

HALLIBURTON CO  
Form 8-K  
April 30, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 8-K**

**Current Report  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

**Date of Report (date of earliest event reported): April 26, 2007**

**HALLIBURTON COMPANY  
(Exact Name of Registrant as Specified in Its Charter)**

**Delaware  
(State or Other Jurisdiction of Incorporation)**

**1-3492  
(Commission File Number)**

**No. 75-2677995  
(IRS Employer Identification No.)**

**1401 McKinney, Suite 2400, Houston,  
Texas  
(Address of Principal Executive Offices)**

**77010  
(Zip Code)**

**(713) 759-2600  
(Registrant's Telephone Number, Including Area Code)**

**Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the

Exchange Act (17 CFR 240.14d-2(b))

- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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## INFORMATION TO BE INCLUDED IN REPORT

### Item 2.02. Results of Operations and Financial Condition

On April 26, 2007, registrant issued a press release entitled “Halliburton Announces First Quarter Earnings of \$0.54 Per Diluted Share; Continuing Operations Contributed \$0.52 Per Diluted Share.”

### **HALLIBURTON ANNOUNCES FIRST QUARTER EARNINGS OF \$0.54 PER DILUTED SHARE; CONTINUING OPERATIONS CONTRIBUTED \$0.52 PER DILUTED SHARE**

**HOUSTON, Texas** - Halliburton (NYSE:HAL) announced today that net income for the first quarter of 2007 was \$0.54 per diluted share, which includes the results of KBR, Inc. in discontinued operations. Income from continuing operations in the first quarter of 2007 was \$529 million, or \$0.52 per diluted share. This compares to income from continuing operations of \$449 million, or \$0.42 per diluted share, in the first quarter of 2006.

Halliburton’s consolidated revenue in the first quarter of 2007 was \$3.4 billion, up 17% from the first quarter of 2006. This increase was attributable to higher worldwide activity and the company’s focus on investing in and expanding Eastern Hemisphere operations.

Consolidated operating income was \$788 million in the first quarter of 2007 compared to \$692 million in the first quarter of 2006. Results benefited from increased customer activity, pricing gains, and new international contract awards.

“This quarter marks the start of a new chapter in Halliburton’s history as we completed the separation of KBR. I am encouraged by the prospects that await us,” said Dave Lesar, chairman, president, and chief executive officer. “We are now completely focused on the global growth opportunities in our energy services business. The first quarter saw many positives for Halliburton. Sperry Drilling Services, Wireline and Perforating, Cementing Services, and Baroid Fluid Services all posted revenue that met or exceeded their best quarters ever. Also, we saw revenue growth in the Middle East of 20% year-over-year and 8% sequentially. However, this was overshadowed by a challenging market in the United States for our Production Enhancement business where a combination of weather delays and lower commodity prices had a negative impact. We believe that with the actions we have already taken, coupled with improving market conditions, Production Enhancement operations should improve later this year.”

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### **2007 First Quarter Results**

Production Optimization operating income for the first quarter of 2007 was \$325 million, a decrease of \$8 million or 2% from the first quarter of 2006. Production Enhancement services operating income fell 11%, primarily in Canada and the United States Rocky Mountains. These markets were impacted by increased costs related to lower-than-anticipated activity in the first quarter of 2007, driven by decreases in natural gas prices and weather delays. Completion Tools operating income grew 40%, led by increased product sales in the United States and Africa. The company’s intelligent well completions joint venture, however, experienced reduced results in the first quarter of

2007 due to manufacturing and supply chain constraints.

Fluid Systems operating income for the first quarter of 2007 was \$214 million, a \$25 million or 13% increase over the first quarter of 2006, with Eastern Hemisphere operating income increasing 38%. Cementing Services operating income increased 10% compared to the prior year's first quarter. Cementing Services were negatively impacted in the first quarter of 2007 by the slowdown in Canada. Outside of North America, Cementing services operating income grew 50% over the prior year's quarter, reflecting new contract awards and improved pricing. Baroid Fluid Services operating income grew 23% from participation on deeper wells, increased activity, and improved pricing, particularly in the United States, northern Africa, and Mexico.

