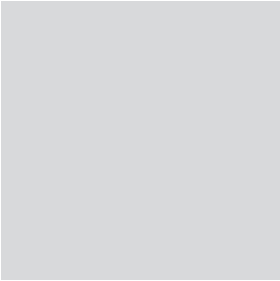
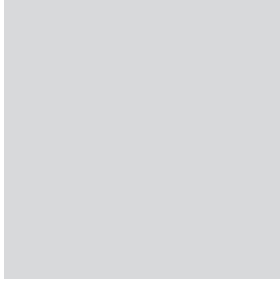
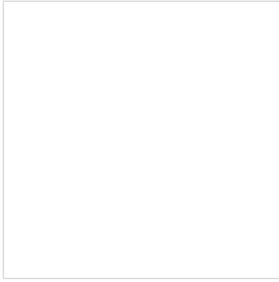
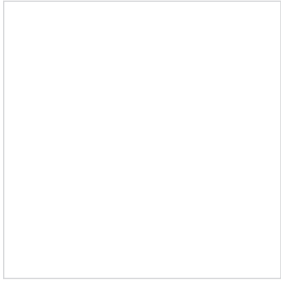
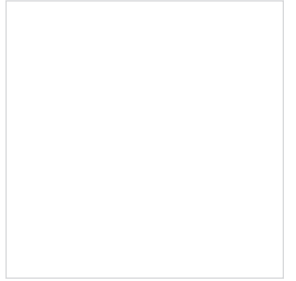
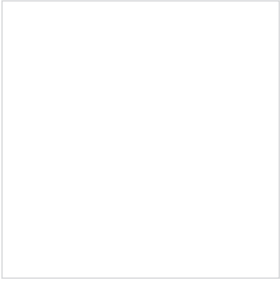
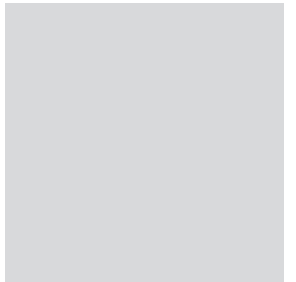
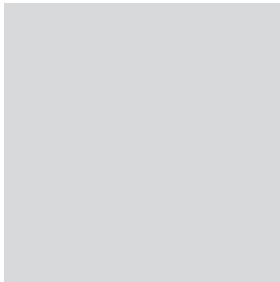
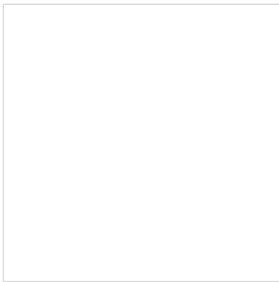
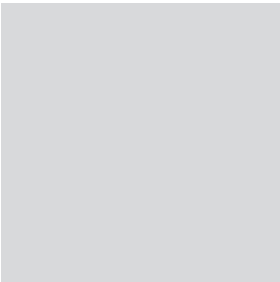
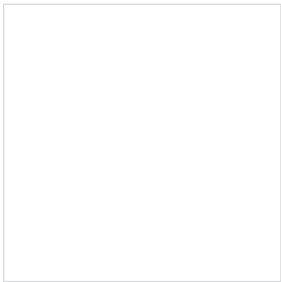
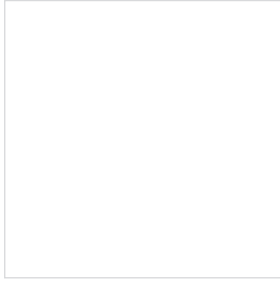
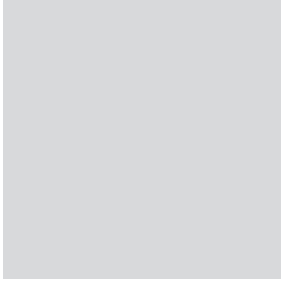


improving every day.



