

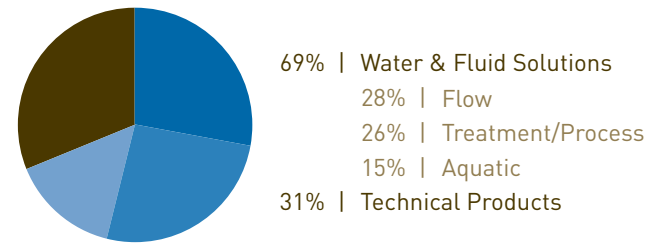
Seeing the  
big picture.



# Our vision

To be a diversified industrial growth company, a global enterprise and a responsible citizen known for operational excellence, innovation, top talent and growing by serving customers well while delivering superior long-term shareholder value.

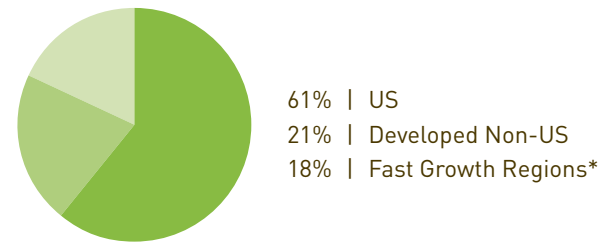
2011 Sales **BY SEGMENT**



## Water & Fluid Solutions

Pentair is a leading provider of innovative water and fluid processing products and solutions used in a wide range of applications. Pentair's comprehensive product suite addresses all areas of fluid handling, with products ranging from energy-efficient pumps and point-of-use filtration to highly engineered pumps and fluid processing systems.

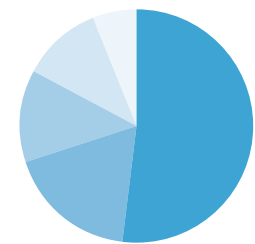
2011 Sales **BY REGION**



## Technical Products

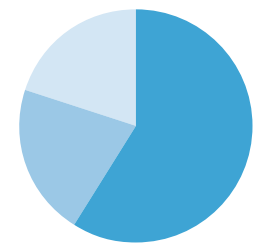
Pentair is a leading provider of products that enclose and protect some of the world's most sensitive electronics and electronic equipment, ensuring their safe, secure and reliable performance. Technical Products provides a broad array of standard and customized enclosures and thermal management solutions to customers all around the world.

2011 Sales **BY END-MARKET SERVED WITHIN WATER & FLUID**



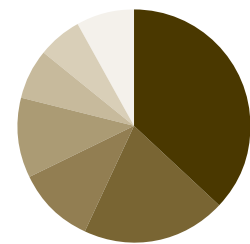
52% | Residential  
18% | Industrial  
13% | Commercial  
11% | Municipal  
6% | Agriculture

2011 Sales **BY REGION WITHIN WATER & FLUID**



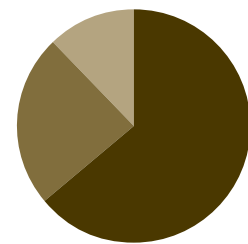
59% | US  
21% | Developed Non-US  
20% | Fast Growth Regions\*

2011 Sales **BY END-MARKET SERVED WITHIN TECHNICAL PRODUCTS**



37% | Industrial  
20% | Communications  
11% | Energy  
11% | General Electronics  
7% | Commercial  
6% | Infrastructure  
8% | Other

2011 Sales **BY REGION WITHIN TECHNICAL PRODUCTS**



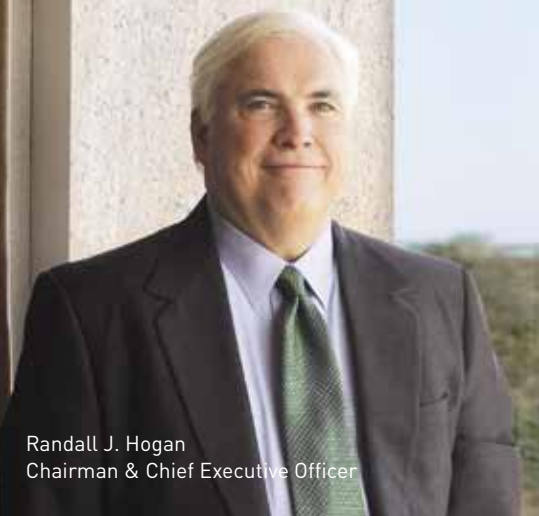
64% | US  
24% | Developed Non-US  
12% | Fast Growth Regions\*

\* Fast Growth Regions include China, India, Latin America, Southeast Asia, Eastern Europe, the Middle East and Africa

The world is changing. An expanding population and a growing middle class are driving demand for new and creative solutions to the world's challenges.