Drilling and Formation Evaluation operating income for the first quarter of 2007 was \$256 million, a \$77 million or 43% increase over the prior year's first quarter. Sperry Drilling Services operating income increased 49%, with over 65% of the operating income growth coming from the Eastern Hemisphere. Sperry Drilling Services operating income in the United States grew 36%, benefiting from new contracts in Alaska and increased directional drilling activity throughout the lower 48 states. Wireline and Perforating Services operating income increased 44%, with increased activity in the United States and the Middle East, as well as new contract wins in Africa and Asia Pacific. Security DBS Drill Bits operating income improved 19% over the prior year's first quarter, reflecting strong fixed-cutter bit activity in the United States.

Digital and Consulting Solutions operating income in the first quarter of 2007 was \$50 million, essentially flat as compared to the prior year's quarter. Landmark's operating income grew due to improved sales of software in Europe and Asia Pacific.

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## **Technology and Significant Achievements**

Halliburton made a number of advances in technology, expansion, and business structure changes.

- Halliburton announced that it had completed the final separation of KBR, Inc. on April 5, 2007. Halliburton accepted 85,273,184 shares of Halliburton common stock in exchange for 135,627,000 shares of KBR, Inc. common stock. KBR's results are presented as discontinued operations for all periods presented. Since the transaction occurred subsequent to the first quarter of 2007, Halliburton's share count for purposes of the first quarter 2007 earnings per share calculation does not reflect the reduction in Halliburton shares.
- Halliburton won the 2007 Offshore Energy Achievement Award in Well Construction for its Sperry Drilling Services' ReFlexRite® multilateral system. The ReFlexRite system technology is an important step toward extending the productive life of existing wells in mature fields in a cost-effective manner. The system makes it possible to convert a simple horizontal well into a multilateral well, while simultaneously maintaining the production from the original wellbore.
- Security DBS Drill Bits announced it has added a breakthrough technology to its suite of Hole Enlargement products and solutions. The XR™ reamer line of tools is designed for both conventional and rotary steerable applications, and it provides the industry's only available concentric hole enlargement technology that is also capable of enlarging a pilot hole more than 40% while

drilling. XR reamer tools offer activation and deactivation capabilities that allow the hole to be selectively enlarged based on existing casing-shoe and well-design parameters.

- Halliburton is opening a new manufacturing center in Monterrey, Mexico, to meet its customers' increasing demands for energy services products. The 9,290-square-meter leased facility is expected to open in May 2007.
- Halliburton has announced that it has entered into a definitive agreement to purchase, subject to regulatory approvals, PSL Energy Services, Limited (PSLES), a leading Eastern Hemisphere provider of process, pipeline, and well intervention services. PSLES is headquartered in the United Kingdom and has approximately 1,000 employees with operations in the United Kingdom, Norway, the Middle East, Azerbaijan, Algeria, and Asia Pacific.

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Founded in 1919, Halliburton is one of the world's largest providers of products and services to the energy industry. With more than 45,000 employees in nearly 70 countries, the company serves the upstream oil and gas industry throughout the lifecycle of the reservoir - from locating hydrocarbons and managing geological data, to drilling and formation evaluation, well construction and completion, and optimizing production through the life of the field. The company's World Wide Web site can be accessed at [www.halliburton.com](http://www.halliburton.com).

