Pentair

# Pentair's Sustainable Future

*Annual Shareholder Meeting*

*Thrivent Financial Center*

*Minneapolis, Minnesota*

**Randall J. Hogan**

Chairman and Chief Executive Officer

April 28, 2011

# Forward-Looking Statements

*Any statements made about the anticipated benefits of the CPT acquisition or the company's or CPT's anticipated financial results are forward-looking statements subject to risks and uncertainties such as the company's ability to close the CPT acquisition on anticipated terms and schedule, including the ability to obtain regulatory approval of the acquisition; the company's ability to integrate the CPT acquisition successfully; increased risks associated with operating foreign businesses; the magnitude, timing and scope of recovery from the global economic downturn; the strength of housing and related markets; the risk that expected benefits from our recent 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; 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.*

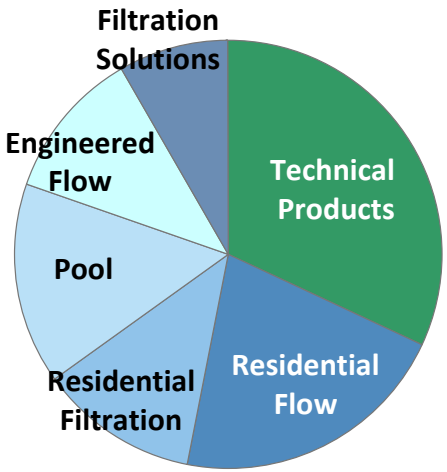
# Pentair Today

- Water and Technical Products: Attractive Growth Segments
  - Today's Global Trends Directly Align with Pentair's Strategy, Capability and Global Solutions
- Clear Roadmap to Drive Differentiated Growth
  - Growing Presence in Fast Growth Markets
  - Innovating in High Growth Verticals, Technologies & Channels
  - Winning with "Customer First" Approach
- Proven Pentair Integrated Management System (PIMS) to Fuel Operational Excellence, Lean Improvements & Rapid Growth
- Well-Positioned to Deliver Long-Term Shareholder Value

**Driving Differentiated Growth**

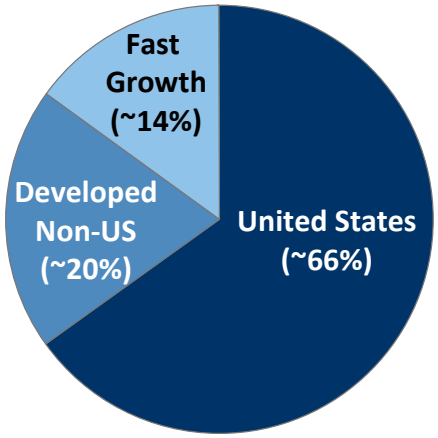
# $3 Billion Sales Portfolio in 2010

## By Global Business Unit



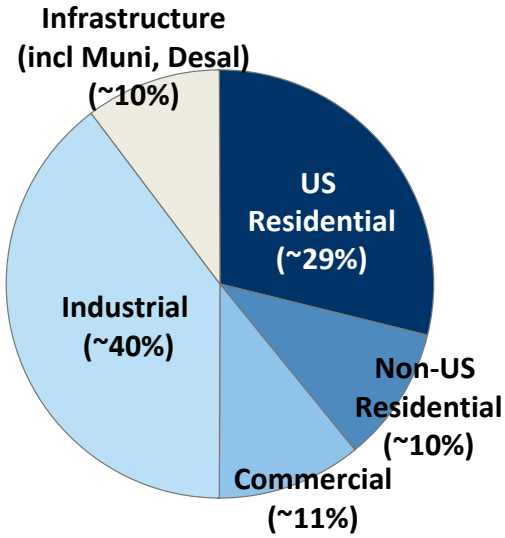

- 2/3rd Water; 1/3rd Technical Products
- Balanced and Diversified Portfolio
- Leading Brands Across Businesses

