

PENTAIR INC
Form 425
July 24, 2012

Q2 2012 EARNINGS RELEASE

July 24, 2012

PENTAIR

Filed by Pentair, Inc.

pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Pentair, Inc.

Registration Number: 333-181250

2
Caution
Concerning
Forward-Looking
Statements
This
communication
may
contain
certain
statements

about
Pentair,
Inc.
(Pentair),
Tyco
Flow
Control
International
Ltd.
(Tyco
Flow)
and
Tyco
International
Ltd.
(Tyco)
that
are
forward-looking
statements
within
the
meaning
of
the
U.S.
Private
Securities
Litigation
Reform
Act
of
1995.
The
forward-looking
statements
contained
in
this
press
release
may
include
statements
about
the
expected
effects
on
Pentair,

Tyco
Flow
and
Tyco
of
the
proposed
merger
of
Pentair
and
Tyco
Flow
(the
Merger),
the
anticipated
timing
and
benefits
of
the
Merger,
Pentair's
and
Tyco
Flow's
anticipated
standalone
or
combined
financial
results
and
all
other
statements
in
this
document
other
than
historical
facts.
Without
limitation,
any
statements
preceded
or

followed
by
or
that
include
the
words

targets ,
plans ,
believes ,
expects ,
intends ,
will ,
likely ,
may ,
anticipates ,
estimates ,
projects ,
should ,
would ,
expect ,
positioned ,
strategy ,
future

or
words,
phrases
or
terms
of
similar
substance

or
the
negative
thereof,
are
forward-looking
statements.

These
statements
are
based
on
the
current
expectations
of
the
management

of
Pentair,
Tyco
Flow
and
Tyco
(as
the
case
may
be)
and
are
subject
to
uncertainty
and
changes
in
circumstances
and
involve
risks
and
uncertainties
that
could
cause
actual
results
to
differ
materially
from
those
expressed
or
implied
in
such
forward-looking
statements.
In
addition,
these
statements
are
based
on
a

number
of
assumptions
that
are
subject
to
change.
Such
risks,
uncertainties
and
assumptions
include:
the
satisfaction
of
the
conditions
to
the
Merger
and
other
risks
related
to
the
completion
of
the
Merger
and
actions
related
thereto;
Pentair's
and
Tyco's
ability
to
complete
the
Merger
on
anticipated
terms
and
schedule,
including

the
ability
to
obtain
shareholder
or
regulatory
approvals
of
the
Merger
and
related
transactions;
risks
relating
to
any
unforeseen
liabilities
of
Pentair
or
Tyco
Flow;
future
capital
expenditures,
expenses,
revenues,
earnings,
synergies,
economic
performance,
indebtedness,
financial
condition,
losses
and
future
prospects;
business
and
management
strategies
and
the
expansion
and
growth

of
Pentair's
or
Tyco
Flow's
operations;
Pentair's
and
Tyco
Flow's
ability
to
integrate
successfully
after
the
Merger
and
achieve
anticipated
synergies;
the
effects
of
government
regulation
on
Pentair's
or
Tyco
Flow's
businesses;
the
risk
that
disruptions
from
the
transaction
will
harm
Pentair's
or
Tyco
Flow's
business;
Pentair's,
Tyco
Flow's
and

Tyco's
plans,
objectives, expectations
and
intentions
generally;
and
other
factors
detailed
in
Pentair's
and
Tyco's
reports
filed
with
the
U.S.
Securities
and
Exchange
Commission
(the
SEC),
including
their
Annual
Reports
on
Form
10-K
under
the
caption
Risk
Factors .
Forward-looking
statements
included
herein
are
made
as
of
the
date
hereof,
and
none

of
Pentair,
Tyco
Flow
or
Tyco
undertakes
any
obligation
to
update
publicly
such
statements
to
reflect
subsequent
events
or
circumstances.
Additional
Information
The
Merger
will
be
submitted
to
a
vote
of
Pentair
shareholders
and
the
proposed
distribution
of
Tyco
Flow
to
Tyco
shareholders
(the
Distribution)
will
be
submitted
to
a

vote
of
Tyco
shareholders.

On
May
8,
2012,
Tyco
Flow
filed
with
the
SEC
a
registration
statement
on
Form
S-4,
as
subsequently
amended,
containing
a
preliminary
proxy
statement/prospectus
regarding
the
Merger.