NOTE: The statements in this press release that are not historical statements, including statements regarding future financial performance, are forward-looking statements within the meaning of the federal securities laws. These statements are subject to numerous risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the results expressed or implied by the statements. These risks and uncertainties include, but are not limited to: consequences of audits and investigations by domestic and foreign government agencies and legislative bodies and related publicity; potential adverse proceedings by such agencies; protection of intellectual property rights; compliance with environmental laws; changes in government regulations and regulatory requirements, particularly those related to radioactive sources, explosives, and chemicals; compliance with laws related to income taxes and assumptions regarding the generation of future taxable income; unsettled political conditions, war, and the effects of terrorism, foreign operations, and foreign exchange rates and controls; weather-related issues including the effects of hurricanes and tropical storms; changes in capital spending by customers; changes in the demand for or price of oil and/or natural gas, structural changes in the oil and natural gas industry; increased competition for employees; availability of raw materials; and integration of acquired businesses and operations of joint ventures. Halliburton's Form 10-K for the year ended December 31, 2006, recent Current Reports on Form 8-K, and other Securities and Exchange Commission filings discuss some of the important risk factors identified that may affect the business, results of operations, and financial condition. Halliburton undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

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HALLIBURTON COMPANY

Condensed Consolidated Statements of Operations  
(Millions of dollars and shares except per share data)  
(Unaudited)

Three Months  
Ended  
March 31

Three Months  
Ended  
December 31

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	2007	2006	2006
<b>Revenue:</b>			
Production Optimization	\$ 1,337	\$ 1,196	\$ 1,454
Fluid Systems	993	836	964
Drilling and Formation Evaluation	917	725	877
Digital and Consulting Solutions	175	181	214
<b>Total revenue</b>	<b>\$ 3,422</b>	<b>\$ 2,938</b>	<b>\$ 3,509</b>
<b>Operating income (loss):</b>			
Production Optimization	\$ 325	\$ 333	\$ 455
Fluid Systems	214	189	217
Drilling and Formation Evaluation	256	179	238
Digital and Consulting Solutions	50	50	77
General corporate	(57)	(59)	(64)
<b>Total operating income</b>	<b>788</b>	<b>692</b>	<b>923</b>
Interest expense	(38)	(42)	(41)
Interest income	38	23	35
Foreign currency, net	(3)	(1)	(8)
Other, net	-	3	-
Income from continuing operations before income taxes and minority interest	785	675	909
Provision for income taxes	(259)	(223)	(278)
Minority interest in net (income) loss of subsidiaries	3	(3)	(4)
Income from continuing operations	529	449	627
Income from discontinued operations, net	23 (a)	39	31
<b>Net income</b>	<b>\$ 552</b>	<b>\$ 488</b>	<b>\$ 658</b>
<b>Basic income per share:</b>			
Income from continuing operations	\$ 0.53	\$ 0.44	\$ 0.63
Income from discontinued operations, net	0.02 (a)		

Robert Barry - UBS - Analyst

Do you have any sense of how much of that was destocking versus end market demand, etc.?

Randy Hogan - Pentair, Inc. - Chairman and CEO

Technical Products is largely direct to customer, as opposed to through distribution. So it was really a reduction in end market demand. You know, these are going to control builders or equipment builders, largely in Germany and Poland and in France. And so their business was down, and then generally they don't stock a lot.

Robert Barry - UBS - Analyst

Got you.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

So I think it's a direct demand in that decline.

**Robert Barry - UBS - Analyst**

And then just finally, I think you had mentioned fast growth now for the year up 10% to 15%, roughly. Is that excluding CPT benefit, or is that all in?

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**John Stauch - Pentair, Inc. - EVP, CFO**

Yes, this is just the organic growth.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

That s organic growth.

**Sara Zawoyski - Pentair, Inc. - VP, IR**

Yes.

**John Stauch - Pentair, Inc. - EVP, CFO**

Obviously, when you put CPT in there, it s much higher.

**Robert Barry - UBS - Analyst**

Much higher, right. Okay, thank you.

**Operator**

Terry Darling, Goldman Sachs.

**Terry Darling - Goldman Sachs - Analyst**

Thanks, just a couple of clarifications. Hey, John, did you recalibrate currency in the forecast at all, and if so, any significant impact there to note?

**John Stauch - Pentair, Inc. - EVP, CFO**

No, there's no -- what we usually do is we take whatever the ending rate is, and that's kind of how we look at the currency, assuming we are not any better at predicting it than the market. So it's right around that \$1.30, \$1.31 rate. And that doesn't create a significant delta to the prior forecast.

