodwill amortization and restructuring charge	**$ 87,844**	$ 51,094	$ 29,942	$ 49,512	$ 103,740
% of net sales	**12.3%**	8.8%	5.4%	7.2%	13.3%
Percentage point change	**3.5**	3.4	(1.8)	(6.1)	2.4

Net sales

The 22.7 percent increase in Enclosures segment sales in 2004 from 2003 was primarily the result of:

- higher sales due to the addition of new distributors, new products, and higher demand from established industrial markets, as well as security, medical, networking, and commercial markets;
- some recovery in North American telecom and datacom demand;
- an increase in European sales volume due to new customers and improved business activity at large OEMs, particularly in the test and measurement, automation and control, and telecom markets, offset by a slowing European economy;
- selective increases in selling prices to mitigate inflationary cost increases, principally for steel; and
- favorable foreign currency effects.

The 4.8 percent increase in Enclosures segment sales in 2003 from 2002 was primarily the result of:

- favorable foreign currency effects; and
- growth in targeted areas such as networking, security, and medical markets.

Operating income

The 3.5 percentage point increase in Enclosures segment operating income as a percent of net sales in 2004 from 2003 was primarily the result of:

- leverage gained on volume expansion;
- savings from the continued success of PIMS and supply management activities;
- selective increases in selling prices to mitigate inflationary cost increases; and
- the absence of expenses associated with downsizing included in the comparable prior period.

These increases were partially offset by:

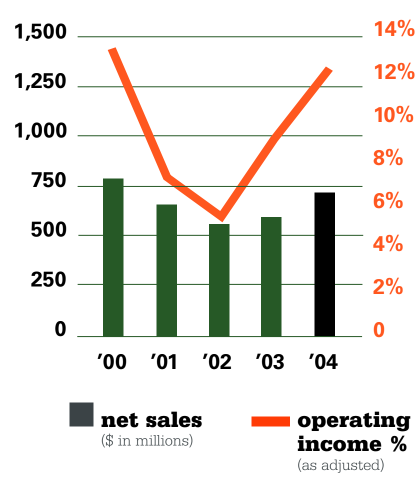
- material cost inflation, primarily steel.

The 3.4 percentage point increase in Enclosures segment operating income as a percent of net sales in 2003 from 2002 was primarily due to:

- efficiencies resulting from our continued implementation of PIMS and stronger sourcing practices;
- volume-related efficiencies and improved product mix; and
- shifting more production to lower-cost labor markets.

These increases were partially offset by:

- expenses related to downsizing.



management's report on internal control over financial reporting

Management of Pentair, Inc. and its subsidiaries ("the Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2004, the Company's internal control over financial reporting was effective based on those criteria. Management has excluded from its assessment the internal control over financial reporting at WICOR, Inc. which was acquired on July 31, 2004, and whose financial statements reflect total assets and total revenues constituting 37 and 13 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2004.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on management's assessment of the Company's internal control over financial reporting for December 31, 2004. That attestation report is referred to in the report of Deloitte & Touche LLP included herein.

Randall J. Hogan
Chairman and Chief Executive Officer

David D. Harrison
Executive Vice President and Chief Financial Officer

report of
independent registered public accounting firm

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, 2004 and 2003, and the related consolidated statements of income, cash flows, and changes in shareholders' equity for each of the three years in the period ended December 31, 2004. We have also audited management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. Such consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting, and our reports thereon dated March 10, 2005, expressing unqualified opinions (which are not included herein), are included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004. 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 as of December 31, 2004 and 2003, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2004, 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

