

Annual Report 2008

realistic
focused
improving every day



Pentair

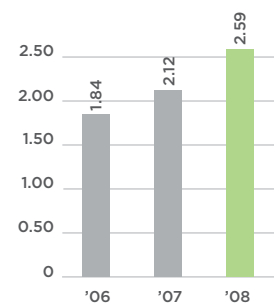
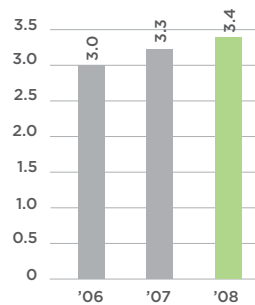
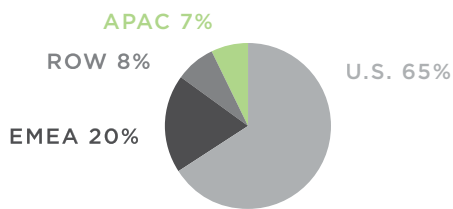
Pentair Company Profile

Pentair, Inc. employs approximately 15,000 people, with facilities in over 40 countries and focused on two attractive segments: **water** and **technical products**.

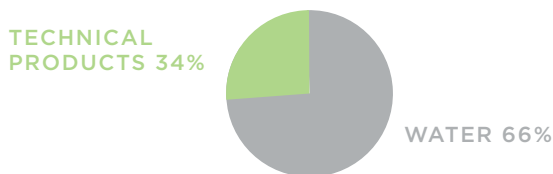
As a global, diversified operating company, we serve the commercial, industrial, agricultural, municipal and residential markets through innovative solutions under strong brand names.* **Pentair's Water segment** — including our global Filtration, Flow Technologies, and Pool businesses — helps deliver safe, clean water to industries, businesses and individuals. **Pentair's Technical Products** segment operates worldwide to help protect electrical and electronic equipment and the people who use it. In 2008, Pentair generated sales of \$3.35 billion on a continuing basis. Pentair's stock is listed on the New York Stock Exchange under the symbol "PNR."

Select Financial Data

2008 Sales by Geography



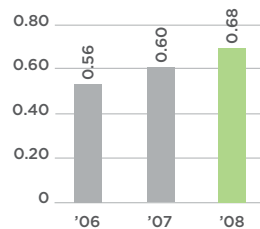
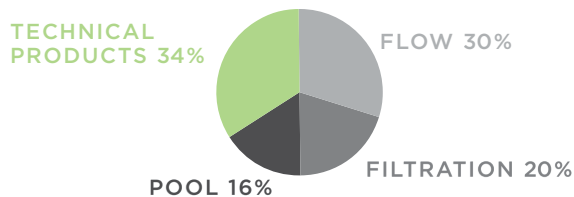
2008 Sales by Segment



Net Sales
(\$ in billions)

Diluted EPS from
continuing operations
(\$)

2008 Sales by GBU

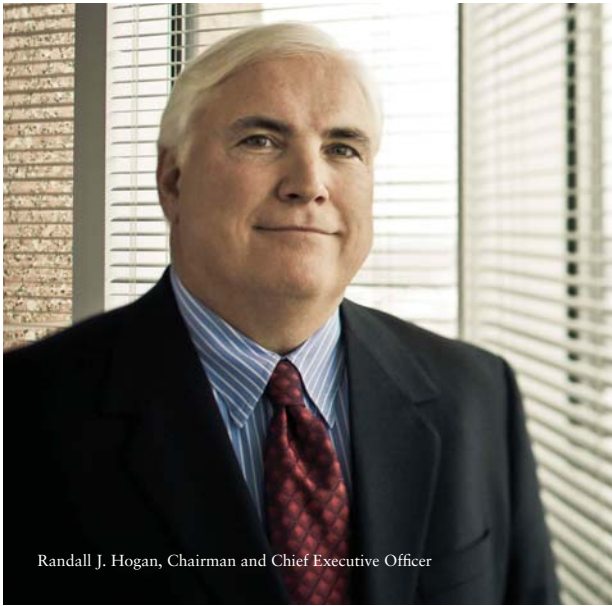


Dividend (annual)
(\$ per share)

In January 2009, Pentair increased its Dividend to \$0.72, marking the 33rd consecutive year of increased dividends.