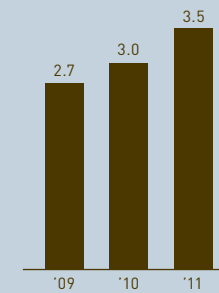
By weaving an innovative spirit together with a mindset of continuous improvement, Pentair strives to always be at the forefront of our industry, creating value across the globe and generating sustainable returns for our shareholders.

At Pentair, we have a clear vision of the opportunities ahead and the discipline to deliver results.

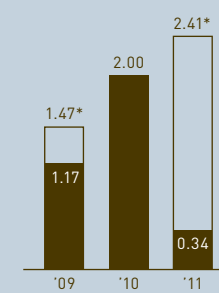


Randall J. Hogan  
Chairman & Chief Executive Officer

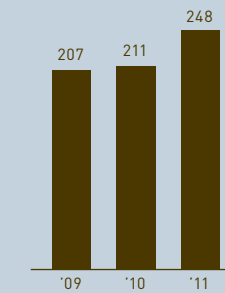
The growing population and wealth of the developing economies create a tremendous opportunity for Pentair.



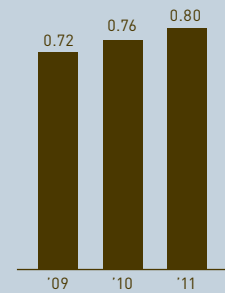
**Net sales**  
(\$ in billions)



**Diluted EPS**  
from continuing operations (\$)  
■ reported □ adjusted



**Free cash flow**  
(\$ in millions)



**Annual dividend**  
(\$ per share)

\* 2011 adjusted EPS excluded a restructuring charge of \$0.10, acquisition related costs of \$0.15 and a goodwill impairment charge of \$1.82; 2009 adjusted EPS excluded a restructuring and bond redemption charge of \$0.16, and an asset impairment charge of \$0.14.

## Dear fellow shareholders

2011 was a good year for Pentair. I'm pleased with our strong operating performance, with record sales, margin improvement and good cash flow yield. Amid market uncertainties and challenges, we sustained a clear growth agenda through disciplined investments, focused resource allocation and prioritized initiatives. We continued to make good progress on strategic priorities—setting the stage for future success and sustainable growth.

### Seeing the Big Picture

The increasing wealth of populations in fast growing markets is putting incredible pressure and demands on food, water, energy and industrial infrastructure today. These global mega trends present opportunities for Pentair. We continue to evolve into a more global, technology-driven company to better serve these growing needs, and to create long-term shareholder value.

A year ago, I reported to you on the progress we've made in expanding our presence in key growth markets, strengthening our innovation capabilities and driving operational excellence.

In 2011, we continued to make great strides on these strategic imperatives and it was evident in our results.

### 2011 Financial Highlights

- We delivered record revenues of \$3.5 billion, with revenue growth of 14 percent.
- We generated free cash flow of \$248 million, representing another year of greater than 100 percent net income conversion.

- We returned approximately \$80 million to shareholders through dividends and raised our quarterly dividend for the 36th consecutive year for 2012, up 10 percent.
- Adjusted diluted earnings per share from continuing operations (EPS) increased 21 percent to \$2.41, while reported EPS was \$0.34 after a non-cash goodwill impairment charge and restructuring and acquisition related costs totaling \$2.07 per share.

### Sustained Growth

The investments we have made are paying off, and we continue to strengthen Pentair at the core every day.

We are increasingly global. Fast growth regions now total approximately 18 percent of our annual sales, roughly double that of five years ago. We've invested over \$60 million over the past three years with localized manufacturing, engineering and Lean Enterprise capabilities supporting our in-region, for-region strategy. In 2011, we doubled our product launches in fast growth regions from two years ago and have more than 30 percent of our engineering resources now located in these regions. China, Latin America, the Middle East and India all provide tremendous growth opportunities for Pentair.

In 2011, we meaningfully advanced our global water and fluid process capabilities through acquisitions, most notably, Clean Process Technologies (CPT). With over 90 percent of revenues outside of the U.S., CPT provides advanced separation technologies, systems and application know-how, deepening our global water filtration platform and expanding our position in the attractive food and beverage markets.