March 10, 2005

condensed consolidated statements of income

Pentair, Inc. and Subsidiaries

(Dollars in thousands, except per-share data)	Years ended December 31 2004	2003	2002
Net sales	**$ 2,278,129**	$ 1,642,987	$ 1,488,453
Cost of goods sold	**1,623,419**	1,196,757	1,107,212
Gross profit	**654,710**	446,230	381,241
Selling, general and administrative	**376,015**	253,088	230,994
Research and development	**31,453**	22,932	18,952
Operating income	**247,242**	170,210	131,295
Interest income	**721**	386	661
Interest expense	**37,931**	26,781	29,073
Income from continuing operations before income taxes	**210,032**	143,815	102,883
Provision for income taxes	**73,008**	45,665	27,884
Income from continuing operations	**137,024**	98,150	74,999
Income from discontinued operations, net of tax	**40,248**	46,138	54,903
Loss on disposal of discontinued operations, net of tax	**(6,047)**	(2,936)	—
Net income	**$ 171,225**	$ 141,352	$ 129,902
Earnings per common share			
Basic			
Continuing operations	**$ 1.38**	$ 1.00	$ 0.76
Discontinued operations	**0.34**	0.44	0.56
Basic earnings per common share	**$ 1.72**	$ 1.44	$ 1.32
Diluted			
Continuing operations	**$ 1.35**	$ 0.99	$ 0.75
Discontinued operations	**0.33**	0.43	0.56
Diluted earnings per common share	**$ 1.68**	$ 1.42	$ 1.31
Weighted average common shares outstanding			
Basic	**99,316**	97,876	98,471
Diluted	**101,706**	99,620	99,489

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

(Dollars in thousands, except per-share data)

	December 31 2004	2003
Assets		
Current assets		
Cash and cash equivalents	**$ 31,495**	$ 47,989
Accounts and notes receivable, net of allowance of $35,968 and $23,844, respectively	**396,459**	251,475
Inventories	**323,676**	166,862
Current assets of discontinued operations	**—**	313,399
Deferred tax assets	**49,074**	30,871
Prepaid expenses and other current assets	**24,433**	18,854
Total current assets	**825,137**	829,450
Property, plant and equipment, net	**336,302**	233,106
Other assets		
Non-current assets of discontinued operations	**393**	539,892
Goodwill	**1,620,404**	997,183
Intangibles, net	**258,126**	98,490
Other	**80,213**	82,556
Total other assets	**1,959,136**	1,718,121
Total assets	**$ 3,120,575**	$ 2,780,677
Liabilities and shareholders' equity		
Current liabilities		
Current maturities of long-term debt	**11,957**	73,631
Accounts payable	**195,289**	93,043
Employee compensation and benefits	**104,821**	61,213
Accrued product claims and warranties	**42,524**	24,427
Current liabilities of discontinued operations	**192**	155,898
Income taxes	**27,395**	14,912
Accrued rebates and sales incentives	**41,618**	14,103
Other current liabilities	**103,083**	60,224
Total current liabilities	**526,879**	497,451
Long-term debt	**724,148**	732,862
Pension and other retirement compensation	**135,356**	100,234
Post-retirement medical and other benefits	**69,667**	26,227
Deferred tax liabilities	**142,873**	60,636
Other non-current liabilities	**70,804**	62,208
Non-current liabilities of discontinued operations	**3,054**	39,581
Total liabilities	**1,672,781**	1,519,199
Commitments and contingencies		
Shareholders' equity		
Common shares par value $0.16 2/3;		
100,967,385 and 99,005,084 shares issued and outstanding, respectively	**16,828**	8,250
Additional paid-in capital	**517,369**	492,619
Retained earnings	**889,063**	760,966
Unearned restricted stock compensation	**(7,872)**	(6,189)
Accumulated other comprehensive income	**32,406**	5,832
Total shareholders' equity	**1,447,794**	1,261,478
Total liabilities and shareholders' equity	**$ 3,120,575**	$ 2,780,677

