have enormous requirements for both electrical products and tools as that area grows its infrastructure and advances its oil and gas industries Closer to home, Cooper has operated in Mexico since 1954, and today we have 12 facilities there, serving high-growth markets throughout Central and South America We also are furthering Cooper's presence in Asia China offers vibrant and growing market opportunities Later this year, Cooper will open a large operations center in Shanghai, which will house manufacturing and product development functions for almost all of our businesses And in Korea, Cooper experienced strong revenue growth in 2004 through sales of existing products to auto manufacturers, shipbuilders and electronics manufacturers Our goal is to achieve a position of scale and leadership in all promising markets around the world

Generating Profitable Growth – A Strong Operating Model

Although we have seen our economy strengthen in recent months, we still are mindful that significant challenges remain ahead of us The cost for key purchased materials continued to rise throughout 2004, and this cost pressure is expected to carry over into this year, as well In addition, both our customers and competitors are growing in both size and presence Obviously, this gives them some influence in shaping the dynamics of the marketplace That said, the voice of the customer continues to resound in today's markets, demanding instantaneous service, high-quality, technologically advanced products; on-time deliveries, competitive prices, and a host of other important considerations So, while the overall economy is expected to strengthen, we will continue to face fierce challenges as both our customers and our competitors grow in sophistication and critical mass

Regardless, creating a strong and sustainable high-performance operating structure that will generate value in all economic cycles is essential We have the building blocks of this operating model in place today Our Cooper Connection distributor-relationship program, our Manufacturing Variance Improvement Program (MVP), our Strategic Sourcing Program and our global growth initiatives to enhance our worldwide competitive position provide the foundation of this model Our new Company-wide Enterprise Business System will be the fundamental enabler that allows us to leverage our resources to advance these initiatives, and open the door to additional opportunities

A Mindset For Success – Reaching Beyond Traditional Boundaries

We began 2005 with a very clear focus on achieving five key objectives

- Achieve greater-than-market sales growth,
- Achieve targeted international sales growth,
- Achieve budgeted operating margins,
- Maintain a 100 percent cash conversion ratio and
- Increase our acquisition sales growth

I am confident that we will achieve these goals To start with, each of our businesses enjoys a stronger competitive position in their respective markets than they did a few years ago In addition, we have created a very robust platform to advance each of our very important strategic programs In short, disciplined strategy execution, coupled with a developing recovery in our key industrial and commercial markets, should generate significant traction for our businesses throughout 2005

We have a growing customer base that will help us to create greater mind share in the marketplace We will continue to supplement this through the introduction of vital new products and key complementary acquisitions similar to the RSA Lighting and MEDC businesses we acquired in 2004 RSA Lighting strategically expanded our Cooper Lighting portfolio and MEDC broadened our Cooper Crouse-Hinds product offerings in the important international electrical standards market segment We plan to utilize our strong balance sheet to pursue similar acquisitions going forward

Additionally, continued development of our common operating structure is allowing us to drive operational excellence and personal accountability throughout the Company Tomorrow's achievements will come because we are creating a high-performance team with common values and high standards and ethics They know that as Cooper continues to grow, there will be even greater opportunities for professional success and personal growth in the future

The bottom line is that we have assembled an industry-leading portfolio of high-quality businesses with size, scale and global reach This framework will afford our people the resources necessary to pursue sustainable growth by continually reaching beyond traditional boundaries "That's the way we've always done it" has been replaced with "I think there's a better way" throughout our worldwide organization In essence, we have changed our mindset

Look inside this foldout to learn more about Cooper's Markets and Products