

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-11625

PENTAIR, INC.

(Exact name of Registrant as specified in its charter)

Minnesota 41-0907434
(State or other (IRS Employer
jurisdiction of Identification No.)
incorporation
or organization)

1500 County B2 West, Suite 400
St. Paul, Minnesota 55113-3105
(Address of principal
executive offices) (Zip Code)

(612) 636-7920
(Registrant's telephone number,
including area code)

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter period
that the Registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of Registrant's only class of common
stock on September 30, 1996 was 37,603,998.

PENTAIR, INC. AND SUBSIDIARIES
FORM 10-Q
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Consolidated Statement of Income
Consolidated Balance Sheet
Consolidated Statement of Cash Flows
Notes to Consolidated Financial Statements
Management's Discussion and Analysis of
Results of Operations and
Financial Condition

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

PENTAIR, INC.
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)
(\$ expressed in thousands except per share amounts)

	Nine Months Ended September 30		Quarter Ended September 30	
	1996	1995	1996	1995
Net sales	\$1,140,160	\$ 1,025,377	\$410,970	\$353,338
Operating costs:				
Cost of goods sold	802,950	727,288	294,982	255,389
Selling, general and administrative	236,110	214,047	80,365	69,750
Total costs	1,039,060	941,335	375,347	325,139
Operating income	101,100	84,042	35,623	28,199
Interest expense - net	(13,829)	(12,530)	(4,555)	(2,687)
Income from continuing operations before income taxes	87,271	71,512	31,068	25,512
Provision for income taxes	35,084	29,012	12,490	10,212
Income from continuing operations	52,187	42,500	18,578	15,300
Discontinued operations:				
Income from operations of discontinued Paper Products and Joint Venture segments (net of applicable income taxes of \$2,740)	0	4,566	0	0
Gain on sale of discontinued operations (less applicable income taxes of \$7,734)	0	12,134	0	0
Net income	52,187	59,200	18,578	15,300
Preferred dividend requirements	3,816	3,981	1,268	1,324
Earnings applicable to common stock	\$48,371	\$55,219	\$17,310	\$13,976
Earnings per share:				
Primary -				
Income from: continuing operations	\$1.28	\$1.04	\$.46	\$.38
discontinued operations	.00	.45	.00	.00
Net Income	\$1.28	\$1.49	\$.46	\$.38
Diluted -				
Income from: continuing operations	\$1.21	\$.99	\$.43	\$.36
discontinued operations	.00	.40	.00	.00

Net Income	\$1.21	\$1.39	\$.43	\$.36
Weighted average common and common equivalent shares:				
Primary	37,915	37,238	38,037	37,378
Diluted	42,745	42,346	42,793	42,398

See Notes to Consolidated Financial Statements.

PENTAIR, INC.
CONSOLIDATED BALANCE SHEET
(Unaudited)
(\$ expressed in thousands)

ASSETS	September 30, 1996	December 31, 1995
Current assets		
Cash and cash equivalents	\$34,629	\$36,648
Accounts receivable - net	305,256	262,503
Note receivable	0	100,000
Inventories		
Finished goods	172,142	134,456
Work in process	51,750	40,801
Raw materials and supplies	42,846	37,428
Total inventory	266,738	212,685
Deferred income taxes	26,625	26,017
Other current assets	21,198	9,391
Total current assets	654,446	647,244
Property, plant and equipment	492,511	452,108
Accumulated depreciation	218,077	185,381
PP & E - net	274,434	266,727
Marketable securities -		
insurance subsidiary	38,810	33,036
Goodwill - net	280,226	282,376
Other assets	32,953	23,110
TOTAL ASSETS	\$1,280,869	\$1,252,493
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$96,824	\$90,846
Notes payable	0	120,732
Compensation and other		
benefits accruals	61,804	68,414
Income taxes	20,751	17,812
Accrued product claims		
and warranties	23,881	21,684
Accrued expenses and		
other liabilities	71,519	58,363
Current maturities of		
long-term debt	39,050	18,950
Total current liabilities	313,829	396,801
Long-term debt	276,520	219,896
Deferred income taxes	3,552	68
Pensions and other		
retirement compensation	42,903	38,220
Postretirement medical and		
other benefits	46,907	46,158
Reserves - insurance subsidiary	31,099	27,354
Other liabilities	21,723	21,141
Commitments and contingencies		
Shareholders' equity		
Preferred stock - at		
liquidation value		
Authorized: 2,500,000 shares		
Outstanding:1996 - 1,778,652	62,466	65,656
1995 - 1,873,051		
Unearned compensation		
relating to ESOP	(17,966)	(21,074)
Common stock - par value, \$.16 2/3		
Authorized: 72,500,000 shares		
Outstanding:1996 - 37,603,998	6,269	6,172
1995 - 37,035,082		
Additional paid-in capital	177,336	169,832
Currency translation and		
pension adjustments	9,964	11,020
Retained earnings	306,267	271,249
Total shareholders' equity	544,336	502,855