**Terry Darling - Goldman Sachs - Analyst**

Okay, and so just, then, transitioning that into the discussion on Water organic, I guess it looks -- you have gone to 6% to 8% from 7% to 10% on the organic for Water; is that right?

**John Stauch - Pentair, Inc. - EVP, CFO**

We are right for Water. Yes, on the organic, that's about right, which -- and if you break that, it would be about 2 points of price, and then the -- about 4, to a little north of 4 on volume.

**Terry Darling - Goldman Sachs - Analyst**

Okay, and then I'm wondering if you can just give us some color as to -- for the segments, preferably the old, but I kind of expect the new, around that 6% to 8%, or around the 4%, however you want to give it to us in terms of just the core, just the organic expectations.

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**John Stauch - Pentair, Inc. - EVP, CFO**

Yes. I think Flow is clearly going to be the lower single digits, call it 4% to 5%, driven by, obviously, agriculture being substantially in the double digits. And, as Randy mentioned, we are not expecting to recover this retail portion in flood pumps.

If you think of the organic of our treatment business, clearly we are expecting double-digit organic with, obviously, CPT and the old filtration solutions leading the way there. And water purification in the low-single digits, still seeing nice fast growth penetration and not seeing anything substantially in North American residential side.

And then aquatic -- probably just south of double-digit or right around double-digit growth organically.

**Terry Darling - Goldman Sachs - Analyst**

So did you take aquatic up for the year, or no?

**John Stauch - Pentair, Inc. - EVP, CFO**

Yes, maybe a point.

**Terry Darling - Goldman Sachs - Analyst**

Okay, and then, is there any way of characterizing the margin -- maybe you did and I missed it -- in Water, in the first quarter, excluding CPT?

**John Stauch - Pentair, Inc. - EVP, CFO**

It would be up around 80 to 100 basis points, excluding CPT.

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**Randy Hogan - Pentair, Inc. - Chairman and CEO**

Yes, I was going to say 100.

**Terry Darling - Goldman Sachs - Analyst**

Okay, super, thanks very much.

**Sara Zawoyski - Pentair, Inc. - VP, IR**

Simon, we will do a quick check on time, just given the time here. How many people do we have left in the queue?

**Operator**

We currently have three remaining in the queue.

**John Stauch - Pentair, Inc. - EVP, CFO**

Okay, we'll take all three --

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**Randy Hogan - Pentair, Inc. - Chairman and CEO**

We will take all three.

**John Stauch - Pentair, Inc. - EVP, CFO**

And we will just go quickly with our answers.

**Operator**

Scott Graham, Jefferies & Co.

**Scott Graham - Jefferies & Company - Analyst**

Hey, good morning.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

Hey, Scott.

**Scott Graham - Jefferies & Company - Analyst**

So, I wanted to just maybe ask a more holistic question here, that if we look over the last four quarters, the Company's average organic sales growth has averaged in the 2% to 3% territory. And the second quarter guidance suggests 5%, maybe something a little bit lower than that. And your target is 7%, a target which I think personally is reachable, given your portfolio and the megatrends and all that.

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What's missing? Why are we able to maybe skirt some of these individual quarter issues and put on a couple of points just from some of these trends that are out there, wherever they might be? Is it a situation where the Company just needs to maybe hatch more organic growth projects? It just seems that there are so many opportunities you've laid out that we shouldn't be where we are now.

**John Stauch - Pentair, Inc. - EVP, CFO**

Yes, first of all, to your point, we got a couple points headwind from Western Europe. Okay? So we will just say that. That's a big market. It's down mid-teens or double digit. It's hard to overcome that completely.

The second is, right now CPT is still going through acquisitions, and as soon as CPT comes back into the core, that's a business that we expect to grow 15% to 20% on an annual basis. And their growth is being reflected in the acquisition line right now.

So clearly, I agree with you. We still feel water is high-single digits on an annual growth basis, aided by fast growth and being better positioned to serve the new, new world, as Randy mentioned.