## By Geography




- ~14% of Portfolio in Fast Growth Regions
- Key Growth Opportunities in China, Latin America, India & Middle East
- Significant U.S. Installed Base

## By Market




- Strong Distributor Network
- Breadth of Product Offerings
- >80% of US Resi Maint./Replacement/ Consumables

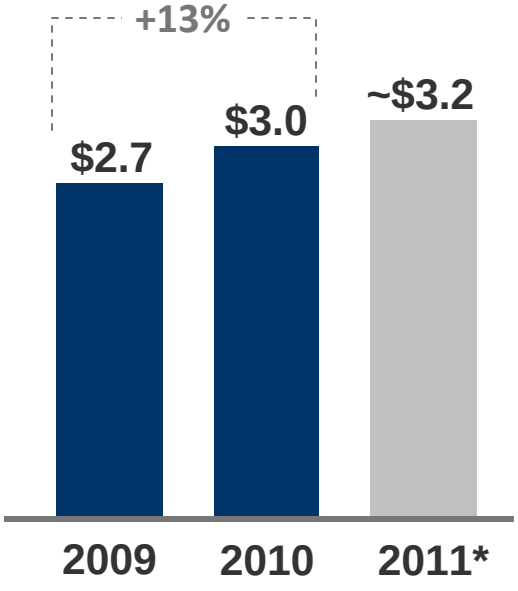
**Diverse Businesses, Geographies, & Vertical Markets**

**Full Year 2010 Sales Mix; Infrastructure sales exclude the impact of the Gulf Intracoastal Waterway Project (GIWW) of ~$56M*