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,280,869	\$1,252,493
---	-------------	-------------

See Notes to Consolidated Financial Statements.

PENTAIR, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(\$ expressed in thousands)

	Nine Months Ended	
	September 30	
	1996	1995
Cash provided by (used for)		
Operating activities		
Net income	\$52,187	\$59,200
Adjustment for discontinued operations	0	(16,700)
Adjustments to reconcile net income to cash provided from operating activities		
Depreciation	35,802	30,895
Amortization	8,566	4,914
Deferred income taxes	3,230	295
Changes in assets and liabilities, net of effects of acquisitions and dispositions		
Accounts receivable	(39,935)	(46,976)
Inventories	(39,453)	(32,945)
Accounts payable	2,506	(1,743)
Accrued compensation and benefits	(5,949)	5,288
Income taxes	3,130	(2,798)
Pensions and other retirement compensation	5,917	13,276
Reserves - insurance subsidiary	3,745	4,688
Other assets/liabilities - net	(2,983)	8,714
Cash from continuing operations	26,763	26,108
Cash from discontinued operations	0	(21,812)
Cash from operating activities	26,763	4,296
Cash flows from investing activities		
Capital expenditures	(39,497)	(35,853)
Purchase of marketable securities - net	(5,774)	(5,475)
Construction funds in escrow	(9,748)	0
Proceeds from sale of discontinued operations	0	212,760
Acquisitions - net of cash acquired	(48,151)	0
Cash (used for) provided by investing activities	(103,170)	171,432
Cash flows from financing activities		
Borrowings	80,350	24,762
Debt payments	(1,227)	(198,364)
Unearned ESOP compensation decrease	3,105	6,240
Employee stock plans and other	4,410	3,150
Dividends paid	(17,844)	(15,561)
Cash provided by (used for) financing activities	68,794	(179,773)
Effect of currency exchange rate changes	5,594	(2,009)
Increase (decrease) in cash and cash equivalents	(2,019)	(6,054)
Cash and cash equivalents		
- beginning of period	36,648	32,677
- end of period	\$34,629	\$26,623

See Notes to Consolidated Financial Statements.

PENTAIR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions for Form 10-Q and, accordingly, do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation have been included.

These statements should be read in conjunction with the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995, previously filed with the Commission.

2. The results of operations for the nine months ended September 30, 1996 are not necessarily indicative of the operating results to be expected for the full year.

3. Income tax provisions for interim periods are based on the current best estimate of the effective federal, state and foreign income tax rates.

4. Earnings per common share are based on the weighted average number of common and common equivalent shares outstanding during each period. The tax benefits applicable to preferred dividends paid to ESOPs are: for allocated shares, credited to income tax expense and, for unallocated shares, credited to retained earnings and not considered earnings applicable to common stock.

Fully diluted computations assume full conversion of each series of preferred stock into common stock, the elimination of preferred dividend requirements, and the recognition of the tax benefit on deductible ESOP dividends applicable to allocated shares payable based on the converted common dividend rate. Conversion was assumed during the portion of each period that the securities were outstanding.

5. The long-term debt is summarized as follows (\$ millions):

	September 30, 1996	December 31, 1995
Revolving credit facilities	\$164	\$93
Private placement debt	125	125
Other	27	21
TOTAL	316	239
Current maturities	(39)	(19)
Total long-term debt	\$277	\$220

Debt agreements contain various restrictive covenants, including a limitation on the payment of dividends and certain other restricted payments. Under the most restrictive covenants, \$77 million of the September 30, 1996 retained earnings were unrestricted for such purposes.