We continue to invest more in research and development (R&D) initiatives to ensure that we deliver to customers what they need around efficiency,

reliability and performance. 2011 marked another year of robust product launches, from broadening our Eco-Select pool offerings to entering waste-to-energy with the anaerobic membrane bioreactor.

We continue to grow beyond current markets by identifying new, adjacent opportunities. In Technical Products, for example, our global thermal platform was up 40 percent outside the U.S. in 2011 as we designed, developed and manufactured new products in China, for China. In Water & Fluid Solutions, we extended our separation technology know-how beyond oil refineries to natural gas production and transport and continue to find new ways to grow.

### Realigning for Growth

In a step towards advancing our global growth strategies and execution, we introduced our new Water & Fluid Solutions alignment that focuses on three key platforms: Flow, Treatment and Process, and Aquatic. Within this framework, we will prioritize technology platforms, leverage scale and implement cross-business, fast growth region strategies. This will help ensure that we are working as one Pentair on opportunities in key growth markets.

### The Right Way

We believe the Pentair Integrated Management System (PIMS) is the right way to create value for customers, grow our business and improve performance. From Lean Enterprise to the Rapid Growth Process—we are continuously improving everything we do. In 2011, we drove meaningful improvements in product quality, on-time delivery, and workplace safety. One year into our Rapid Growth Process, we have trained over 800 global leaders in this new, disciplined growth process and deepened our market-back view of the opportunities. We also have over a decade of

generating strong cash flow, consistently converting greater than 100 percent of net income to free cash flow while investing for future growth—a testament to our lean disciplines.

The foundation of everything we do is our “Win Right” culture. A bold projection of “Win Right” is Project Safewater-Colón. This multi-year initiative, funded by the Pentair Foundation, demonstrated that it's possible to provide people in developing countries with affordable and sustainable sources of safe drinking water, and we are focused on sharing these protocols to provide safe water to those in need all around the world.

### Opportunities Ahead

Excellent execution of our strategic priorities in 2011 provides a solid position for us as we move forward. Our presence in fast growth regions has never been stronger, and we will continue to leverage the investments in new product development and selling and marketing that we have seeded over the past several years. Amid the continuing challenges of the global economy, we are ramping up productivity initiatives, further prioritizing investments and repositioning the company to best serve the growing, global needs of our customers. As we gain increasing control of our own destiny, our portfolio provides tremendous opportunity to create strong, sustaining shareholder value.

Randall J. Hogan  
Chairman & Chief Executive Officer

# Expanding our global opportunities

The growing population and wealth of developing economies creates a tremendous opportunity for Pentair. We are adding scale in fast growth regions through focused investments in global manufacturing, product development and distribution — accelerating Pentair’s growth.

With manufacturing capabilities across the globe, including China, Brazil, India and Mexico, we are where the growth is. To support our in-region, for-region strategy, we continued to localize product development to best serve local demands and needs with faster launches and unique designs. We are applying the Pentair Integrated Management System and Lean Enterprise capabilities we have already established in our more developed markets.

This creates more value for our customers and an advantage compared to our competitors. In 2011, we meaningfully expanded our global reach through acquisitions in Water & Fluid Solutions—adding new capabilities, technology and market reach.

Fast Growth Region sales grew 52 percent in 2011 compared to the prior year, reflecting expanded distribution and more relevant innovation along with added sales from acquisitions. We expanded distribution across all businesses, with 40 percent more distributors today than just two year ago, and we’re continuing to invest in global sales and marketing.

Greater scale in fast growth regions, more innovative solutions for an expanded customer base and added technology and application know-how position us well to serve the growing, global demands and needs of our customers.



## In-Region, For-Region

With the completion of Technical Products Qingdao Design Center, we brought a new level of development capabilities to the China region in 2011. The Center includes a full-function testing lab, enabling a quick launch of a new line of thermal management products designed specifically for China’s fast growing markets.

## Expanding Our Reach

We advanced our global water and fluid process capabilities through the acquisition of Clean Process Technologies (CPT). With over 90 percent of revenues outside of the US, CPT deepens our global water filtration platform, provides advanced fluid separation technologies and expands our position in the attractive food and beverage markets.

## First-Hand Experience

We opened our first Customer Experience Center in Shanghai, China where visitors can gain a deeper understanding of our latest water treatment technologies and experience first-hand our innovative product offerings.