ANNUAL
REPORT
2007



Financial Summary

Pentair, Inc. and Subsidiaries

Years ended December 31

(Dollars in thousands, except per-share data)

	2007	2006	2005	2004	2003
OPERATIONS					
Net sales	\$3,398,698	\$3,154,469	\$2,946,579	\$2,278,129	\$1,642,987
Operating income	377,975	310,318	323,609	247,242	170,210
Adjusted operating income (1)	391,148	324,494	339,997	247,242	170,210
Net income — continuing operations	210,489	183,767	185,049	137,024	98,150
Diluted EPS — continuing operations	2.10	1.81	1.80	1.35	0.99
Net cash provided by operating activities	341,880	231,611	247,858	264,091	262,939
Capital expenditures	62,129	51,078	62,471	48,867	43,622
Proceeds from sale of property and equipment	5,209	684	17,111	—	—
Free cash flow (2)	284,960	181,217	202,498	215,224	219,317
Number of employees at year end	16,000	14,800	14,700	12,900	9,000

OTHER FINANCIAL DATA

Total debt	1,060,991	744,061	752,614	736,105	806,493
Shareholders' equity	1,910,871	1,669,999	1,555,610	1,447,794	1,261,478
Total debt as a percent of total capital	35.7%	30.8%	32.6%	33.7%	39.0%
Return on average shareholders' equity	11.8%	11.4%	12.3%	12.6%	11.9%
Cash dividends declared per common share	0.60	0.56	0.52	0.43	0.41
Closing stock price	34.81	31.40	34.52	43.56	22.85
Effect of SFAS 123R adoption, net of tax (3)	9,155	9,933	11,998	—	—
Diluted EPS effect of SFAS 123R adoption (3)	0.09	0.10	0.12	—	—
Weighted-average shares — diluted	100,205	101,371	102,618	101,706	99,620

(1) Adjusted operating income excludes the impact of the adoption of SFAS 123R on 2005, 2006 and 2007 operating income to be comparable to prior years presented.

(2) Free cash flow defined as net cash provided by operating activities less capital expenditures plus proceeds from sale of property and equipment.

(3) Effective January 1, 2005 we adopted SFAS 123R which requires the fair value of stock options to be expensed. The standard did not require restatement of prior period amounts to be consistent with the current presentation. The amounts shown represent the impact of adoption in 2005, 2006 and 2007. Total pre-tax stock-based compensation in 2007, 2006 and 2005 was \$22.9, \$25.3 million and \$24.2 million, respectively.

Letter to Our Shareholders.



On behalf of Pentair's 16,000 employees worldwide, I am pleased to report that Pentair's 2007 performance produced record results. By setting aggressive yet realistic goals and applying Pentair's Integrated Management System to achieve them, Pentair's performance resulted in total return to shareholders of 11 percent. We accomplished this and more by improving, every day. This focus, highlighted on the cover of this report, embodies the foundation of our operating culture. It begins with our customers, and extends to developing innovative, quality products, delivering them effectively, and managing our portfolio for long-term benefit. Stated simply, it embodies our commitment to our customers and our shareholders every day.

Record Success in 2007

Pentair produced tremendous results in 2007, an especially significant achievement in a year of challenging and volatile markets. Highlights include:

- ▶ Record sales of \$3.4 billion, an 8 percent increase over 2006.
- ▶ Record global reach, with sales outside of the United States exceeding \$1 billion for the first time in the company's history. This milestone reflects our commitment to flow resources to our most attractive opportunities through key initiatives in the global commercial, industrial and municipal markets.
- ▶ Improved operating income to \$378 million, an increase of 22 percent, and improved operating margins to 11.1 percent, up 130 basis points as compared to 2006.
- ▶ Record free cash flow of \$285 million, while investing \$62 million—an \$11 million increase year-over-year—in new products and strategic growth initiatives. Improved efficiency in the use of working capital was a key goal for the year, and I'm pleased we accomplished it with a year-over-year improvement of \$95 million in working capital from 2006 to 2007.
- ▶ Earnings per share of \$2.10, an increase of 16 percent year-over-year to top the \$2 mark for the first time. At Pentair, we're focused on shareholder value and are determined to outperform the markets again in 2008.

Since the end of fiscal year 2007, we increased our dividend 13 percent to \$0.68 per share marking the 32nd consecutive annual increase. In addition, we enter 2008 with a lower sustainable corporate tax rate reflecting successful structural changes in Europe and Asia as well as solid productivity momentum.

Improving *Our Customers' Performance Every Day*

Pentair's 2007 sales results demonstrate our renewed focus on the voice of our customers. While productivity was a key driver to our success last year, we knew we had to invest strategically to drive growth and we did.