*For a full list of Pentair's brands, please visit www.pentair.com/Our-Businesses.aspx

Letter to our Shareholders



Randall J. Hogan, Chairman and Chief Executive Officer

Realistic & Focused.

Most of us know someone full of potential, but lacking a realistic approach or the proper focus to achieve their goals. Often they are described as “too optimistic” or “not action oriented.” Companies can be that way, too. In this environment, companies like that risk failure. We aren’t such a company. At Pentair, we are committed to getting stronger during these challenging times. By successfully navigating years of dreadful residential markets, record high material costs and most recently a global industrial recession, we’re already stronger.

We are **realistic** about the situation and we’ve set aggressive but achievable targets. We are **focused** on Pentair’s Integrated Management System (PIMS) to drive operating excellence while also investing to capture our long-term growth opportunities. Pentair is prepared for the challenges ahead. We remain realistic and focused. And that energizes me and all of our employees around the world.

2008 Financial Results

By most measures, we had a good 2008, delivering solid financial results. Although we’re proud of our

achievements, we know we could have done better. That combination of recognizing accomplishments and a commitment to “improve every day” is an important part of who we are as a company.

Sales reached \$3.35 billion, an increase of two percent over 2007. We continue to become more global as 35 percent of our sales are now outside the United States. Our near-term intent is to reach 40 percent of sales outside the United States. We are investing resources on our most attractive global growth opportunities to get there.

Earnings per share of \$2.59 represented a record for the company and were up 22 percent year-over-year. By leveraging PIMS, our operational excellence initiatives dramatically reduced our cost structure to brace for the difficult economy. And our pricing actions proved effective in lessening the impact from increased commodity costs, including materials and energy. We have more to do in the area of operational excellence, but the foundation PIMS provides offers our teams the resources to drive sustainable improvement in operating results.

We reduced our debt levels by over \$100 million, which strengthened an already healthy balance sheet. Our lower sustainable tax rate reflects our ongoing investment to improve our structure in Europe and Asia. And since the end of the fiscal year 2008, we have increased our dividend six percent to \$0.72 per share, marking the 33rd consecutive annual increase.

Well Positioned for our Customers

Solving critical customer problems is a priority for our businesses. Our customers rely on Pentair to provide more innovation, more value and increased dependability. To meet these important customer requirements, we have addressed several areas. We improved our global business alignment, introduced a number of innovative products and improved quality and delivery.

Letter to our Shareholders (continued)

By forming four global business units — Flow Technologies, Filtration, Pool Equipment and Technical Products — we are transforming to drive global growth at the same time we add breadth and scale to satisfy customer demands. Our talented global workforce has begun to leverage this alignment to address global opportunities and ensure that we are leveraging best practices to improve the customer experience.

The need for energy-efficient environmentally sound solutions remains paramount, despite the challenging economic environment. Individuals and organizations require efficient solutions to improve access to safe water, eliminate waste, improve efficiencies and protect equipment. Pentair's Water and Technical Products groups are uniquely positioned to add significant value in these critical areas.

Here are just a few examples of how Pentair's new solutions improve our customers' experience every day:

- ▶ Our new EnviRo™ system revolutionizes the way water is filtered through reverse osmosis. With minimal storage (tank) requirements, the EnviRo™ solution reduces the physical and environmental footprint of reverse osmosis by dramatically improving water through-put and efficiency. So rather than waste four cups of water to generate one cup of pure, clean water, EnviRo™ generates four cups of pure water while discharging only one.
- ▶ Desalination is expanding as a solution for bringing water to regions inflicted with water shortages as a result of drought, arid conditions or growing demand. Pentair's Codeline pressure vessels have been the leader in desalination. In 2008, we extended our desalination product portfolio to include:
 - Pentair's Aqualine pre-filtration system, which provides increased filter life with a smaller footprint, greatly reducing capital and operating costs.

- Our new high-efficiency reverse osmosis pumping technology, which demonstrates “best in class” energy efficiency.

▶ The new AccessPlus enclosure, one of the most recent products from our Technical Products business, provides equipment protection and security, as well as cooling support for advanced technical equipment. In a short time it is already a top seller in the networking and telecommunications marketplace.