6. Statement of Cash Flows

The following is supplemental information relating to the Statement of Cash Flows (\$000's):

Nine Months Ended September 30
1996 1995

Interest paid

(net of capitalized interest)	\$12,374	\$21,304
Income tax payments	21,863	50,183

7. Stock Split

On January 22, 1996 the board of directors approved a two-for-one stock split in the form of a 100% stock dividend. The dividend was payable February 16, 1996 to shareholders of record at the close of business on February 2, 1996. All references in the financial statements to shares outstanding and per share amounts have been restated to reflect this split.

8. Reclassifications

Certain reclassifications have been made to prior years' financial statements to conform to the current year presentation.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

BUSINESS SEGMENT INFORMATION

Selected information for business segments for the nine months ended September 30, 1996 and 1995 follows (\$ millions):

	Specialty Products	General Industrial Equipment	Corporate	Total
1996				
Net Sales	\$476.4	\$663.8	\$0.0	\$1,140.2
Operating Income	55.2	61.5	(15.6)	101.1
Identifiable Assets	468.3	734.8	77.8	1,280.9
Depreciation and Amortization	13.9	30.4	0.1	44.4
Capital Expenditures	12.5	26.9	0.1	39.5
1995				
Net Sales	\$353.4	\$671.9	\$ 0.0	\$1,025.3
Operating Income	35.2	63.2	(14.4)	84.0
Identifiable Assets	241.7	692.1	179.3	1,113.1
Depreciation and Amortization	7.3	28.5	0.0	35.8
Capital Expenditures	8.3	27.5	0.1	35.9

RESULTS OF OPERATIONS

Pentair reported net income of \$52.2 million, or \$1.21 per fully diluted share, on consolidated net sales of \$1,140.2 million for the nine month period ended September 30, 1996. This represented a 23% increase in net income from continuing operations and an 11% increase in sales over the comparable period in 1995. The nine month 1995 income from continuing operations was \$42.5 million, or 99 cents per fully diluted share, on consolidated net sales of \$1,025.3 million. Net sales for the three month period ended September 30, 1996 increased 16% over the same period of the prior year and net income increased 21%.

Specialty Products Segment. For the nine month period ended September 30, 1996, net sales increased \$123.0 million or 35% and operating income increased \$20.0 million or 57%. The increases are attributable to Fleck Controls, an acquisition made in November 1995, and FLEX, a recent Porter Cable acquisition. Double digit growth over last year at Myers and Porter Cable reflected new product sales, contributions from smaller acquisitions, and continued expansion and increased penetration into national distribution channels and home centers. Results from the newly acquired Flex business have been included since July 1, 1996.

General Industrial Equipment Segment. For the nine month period ended September 30, 1996, net sales decreased \$8.1 million or 1% and operating income decreased \$1.7 million or 3%. Combined, Hoffman and Schroff posted moderate sales and earnings increases as compared to

very good 1995 results. Both Lincoln Industrial and Lincoln Automotive profits increased due to cost reductions and improved productivity. Sales at Federal Cartridge were up in the third quarter. Federal's sales shortfall in the first half was somewhat made up by the anticipated peak in the third quarter demand which did not fully meet expectations. Sales in the sporting ammunition industry are expected to remain relatively soft in the fourth quarter.

FINANCIAL CONDITION

In 1996 as in 1995, net income adjusted for non-cash items provided the funds for seasonal working capital increases. Accounts receivable levels increased due to dating programs and strong sales in the latter part of the current quarter. Inventory levels decreased during the current quarter and are expected to decrease in the fourth quarter also due to seasonal sales. Borrowings in the 1996 nine month period financed some operating needs, acquisition payments and capital expenditures. The proceeds from the \$100 million note receivable from the sale of Cross Pointe Paper offset much of the \$120 million notes payable for the purchase of Fleck Controls. Capital expenditures were \$39.5 million in 1996 as compared to \$35.9 million in 1995. The percentage of long-term debt to total capital was 34% at September 30, 1996 compared to 31% at December 31, 1995.

Based upon current operating expectations, credit available under revolving credit facilities is expected to be adequate to cover seasonal working capital, long-term capital expenditure requirements and acquisitions.