- ▶ By combining our leading product innovations to address market needs more effectively, Pentair's integrated flow and filtration systems will supply the drinking and food processing water for the new Beijing International Airport. When complete, this airport will be the largest in the world.

- ▶ Further distinguishing Pentair's leadership position in pool, the new Eco Select™ line of products offer best-in-class energy-efficient and environmentally sound solutions. For example, the MasterTemp® pool heater is certified for low nitrogen oxide emissions, making it an industry-leading eco-friendly choice. The IntelliFlow® pool pump can slash pool energy consumption by as much as 70 percent. This dramatically successful line of products is changing the industry, and represents one way Pool drove a 4 percent sales increase in 2007 despite the challenging implications of the North American residential market slowdown.
- ▶ With a disciplined vertical market focus, Technical Products continues to grow. For example, Hoffman launched Zonex enclosures in 2007 to further penetrate the petrochemical market. Designed to conform to the strictest international standards for use in hazardous locations, Zonex helps Hoffman serve an even broader array of customer applications in the global, fast-growing oil and gas industry.

Our focus on the customer translates not only to product innovation but also to our continued commitment to superior quality and customer service. To understand how we outperform our competition, consider New Orleans. When the United States Army Corps of Engineers needed to strengthen the city's water infrastructure before the quickly approaching 2007 hurricane season, it turned to Pentair's Fairbanks Morse. The New Orleans project called for 11 pumps, each weighing 85,000 pounds with a pumping capacity of approximately 172,000 gallons per minute. Exceeding the Corps' already aggressive timeline, Fairbanks Morse successfully designed, delivered, installed and started the pumps in 6 months, record time versus a norm of 18 months for a project of this magnitude. Once installed, Fairbanks Morse pumps strengthened the city's water infrastructure. This is just one of thousands of examples of how Pentair exceeds our customers' expectations.

Improving *Our Productivity Every Day*

We entered last year with operational improvement as a priority. The value of Pentair's Integrated Management System is reflected in our 2007 performance: we achieved record operating income and expanded operating margins. These new standards serve as the basis from which we'll judge our operating performance in 2008.

- ▶ For the year, Technical Products' generated 14.6 percent operating margins, reflecting world-class Lean discipline to more than compensate for the impact of market weakness in the first half of the year. Exiting the year, Technical Products' focus on continuous improvement created margin expansion, and the business enters 2008 with strong momentum.
- ▶ For the year, Water drove significant productivity improvements resulting in margin expansion of 160 basis points to 11.6 percent. This performance validates the potential of our water businesses and reflects the beginning of more effective Lean discipline and targeted reductions in our cost structure. Best yet, we have even more opportunity. That's why we're focused on improving, every day.

Improving *Our Communities Every Day*

Our commitment to continuous improvement extends to our employees and our communities. As reflected in Pentair's Code of Conduct and in the Pentair Foundation's mission, we know that people are the key to our success. That's why we continue to invest in our employees through Pentair's Executive Development Program and other career enhancements. It is also why more than 200 employees volunteer to serve on Pentair's Community Councils, which help strengthen the communities in which we operate through charitable support. Since its inception in 1998, the Pentair Foundation has granted more than \$20 million to support our communities; we remain committed to improving our communities every day.

This past year, we also made a new commitment. Through a multi-year grant to Water Missions International, a non-profit organization, the Pentair Foundation is improving access to safe, clean water for the quarter of a million people in Colon, Honduras. The goal of this project is to establish credible and scientifically-defensible data to demonstrate it's possible to solve the world's water crisis cost-effectively. In partnership with Water Missions and the Center for Disease Control, we will do so.

Improving *Our Performance Every Day*

Pentair's future is bright. Global growth opportunities abound, as reflected in the 30 percent growth in international sales achieved last year through our key global growth initiatives such as food service and industrial filtration. Through our recent transition to a global business and regional leadership structure, we expect to more effectively deploy our best resources to our most attractive markets to accelerate growth in 2008.

Productivity opportunities also abound. Last year, we not only increased margins but revealed opportunities for additional improvements. In 2008, we expect to deploy Pentair's Integrated Management System more deeply in all of our businesses to reap additional margin expansion, and more effectively meet or exceed our customers' high expectations.