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

(Dollars in thousands, except per-share data)	Years ended December 31 2004	2003	2002
Operating activities:			
Net income	**$ 171,225**	$ 141,352	$ 129,902
Adjustments to reconcile net income to net cash provided by operating activities			
Net income from discontinued operations	**(40,248)**	(46,138)	(54,903)
Loss on disposal of discontinued operations	**6,047**	2,936	—
Depreciation	**47,063**	40,809	38,577
Amortization	**13,846**	4,074	5,720
Deferred income taxes	**16,736**	31,319	23,594
Stock compensation	**—**	306	—
Changes in assets and liabilities, net of effects of business acquisitions and dispositions			
Accounts and notes receivable	**26,918**	(5,080)	28,094
Inventories	**(51,996)**	13,174	25,883
Prepaid expenses and other current assets	**2,176**	(4,781)	5,786
Accounts payable	**17,274**	(12,758)	(19,445)
Employee compensation and benefits	**4,596**	4,813	976
Accrued product claims and warranties	**2,993**	(1,756)	(849)
Income taxes	**6,352**	5,437	(3,483)
Other current liabilities	**8,879**	(3,336)	(17,248)
Pension and post-retirement benefits	**11,508**	(2,108)	(6,111)
Other assets and liabilities	**6,794**	6,769	13,191
Net cash provided by continuing operations	**250,163**	175,032	169,684
Net cash provided by discontinued operations	**13,928**	87,907	101,110
Net cash provided by operating activities	**264,091**	262,939	270,794
Investing activities			
Capital expenditures	**(48,867)**	(43,622)	(33,744)
Acquisition of previously leased facility	**—**	—	(22,952)
Acquisitions, net of cash acquired	**(869,155)**	(229,094)	(170,270)
Divestitures	**773,399**	(2,400)	1,744
Equity investments	**60**	(5,294)	(9,383)
Other	**—**	48	(7)
Net cash used for investing activities	**(144,563)**	(280,362)	(234,612)
Financing activities			
Net short-term (repayments) borrowings	**(4,162)**	(873)	665
Proceeds from the Bridge Facility	**850,000**	—	—
Repayment of the Bridge Facility	**(850,000)**	—	—-
Proceeds from long-term debt	**343,316**	780,857	462,599
Repayment of long-term debt	**(440,518)**	(709,886)	(468,161)
Proceeds from exercise of stock options	**10,862**	5,795	2,730
Repurchases of common stock	**(4,200)**	(1,589)	—
Dividends paid	**(43,128)**	(40,494)	(36,420)
Net cash (used for) provided by financing activities	**(137,830)**	33,810	(38,587)
Effect of exchange rate changes on cash	**1,808**	(8,046)	2,209
Change in cash and cash equivalents	**(16,494)**	8,341	(196)
Cash and cash equivalents, beginning of period	**47,989**	39,648	39,844
Cash and cash equivalents, end of period	**$ 31,495**	$ 47,989	$ 39,648

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

(Dollars in thousands, except per-share data)	Years ended December 31 2004	2003	2002
Statement of operations			
Net sales	**$ 2,278,129**	$ 1,642,987	$ 1,488,453
Sales growth	**38.7%**	10.4%	(5.3%)
Cost of goods sold	**1,623,419**	1,196,757	1,107,212
Gross profit	**654,710**	446,230	381,241
Margin %	**28.7%**	27.2%	25.6%
Selling, general and administrative	**376,015**	253,088	230,994
Research and development	**31,453**	22,932	18,952
Restructuring charge	**—**	—	—
Operating income	**247,242**	170,210	131,295
Margin %	**10.9%**	10.4%	8.8%
Margin % excluding restructuring charge	**10.9%**	10.4%	8.8%
Gain on sale of business	**—**	—	—
Net interest expense	**37,210**	26,395	28,412
Other expense, write-off of investment	**—**	—	—
Provision for income taxes	**73,008**	45,665	27,884
Income from continuing operations	**137,024**	98,150	74,999
Income (loss) from discontinued operations, net of tax	**40,248**	46,138	54,903
Loss on disposal of discontinued operations, net of tax	**(6,047)**	(2,936)	—
Cumulative effect of accounting change, net of tax	**—**	—	—
Net income	**171,225**	141,352	129,902
Preferred dividends	**—**	—	—
Income available to common shareholders	**171,225**	141,352	129,902
Common share data			
Basic EPS — continuing operations	**1.38**	1.00	0.76
Diluted EPS — continuing operations	**1.35**	0.99	0.75
Cash dividends declared per common share	**0.43**	0.41	0.37
Stock dividends declared per common share	**100%**	—	—
Market value per share (December 31)	**43.56**	22.85	17.28
Balance sheet data			
Accounts Receivable	**396,459**	251,475	223,778
Inventories	**323,676**	166,862	165,389
Property and equipment, net	**336,302**	233,106	236,322
Goodwill, net	**1,620,404**	997,183	843,243
Total assets	**3,120,575**	2,780,677	2,514,450
Total debt	**736,105**	806,493	735,085
Shareholders' equity	**1,447,794**	1,261,478	1,105,724
Other data			
Debt/total capital	**33.7%**	39.0%	39.9%
Depreciation	**47,063**	40,809	38,577
Goodwill amortization	**—**	—	—
Tax effect of goodwill amortization (1)	**—**	—	—
Diluted EPS effect of goodwill amortization (1)	**—**	—	—
Other amortization	**13,846**	4,073	5,720
Net cash provided by operating activities	**264,091**	262,939	270,794
Capital expenditures	**48,867**	43,622	56,696
Employees of continuing operations	**12,900**	9,000	8,600
Days sales outstanding (DSO) (13 mo moving avg)	**52**	54	58
Days inventory on hand (DOH) (13 mo moving avg)	**62**	59	64