**Scott Graham - Jefferies & Company - Analyst**

Okay, so -- but my question was, what's missing within all of that? Why isn't it a little faster? I mean, I understand CPT is going to --

**John Stauch - Pentair, Inc. - EVP, CFO**

I told you the two things. CPT is mid-teens growth. It's not yet in our organic growth rate.

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**Scott Graham - Jefferies & Company - Analyst**

But we had a higher organic growth rate a year ago target before we even -- before CPT was part of the business. It just seems that you have a lot of opportunity, and there just doesn't seem to be a connection to all that opportunity.

**John Stauch - Pentair, Inc. - EVP, CFO**

Fair. A couple of things -- not getting any help from North American, which is -- North American residential, which is still -- it's a good chunk of where we are in our Water revenue. And, as I mentioned, we got 2 points of headwind from Western Europe. But I think core underlying growth is definitely in line with where we expect it to be. And I think, given the prioritization of the portfolio, I fully expect to be back there in a couple of quarters.

**Scott Graham - Jefferies & Company - Analyst**

Okay, thanks.

**John Stauch - Pentair, Inc. - EVP, CFO**

Randy, do you want to add anything? Okay, thank you, Scott.

**Operator**

Brian Drab, William Blair.

**Brian Drab - William Blair & Company - Analyst**

Are you guys still sure that you wanted to continue the call?

**John Stauch - Pentair, Inc. - EVP, CFO**

No, no problem at all.

**Brian Drab - William Blair & Company - Analyst**

I'll just ask one quick question. Most of mine have been answered. Regarding the tax benefits in the quarter, you had a -- can you help me bridge from this 13% rate to the 20% rate, given the adjustments, and then from the 20% rate to the 29% rate that you said would have been the effective tax rate in the presentation?

**John Stauch - Pentair, Inc. - EVP, CFO**

Yes. First of all, we think our effective rate for the rest of the year, absent any of these, will be closer to 28% to 29%, reflecting incremental tax planning, which are those permanent things that you can do to help your tax rate. An unprecedented amount of settlements in the quarter -- these are accruals, none of them more than \$500,000, and we've settled the 2005 to 2009 audits and went through the appeals process. And as Randy mentioned, this certainly wasn't forecast and it all came to us in Q1.

And then, the only difference between what we put in adjusted and reported is we take a look back at where we took the accrual. If we didn't take the accrual and the adjusted earnings category, we released the accrual down in reported. So it doesn't impact where we took it and where we released it. And so, if I bridge that for you, it was about 4.5 million dollars and the difference between reported and adjusted, and then you can take the difference between the tax rate, and it's roughly just south of \$7 million of favorable tax items in Q1.

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**Brian Drab - William Blair & Company - Analyst**

Okay, great, thanks.

**John Stauch - Pentair, Inc. - EVP, CFO**

I wish I could forecast them, but you just can't.

**Operator**

David Rose, Wedbush Securities.

**David Rose - Wedbush Securities - Analyst**

Good afternoon now, two quick --

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

Hey, David.

**David Rose - Wedbush Securities - Analyst**

How are you? Two quick questions. One is on if there were any specific actions taken to accelerate the improvement in margins to offset the top-line weakness in the quarter. You talked pretty clearly about what took place, but was there anything specific when you looked at the shortfall in revenues and said let's accelerate this item. Was there anything of that nature that took place?

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

No, it was -- we were targeting to get the price realization. We were targeting to get the productivity. We had good readout. It was just basically good execution. And so I would say that if, in fact, growth had come through we would have beat by more than \$0.01. We would have beat by a lot.

**David Rose - Wedbush Securities - Analyst**

Yes, that's what I was going to ask. All right.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

And that's if we had gotten the revenue that we had thought. And --

**David Rose - Wedbush Securities - Analyst**

That's helpful.

**John Stauch - Pentair, Inc. - EVP, CFO**

And that we were planning on it.