We are confident in our 2008 prospects. The markets we serve – water and technology – are attractive, and the need for our products and solutions continues to grow. The commitment of our employees continues to grow as well, and we are energized not only by our opportunities but by our collective ability to realize them. We are, indeed, improving every day. On behalf of all Pentair employees, thank you for your support and confidence in us.

Sincerely,



RANDALL J. HOGAN
Chairman and Chief Executive Officer

Business Overview

Water

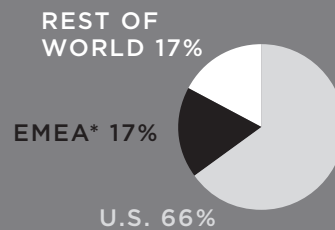
Providing Innovative Product Solutions to Deliver Safe, Clean Water

Water: Pentair Flow Technologies

Pentair Flow Technologies is a leader in the water and wastewater pump industry. It serves a range of markets with applications including sump, well and waste water; turf and agricultural spraying and irrigation; fire protection; car wash; marine; heating, ventilation and air conditioning; and water treatment.

Markets Served

- ▶ Commercial & Industrial (including agricultural, car wash, fire protection, food service, HVAC, marine, treatment, water feature and general applications)
- ▶ Municipal (including water supply, reverse osmosis, desalination, wastewater transport, wastewater process and flood control)
- ▶ Residential



Leading Brands

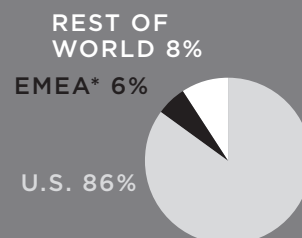
Aermotor™, Aurora®, Berkeley®, Delta Environmental, Diamond®, Edwards®, Fairbanks Morse™, Flotec®, FoamPro®, Hypro®, Hydromatic®, JUNG PUMPEN®, Myers®, Nocchi™, Onga™, Sherwood®, Shur-Dri®, SHURflo®, Simer®, STA-RITE®, Verti-Line®, Water Ace®

Water: Pool and Spa

Pentair Water Pool and Spa is a leading global manufacturer of swimming pool and spa equipment and accessories used for residential, commercial and municipal in- and above-ground pools and spas, water parks, ponds, aquariums, and aquaculture applications. Pool and Spa offers a complete line of pool and spa equipment and accessories including pumps, filters, heaters, colored lighting, automated controls, automatic pool cleaners, aquatic pond products and accessories, maintenance equipment, spa/jetted tub hydrotherapy fittings and other accessories.

Markets Served

- ▶ Commercial
- ▶ Municipal
- ▶ Residential



Leading Brands

Pentair Pool Products®, Pentair Water Pool and Spa®, STA-RITE®, Pentair Aquatics®, Paragon Aquatics®, Pentair Spa & Bath®, Acu-Trol®, Compool®, EasyTouch®, FIBERWorks®, IntelliFlo®, IntelliTouch®, Kreepy Krauly®, Legend®, MasterTemp®, Max-E-Therm, PoolShark®, WhisperFlo®

* Europe, Middle East & Africa

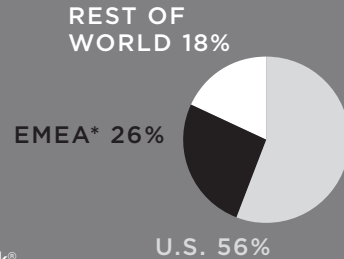
Business Overview

Water: Filtration

Pentair Filtration is a leading global provider of solutions for the treatment and filtration of air, gas, water and other fluids. Pentair Filtration products range from drinking water systems and filters for residential applications to housings, membranes, coalescing media, particulate filtration media elements, and other separation technologies for commercial, industrial and municipal applications.