On
May
8,
2012,
Tyco
Flow
filed
with
the
SEC
a
registration
statement
on
Form
S-1,
as
subsequently
amended,

containing
a
preliminary
prospectus
and
Tyco
filed
with
the
SEC
a
preliminary
proxy
statement,
as
subsequently
amended,
regarding
the
Distribution.
The
preliminary
proxy
statement/prospectus
regarding
the
Merger,
the
preliminary
prospectus
regarding
the
Distribution
and
the
Tyco
preliminary
proxy
statement
are
available
free
of
charge
on
the
SEC's
website
at
www.sec.gov.

Pentair
plans
to
file
with
the
SEC
and
mail
to
its
shareholders
a
definitive
proxy
statement
regarding
the
Merger
and
Tyco
plans
to
file
with
the
SEC
and
mail
to
its
shareholders
a
definitive
proxy
statement
regarding
the
Distribution.
Shareholders
are
urged
to
read
the
Form
S-4
containing
the
preliminary

proxy
statement/prospectus,
the
Form
S-1
containing
the
preliminary
prospectus
and
the
Tyco
preliminary
proxy
statement,
which
are
available
now,
and
the
Form
S-4
containing
the
definitive
proxy
statement/prospectus
regarding
the
Merger,
the
Form
S-1
containing
the
definitive
prospectus
regarding
the
Distribution
and
the
Tyco
definitive
proxy
statement
and
any
other

relevant documents when they become available, because they will contain important information about Pentair, Tyco and Tyco Flow and the proposed transactions. The definitive proxy statement/prospectus relating to the Merger, the definitive prospectus relating to the Distribution, the Tyco definitive proxy statement and other documents relating to the proposed transaction

(when
they
are
available)
can
be
obtained
free
of
charge
from
the
SEC's
website
at
www.sec.gov.

These
documents

(when
they
are
available)

can
also
be
obtained
free

of
charge
from

Pentair
upon

written
request

to
Investor
Relations
Department,
Pentair,

Inc.,
5500

Wayzata

Bld.,

Suite

800,

Minneapolis,

MN,

55416,

or

by

calling
(763)
545-1730
or
from
Tyco
or
Tyco
Flow
upon
written
request
to
Investor
Relations
Department,
Tyco
International
Ltd.,
9
Roszel
Road,
Princeton,
NJ,
08540,
or
by
calling
(609)
720-4200.
Participants
in
the
Solicitation
Pentair
and
Tyco
and
certain
of
their
respective
directors
and
executive
officers
may
be
deemed
to

be
participants
in
the
solicitation
of
proxies
from
shareholders
in
connection
with
the
proposed
transaction
under
the
rules
of
the
SEC.
Information
about
the
directors
and
executive
officers
of
Pentair
may
be
found
in
its
Annual
Report
on
Form
10-K
for
the
year
ended
December
31,
2011
filed
with
the

SEC
on
February
21,
2012,
the
definitive
proxy
statement
relating
to
its
2012
annual
meeting
of
shareholders
filed
with
the
SEC
on
March
9,
2012
and
Tyco
Flow s
registration
statement
on
Form
S-4
containing
the
preliminary
proxy
statement/prospectus relating
to
the
Merger,
which
was
filed
with
the
SEC
on
May
8,

2012,
as
subsequently
amended.
Information
about
the
directors
and
executive
officers
of
Tyco
may
be
found
in
its
Annual
Report
on
Form
10-K
for
the
year
ended
September
30,
2011
filed
with
the
SEC
on
November
16,
2011,
the
definitive
proxy
statement
relating
to
its
2012
annual
general
meeting
of

shareholders
filed
with
the
SEC
on
January
13,
2012
and
Tyco's
preliminary
proxy
statement,
which
was
filed
with
the
SEC
on
May
8,
2012,
as
subsequently
amended.
These
documents
can
be
obtained
free
of
charge
from
the
sources
indicated
above.
Additional
information
regarding
the
interests
of
these
participants
will
also

be
included
in
the
definitive
proxy
statements
when
it
becomes
available.

FORWARD-LOOKING STATEMENTS

PENTAIR

3

Adj. Op Income Up 11%

Adj. Op Margins 14.3%

Up 100 bps

Volume/Acq.

(0.6 pts.)

Price/Productivity

+3.5 pts.

Inflation

(1.6 pts.)

Adj. EPS Up 11%

Adj. Effective Tax Rate ~28%

Net Interest Up ~\$1M

Q2 Free Cash Flow of \$222M

Seasonal Acceleration; YTD FCF of \$140M

On Track to Deliver FY FCF >100% of NI

* All year-over-year comparisons against 2011 adjusted results.