# 2010 Results and 2011 Outlook*

## Sales ($B)

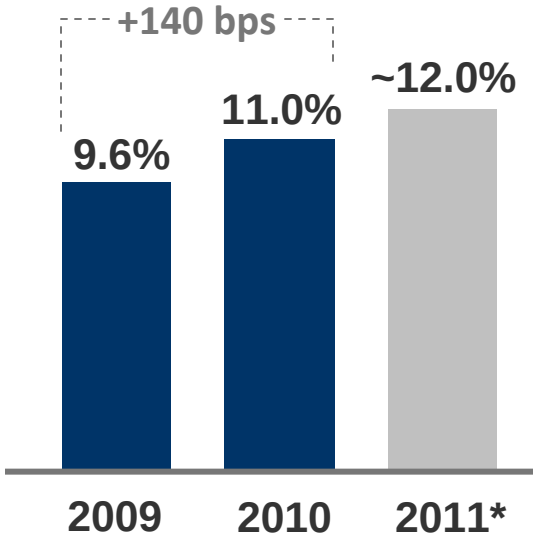
2011 Target*
~$3.2B




- Broad-Based Growth Across Diverse Portfolio

## Operating Margin

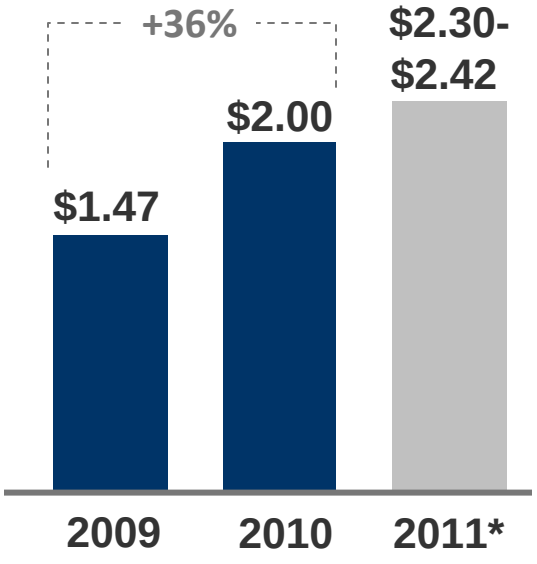
2011 Target*
~12.0%




- Robust Volumes Drove Strong Operating Leverage

## Diluted EPS

2011 Target*
$2.30 - $2.42



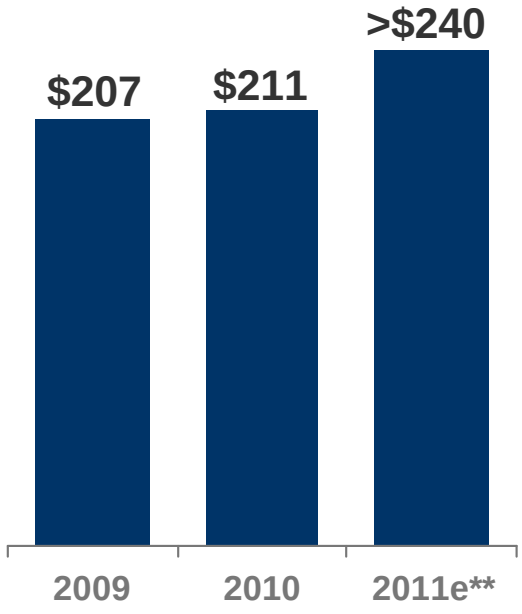

- Another Year of >100% of Net Income Conversion

**Solid Performance in 2010**

**Per the April, 26 2011 Earnings Release; excluding any impact related to the Clean Process Technologies acquisition*

# Cash Flow and Dividend Performance

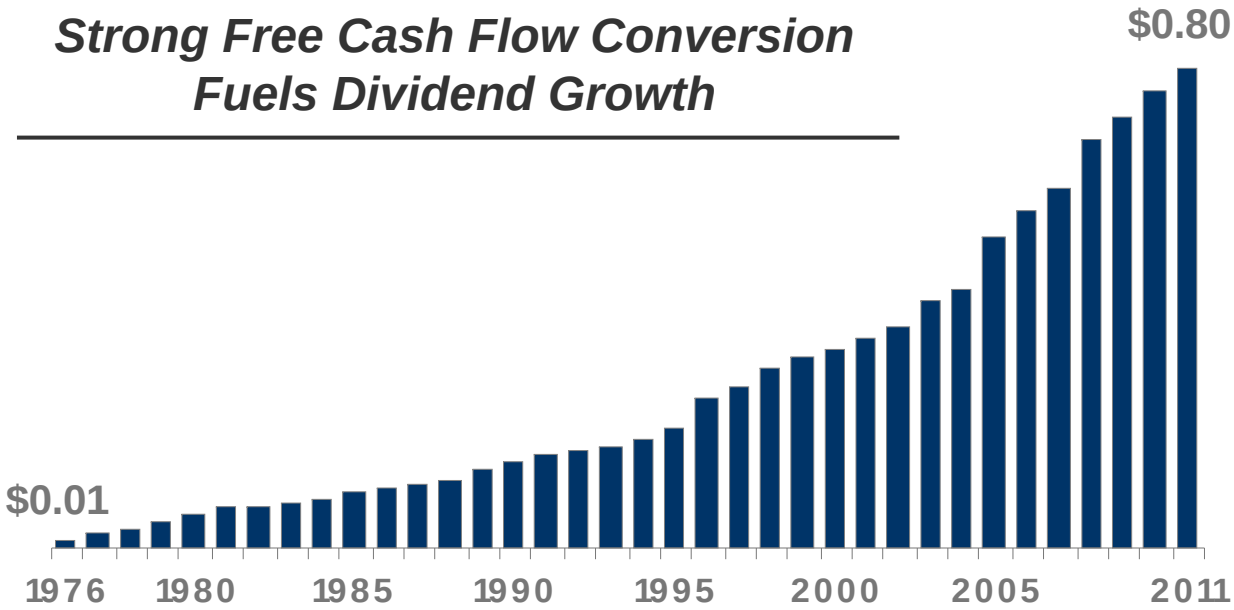
## Free Cash Flow ($M)