Refer to the footnotes in the financial highlights (inside front cover) for drivers behind historical restatements for purposes of comparison.

Years ended December 31				
2001	2000	1999	1998	1997
$ 1,572,435	$ 1,675,972	$ 1,236,736	$ 1,025,639	$ 1,033,274
(6.2%)	35.5%	20.6%	(0.7%)	12.7%
1,163,001	1,199,122	883,737	747,976	765,291
409,434	476,850	352,999	277,663	267,983
26.0%	28.5%	28.5%	27.1%	25.9%
266,229	267,518	231,100	191,358	180,828
15,941	18,138	11,927	8,986	9,373
40,105	19,393	16,743	—	—
86,205	171,803	93,228	77,319	77,782
5.5%	10.3%	7.5%	7.5%	7.5%
8.1%	11.4%	8.9%	7.5%	7.5%
—	—	—	—	10,313
40,325	46,435	30,467	16,698	16,621
2,985	—	—	—	—
12,147	41,580	21,406	20,495	31,957
30,748	83,788	41,355	40,126	39,517
26,768	(27,872)	61,954	66,714	52,083
(24,647)	—	—	—	—
—	(29)	—	—	—
32,869	55,887	103,309	106,840	91,600
—	—	—	(4,267)	(4,867)
32,869	55,887	103,309	102,573	86,733
0.31	0.86	0.47	0.52	0.46
0.31	0.86	0.47	0.46	0.45
0.35	0.33	0.32	0.30	0.27
—	—	—	—	—
18.26	12.09	19.25	19.91	17.97
229,455	284,674	247,404	160,796	169,063
178,464	208,267	179,073	132,620	137,030
231,615	248,576	265,027	212,493	206,760
743,499	786,984	800,937	442,322	410,068
2,372,198	2,644,025	2,706,516	1,484,207	1,413,494
723,706	913,974	1,035,084	340,721	328,538
1,015,002	1,010,591	990,771	707,628	627,653
41.6%	47.5%	51.1%	32.5%	34.4%
42,641	42,491	42,466	35,774	37,913
26,833	27,171	21,127	13,625	13,357
(3,861)	(3,768)	(3,453)	(2,441)	(2,274)
0.24	0.25	0.20	0.13	0.12
5,568	2,683	1,578	1,571	1,669
232,334	184,947	144,296	120,872	107,896
53,668	68,041	53,671	43,335	69,364
8,700	9,900	8,700	6,500	6,600
65	65	58	59	58
72	64	67	73	77

corporate leadership

Board of Directors

Glynis A. Bryan *(1), 46*
Chief Financial Officer of APL Logistics

Barbara B. Grogan *(2,3,4), 57*
Former Chairman and President of Western Industrial Contractors, Inc.