Our focus on the customer goes beyond product innovation to our continued commitment to superior quality and customer service. By leveraging PIMS, we improved our on-time delivery metrics, as well as our warranty costs — both indications that we are improving customer service every day.

Positioning our Portfolio

Ensuring that we are positioning our portfolio to capture our best growth opportunities is also important. We continue to add resources in key growth regions such as the Middle East, China, India, Southeast Asia and Latin America. These investments produced strong double-digit sales growth in these regions. Our organization is well-positioned to benefit from the growing investments in infrastructure, industry and personal spending in these regions.

In second quarter 2008, we formed Pentair Residential Filtration, a joint venture with GE Water & Process Technologies. This partnership combines our respective global residential water filtration businesses. Pentair Residential Filtration offers industry-leading technologies and expansive distribution channels to provide reliable and affordable water treatment solutions to meet growing needs. We remain grounded in our commitment to the residential water treatment market and are well positioned when the market rebounds.

Letter to our Shareholders (continued)

Additionally, by divesting two non-core businesses, Spa/Bath and National Pool Tile, we strengthened our portfolio in 2008. We are now in a better position to focus our investments and resources on core businesses going forward.

We also continue to invest in improving our cost structure. Over the past few years, we've opened or expanded facilities in India, China, Poland and Mexico to leverage best-cost locations in growing regions. In higher-cost regions, we took action early in 2008 to brace for the economic turmoil and better position our cost structure for the long-term. By the end of 2009, we will have closed 17 facilities when compared to the beginning of 2008. This will enable Pentair to remain competitive as we invest for future growth.

Global Citizenship

At Pentair, we believe being a good global citizen makes good business sense, which is why we created a Citizenship Council. This council will examine and monitor our citizenship practices and policies around the world in governance, environment, health and safety and in employee and community relations. It's already produced Pentair's first Global Citizenship Report, which defines our company wide goals and the metrics that will be used to measure our progress against our aspirations. The full document is available at www.pentair.com.

Among the most visible aspects of Pentair's community support is The Pentair Foundation. Established in 1998 to formalize the company's tradition of community support, the Foundation is funded through our commitment to dedicate two percent of our annual pre-tax income to charitable efforts.

The Foundation makes tangible our approach to community support, enriching and advancing communities in which we operate so that these areas benefit from Pentair's presence. Through local councils, the

Foundation funds programs that promote education, environmental conservation, vocational readiness, self-sufficiency and general well-being. For us, Winning Right — our internal mantra — encompasses supporting the communities in which we operate.

Realistic about our Situation.

Focused to Emerge Stronger.

I am excited about our future. We're realistic about the circumstances our global businesses face and we're focused on getting through it even stronger. We continue to improve every day by focusing on our customers, employees and shareholders. Leveraging PIMS, we will build on our solid track record of productivity, will meet and exceed our customers' high expectations and will deliver solid financial results. Our global business units are poised to more effectively deploy our best resources to our most attractive opportunities in order to seize growth in key markets.

We know the current environment is tough, but we are up for the challenge. The markets we serve — water and technology — are attractive. And the need for our products and solutions continues to grow.

With our realistic and focused determination, we will continue to demonstrate strong leadership in 2009 and beyond.