- Free Cash Flow Conversion Expected to be >100% in 2011

## Annualized Dividends*

***Strong Free Cash Flow Conversion Fuels Dividend Growth***




- Dividend Yield at 2.1% as of First Quarter Ended 2011

**Pentair Has Increased Dividends for 35 Consecutive Years**

**Dividends Adjusted for Splits and Stock Adjustments*
***Per the April, 26 2011 Earnings Release*

# Q1'11 Pentair Results*

| | Q1'11 | Q1'10 |
|---|---|---|
| **Sales** | **$790M** | **$707M** |
| **Op Income** (Reported) | **$86M** | **$64M** |
| **Op Income** (Adjusted) | **$88M** | **$64M** |
| *ROS (Adjusted)* | *11.1%* | *9.0%* |
| **EPS** (Reported) | **$0.51** | **$0.35** |
| **EPS** (Adjusted) | **$0.52** | **$0.35** |

## Summary

- **Double Digit Top-Line and Profit Growth**
- **Investments Yielding Positive Results, Innovation Strong**
- **Fast Growth Markets Revenue Up 18%**
- **Segment Margins Up 260 bps…Solid Execution of Productivity Initiatives**

## Q1 Financial Highlights

**Sales up 12% … up 11% ex-FX**

- **Water up 8%**
- **Technical Products up 20%**

**Adj. Op Income Increased 38%**

**Adj. Op Margins 11.1% … Up 210 bps**

- **Volume 2.6 pts.**
- **Price/Productivity 2.2 pts.**
- **Inflation (2.7)pts.**

**Adj. EPS of $0.52 Up 49% from Prior Year**

- **Tax Rate of 32.5%**
- **Interest Flat YOY**

**Q1 Free Cash Flow of ($61M)**

- **Normal Seasonality and Timing**
- **On Track to Deliver FCF >$240M****

**Double Digit Growth Plus Margin Expansion … Great Start to 2011**

**2010 Results From Continuing Operations*
***Per the April, 26 2011 Earnings Release*

# Clear Roadmap For Growth

**Global Growth**

- Strengthen Presence in Fast Growth Regions
- Position for Global Infrastructure Investments

**Innovation**
(Product & Market)

- Lead in Sustainability
- Grow 'Smart' Systems & Solutions Business
- Expand Distribution & Technology Portfolio

**PIMS**
(Pentair Integrated Management System)

- Take Lean Enterprise To the Next Level
- Leverage Rapid Growth Process

**Strengthening Pentair's Growth Profile**

# Investing in Global Growth

- **Localized Innovation and Design**
  - > 40% Of Engineering Resources In India & China
  - New 'State of the Art' New Product Development Labs in India and China
- **Local, Low Cost Production**
  - Recently Added Manufacturing Capacity in China and Mexico
- **Building Strong Sales & Distribution**
  - Developing Channel Partners
  - Adding Feet on the Street

