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result of reductions in the cost structure stemming from restructuring and productivity improvement actions and increased leverage of fixed costs on higher volumes partially offset by higher material, energy and component costs not fully realized in product price increases. Tools & Hardware segment cost of sales, as a percentage of revenues, decreased 2.3 points compared to 2003. This decrease in cost of sales percentage reflects improved mix of product sales as a result of lower assembly equipment systems shipments, and cost reduction actions.

Electrical Products segment selling and administrative expenses, as a percentage of revenues, were 17.0% for 2004 compared to 17.2% for 2003. This decrease in selling and administrative expenses percentage is attributable to increased leverage from higher volumes, partially offset by higher incentive compensation costs related to improved earnings. Tools & Hardware segment selling and administrative expenses, as a percentage of revenues, were 18.9% in 2004 compared to 19.5% in 2003. This decrease in selling and administrative expenses percentage resulted from higher revenues, partially offset by increased incentive compensation expenses.

2003 vs 2002 Percentage of Revenue Electrical Products segment cost of sales, as a percentage of revenues, for 2003 decreased 1.3 points compared to 2002. The decrease in the cost of sales percentage was primarily a result of the continued focus on adjusting Cooper's cost structure and productivity improvements. Tools & Hardware segment cost of sales, as a percentage of revenues, decreased 0.1 points in 2003 compared to 2002. The decrease in the cost of sales percentage reflects the benefits of cost reduction programs, partially offset by an unfavorable mix of lower margin assembly equipment shipments and costs incurred as the cost reduction programs were implemented.

Electrical Products segment selling and administrative expenses, as a percentage of revenues, for 2003 were 17.2% compared to 16.7% for 2002. The increase in the selling and administrative expenses percentage is attributable to higher employee benefits-related costs, higher insurance costs and increased sales and marketing costs resulting from initiatives to expand market share, partially offset by benefits from the 2002 cost reduction programs. Tools & Hardware segment selling and administrative expenses, as a percentage of revenues, were 19.5% compared to 20.7% for 2002. The decrease in the selling and administrative expenses percentage reflects increased leveraging of costs partially offset by a modest increase in expenses, particularly related to employee benefits.

Cooper realizes certain costs and proceeds that are not directly attributable to the operating segments. These items are reflected as General Corporate expenses. See the "General Corporate Expense" section above.

Earnings Outlook

The following sets forth Cooper's general business outlook for 2005 based on current expectations.

Cooper expects mid single digit growth in revenues for Electrical Products in 2005 from improving industrial and nonresidential construction markets, market penetration and price increases in response to commodity cost inflation partially offset by slower residential construction markets. In the Tools & Hardware segment, Cooper also expects mid single digit revenue growth through expansion of industrial markets, market penetration and price increases as a result of raw material cost increases. Operating earnings are expected to grow more rapidly than revenues as a result of cost reduction programs, productivity improvements and leveraging of fixed costs. Diluted continuing earnings per share is expected to increase 10% to 15% compared to 2004.

The above statements are forward looking, and actual results may differ materially. The above statements are based on a number of assumptions, risks and uncertainties. The primary economic assumptions include, without limitation: (1) continued growth in the domestic and international economies, (2) no significant change in raw material or energy costs that are not realized through price increases, (3) realization of benefits of cost-reduction programs (including implementing an Enterprise Business System) with no major disruptions from those programs currently underway, and (4) no significant adverse changes in