** CPT refers to the acquisition of Norit's Clean Process Technologies Business; Closed May 12, 2011

Sales Up 3%

Acq.

+4.4 pts.

Volume/Price

+2.0 pts.

FX

(2.9 pts.)

Water & Fluid Up 7%

Technical Products Down (4%)

Top-Line Hindered by FX Translation and End of
Life Contract (Technical Products)

Continued Gains in Industrial, Agriculture, Food,
and Energy

Strong Margin Improvement Led by Price,
Productivity, and Repositioning Savings

YTD Repositioning Charges of \$10M to Accelerate
Productivity Savings

Price and Productivity Drove Margin Gains

Q2 12 PENTAIR RESULTS

*

Q2 12

Q2 11

Sales

\$942M

\$910M

Op Income

(Rpt.)

\$118M

\$109M

Op Income

(Adj.)

\$134M

\$121M

ROS

(Adj.)

14.3%

13.3%

EPS

(Rpt.)

\$0.71

\$0.67

EPS

(Adj.)

\$0.83

\$0.75

PENTAIR

SUMMARY

FINANCIAL HIGHLIGHTS

4

Operating Margins / Productivity Highlights

Sales Up 7%

Up 1% ex-CPT, Organic up 3% ex-FX

Treatment/Process +14%

-

Strong Industrial and Energy Offsetting W. Europe Headwinds

Aquatic +8%

-

Strong Eco-Select Product Sales and Dealer Expansion

Flow (1%)

-

Lower Flood-Related Pump, W. Europe & Muni Sales

Fast Growth Regions Up 19%, including CPT and FX

Sales Highlights

(by Platform)

Adjusted Operating Margins 14.7%,

incl.

negative

CPT

headwind

of

70

bps

Solid Pricing and Productivity Execution, Along with

Repositioning Actions Benefited Margins

Continued Investments in New Product

Development to Fuel Future Growth

Solid Growth (ex-FX) and Strong Price and Productivity

Q2 12 WATER & FLUID SOLUTIONS PERFORMANCE

*

YoY

Q2 11

Adj

Prod./

Price

Infl.

Growth

Q2 12

Adj

\$1M

\$99M

\$20M

\$90M

\$632M

\$676M

(\$18M)

Q2 11

Volume

Price

FX

Q2 12

\$15M

\$7M

(\$12M)

\$40M

CPT Acq.

1pt

6pts

2pts

(3pts)

7pts

ROS

(1.9%)

(0.4%)

2.8%

14.7%

14.2%

ROS

* All year-over-year comparisons against 2011 adjusted results.

\$92M

(\$7M)

Adj

Q2 12

Rptd

13.6%

ROS

(1.1%)

PENTAIR

SALES

OPERATING INCOME

+7%

YoY

+10%

YoY

5

Sales Down 4%

Down 1% ex-FX

Fast Growth Regions Up 2% (Up 8% ex-FX)

Industrial

+7%

Energy

+4%

Commercial
+3%

Infrastructure
(1%)

Sec/Def, Medical
(5%)

General Electronics
(8%)

Communications
(29%)

Q2 12 TECHNICAL PRODUCTS PERFORMANCE

*

Industrial Strength and Robust Margin Expansion

SALES

OPERATING INCOME

Operating Margins / Productivity Highlights

Sales Highlights

(by Sector Served)

Adjusted Operating Margins 20.2%, Up 290bps

End of Life Telecom Project & W. Europe Headwinds
Impacted Top-Line; Minimal Op Margin Impact

Strong Gross Margin Performance, with Continued
Investments in Global Selling & Marketing

Pricing realized; Repositioning Benefits Ramping
through Year

YoY

\$278M

\$266M

(\$8M)

Q2 11

Volume

Price

FX

Q2 12

\$7M

(\$11M)

(4%)

YoY

(4pts)

3pts

(3pts)

(4pts)

* All year-over-year comparisons against 2011 adjusted results.