Sincerely,

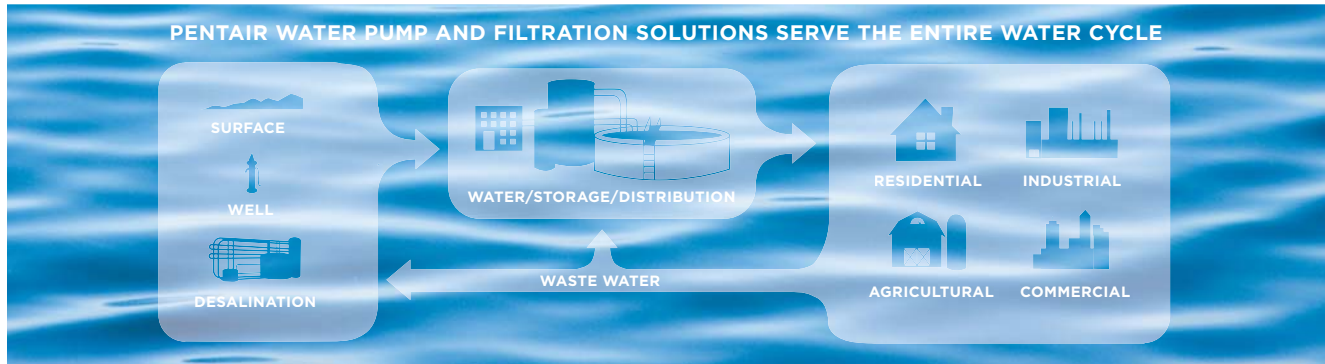


Randall J. Hogan
Chairman and Chief Executive Officer

Business Overview

Pentair's Water Segment

Pentair is a leading global provider of water technology and equipment for the commercial, industrial, agricultural, municipal and residential markets. The company makes filtration, purification, water treatment, pump and systems solutions and pool equipment and related technologies.



Pentair Filtration

A leading global provider of technologies and solutions for the filtration and treatment of water, air, gas, and other fluids, Pentair Filtration serves a range of markets and applications including residential, commercial, food service, industrial and municipal/desalination. Pentair Filtration offers world class solutions including drinking water systems; softening components and kits; reverse osmosis membranes, components and systems; UV & UF systems, dosing and boiler control systems, packaged rain/recycle/grey systems, filter housings, carbon block and cartridge filters; coalescing media; particulate filtration media elements and many other separation technologies. Major Pentair Filtration brands include Pentair Water, Everpure,[®] and Pentair Industrial.

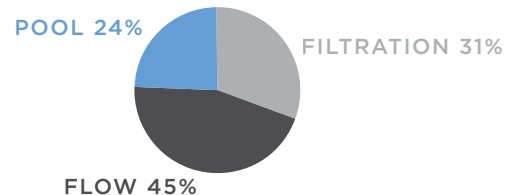
Pentair Flow Technologies

Pentair Flow Technologies is a leader in the fresh water and wastewater pump industry and in general flow technologies. It serves a range of markets through residential, commercial, industrial and municipal applications for sump, well and waste water; turf and agricultural spraying and irrigation; fire protection; car wash; marine; general industrial; heating, ventilation and air conditioning; and water treatment. Major brands include Aurora,[®] Fairbanks Morse,[™] Jung, Myers[®] and Sta-Rite.[®]

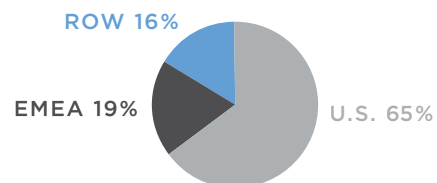
Pentair Pool

Pentair Water Pool and Spa[™] is the leading global manufacturer of swimming pool equipment and accessories for the commercial, municipal and residential markets for in-ground and above-ground pools. Major Pentair Pool and Spa product lines include: IntelliFlo,[®] IntelliPro,[™] Kreepy Krauly,[®] MasterTemp,[®] WhisperFlo,[®] Max-E-Therm, EasyTouch,[®] IntelliTouch,[™] FIBERWorks,[®] Legend,[™] PoolShark,[®] Acu-Trol,[®] and Eco-Select.[™]

