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\$1.34 billion and average interest rates were 5.63% and 5.82% for 2004 and 2003, respectively. The decrease in average interest rates primarily resulted from the benefit of interest rate swaps entered into during August 2003 that effectively converted \$300 million of 5.25% fixed-rate debt to variable-rate debt at the six month LIBOR rate plus 1.91%.

Interest expense, net decreased \$0.4 million in 2003 compared to 2002. Higher average interest rates on lower average debt balances resulted in an increase in interest expense that was offset by an increase in interest income earned on higher cash and cash equivalent balances. Average debt balances were \$1.34 billion and \$1.40 billion and average interest rates were 5.82% and 5.37% for 2003 and 2002, respectively. The increase in average interest rates primarily resulted from Cooper's replacement in 2002 of substantially all variable rate commercial paper borrowings with long-term fixed-rate debt.

During August 2003, Cooper entered into interest-rate swaps to effectively convert \$300 million of 5.25% long-term fixed-rate debt to variable-rate debt at the six-month LIBOR rate plus 1.91% (with semi-annual reset). The notional principal amount and maturity dates of the interest-rate swaps match the underlying long-term debt. During the years ended December 31, 2004 and 2003, Cooper recognized \$5.1 million and \$2.4 million, respectively, reductions of interest expense, net related to the interest-rate swaps.

Interest Income on Tax Refund During October 2003, Cooper received a refund of \$75.9 million for certain claims relating to tax years prior to 1994. The refund included interest of \$28.6 million. See Note 12 of the Notes to the Consolidated Financial Statements.

Income Tax Expense The effective tax rate attributable to continuing operations for 2004 was 20.7% compared to 20.8% for 2003.

The effective tax rate attributable to continuing operations for 2003 was 20.8% compared to 23.7% for 2002. The effective tax rate attributable to continuing operations decreased in 2003 when compared to 2002, primarily as a result of full year effect of the reorganization as discussed in Note 1 of the Notes to the Consolidated Financial Statements. See Note 12 of the Notes to the Consolidated Financial Statements.

Charge Related to Discontinued Operations In the fourth quarter of 2003, Cooper concluded that an additional \$126.0 million charge, net of a \$70.9 million income tax benefit, related to potential asbestos obligations regarding the Automotive Products segment which was sold in 1998 was required in order to adjust the existing accrual to an amount that will be within the likely range of outcomes. See Note 16 of the Notes to the Consolidated Financial Statements.

Diluted Earnings Per Share Diluted earnings per share from continuing operations was \$3.58 in 2004, \$2.92 in 2003 and \$2.28 in 2002.

Percentage of Revenues

	Year Ended December 31,		
	2004	2003	2002
Cost of Sales			
Electrical Products	69.3%	69.9%	71.2%
Tools & Hardware	72.6%	74.9%	75.0%
Selling and Administrative			
Electrical Products	17.0%	17.2%	16.7%
Tools & Hardware	18.9%	19.5%	20.7%

2004 vs 2003 Percentage of Revenues Electrical Products segment cost of sales, as a percentage of revenues, decreased 0.6 points compared to 2003. The decrease in cost of sale percentage was primarily a