Q2 11
 Prod./
 Price
 Infl.
 Growth
 Q2 12
 Adj
 (\$5M)
 \$54M
 \$14M
 \$48M
 (\$3M)
 +11%
 YoY
 (0.9%)
 (0.9%)
 4.7%
 20.2%
 ROS
 \$51M
 (\$3M)
 Adj
 Q2 12
 Rptd
 17.3%
 ROS
 19.0%
 ROS
 (1.2%)
 PENTAIR

6

1

HALF GROWTH PROFILE

FX Translation a Headline, Europe a Headwind, Fast Growth still Growing

US/CANADA ~66% of Sales

YTD Revenue up

4%

Up 5%

Excluding the Impact of Telecom End of
Life Program

WESTERN EUROPE ~13% of Sales

Overall Volume/Price/FX Down 17% YOY

Impact of FX Translation ~(8%)

FX Translation Continues into
2
Half, 2012

FAST GROWTH ~18% of Sales

China YTD up 21%
Flat excluding
Acquisitions and FX

Middle East up 29%

Latin America up 14% in Local Currency

India up 42% in Local Currency

Residential
~34%
of
Sales

Flat YTD

Industrial
~40%
of
Sales

Up 11% YTD

Agriculture/Aquaculture
~5%
of
Sales

Up 17% YTD

Comm 1
~13%
of
Sales

Up 5% YTD

Infrastructure

~8%

of

Sales

Up 3% YTD

Energy: [Gaining momentum relating to](#)
separation systems and shale penetrations

Water Reuse: [Industrial application orders](#)
accelerating
2H shipments

Industrialization: [Fast growth markets still](#)
expanding as a whole
China slower

Agriculture: [Ag/Aquaculture orders](#)
accelerating globally
sales up >15% YOY

PENTAIR

st

nd

KEY GEOGRAPHIES

KEY VERTICALS (All Global)

PROGRESS

ON

STRATEGIC

GROWTH

PLATFORMS

7

Q2 YTD

1H ASSESSMENT AND FULL YEAR OUTLOOK

FY 2012

Outlook

Adj. Op Margin

Bps Chg from PY

Revenue

% Chg from PY

2H Assumptions

Europe remains challenged,
consistent with first half

FX translation headwind, but
inflation moderate

Strong price and growth priorities
offsetting weaker volume

Q4 benefit from improving Muni
and Beverage Backlog

Strength in Fast Growth Regions

\$1.8B

+6%

12.9%

+60 *bps*

\$1.47

+16%

~\$3.6B

~4%

~12.4%

~+70 *bps*

\$2.70 to \$2.76

+12 to 15%

Adj. EPS

% Chg from PY

Driving Both Growth and

Productivity Initiatives

Price Plus Productivity More than

Offsetting Inflation

Accelerated Repositioning and

Integration/Standardization

Actions

Expect Some Top-Line Moderation in 2H12, but Margin Expansion to Continue

PENTAIR

8

Day 1 Readiness

40+ Dedicated IST Team Members

10 Functions -

Each Pentair / Tyco

Business Unit Represented

140+ Project Plans

On Schedule

Business Continuity & Day 1 Value To
Shareholders Critical
Progressing as Scheduled
UPDATE ON PENDING PENTAIR & TYCO FLOW MERGER,
SYNERGIES
STANDARDIZATION
Day 1
Announce
Day 1,000
Synergies

\$250M of Synergies Targeted By Business
& Function By 2015

Bottoms-up Planning Underway
Significant Opportunity Identified

Day 1 Targets On Schedule

Day 1
100 Fast Start
Synergies Being
Identified
Standardization

Pentair Integrated Management
System (PIMS) Ready to Deploy

Function-by-Function Approach
Evaluating Best of Both Companies

Choose-and-Go Approach to
Standardization (Best Practices)

\$250M
Commitment

Cost and
Growth
Corp Cost
Avoidance
Tax

Synergies
Cost

Synergies

\$40M

\$50M

\$160M

PENTAIR

DAY 1 READINESS

Phase I

Planning

Phase II

Execution

Phase III

Readiness

PNR

PNR

PNR

TYCO

TYCO

TYCO

New PNR

PREVIOUSLY ANNOUNCED

(of key business processes)

9

Macroeconomic Uncertainty and Currency Translation Persist

-

Excluding FX, volume and price remain positive; Fast Growth markets growing double-digits

-

Western Europe worse than expected, but signs of bottom in Residential and Muni

Strong Growth Continued in Many Sectors We Serve

Growth continues in US Industrial +14%, Agriculture +14%, Pool +8% and Energy +6%

Adj. Op Income Grew 11% in Q2, Great PIMS Execution

- 100bps of margin expansion driven by the 3 P's: PIMS, pricing and productivity
- Targeted investments in Global Marketing Capabilities and New Product Development