2008 Sales by Business within Water



2008 Sales by Region within Water

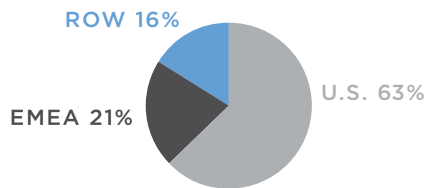


Business Overview

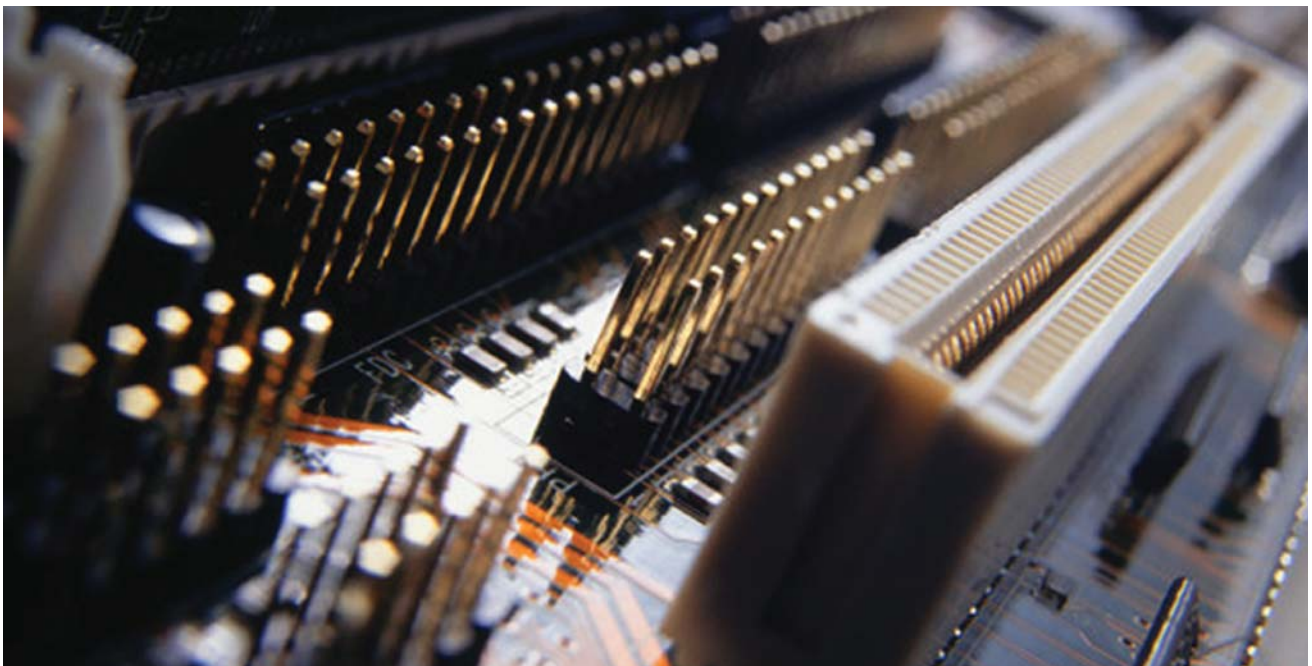
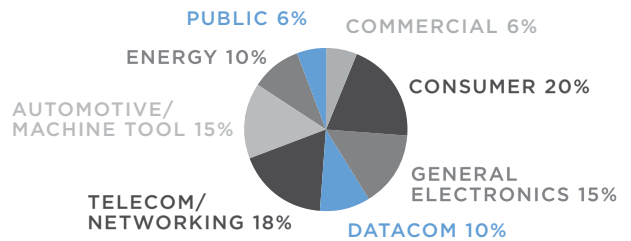
Pentair's Technical Products Segment

Pentair's Technical Products Segment is a leader in the global enclosures and thermal management markets, designing and manufacturing products and accessories that house, protect and cool sensitive electronic equipment and electrical components. From standard catalog products to custom designs, customers across a spectrum of global industries depend on Pentair Technical Products for complete solutions that fit their most challenging applications. Pentair's brands in the Electrical market include Hoffman® and Taunus™; in the Electronic market Schroff®, Pentair Electronic Packaging,™ Birtcher® and Calmark®; and in the Thermal market, McLean® Cooling Technology and Aspen Motion™ Technologies.

2008 Sales by Region



2008 Sales by Market (Electrical/Electronic/Thermal)



Pentair's Solutions... Improving Every Day

At Pentair, employees take pride in the fact that our products help improve access to safe, clean water; productivity; safety; and the lives of people around the world every day.

Pentair's **new High Efficiency Reverse Osmosis pumps** for seawater and brackish water are leading the way to reducing the energy required for desalination and making water available for millions of people worldwide.

Pentair's **new EnviRO High Efficiency Reverse Osmosis system** helps ensure high quality water for making beverages as well as being a cost effective, eco-friendly alternative to bottled water in restaurants worldwide.

Pentair's **Aqualine Filtration systems** are lowering the costs of pretreatment to seawater desalination and other critical processes throughout the industry.

Pentair's **Fairbanks Morse pumps** protect cities from flooding throughout the Gulf Coast region.

Pentair's **Hypro Flow Control technologies** help feed the world by improving agricultural productivity.

Pentair's **Technical Products** protect millions of people and the electronic equipment they use in industrial, commercial and other facilities worldwide.