Markets Served

- ▶ Commercial (including food service, recreational vehicles, aviation and marine)
- ▶ Industrial (including medical, fluid process, pneumatics, instrumentation, oil & gas, lubrication & hydraulics, transportation)
- ▶ Municipal (including desalination, reverse osmosis, nanofiltration and ultrafiltration)
- ▶ Residential (including water softening, point-of-use and point-of-entry filtration)



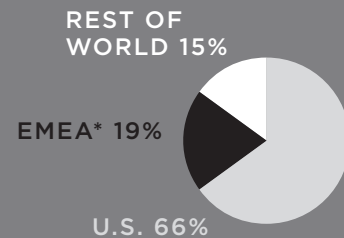
Leading Brands

Everpure®, CodeLine®, Porous Media™, American Plumber®, Armor™, Fiberdyne™, Fleck®, OMNIFILTER®, PENTEK®, SHURflo®, SIATA™, Structural™, WellMate™

Technical Products

Protecting the technologies that connect, enable and inform

Pentair's Technical Products Group is a leader in the global enclosures and thermal management markets, designing and manufacturing products and accessories to house and protect sensitive electronics and electrical components. From standard catalog products to modified standards to co-developed, custom designs, customers globally across a wide range of vertical markets depend on Pentair Technical Products for complete solutions for their most challenging applications.



Markets Served	Leading Brands	Key Products
ELECTRICAL Industrial including automotive, machine tool, material handling, food and beverage, pharmaceutical, packaging, water treatment, petrochemical, and power generation Commercial including new construction.	Hoffman®	Standard, modified, co-developed and custom enclosures, cabinets and accessories, and thermal management solutions to protect components and instruments.
ELECTRONIC Commercial and Industrial including aerospace, computer networking, defense and security, industrial controls, medical, test and measurement, outside plant and semiconductor equipment markets. Communications including datacomm and telecomm.	Schroff®, Hoffman®, Taunus™, Pentair Electronic Packaging™, Electronic Solutions™, and Birtcher™	Standard, modified and co-developed enclosures including racks, subracks and indoor and outdoor cabinets as well as stamped chassis, slide rail and cable management solutions, and integrated solutions with power supplies and backplanes.
THERMAL MANAGEMENT Commercial and Industrial including automotive, food and beverage, machine tool, medical, military, petrochemical and test lab applications. Communications including telecom, data com and networking.	McLean®, Hoffman®, Aspen Motion™, and Schroff®	Standard and custom thermal management solutions and after-market services. Products include air conditioners, heat exchangers, thermo-electric coolers, fan trays, motorized impellers, single and dual packaged blowers, AC and brushless DC motors, filter fans and electronic controls.

* Europe, Middle East & Africa

Leadership

Board of Directors

Leslie Abi-Karam, 49*
Executive Vice President and President, Mailing
Solutions Management, Pitney Bowes Inc.

Glynis A. Bryan, 49 (1)
Chief Financial Officer, Insight Enterprises

Jerry Burris, 44 (1)
President, Barnes Industrial

T. Michael Glenn, 52 (2, 3)
Executive Vice President, Market Development
and Corporate Communications, FedEx Corporation

Barbara Grogan, 60 (2, 3)
Former Chairman and President, Western Industrial
Contractors, Inc.

Charles A. Haggerty, 66 (2, 3)
Chief Executive Officer, LeConte Associates, LLC

David H. Y. Ho, 48 (1, 4)
President, Nokia China Investment Limited

Randall J. Hogan, 52
Chairman and Chief Executive Officer, Pentair, Inc.

David A. Jones, 58 (2, 3, 4)
Senior Advisor, Oak Hill Partners and
Former Chairman and Chief Executive Officer,
Spectrum Brands, Inc.

Ronald L. Merriman, 63 (1, 4)
Managing Director, Merriman Partners

William T. Monahan, 60 (2, 3, 4)
Former Chairman and Chief
Executive Officer, Imation Corp.

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

*Committee assignment undetermined at date of Report printing.
Refer to Pentair's 2008 Proxy Statement for additional information.

Management

Randall J. Hogan
Chairman and Chief Executive Officer

Michael V. Schrock
President and Chief Operating Officer

John L. Stauch
Executive Vice President and Chief Financial Officer

Frederick S. Koury
Senior Vice President, Human Resources

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

Michael G. Meyer
Vice President, Treasury and Tax

Del D. Nickel
President, Technical Products

William E. Waltz
President, Flow Technologies

Jack J. Dempsey
President, Filtration

Karl F. Frykman
President, Pool and Spa

Gary S. Witt
President, Pentair Water Europe, Middle East and Africa

John C. Ma
President, Asia-Pacific

Investor Information

Annual Meeting. The Annual Meeting of Pentair shareholders will take place on Thursday, May 1, 2008 at 10:00 a.m. Central in the auditorium of Thrivent Financial (625 Fourth Avenue South, Minneapolis, Minnesota). Pentair management and directors encourage all shareholders to attend the meeting.