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**David Rose - Wedbush Securities - Analyst**

And then, lastly --

**John Stauch - Pentair, Inc. - EVP, CFO**

It wasn't hard to look out the window and see the flood impacts not happening. And as we mentioned earlier, that's not our highest margin item. So there wasn't a huge panic related to that level of sales shipment.

**David Rose - Wedbush Securities - Analyst**

Okay, so you've really built in a fair amount of cushion in the quarter to begin with?

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

I wouldn't say we had a fair amount of cushion.

**David Rose - Wedbush Securities - Analyst**

(laughter)

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

I'd say we had really good productivity.

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**David Rose - Wedbush Securities - Analyst**

Okay, thank you. And then lastly, I've seen some fairly impressive wins on the X-Flow pretreatment side of the business. And I was wondering if there are any crossover selling benefits from those pretreatment sales into other parts of either Nijhuis or Pentair, even extending it beyond into desal as we start to see those mega-projects pickup in 2013.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

We do see that. We now have a special line of housings that have been built for X-Flow. So it's pulling through that directly. There's other filters that can get sold in and around them. It's helping us get better at that on the pumps surround and the larger projects. And on the smaller standard system side, we've gone internally to X-Flow. Obviously, we would buy them from other people before.

**David Rose - Wedbush Securities - Analyst**

So even on some of those legacy contracts, like Ashdod, we could see some benefit on your site?

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

Yes.

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**David Rose - Wedbush Securities - Analyst**

Great.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

Even -- as I mentioned, we have housings for the X-Flow, but we've gotten housings for the RO membranes. We don't make the RO membranes. We're the leader in the housing.

**David Rose - Wedbush Securities - Analyst**

Right.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

And our hit rate in that has improved. As I mentioned, our desal performance wasn't just CPT related, it was our core total ion business. And so we definitely -- I believe it has helped us with wins in that (multiple speakers) that kind project.

**David Rose - Wedbush Securities - Analyst**

Okay, thank you very much.

**John Stauch - Pentair, Inc. - EVP, CFO**

Thank you.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

Okay.

**Operator**

If there are no further questions -- go ahead, sorry.

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

Go ahead and wrap it up.

**Operator**

There are no further questions at this time. Speakers, do you have any closing remarks?

**Randy Hogan - Pentair, Inc. - Chairman and CEO**

No, thanks. Just give them the replay. Nice. Thanks for your attendance.

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#### Operator

Perfect. Ladies and gentlemen, thank you for participating in today's conference call. Please note that a replay of this call will be available beginning tomorrow, April 25, 2012, at noon Central Time and will remain available until May 25, 2012, at 11:59 PM Central Time. To access the replay, please dial 1-855-859-2056, or 1-404-537-3406, and reference the conference ID number 71190721. Thank you very much. You may now disconnect at this time.

#### 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 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

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of a vote or proxy. The Merger will be submitted to a vote of Pentair shareholders and the proposed distribution of Tyco Flow to Tyco shareholders will be submitted to a vote of Tyco shareholders. In connection with the Merger, Tyco Flow will file a registration statement on Form S-4 with the SEC. Such registration statement will include a proxy statement of Pentair that also constitutes a prospectus of Tyco Flow, and will be sent to Pentair shareholders. In addition, Tyco Flow will file with the SEC a Form 10 and Tyco will file a proxy statement with the SEC related to the proposed distribution of the Tyco Flow shares that will be sent to Tyco shareholders. Shareholders of Pentair and Tyco are urged to read the proxy statements and other documents filed with the SEC when they become available because they will contain important information about Pentair, Tyco Flow, Tyco and the proposed transactions. Shareholders will be able to obtain copies of these documents (when they are available) and other documents filed with the SEC with respect to Pentair, Tyco Flow and Tyco free of charge from the SEC's website at [www.sec.gov](http://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 Blvd., 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 and definitive proxy statement relating to its 2012 annual meeting of shareholders filed with the SEC on March 9, 2012. 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 and definitive proxy statement relating to its 2012 annual general meeting of shareholders filed with the SEC on January 13, 2012. 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 proxy statements when it becomes available.