In 100 Gome Stores in China

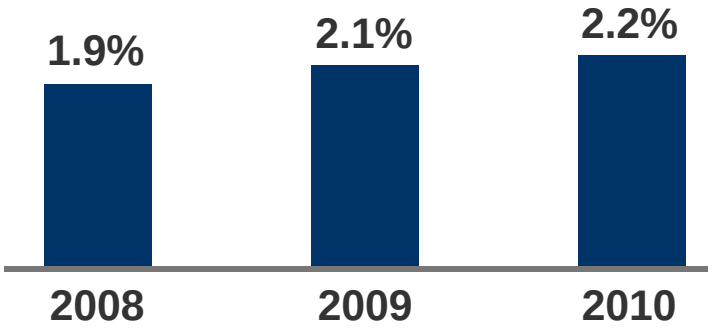
India Design Center

China Design Center

Energy Applications Lab

Food Service Customer Experience Center

**R&D as % of Sales**




**In Country For Country R&D … A Key To Growth**

# Innovating with Purpose

Cold Aisle Containment for Datacom Applications

Award-Winning EnviRO Filtration System

Advanced Water Softener, with Wireless Monitor

Eco Select
Efficiency • Conservation
Pentair Water
Pool and Spa

Innovative, High Efficiency Pool Products

Enclosure for Plug-In Charging Stations for Electric Cars

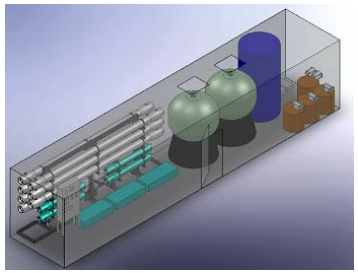
High-Flow Niagara Ag Irrigation Pump

***Providing Innovative, Sustainable Solutions to Our Customers***

Under-Carriage Enclosure on High-Speed Train

Gulf Intracoastal Waterway Pumps: Keeping New Orleans Safe and Dry

Customized Liquid Cooling Solutions for High-End Servers



Containerized RO Systems for Rapid Deployment

Constant Pressure Flow Controller

Energy Efficient Cooling Systems

**Energy Efficiency & Conservation are Growing Parts of Portfolio**

# Leveraging PIMS for Growth

Growth Capabilities → RAPID GROWTH PROCESS

More Product Innovation → Pentair 3D DISCOVER DEVELOP DEPLOY

Discipline in Talent Management → Pentair Talent System

Growth through Lean … Customer First → LEAN ENTERPRISE

**Extending our Lean Principles and Discipline to Growth**

# CPT's Portfolio … Great Fit for Pentair

| CPT Water<br>~€113M in 2010 Sales | CPT Beverage and Specialty<br>~€109M in 2010 Sales |
|---|---|

**Product Examples**

X-Flow AquaFlex HP

X-Flow Seaguard UF Membranes

X-Flow Airlift MBR

Nijhuis Super Duplex Pump

X-Flow Crossflow MBR & BMF

Sudmo SVP Valve

Haffmans CO2 4U Recovery System

**Brands**

Pentair Nijhuis | Pentair X-Flow | Pentair Südmo | Pentair Haffmans

- Leader in Many Attractive Segments
- Leader in Desalination
- Proprietary UF Membrane Technology
- Globalizes Engineered Pumps

- Expansion into Attractive Global Beverage Segment (Beer, Soft Drinks, Dairy)
- Immediate Leadership Position
- Highly Valued Expertise … Intimate with Customer Operations

**CPT Competencies Core to Serving Growing Critical Water Needs**

# Accelerating Growth with Acquisitions

| | Pentair Water | Pentair + CPT |
|---|---|---|
| **Global Growth** | Expand Fast Growth Markets | **Strengthened Presence in China, Latin America and Middle East** |
| | Further Strengthen Position in Global Infrastructure | **Leader in Desalination Pre-Treatment Ultrafiltration** |
| **Innovation** (Product & Market) | Lead in Water Reuse and Desalination | **Proprietary, High Growth Membrane Technologies** |
| | Building 'Smart' Filtration & Separation Systems | **More Integrated Solutions** in Attractive Applications |
| | Expanding Technology Portfolio | Strengthens Core … **Leading Position in Food/Beverage Segment** |
| **PIMS** (Pentair Integrated Management System) | Take Lean Enterprise To the Next Level & Leverage Rapid Growth Process | **Leverage Pentair's Lean Enterprise Disciplines** and Op Excellence to Drive CPT Growth & Productivity |

**CPT Provides Immediate Global Reach, Technology & Market Access**

# Our Sustainable Future

- By mid-2011, this solar panel roof will provide enough energy to power almost the entire plant in Pisa, Italy

- Pentair's unique rain water filtration system was credited for helping Target Field claim the honor of being the 'greenest' ballpark in the United States.

- Each of these units provides 5,000 gallons of purified drinking water per day

- Solar-powered water purification systems donated to Haiti after the 2010 earthquake

- This wind turbine at the Reynosa plant will help reduce energy consumption by nearly 30% compared to a year ago.

**Sustainability is at the Cornerstone of Pentair's Strategic Vision**

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