Table of Contents

Approximately 58 percent of the United States hourly production work force of Cooper is employed in 41 manufacturing facilities, distribution centers and warehouses not covered by labor agreements Numerous agreements covering approximately 42 percent of all hourly production employees exist with 17 bargaining units at 18 operations in the United States and with various unions at 27 international operations During 2004, new agreements were concluded covering hourly production employees at 3 operations in the United States Cooper considers its employee relations to be excellent

Sales backlog at December 31, 2004 was approximately $403 3 million, all of which is for delivery during 2005, compared with backlog of approximately $352 2 million at December 31, 2003

Cooper's financial condition and performance are subject to various risks and uncertainties including, but not limited to (1) the condition of the domestic economy and European and Latin American markets, (2) spending on commercial and residential construction and by utilities, (3) worldwide energy-related project spending, (4) demand for products in the electronics and telecommunications markets, (5) changes in raw material and energy costs, (6) changes in mix of products sold, (7) realization of benefits of cost reduction programs (including implementation of an Enterprise Business System), (8) industry competition, (9) the timing of facility consolidations and the magnitude of any disruption from such consolidations, (10) the timing and amount of any stock repurchases by Cooper, (11) changes in tax laws, regulations and treaties, (12) the relationship of the U S dollar to the currencies of countries in which Cooper does business, (13) mergers and acquisitions and their integration into Cooper, (14) the resolution of Federal-Mogul's bankruptcy proceedings, and (15) risks related to changing legal and regulatory requirements and changing market, economic and political conditions in the countries in which we operate

Cooper's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available, free of charge, at the "Investor Center" tab on Cooper's website (www cooperindustries com) as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities Exchange Commission

The following describes the business conducted by each of Cooper's business segments Additional information regarding the products, markets and distribution methods for each segment is set forth on the table at the end of this Item Information concerning market conditions, as well as information concerning revenues and operating earnings for each segment, is included under "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations "

Electrical Products

The Electrical Products segment manufactures, markets and sells electrical and circuit protection products, including fittings, support systems, enclosures, wiring devices, plugs, receptacles, lighting fixtures, fuses, emergency lighting, fire detection systems and security products for use in residential, commercial and industrial construction, maintenance and repair applications The segment also manufactures, markets and sells products for use by utilities and in industry for electrical power transmission and distribution, including distribution switchgear, transformers, transformer terminations and accessories, capacitors, voltage regulators, surge arresters and other related power systems components

The principal raw material requirements include copper, tin, lead, plastics, insulating materials, pig iron, aluminum ingots, steel, aluminum and brass These raw materials are available from and supplied by numerous sources located in the United States and abroad

Demand for electrical products follows general economic conditions and is generally sensitive to activity in the construction market, industrial production levels, electronic component production and spending by utilities for replacements, expansions and efficiency improvements The segment's product lines are marketed directly to original equipment manufacturers and utilities and to a variety of end users through major distributor chains, retail home centers, hardware outlets and thousands of independent distributors