On-Track to Deliver Full Year Adj. Operating Income Targets

- A little less contribution from growth
- Strong net productivity

Pending Merger with Tyco Flow Progressing Well

- Have received HSR and EU clearance
- Integration & Standardization Team in place; anticipated synergies in line with expectations

Q2 '12 SUMMARY

Strong Pricing and Productivity Driving Operating Improvement

PENTAIR

10

11.7%

A Little Less Contribution From
Growth (FX Related) and Strong
Productivity Driven

by Price/Cost

13.3%

~12.4%

14.3%

+100 bps

incl. CPT

acq. impact

A Little Less Growth

FX Headwind Forecasted at (\$86M) for Full Year

Europe Expected to be down (\$10M) for Full Year

Easier 2

Half Comparisons in Most Businesses

Better Price/Cost

Q2 YOY Pricing of 120 basis points

Expect Full Year

Pricing ~2%

Raw Material and Strategic Sourcing Better than Original

Plan

and accelerating entering 2

half

PIMS accelerating throughout Water/Tech Products

Repositioning actions (\$10M YTD) driving upside

Sustaining, Strategic Investments

Continued Investments in New Product Development

and Global Selling & Marketing

More Prioritization

(at midpoint)

1

HALF/FULL YEAR OPERATING MARGINS

Good Start

Pricing, Productivity + Paced

Investments

~70 bps

PENTAIR

Q2'11

Q2'12

FY'11

FY'12e

st

nd

nd

ADJ. OP MARGIN

OPERATING MARGIN EXPECTATIONS

11
ROIC (After-tax)
9.3%
9.0%
Debt / Total Cap.
38.2%
40.4%
Q2 12
Maturity
Rate
Variable

12
 21 2.1%
 Fixed
 13
 21
 5.5%
 \$1.2B
 Q2 12
 Avg. Rate ~4.8%
 ~81% Fixed
 YE 11
 \$1.0B
 \$0.2B
 Key Ratios Exclude Non-controlling Interest from Equity
 BALANCE SHEET AND CASH FLOW
 Good ROIC Progress
 FY Free Cash Flow on Track
 KEY RATIOS
 CASH FLOW
 DEBT SUMMARY
 Q2
 Q2
 (\$M)
 2012
 2011
 YOY Chg
 Net Income attributable
 to Pentair, Inc.
 72
 \$
 67
 \$
 5
 \$
 Non-Cash Items
 32
 \$
 33
 \$
 (1)
 \$
 Subtotal
 104
 \$
 100
 \$
 4
 \$
 Working Capital
 102

\$
 94
 \$
 8
 \$
 Capital Expenditures
 (16)
 \$
 (22)
 \$
 6
 \$
 Asset Sales
 3
 \$
 -
 \$
 3
 \$
 Other Accruals/Other
 29
 \$
 7
 \$
 22
 \$
 Free Cash Flow
 222
 \$
 179
 \$
 43
 \$
 Q2
 Q2
 Use of Cash:
 2012
 2011
 YOY Chg
 Beginning Debt
 1,415
 \$
 808
 \$
 (607)
 \$
 Generated Cash
 (222)
 \$
 (179)

\$
 43
 \$
 Divestitures
 -
 \$
 -
 \$
 -
 \$
 Share Repurchase
 -
 \$
 -
 \$
 -
 \$
 Dividends
 22
 \$
 20
 \$
 (2)
 \$
 Borrowings
 -
 \$
 755
 \$
 755
 \$
 Other
 20
 \$
 3
 \$
 (17)
 \$
 Ending Debt
 1,235
 \$
 1,407
 \$
 172
 \$
 PENTAIR

12

Op Income Up 3% -
7%

Op Margins 11.7% -
11.9%, up 40 to 60 bps

Water & Fluid Margins
~11.5%

Technical Products Margins
~19.0%

EPS Up 5% -
9%

Adj. Tax Rate 28% -
29%

Net Interest ~\$16.5M
Sales Up 1% -
3%

Water & Fluid Up 1% -
3%

Technical Products Down (4%) to (2%)

Q3 12

Q3 11

Sales

\$900M -

\$915M

\$891M

Op Income

(Rpt.)

\$104M -

\$108M

\$93M

Op Income

(Adj.)

\$104M -

\$108M

\$101M

ROS

(Adj.)

11.7% -

11.9%

11.3%

EPS

(Rpt.)

\$0.61 -

\$0.63

\$0.51

EPS

(Adj.)