Pentair's energy efficient **EcoSelect Pool equipment** enables safe, clean water for enjoyment throughout the world.

Pentair's **McLean Cooling technology** protects electronics from heat and water, helping minimize energy waste and helping customers worldwide avoid warranty claims.

improving
every day

Roughly 70 percent of the earth's surface is water but less than half of one percent of that is accessible fresh water.¹

At Pentair, we know we're lucky. Not only do we work among a global community of talented and dedicated professionals; we also work toward compelling solutions for some of today's most pressing needs.

Social and economic development depends on the availability of clean, sustainable water and energy resources. Global trends indicate the continued need for solutions to address the world's water crises, including environmental and global warming trends, industrialization and development of new regions of the world, as well as compelling new thinking about desalination technologies and greater efficiency in water re-use.

With the continually expanding use of electronic and electrical devices, the need to protect these devices is also amplified, resulting in a heavy increase in demand for our technical products.

This is why much of Pentair's technology is focused on helping tap into new water sources, including seawater, ground and surface water.

Our new high-efficiency reverse osmosis pumps for seawater and brackish water are leading the way to reducing the energy required for desalination. Pentair's Aqualine filtration systems offer high-efficiency pre-treatment filtering and reverse osmosis pump technologies for desalination plants. The Aqualine solution offers the combined advantages of lowering capital costs for desalination plants by 50 percent, increasing filter life by 40 percent, and reducing the environmental footprint by 40 percent.

Pentair's residential filtration solutions are focused on helping individuals control their own water quality. From Pentair Residential Filtration's Homespring product line (a point-of-entry water solution which removes bacteria and viruses) to the Everpure residential system at point-of-use to future growth opportunities in residentially based recycling, Pentair's research and development team is focused on creating solutions for markets where access to safe, clean water is limited.


Pentair's filtration systems also help to improve the quality, taste and appearance of water used for food and beverage preparation worldwide. Ever wonder how a cup of coffee at your favorite coffee shop chain tastes the same in Seattle and in Shanghai? Because coffee is 95 percent water. And filtered water — regardless of the source — produces predictably great tasting coffee.

Pentair's Everpure filtration systems not only remove harmful particles and contaminants; they also produce great tasting water and reduce water equipment maintenance costs and downtime in coffee shops around the world.

Everpure systems are tested and certified to the highest standards by NSF International, which sets industry standards for water filtration systems. NSF International has tested and certified Everpure precoat filters with its highest ratings for meeting strict guidelines for health and aesthetic qualities.

1. Source: World Business Council for Sustainable Development, March 2006
*To learn more about how desalination could boost water supplies while reducing the cost of water access overall, read the book at <http://www.nap.edu>

Leading the Way



Tap, bottled or filtered are the choices most people have when it comes to drinking water. And as a leader in the water treatment industry, Pentair supports the need for all drinking water options. However, when it comes to our environmental goals, we've promised to reduce the waste we generate. Which is why, in September of 2008, we enacted a company policy to eliminate the use of bottled water at all Pentair facilities worldwide.

We're committed to providing employees with premium, filtered water and, at the same time, significantly decrease the waste that bottled water creates. Already more than half of our facilities have made this switch by installing our own Everpure water filtration systems. Everpure systems filter tap water to provide high-quality, great-tasting pure water. And that reduces the number of plastic bottles that end up in landfills.

Through this initiative, Pentair advances our environmental stewardship commitment — and saves money. Pentair's conversion plan will result in less waste generated each year. To put that potential savings into perspective, consider this: Tap water costs approximately \$2 per 1,000 gallons. A quart bottle of water costs approximately \$1, which adds up to \$4,000 for 1,000 gallons of bottled water! That means bottled water can cost as much as 2,000 times tap water.

Carrying this commitment even further, an Everpure discount program encourages Pentair employees to reduce their personal use of bottled water away from work, too. In exchange, they enjoy the benefits of our commercial grade products in their homes.

Project SafeWater—Colon, Honduras



One billion people around the world, most of them poor, lack access to safe water. According to the World Health Organization, 25,000 people die every day from preventable water-borne diseases.

In Colon, Honduras, it is estimated that 34 percent of the region's 250,000 people lack access to safe water and 43 percent lack access to sanitation

facilities, exceeding the global average. Many people are forced to drink water so muddied with contaminants that it's dubbed "chocolate water." This shocking reality is one reason that the Pentair Foundation is supporting research for Project SafeWater—Colon.

