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Declining interest rates resulted in a decrease in the assumed discount rate used to measure plan obligations from 7.25% in 2001 to 5.75% in 2004. The decrease in the discount rate caused an increase in the accumulated benefit obligation amount. During 2001 and 2002, the fair market value of the equity investments included in pension plan assets decreased significantly, primarily as a result of the overall downturn in the U.S. stock market. The accumulated benefit obligation of certain plans exceeded the fair market value of plan assets at December 31, 2004, 2003 and 2002. This unfunded accumulated benefit obligation, plus the existing prepaid asset resulted in a \$8.0 million, \$22.9 million and \$33.4 million net-of-tax minimum pension liability charge included in accumulated other nonowner changes in equity at December 31, 2004, 2003 and 2002, respectively. Total net periodic pension benefits cost was \$18.9 million in 2004, \$28.7 million in 2003 and \$16.7 million in 2002. The decrease in net periodic pension cost in 2004 is a result of an increase in the return on plan assets due to the recovery of the U.S. stock market. The increase in net periodic pension cost in 2003 was primarily due to a decrease in the return on plan assets and an increase in recognized actuarial losses. Total net periodic pension benefits cost is currently expected to approximate \$19.0 million in 2005. The net periodic pension benefit cost for 2005 has been estimated assuming a discount rate of 5.75% and an expected return on plan assets of 8.25%. See Note 13 of the Notes to the Consolidated Financial Statements.

The postretirement benefits other than pensions liability is also determined on an actuarial basis and is affected by assumptions including the discount rate and expected trends in health care costs. Changes in the discount rate and differences between actual and expected health care costs will affect the recorded amount of postretirement benefits expense. Differences between assumptions and actual experience are deferred as unrecognized gains and losses. Unrecognized gains and losses in excess of a minimum annual amount are amortized and recognized in net periodic postretirement benefit cost over the average remaining life expectancy of the participants. The decline in interest rates over the past three years resulted in a decrease in the assumed discount rate used to measure postretirement benefit obligations from 7.25% in 2001 to 5.75% in 2004. Net periodic postretirement benefit cost is expected to decrease slightly to \$4.1 million in 2005, primarily as a result of the Medicare Prescription Drug, Improvement and Modernization Act of 2003, compared to \$5.5 million in 2004, \$5.8 million in 2003 and \$5.2 million in 2002. See Notes 1 and 13 of the Notes to the Consolidated Financial Statements.

Environmental liabilities are accrued based on estimates of known environmental remediation exposures. The liabilities include accruals for sites owned by Cooper and third-party sites where Cooper was determined to be a potentially responsible party. Third party sites frequently involve multiple potentially responsible parties and Cooper's potential liability is determined based on estimates of Cooper's proportionate responsibility for the total cleanup. The amounts accrued for such sites are based on these estimates as well as an assessment of the financial capacity of the other potentially responsible parties. Environmental liability estimates may be affected by changing determinations of what constitutes an environmental liability or an acceptable level of cleanup. To the extent that remediation procedures change or the financial condition of other potentially responsible parties is adversely affected, Cooper's estimate of its environmental liabilities may change. The liability for environmental remediation was \$36.5 million at December 31, 2004 and \$38.9 million at December 31, 2003. See Note 7 of the Notes to the Consolidated Financial Statements.

During the fourth quarter of 2003, Cooper revised the accrual that represents its best estimate of liabilities related to the sale of the Automotive Products business to Federal-Mogul in 1998. During the three year period ending December 31, 2004, Cooper accounted for payments made to settle asbestos-related cases by reducing the accrual and insurance recoveries collected during the periods as increases to the accrual. Subsequent proceeds from insurance claims for settlements would increase the accrual. The liabilities include potential liabilities in the event Federal-Mogul rejects the 1998 Purchase and Sale Agreement for the sale of the Automotive Products business and certain indemnification obligations to Cooper. The analysis of Cooper's contingent liability exposure for asbestos-related claims involving Abex products was conducted in the fourth quarter of 2001 with assistance from independent advisors, Bates White, LLC, and assumed future resolution of the Abex-related asbestos claims within the Federal-Mogul bankruptcy proceeding. The analysis included a review of the twenty-year history of Abex claims, the average indemnity payments for resolved claims, the jurisdictions in which claims had been filed, Bates White, LLC data on the incidence of