\$0.61 -

\$0.63

\$0.58

Expanded Coverage & Penetration, New Products
and Fast Growth Region Sales to Fuel Top-line

Expect Good Growth in Industrial, Agriculture,

Energy & Pool Continue
Slower Decline in Muni

Repositioning Benefits and Pricing Realization
Ramping from Q2, Plus Productivity to Drive
Margin Expansion
Expanded Penetration, New Products & Margin Expansion Driving Growth

Q3 '12 PENTAIR OUTLOOK

*

Q3 Free Cash Flow of ~\$70M

Expect FCF >100% of Net Income for FY

* 2012 Q3 outlook excludes all impacts of the Tyco Flow Deal; All year-over-year comparisons against 2011 adjusted results.

PENTAIR

Q3 '12 FINANCIAL OUTLOOK

KEY HIGHLIGHTS

13

New Products, Expanded Distribution and Fast
Growth Regions Expected to Fuel Growth

Expect Better Price/Cost, More Productivity
and Prioritized Investments to Expand Margins

Expect to Generate FCF > Net Income, with
Disciplined Allocation

Integration Planning & Leadership is Critical

Tyco Flow Deal Not Reflected in this Outlook

Growth and Productivity Strategies In Place

Well Positioned in 2012

FULL YEAR 2012 PENTAIR OUTLOOK

*

FY 12

FY 11

Sales

~\$3.6B

\$3.5B

Op Income

(Rpt.)

\$411M -

\$421M

\$169M

Op Income

(Adj.)

\$440M -

\$450M

\$404M

ROS

(Adj.)

up 50 bps -

80 bps

EPS

(Rpt.)

\$2.55 -

\$2.61

\$0.34

EPS

(Adj.)

\$2.70 -

\$2.76

\$2.41

Adj. Op Income Up 9% -

11%

Adj. Op Margins Up 50 bps -

80 bps

Water & Fluid Margins, ~12.5%

Technical Products Margins, ~19.0%

Adj. FY EPS Up 12% -

15%

Adj. Tax Rate ~27%

Net Interest ~\$65M

Sales Up 4% -
5%

Water & Fluid Up 5% -
7%

Technical Products Down (2%) to Flat
FY 12 Free Cash Flow >\$270M

Expect >100% Net Income Conversion
11.7%

PENTAIR

KEY HIGHLIGHTS

FY 12 FINANCIAL OUTLOOK

*

2012

full

year

outlook

does

not

include

any

future

impact

from

Tyco

Flow

Deal;

All

year-over-year

comparisons

against

2011

adjusted

results.

14
APPENDIX
GAAP to Non-GAAP Measurements & Reconciliations
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15

GAAP TO NON-GAAP RECONCILIATIONS

GAAP to Non-GAAP Measurements and Reconciliations

\$ in millions

Q111

Q211

Q311

Q411

Q112

Q212

Reported Operating Income

86.2	
\$	
109.4	
\$	
92.9	
\$	
(120.0)	
\$	
85.0	
\$	
117.8	
\$	
Adjustments	
1.9	
\$	
11.4	
\$	
7.9	
\$	
214.0	
\$	
11.8	
\$	
16.7	
\$	
Adjusted Operating Income	
88.1	
\$	
120.8	
\$	
100.8	
\$	
94.0	
\$	
96.8	
\$	
134.5	
\$	
Reported Provision for Income Taxes	
25.1	
\$	
27.3	
\$	
24.1	
\$	
(3.4)	
\$	
9.1	
\$	
28.9	

\$
Effect of Adjustments on Provision for Income Taxes

0.6

\$

2.6

\$

1.3

\$

24.2

\$

7.4

\$

4.7

\$

Adjusted Provision for Income Taxes

25.7

\$

29.9

\$

25.4

\$

20.8

\$

16.5

\$

33.6

\$

Reported Effective Tax Rate

32.5%

28.6%

31.6%

2.5%

12.7%

28.2%

Adjusted Effective Tax Rate

32.5%

28.0%

30.2%

27.0%

19.9%

28.3%

NOPAT

59.5

\$

87.0

\$

70.3

\$

68.6

\$

77.5	
\$	
96.4	
\$	
Trailing four quarter NOPAT	
243.1	
\$	
263.7	
\$	
272.4	
\$	
285.3	
\$	
303.3	
\$	
312.7	
\$	
Ending Invested Capital (excluding noncontrolling interest)	
2,918.5	
\$	
3,587.3	
\$	
3,478.4	
\$	
3,192.3	
\$	
3,387.4	
\$	
3,176.4	
\$	
Trailing five quarter average invested capital	
2,777.6	
\$	
2,931.5	
\$	
3,091.4	
\$	
3,186.2	
\$	
3,312.8	
\$	
3,364.4	
\$	
After Tax Return on Invested Capital	
8.8%	
9.0%	
8.8%	
9.0%	
9.2%	
9.3%	