Investor Information. Shareholders, securities analysts and investors seeking more information about the Company can access news releases describing significant Company events and earnings results for each quarter and the fiscal year as well as Form 10-K and other Securities and Exchange filings at www.pentair.com. Information may also be obtained by request from the Pentair Investor Relations department, 5500 Wayzata Boulevard, Suite 800, Golden Valley, Minnesota 55416.

Stock Exchange Listing. New York Stock Exchange (symbol: PNR)

Price Range of Common Stock and Dividends

2007	High	Low	Close	Div.	2006	High	Low	Close	Div.
1Q	33.22	29.35	31.16	0.15	1Q	41.90	34.01	40.75	0.14
2Q	39.37	30.09	38.57	0.15	2Q	41.55	32.05	34.19	0.14
3Q	39.67	31.47	33.18	0.15	3Q	34.43	25.69	26.19	0.14
4Q	36.59	32.03	34.81	0.15	4Q	33.49	26.25	31.40	0.14

Prices are closing quotations. There were 3,817 shareholder accounts on December 31, 2007.

Dividends. Dividends are currently \$0.17 per share, paid quarterly in February, May, August and November. Pentair has paid 128 consecutive quarterly dividends.

Dividend Reinvestment. Pentair offers a Dividend Reinvestment Plan which enables shareholders of record the opportunity 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. Plan and enrollment information are available from the Company or Wells Fargo Bank, N.A.

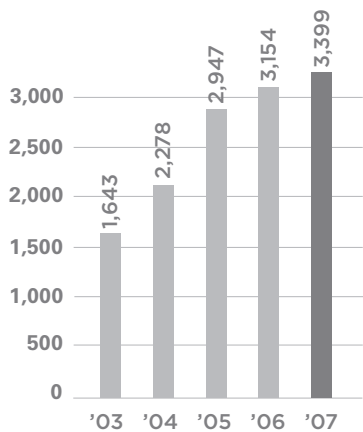
Registrar, Stock Transfer and Paying Agent.

Wells Fargo Bank, N.A., P.O. Box 64854, St. Paul, Minnesota 55164-0854
Tel. 877-536-3554; Website: www.wellsfargo.com/com/shareowner_services

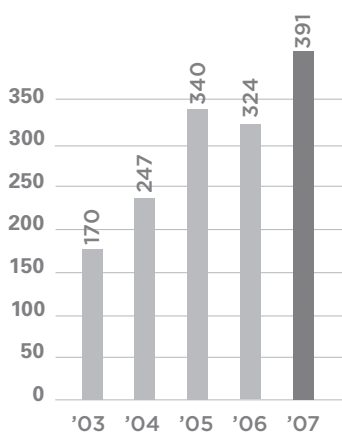
Independent Registered Public Accounting Firm. Deloitte & Touche LLP, Minneapolis, Minnesota

Forward-looking Statements. Any statements made about the company's anticipated financial results are forward-looking statements subject to risks and uncertainties such as continued economic growth, including the strength of housing and related markets; the ability to integrate acquisitions successfully and the risk that expected synergies may not be fully realized or may take longer to realize than expected; the ability to successfully limit any judgment arising out of the Horizon litigation; foreign currency effects; retail and industrial demand; product introductions; and pricing and other competitive pressures as well as other risk factors set forth in our SEC filings. Forward-looking statements included herein are made as of the date hereof, and Pentair undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances. Actual results could differ materially from anticipated results.