OUTLOOK

In general, the Company is well-positioned to continue its internal growth. Recent acquisitions are expected to continue to contribute to sales and earnings growth. The strong emphasis on product development and aggressive efforts to expand distribution channels that helped during 1995 and the current year are expected to continue to generate growth in market share, sales and profits.

Sales will continue to grow as a result of new products and enhanced customer service. Pentair continues to search for strategic or synergistic industrial acquisitions.

The full year 1996 cash flow from operations is expected to increase with additional net income contributions as compared to last year. Working capital needs are somewhat seasonal during the year and tend to grow over time as sales increase. Capital expenditures are expected to be in the range of \$80 to \$90 million in 1996 as compared to \$63.8 million in 1995. This increase is due primarily to the addition of a Hoffman manufacturing facility in Mount Sterling, Kentucky and new product development activities.

Except for historical information contained herein, certain statements are forward-looking statements that involve risks and uncertainties, including, but not limited to, product demand and market acceptance risks, the effect of economic conditions, the impact of competitive products and pricing, product development, commercialization and technological difficulties, capacity and supply constraints or difficulties, the results of financing efforts, actual purchases under agreements, the effect of the Company's accounting policies, and other risks detailed in other SEC filings.

PART II - OTHER INFORMATION

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits. The following exhibits are included with this Form 10-Q Report as required by Item 601 of Regulation S-K.

Exhibit Number	Description
11	Calculation of Earnings per Common and Common Equivalent Share
27	Financial Data Schedule

(b) Reports on Form 8-K.

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

/s/ Richard W. Ingman
Executive Vice President and
Chief Financial Officer

October 30, 1996

EXHIBIT INDEX
Exhibit Number

- 11 Calculation of Earnings per Common and
Common Equivalent Share
- 27 Financial Data Schedule

PENTAIR, INC. AND SUBSIDIARIES
 COMPUTATION OF EARNINGS PER COMMON
 AND COMMON EQUIVALENT SHARE

	Nine Months September 30		Quarter Ended September 30	
	1996	1995	1996	1995
INCOME (\$ thousands)				
Net income	\$52,187	\$59,200	\$18,578	\$15,300
Preferred dividend requirements	3,816	3,981	1,268	1,324
Earnings available to common and common equivalent shares - Primary	48,371	55,219	17,310	13,976
Preferred dividends assuming conversion of Preferred Stock:				
Series 1988	711	741	233	244
Series 1990	3,105	3,240	1,035	1,080
Tax benefit on preferred ESOP dividend eliminated due to conversion into common	(1,010)	(947)	(327)	(301)
Tax benefit on ESOP dividend assuming con- version to common, at common dividend rate	488	366	158	116
Earnings available for common and common equivalent shares - Diluted	\$51,665	\$58,619	\$18,409	\$15,115
SHARES (thousands)				
Weighted average number of shares outstanding during the period	37,433	36,754	37,573	36,902
Shares issuable on exercise of stock options less shares repurchaseable from proceeds	482	484	464	476
Common and Common Equivalent Shares - Primary	37,915	37,238	38,037	37,378
Shares issuable on conversion of:				
\$7.50 Callable Cumulative Convertible Preferred Stock, Series 1988	948	988	931	976
8% Callable Cumulative Voting Convertible Preferred Stock, Series 1990	3,882	4,120	3,825	4,044
Common and Common Equivalent Shares - Diluted	42,745	42,346	42,793	42,398
Earnings per Share:				
Primary				
Income from continuing operations	\$1.28	\$1.04	\$.46	\$.38
Income from discontinued operations	.00	.45	.00	.00
Net income	\$1.28	\$1.49	\$.46	\$.38
Diluted				
Income from continuing operations	\$1.21	\$.99	\$.43	\$.36
Income from discontinued operations	.00	.40	.00	.00
Net income	\$1.21	\$1.39	\$.43	\$.36

9-MOS

DEC-31-1996

SEP-30-1996

34629000

0

305256000

0

266738000

654446000

492511000

218077000

1280869000

313829000

0

499836000

0

44500000

0

1280869000

1140160000

1140160000

805950000

1039060000

0

0

13829000

87271000

35084000

52187000

0

0

0

52187000

1.28

1.21