NOPAT
 (Net
 Operating
 Profit
 After
 Tax)
 is
 Defined
 as
 [(Adjusted
 OI)
 X
 (1
 -
 Adjusted
 Effective
 Tax
 Rate)]
 Ending Invested
 Capital
 is
 Defined
 as
 [Total
 Shareholders'
 Equity
 -
 Noncontrolling
 interest
 +
 Long-term
 Debt
 +
 Current
 Maturities
 of
 Long-term
 Debt
 +
 Short-term
 Borrowings
 -
 Cash and Cash Equivalents]
 Free Cash Flow
 Net cash provided by (used for) operating activities
 (48.2)
 \$
 200.8
 \$
 88.0

\$
 79.6
 \$
 (67.5)
 \$
 234.3
 \$
 Capital expenditures
 (13.3)
 \$
 (21.9)
 \$
 (17.9)
 \$
 (20.2)
 \$
 (15.6)
 \$
 (15.7)
 \$
 Proceeds from sale of property and equipment
 0.1
 \$
 -
 \$
 -
 \$
 1.2
 \$
 1.5
 \$
 3.3
 \$
 Free cash flow
 (61.4)
 \$
 178.9
 \$
 70.1
 \$
 60.6
 \$
 (81.6)
 \$
 221.9
 \$
 Free
 Cash
 Flow
 is

Defined
as
[Net
cash
provided
by
(used
for)
continuing
operations
-
Capital
Expenditures
+
Proceeds
from
sale
of
property
and
equipment]

PENTAIR

16

REPORTED TO ADJUSTED 2012 RECONCILIATION

Pentair, Inc. and Subsidiaries

Reconciliation of the GAAP "As Reported" year ending December 31, 2012 to the "Adjusted" non-GAAP
excluding the effect of 2012 adjustments (Unaudited)

Total Pentair

First Quarter

Second Quarter

Year

In millions, except per-share data

2012

2012
 2012
 Net sales
 858.2
 \$
 941.5
 \$
 approx \$3,600
 Operating
 income -
 as
 reported
 85.0
 117.8
 approx
 411-
 421
 % of net sales
 9.9%
 12.5%
 approx. 11.5%
 Adjustments:
 Deal related costs
 11.8
 6.3
 18.1
 Restructuring

 10.4
 10.4
 Operating
 income -
 as
 adjusted
 96.8
 134.5
 approx
 440
 -
 450
 % of net sales
 11.3%
 14.3%
 approx. 12%+
 Net
 income
 attributable
 to
 Pentair,
 Inc. -

as
 reported
 60.8
 71.8
 approx
 258
 -
 264
 Interest expense
 (1.2)

 (1.2)
 Other adjustments net of tax
 4.4
 11.9
 16.3
 Net income from continuing operations attributable
 to Pentair, Inc. -
 as adjusted
 64.0
 83.7
 approx
 273
 -
 279
 Continuing
 earnings
 per
 common
 share
 attributable
 to
 Pentair,
 Inc.
 -
 diluted
 Diluted
 earnings
 per
 common
 share -
 as
 reported
 0.61
 \$
 0.71
 \$
 \$2.55
 -
 \$2.61

Adjustments

0.03

0.12

0.15

Diluted

earnings

per

common

share -

as

adjusted

0.64

\$

0.83

\$

\$2.70

-

\$2.76

PENTAIR

17

Note: Inventory step-up and customer backlog reflect amortization of fair market value step-up associated with inventory and
REPORTED TO ADJUSTED 2011 RECONCILIATION

Pentair, Inc. and Subsidiaries

Reconciliation of the GAAP "As Reported" year ending December 31, 2011 to the "Adjusted" non-GAAP
excluding the effect of 2011 adjustments (Unaudited)

Total Pentair

First Quarter

Second Quarter

Third Quarter

Fourth Quarter

Year

In millions, except per-share data

2011

2011

2011

2011

2011

Net sales

790.3

\$

910.2

\$

890.5

\$

865.7

\$

3,456.7

\$

Operating income -

as reported

86.2

109.4

92.9

(120.0)