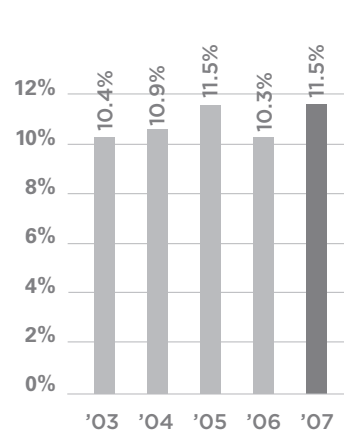
Financial Highlights



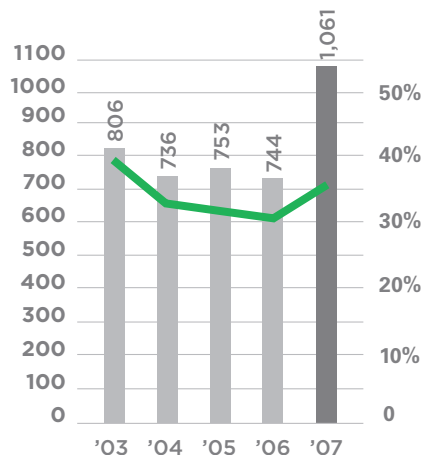
net sales
(\$ in millions)



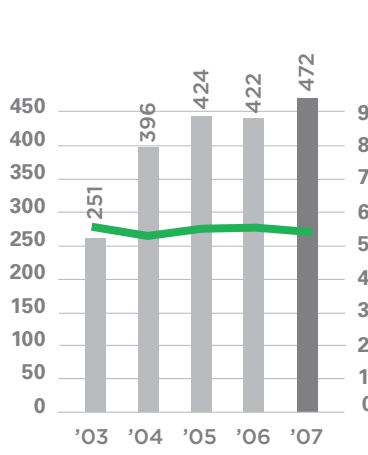
adjusted operating income*
(\$ in millions)



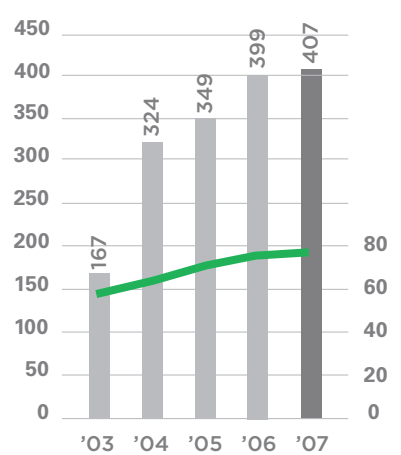
adjusted operating income margin*



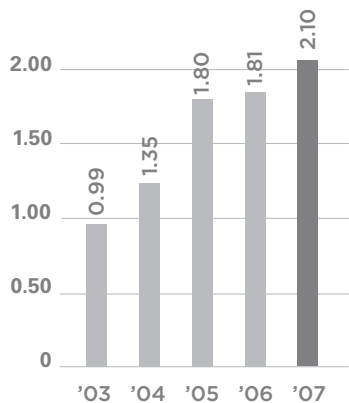
total debt (\$ in millions) **debt/total capital**



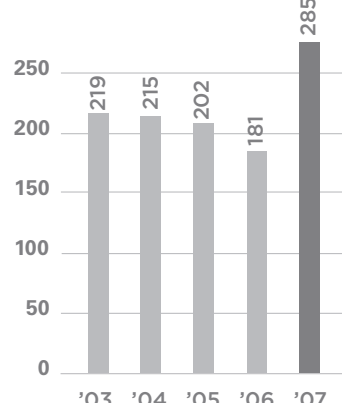
accounts receivable (\$ in millions) **days sales outstanding** (13 month moving average)



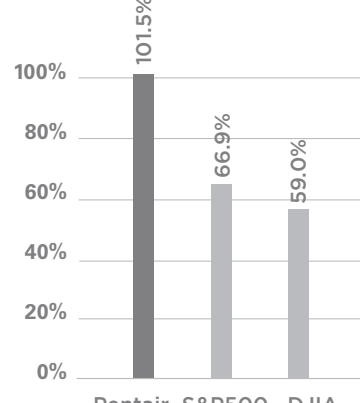
inventories (\$ in millions) **days on hand** (13 month moving average)



diluted eps from continuing operations
(\$ per share)



free cash flow
(\$ in millions)



5-year stock price appreciation

* As defined in the summary on the inside front cover of this 2007 Pentair Annual Report.

CERTIFICATIONS The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2007 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 2007 the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

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.

The Code of Conduct and Ethics is the foundation for numerous specific practices, policies and guidelines that determine how Pentair and its employees conduct their day-to-day business. 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 www.pentair.com/code.html

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Suite 800
Golden Valley
Minnesota 55416

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www.pentair.com