## Bringing Safe Water to Kureb

We installed a reverse osmosis filtration system in the remote village of Kureb, India, to establish a model that would provide access to safe water for the 5,000 villagers. By hiring and training a local manager to operate the system, it ensures a viable and self-sustaining enterprise for years to come.

## Discover, Develop, Deploy

Design centers in India and China help support global product development efforts. We are developing expertise in controls, engineering analytics and systems design in India, and the China center is now almost entirely focused on in-region, for-region product development — increasing both our global capabilities and local relevance.



## Strengthening Fast Growth

The acquisition of Hidro Filtros in Brazil strengthened our position in the fast growing water filtration market in Latin America, while the acquisition of Wuxi Pioneer Pumps added local pump manufacturing capabilities in China.

Membrane bioreactors are not new to the food industry. But the concept of combining an anaerobic process with our Pentair X-Flow® membranes is transformational.



## Innovating for sustainable growth

We made great strides in innovation this year, bringing new products to the marketplace faster than before and deepening our global technology capabilities.

New product launches have increased 50 percent in the last 3 years. We're improving how we innovate by sharing best practices, closely tracking key metrics and keeping the customer firmly at the center of our innovation strategy. We're bringing greater value to our customers by providing more efficient, customized and cost-effective products and solutions. We continued to grow our engineering presence in key fast growth regions and maintained our focus on shifting from sustaining engineering to new product development. We're

strengthening our leading position in ultrafiltration and breaking new ground in nanofiltration.

We're continuing to leverage our leading brands and technology expertise to expand into new applications and markets. In Water & Fluid Solutions, we are extending our offerings into the dairy market with waste-to-energy solutions and into the oil and gas market with natural gas liquid separation systems. In Technical Products, we are capitalizing on our strong channel presence and reliable brand reputation to grow our thermal management solutions — providing customers protective, efficient cooling solutions for sensitive electronics and electrical equipment.

We're continuing to invest in innovation to drive sustainable growth.

### Waste-to-Energy

Efficiently treating waste streams can be a costly and cumbersome process for plants in the dairy, food and beverage industries. By adding our Pentair X-Flow® membranes and biogas recovery systems to anaerobic membrane bioreactors, our customers can enjoy the benefits of easy maintenance, increased biogas output and lower operating costs.

### High-Flow, High-Efficiency

Our new line of Pentair BERKELEY® agricultural irrigation pumps combines a high flow rate with industry-leading efficiency, significantly reducing the carbon footprint and cost of ownership compared to standard models.

### A Simpler Solution

With the announcement of our new Hybrid Deionization system, customers will experience the first system giving the benefits of reverse osmosis filtration and water softening while conserving more water and requiring no salt.



### Award Winning Innovation

Our Pentair Nijhuis™ fish-friendly pump won the 2011 Overall Innovation Award at Aquatech in Amsterdam, a top global trade show for process, drinking and waste water.

### Eco-Friendly Innovations

Eco-Select is our most advanced and environmentally friendly suite of pool pumps, heaters, filters and cleaners. These products, led by the top-selling IntelliFlo pump, can reduce energy consumption and save pool owners hundreds of dollars per year in operating costs.



### Precision Brewing

In the production of beer and other carbonated beverages, minimizing the level of oxygen is critical to ensuring a quality finished product. The newly launched O<sub>2</sub> Gehaltemeter OGM uses optical technology that is not susceptible to interference from organic substances and humidity, greatly improving response times and reducing the need for frequent re-calibration.



# Driving to a new level of capabilities and focus

The Pentair Integrated Management System (PIMS) is core to everything we do. From Lean Enterprise to Talent Management, we apply the same set of principles across our global businesses to drive growth, greater efficiencies and increased productivity — all while delivering superior value to our customers.

A core tenet of Lean Enterprise is “Improving Every Day,” and we continue to make meaningful advancements toward our operational goals. Already better than the industry average, our safety performance improved from last year, and we meaningfully exceeded our quality and delivery goals. We increased capacity and production while holding operating expenses and capital investments constant as a percentage of annual sales.

With our acquisitions, we began building a Lean culture on day one, improving on-time-delivery and safety rates and significantly reducing machine set-up and idle times.

With the addition of the Rapid Growth Process to the PIMS toolkit, we’re able to more quickly recognize which opportunities hold potential and will provide the sustainable, profitable growth we demand from our investments. In the first year alone, we’ve conducted over 40 Alpha Tests, which identified approximately \$500 million in potential future opportunities through the Rapid Growth Process.