168.5

% of net sales

10.9%

12.0%

10.4%

(13.9%)

4.9%

Adjustments:

CPT deal related costs

1.7

6.1

0.5

8.3

Restructuring

2.1

10.8

12.9

Inventory step-up and customer backlog

0.2

5.3

5.8

2.2

13.5

Goodwill impairment

200.5

200.5

Operating income -

as adjusted

88.1

120.8

100.8

94.0

403.7

% of net sales

11.1%

13.3%

11.3%

10.9%

11.7%

Net income attributable to Pentair, Inc. -

as reported

50.5

66.7

51.1

(134.1)

34.2

Adjustments net of tax

1.3

8.8

6.6

189.8

206.5

Net income from continuing operations attributable

to Pentair, Inc. -

as adjusted

51.8

75.5

57.7

55.7

240.7

Continuing earnings per common share attributable to Pentair, Inc. -

diluted

Diluted earnings per common share -

as reported

0.51

\$

0.67

\$

0.51

\$

(1.36)

\$

0.34

\$

Adjustments

0.01

0.08

0.07

1.92

2.07

Diluted earnings per common share -
as adjusted

0.52

\$

0.75

\$

0.58

\$

0.56

\$

2.41

\$

PENTAIR

18

Note: Inventory step-up and customer backlog reflect amortization of fair market value step-up associated with inventory and
REPORTED TO ADJUSTED 2012 RECONCILIATION

Pentair, Inc. and Subsidiaries

Reconciliation of the GAAP "As Reported" year ending December 31, 2012 to the "Adjusted" non-GAAP
excluding the effect of 2012 adjustments (Unaudited)

Water

First Quarter

Second Quarter

Year

In millions

2012
 2012
 2012
 Net sales
 587.0
 \$
 675.5
 \$
 approx \$2,500
 Operating
 income
 -
 as
 reported
 63.7
 92.0
 \$
 approx
 305
 -
 310
 % of net sales
 10.9%
 13.6%
 approx. 12.0%

 6.9
 7
 Operating
 income
 -
 as
 adjusted
 63.7
 98.9
 approx
 312
 -
 317
 % of net sales
 10.9%
 14.7%
 approx. 12.5%
 Technical Products
 Net sales
 271.2
 \$
 266.0
 \$
 approx \$1,100

Operating
income
-
as
reported
50.5
50.6
approx
196
-
201
% of net sales
18.6%
19.0%
approx. 18.0%

3.1
3
Operating
income
-
as
adjusted
50.5
53.7
approx
199
-
204
% of net sales
18.6%
20.2%
approx. 18.5%
Adjustments -
restructuring
Adjustments -
restructuring

PENTAIR

19

Note: Inventory step-up and customer backlog reflect amortization of fair market value step-up associated with inventory and
REPORTED TO ADJUSTED 2011 RECONCILIATION

Pentair, Inc. and Subsidiaries

Reconciliation of the GAAP "As Reported" year ending December 31, 2011 to the "Adjusted" non-GAAP
excluding the effect of 2011 adjustments (Unaudited)

Water

First Quarter

Second Quarter

Third Quarter

Fourth Quarter

Year

In millions

2011

2011

2011

2011

2011

Net sales

515.4

\$

632.0

\$

614.6

\$

607.9

\$

2,369.8

\$

Operating income -

as reported

56.5

\$

84.5

\$

59.6

\$

(142.3)

\$

58.3

\$

% of net sales

11.0%

13.4%

9.7%

(23.4%)

2.5%

Adjustments:

Restructuring

2.0

7.8

9.8

Inventory step-up and customer backlog

0.2

5.3

5.8

2.2

13.5

Goodwill impairment

200.5
 200.5
 Operating income -
 as adjusted
 56.7
 89.8
 67.4
 68.2
 282.1
 % of net sales
 11.0%
 14.2%
 11.0%
 11.2%
 11.9%
 Technical Products
 Net sales
 274.9
 \$
 278.2
 \$
 276.0
 \$
 257.8
 \$
 1,086.9
 \$
 Operating income -
 as reported
 48.1
 \$
 48.3
 \$
 48.6
 \$
 40.3
 \$
 185.3
 \$
 % of net sales
 17.5%
 17.3%
 17.6%
 15.6%
 17.0%
 Adjustments -
 Restructuring

0.1
2.0
2.1
Operating income -
as adjusted
48.1
48.3
48.7
42.3
187.4
% of net sales
17.5%
17.3%
17.7%
16.4%
17.2%