Charles A. Haggerty *(2,3,4), 63*
Chief Executive Officer of LeConte Associates, LLC

Randall J. Hogan *(4), 49*
Chairman and Chief Executive Officer of Pentair, Inc.

David A. Jones *(1), 55*
Chairman and Chief Executive Officer of Rayovac Corporation

Stuart Maitland *(2,3), 59*
Former Director of Manufacturing Operations for Vehicle Operations, Ford Motor Company

Augusto Meozzi *(1,4), 65*
President of the European operations of ISOLA Group

Ronald L. Merriman *(1), 60*
Managing Partner of Merriman Partners

William T. Monahan *(2, 3, 4), 57*
Former Chairman of the Board and Chief Executive Officer of Imation Corp.

Karen E. Welke *(1,4), 60*
Former Group Vice President for Medical Markets, 3M Company

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

Corporate Officers

Randall J. Hogan
Chairman and Chief Executive Officer

Richard J. Cathcart
Vice Chairman

David D. Harrison
Executive Vice President and Chief Financial Officer

Michael V. Schrock
President and Chief Operating Officer, Enclosures

Louis L. Ainsworth
Senior Vice President, General Counsel, and Secretary

Jack J. Dempsey
Senior Vice President, Operations and Technology

Frederick S. Koury
Senior Vice President, Human Resources

Karen A. Durant
Vice President, Finance and Controller

Michael G. Meyer
Vice President, Treasury and Tax

code of business conduct

As an independent, publicly owned company, Pentair created the *Code of Business Conduct and Ethics* to guide its development and the conduct of its business.

- **We will manage our business according to the highest business, ethical, moral and civic standards that apply to a public company.**
- **We will operate our businesses to earn the respect of our shareholders, employees, plant communities, customers, suppliers and all others with a stake in our success.**
- **We intend to make Pentair a top-performing company, managed and operated for the long-term benefit of all its constituents.**

As a company, by following the spirit of the Code, Pentair creates an operating environment where management sets clear goals, company leadership is engaged, and all operations are accountable for their performance and practices. Our business style is practical, with an emphasis on openness, informality and candid, conversational exchanges among employees. We expect all employees equally to uphold the Company's standards for ethics, integrity and work practices.

The full text of Pentair's Code of Business Conduct and Ethics can be found at http://www.pentair.com/code.html

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 *Wall Street Journal* for the calendar year 2004. There were 3,995 shareholder accounts on December 31, 2004.

Price range and dividends of common stock ($)

2004	High	Low	Close	Div.	2003	High	Low	Close	Div.
1Q	29.60	22.52	29.60	0.105	1Q	18.78	16.40	18.24	0.095
2Q	33.64	28.48	32.95	0.105	2Q	20.95	17.86	19.69	0.105
3Q	35.03	30.90	35.03	0.110	3Q	21.77	19.29	19.72	0.105
4Q	44.03	34.27	43.56	0.110	4Q	23.29	18.43	22.85	0.105

Common dividends Dividends are currently $0.13 per share paid quarterly in February, May, August, and November. Pentair has now paid 116 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, 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. Shareholders can contact Wells Fargo Bank, N.A. for more information.

Shareholder account information available online Shareholders of record can view their shareholder account information online at http://www.wellsfargo.com. For assistance, shareholders can contact Wells Fargo Bank, N.A.

Annual meeting The annual meeting of shareholders will be held in the Auditorium at Thrivent Financial, 625 Fourth Avenue South, Minneapolis, Minnesota, at 10:00 a.m. on April 29, 2005. 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. All Pentair reports and filings are available on line at http://www.pentair.com under the Financial Information section.

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.