With PIMS, we keep our focus on the customer, and they’re taking note. We’ve been recognized with vendor of the year distinctions by multiple customers for our ability to efficiently and proactively deliver our products where and when they’re needed most.



## Customer Alignment

In early 2012, we realigned Water & Fluid Solutions to focus on three growth platforms: Flow (Flow Technologies business), Treatment/Process (Water Purification and Process Technologies businesses) and Aquatic (Aquatic Systems business), enhancing our ability to address market opportunities, better serve our global customers and leverage scale.

## Sustainability at Work

Last year, we made the conscious decision to replace our Pisa, Italy plant’s aging roof completely with solar panels. Today the panels generate over 50 percent more energy than the plant uses, allowing the excess electricity to be sold back into the power grid, providing clean, renewable energy for the city.

## Moving Beyond the Oil Refinery

We are breaking into new gas separation applications as we apply existing technology and systems know-how to a broader set of customer needs. Our Pentair POLAREX® system allows proven, cost-effective contaminant removal from natural gas liquids for shale gas developments.



## One-Year Anniversary

In its first year, the Rapid Growth Process has provided the framework, tools and methodology that allow us to confidently identify new market opportunities and increase the speed of new product development, bringing innovative products to our customers more quickly.



## Proving the World’s Water Crisis is Solvable

With more than one billion people around the world lacking access to safe drinking water, Project Safewater-Colón proved that for just pennies a day, this crisis is solvable. Visit [www.projectsafewater.com](http://www.projectsafewater.com) to learn more.



## A Record Year

Driven by crisp execution and rooted Lean disciplines, Technical Products achieved record full-year operating margins in 2011, proving that our “Customer First” strategy can drive significant margin expansion through better customer satisfaction, greater efficiencies and meaningful cost reductions.



## Pentair Leadership Team

### Board Members

**Leslie Abi-Karam**

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

**Glynis A. Bryan**

*Chair of the Governance Committee; Chief Financial Officer of Insight Enterprises, Inc.; Director since 2003*

**Jerry W. Burris**

*President and Chief Executive Officer of Associated Materials, LLC; Director since 2007*

**T. Michael Glenn**

*Executive Vice President of 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, Kiina Investment Limited; Director since 2007*

**Randall J. Hogan**

*Chairman and Chief Executive Officer; Director since 1999*

**David A. Jones**

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

**Ronald L. Merriman**

*Chair of the Audit Committee; Retired Vice Chair of KPMG; Director since 2004*

**William T. Monahan**

*Lead Director; Retired Chairman and CEO of Imation Corporation; 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*

**Angela D. Lageson**

*Senior Vice President, General Counsel and Secretary*

**Mark C. Borin**

*Corporate Controller and Chief Accounting Officer*

**Michael G. Meyer**

*Vice President, Treasury and Tax*

**Karl R. Frykman**

*President, Aquatic Systems*

**Netha N. Johnson, Jr.**

*President, Process Technologies*

**Alok Maskara**

*President, Water Purification*

**Philip Pejovich**

*President, Technical Products*

**Gary S. Witt**

*President, Flow Technologies*

## Investor Information

### Annual Meeting

The Annual Meeting of Pentair shareholders will take place on:  
Wednesday, April 25, 2012 at 10:00 a.m. Central in the auditorium of Thrivent Financial (625 Fourth Avenue South, Minneapolis, Minnesota).

### Investor Information

Shareholders 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 Commission filings at [www.pentair.com](http://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 \$0.22 per share and are paid quarterly in February, May, August and November. Pentair has paid 144 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

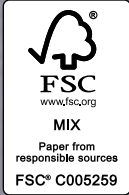
[www.wellsfargo.com/com/investments/shareowner-services](http://www.wellsfargo.com/com/investments/shareowner-services)

### 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 Company's ability to successfully and timely integrate and realize the benefits of acquisitions; the magnitude, timing and scope of recovery from the global economic downturn, including the current European Union debt crisis, or any potential future downturn; the strength of housing and related markets; the risk that expected benefits from restructuring and other cost reduction plans may not be fully realized, or may take longer to realize than expected; foreign currency effects; material inflation outpacing our productivity and pricing actions; retail, commercial and industrial demand; increased risks associated with operating foreign businesses; product introductions; pricing and other competitive pressures; and the Company's ability to achieve its long-term strategic operating goals, 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.



The front portion of this report was printed on paper made from 100% post-consumer recycled fiber. Because we believe in being part of the solution.



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