In addition to education and community-focused programs, the Pentair Foundation seeks to create solutions to the world's water crisis, consistent with our environmental and business objectives. As a first step in this effort, the Pentair Foundation partnered with Water Missions International and the United States Centers for Disease Control in 2007 to demonstrate that the world's water crisis can be addressed in a cost-effective, sustainable manner.

The approach of Project SafeWater—Colon mirrors our own approach to solutions: innovative engineering practices combined with a knowledgeable and respectful engagement of the customer (in this case, the people in each community).

This is a multi-phased, multi-year approach, creating quick-to-install, cost-effective, sustainable solutions to the water crisis. Solutions that work.

Already, less than one year since launch, ten communities have new water treatment systems installed, producing clean water for residents. Community leaders have been educated about the importance of safe, clean water and the connection between that and hygiene practices. Community education programs are being launched in some parts of the region to help ensure that families understand the importance of consistent hygiene practices for children. Latrines are also being built to support these practices.

Project SafeWater—Colon is a marquee program of the Pentair Foundation. You can read project updates as each new milestone is reached at www.pentair.com.

Leadership & Code of Conduct

Board Members

Leslie Abi-Karam

Executive Vice President and President of Mailing Solutions Management of Pitney Bowes Inc.; Director since 2008

Glynis A. Bryan

Chief Financial Officer of Insight Enterprises, Inc.; Director since 2003

Jerry W. Burris

President of Barnes Industrial; Director since 2007

T. Michael Glenn

Executive Vice President of the Market Development and Corporate Communications of FedEx Corporation; Director since 2007

Charles A. Haggerty

Chief Executive Officer of LeConte Associates, LLC; Director since 1994

David H. Y. Ho

Chairman of the Greater China Region for Nokia Siemens Network; Director since 2007

Randall J. Hogan

Board Chairman and Chief Executive Officer; Director since 1999

David A. Jones

Chair of the International and Compensation Committees and Senior Advisor to Oak Hill Capital Partners; Director since 2003

Ronald L. Merriman

Chair of the Audit Committee and Managing Director of Merriman Partners; Director since 2004

William T. Monahan

Retired Chairman and CEO of Imation Corporation and Lead Director; Director since 2001

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

Mark C. Borin

Corporate Controller and Chief Accounting Officer

Michael G. Meyer

Vice President, Treasury and Tax

Jack J. Dempsey

President, Filtration

Karl R. Frykman

President, Pool and Spa

John C. Ma

President, Asia-Pacific

Del D. Nickel

President, Technical Products

William E. Waltz

President, Flow Technologies

Gary S. Witt

President, Pentair Water Europe, Middle East and Africa

Code of Business Conduct and Ethics

Pentair's founders created our Code of Business Conduct to guide the company's development and its actions. This Code is the foundation for specific practices, policies and guidelines that determine how we conduct day-to-day business. It includes guidance for all employees regarding how we will:

- ▶ Manage Pentair according to the highest business, ethical, moral and civic standards as a public company.
- ▶ Operate in a manner that earns the respect of our shareholders, employees, communities, customers, suppliers and all others with a stake in our success.
- ▶ Make Pentair a top-performing company, managed for the long-term benefit of all of our constituents.

Every employee worldwide receives a copy of our Code of Conduct when they join the company. The Code is available in every major language spoken by our employees.

The full text of our Code of Business Conduct and Ethics is available at www.pentair.com/code.html.

Investor Information

Annual Meeting.

The Annual Meeting of Pentair shareholders will take place on Thursday, April 30, 2009 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, Minneapolis, Minnesota 55416.

Stock Exchange Listing.

New York Stock Exchange (symbol: PNR)

Dividends.

Dividends are currently paid \$0.18 per share quarterly, in February, May, August and November. Pentair has paid 132 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/shareowner_services

Independent Registered Public Accounting Firm.