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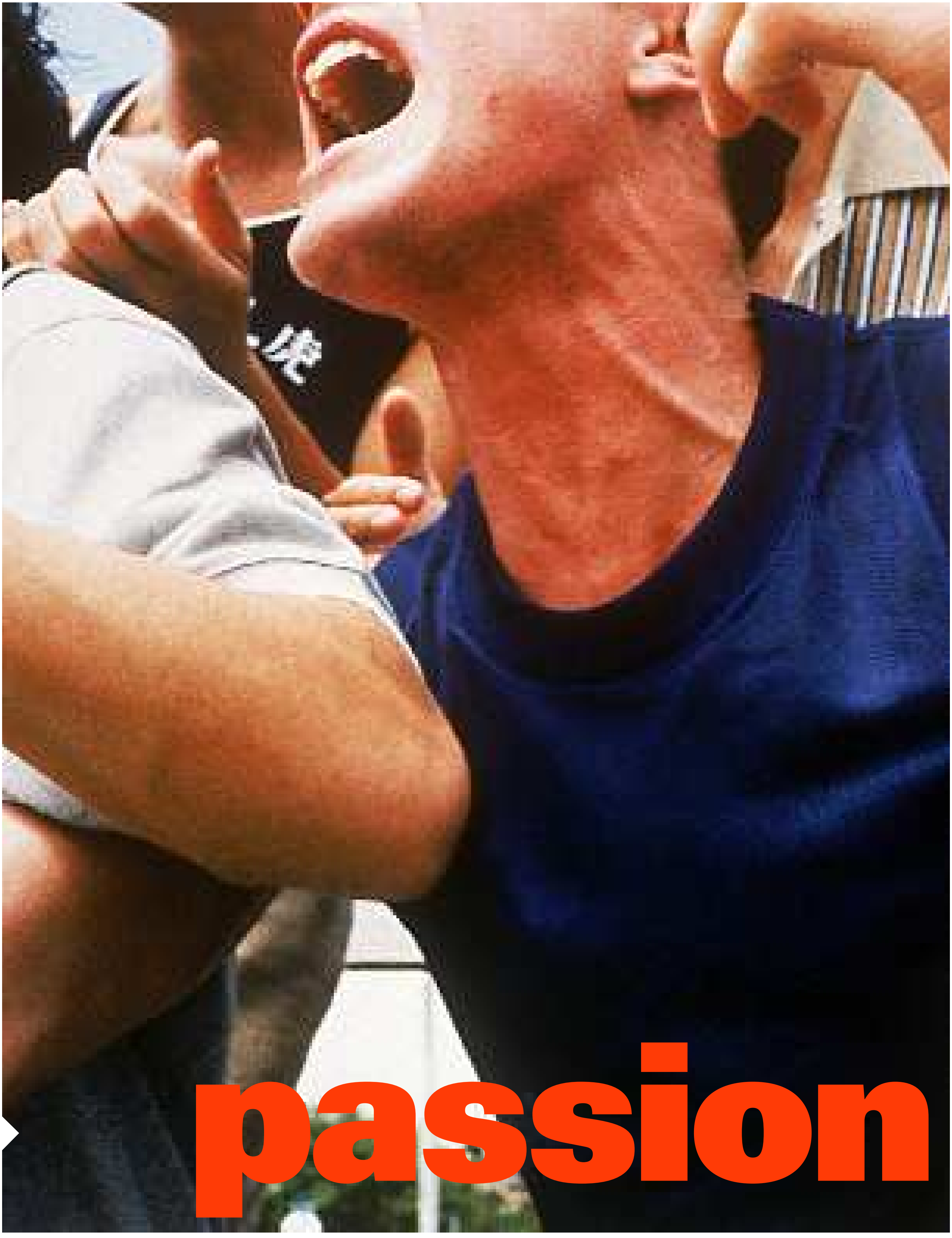
Registrar, stock transfer, and dividend paying agent Wells Fargo Bank, N.A., P.O. Box 64854, St. Paul, MN 55164-0854, 1-877-536-3554, http://www.wellsfargo.com/com/shareowner_services

Independent registered public accounting firm Deloitte & Touche LLP, Minneapolis, MN 55402


passion

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