Table of Contents

COOPER INDUSTRIES, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2004			2003			2002		
	Before Tax Amount	Tax (Expense) Benefit	Net Amount	Before Tax Amount	Tax (Expense) Benefit	Net Amount	Before Tax Amount	Tax (Expense) Benefit	Net Amount
					(in millions)				
Minimum pension liability adjustment	$(13 3)	$ 5 3	$ (8 0)	$(38 1)	$ 15 2	$(22 9)	$(55 7)	$ 22 3	$(33 4)
Change in fair value of derivatives	5 2	(2 1)	3 1	(4 7)	1 9	(2 8)	0 1	—	0 1
Reclassification to earnings	(0 2)	0 1	(0 1)	2 4	(1 0)	1 4	0 2	(0 1)	0 1
	5 0	(2 0)	3 0	(2 3)	0 9	(1 4)	0 3	(0 1)	0 2
Translation adjustment	55 8	(19 5)	36 3	40 2	(14 0)	26 2	(6 8)	2 4	(4 4)
Other nonowner changes in equity	$ 47 5	$ (16 2)	$ 31 3	$ (0 2)	$ 2 1	$ 1 9	$(62 2)	$ 24 6	$(37 6)

NOTE 12: INCOME TAXES

	Year Ended December 31,		
	2004	2003	2002
		($ in millions)	
Components of income from continuing operations before income taxes			
U S operations	$ 71 3	$ 56 1	$ 81 4
Foreign operations	357 2	290 4	198 8
Income from continuing operations before income taxes	$428 5	$346 5	$280 2
Components of income tax expense			
Current			
U S Federal	$ 4 6	$ (62 1)	$ 8 0
U S state and local	4 9	(8 2)	5 4
Foreign	51 5	43 2	49 4
	61 0	(27 1)	62 8
Deferred			
U S Federal	19 8	79 7	30 5
U S state and local	4 7	21 0	3 3
Foreign	3 2	(1 4)	(30 1)
	27 7	99 3	3 7
Income tax expense	$ 88 7	$ 72 2	$ 66 5
Total income taxes paid	$ 87 3	$ 30 8	$ 27 9
Effective tax rate reconciliation			
U S Federal statutory rate	35 0%	35 0%	35 0%
State and local income taxes	1 5	2 4	2 0
Non U S Operations	(13 5)	(15 8)	(11 5)
Extraterritorial income exclusion	(1 0)	(1 2)	(1 4)
Tax credits	(1 3)	(0 2)	(0 2)
Other	—	0 6	(0 2)
Effective tax rate attributable to continuing operations	20 7%	20 8%	23 7%