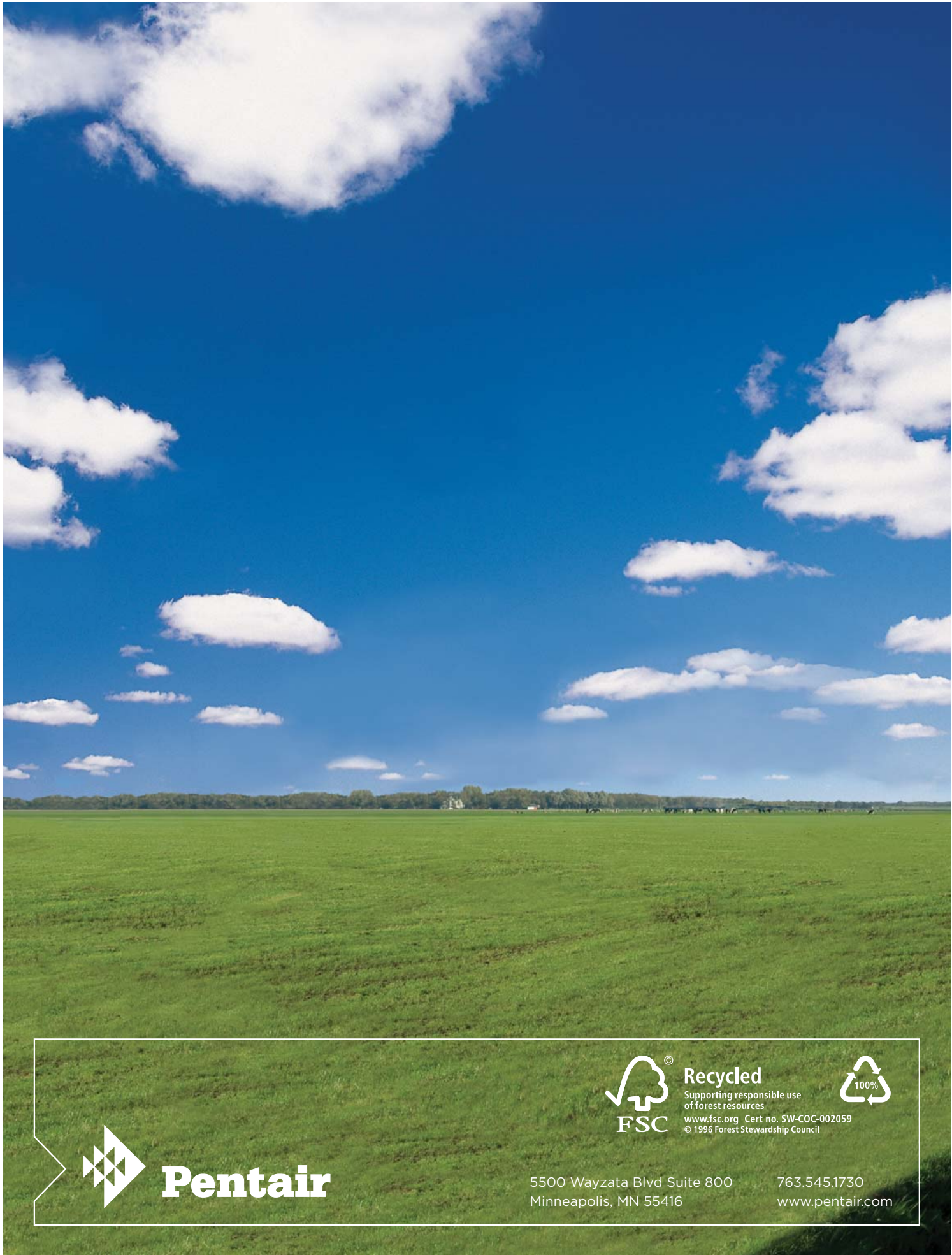
Deloitte & Touche LLP, Minneapolis, Minnesota

Caution concerning forward-looking statements.

Any statements made about the company's anticipated financial results are forward-looking statements subject to risks and uncertainties such as the breadth and severity of the global economic downturn; 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; 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 the company undertakes no obligation to update publicly such statements to reflect subsequent events or circumstances. Actual results could differ materially from anticipated results.

Certifications.

The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 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 2008 the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.



Pentair



Recycled

Supporting responsible use
of forest resources

www.fsc.org Cert no. SW-COC-002059
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5500 Wayzata Blvd Suite 800
Minneapolis, MN 55416

763.545.1730
www.pentair.com