

Cooper Industries plc
Form 10-Q
November 05, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-31330

Cooper Industries plc

(Exact name of registrant as specified in its charter)

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| | |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Ireland (State or other jurisdiction of incorporation or organization) | 98-0632292 (I.R.S. Employer Identification No.) |
| Unit F10, Maynooth Business Campus Maynooth, Ireland (Address of principal executive offices) | 0 (Zip Code) |
| +353 (1) 6292222 | |

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

| | |
|-------------------------------------------------------------|----------------------------------------------------|
| Large Accelerated Filer <input checked="" type="checkbox"/> | Accelerated Filer <input type="checkbox"/> |
| Non-Accelerated Filer <input type="checkbox"/> | Smaller Reporting Company <input type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of registrant's common shares outstanding as of September 30, 2012 was 161,713,954.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements****COOPER INDUSTRIES PLC****CONSOLIDATED INCOME STATEMENTS****(unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------------------------------------------|--------------------------------------|------------|------------------------------------|------------|
| | 2012 | 2011 | 2012 | 2011 |
| | (in millions, except per share data) | | | |
| Revenues | \$ 1,497.5 | \$ 1,389.7 | \$ 4,370.8 | \$ 4,036.3 |
| Cost of sales | 981.9 | 931.2 | 2,853.5 | 2,682.0 |
| Selling and administrative expenses | 279.2 | 269.2 | 857.0 | 779.8 |
| Equity in income of Apex Tool Group, LLC | 18.5 | 16.0 | 50.9 | 44.9 |
| Operating earnings | 254.9 | 205.3 | 711.2 | 619.4 |
| Interest expense, net | 14.6 | 16.4 | 44.0 | 49.8 |
| Income from continuing operations before income taxes | 240.3 | 188.9 | 667.2 | 569.6 |
| Income taxes expense | 51.9 | 28.7 | 129.1 | 92.2 |
| Income from continuing operations | 188.4 | 160.2 | 538.1 | 477.4 |
| Income related to discontinued operations, net of income taxes | | | | 190.3 |
| Net income | \$ 188.4 | \$ 160.2 | \$ 538.1 | \$ 667.7 |
| Income per common share: | | | | |
| Basic: | | | | |
| Income from continuing operations | \$ 1.17 | \$.99 | \$ 3.36 | \$ 2.91 |
| Income from discontinued operations | | | | 1.16 |
| Net income | \$ 1.17 | \$.99 | \$ 3.36 | \$ 4.07 |
| Diluted: | | | | |
| Income from continuing operations | \$ 1.16 | \$.98 | \$ 3.33 | \$ 2.87 |
| Income from discontinued operations | | | | 1.14 |
| Net income | \$ 1.16 | \$.98 | \$ 3.33 | \$ 4.01 |
| Cash dividends declared per common share | \$.31 | \$.29 | \$.93 | \$.87 |

The accompanying notes are an integral part of these statements.

COOPER INDUSTRIES PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------------------------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2012 | 2011 | 2012 | 2011 |
| | (in millions) | | | |
| Net income | \$ 188.4 | \$ 160.2 | \$ 538.1 | \$ 667.7 |
| Other comprehensive income (loss), net of tax: | | | | |
| Pension and postretirement benefit plans | 1.8 | 2.2 | 5.5 | 5.9 |
| Derivative instruments | 2.7 | 4.6 | (1.7) | 4.3 |
| Foreign currency items | 46.6 | (54.2) | 35.6 | (10.5) |
| Other comprehensive income (loss) | 51.1 | (47.4) | 39.4 | (0.3) |
| Comprehensive income | \$ 239.5 | \$ 112.8 | \$ 577.5 | \$ 667.4 |

The accompanying notes are an integral part of these statements.

COOPER INDUSTRIES PLC
CONSOLIDATED BALANCE SHEETS

| | September 30, 2012 (unaudited) | December 31, 2011 (Note 1) |
|--------------------------------------------------------------|--------------------------------------|----------------------------------|
| | (in millions) | |
| ASSETS | | |
| Cash and cash equivalents | \$ 965.8 | \$ 676.6 |
| Receivables, less allowances | 1,008.9 | 878.8 |
| Inventories | 542.8 | 466.3 |
| Current discontinued operations receivable | 2.1 | 3.8 |
| Other current assets | 221.1 | 265.9 |
| Total current assets | 2,740.7 | 2,291.4 |
| Property, plant and equipment, less accumulated depreciation | 664.4 | 625.4 |
| Investment in Apex Tool Group, LLC | 560.6 | 521.9 |
| Goodwill | 2,624.0 | 2,513.5 |
| Other intangible assets, less accumulated amortization | 431.8 | 380.4 |
| Long-term discontinued operations receivable | 3.0 | 5.1 |
| Other noncurrent assets | 111.2 | 109.9 |
| Total assets | \$ 7,135.7 | \$ 6,447.6 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Short-term debt | \$ 4.4 | \$ 6.4 |
| Accounts payable | 561.7 | 502.6 |
| Accrued liabilities | 651.6 | 615.3 |
| Current discontinued operations liability | 17.0 | 9.3 |
| Current maturities of long-term debt | 325.3 | 325.0 |
| Total current liabilities | 1,560.0 | 1,458.6 |
| Long-term debt | 1,096.7 | 1,096.2 |
| Long-term discontinued operations liability | 23.5 | 40.5 |
| Other long-term liabilities | 318.6 | 316.3 |
| Total liabilities | 2,998.8 | 2,911.6 |
| Common stock, \$.01 par value | 1.8 | 1.7 |
| Capital in excess of par value | 128.2 | |
| Retained earnings | 4,855.0 | 4,421.8 |
| Treasury stock | (671.6) | (671.6) |
| Accumulated other comprehensive loss | (176.5) | (215.9) |
| Total shareholders' equity | 4,136.9 | 3,536.0 |
| Total liabilities and shareholders' equity | \$ 7,135.7 | \$ 6,447.6 |

The accompanying notes are an integral part of these statements.

COOPER INDUSTRIES PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

| | Nine Months Ended September 30, 2012 2011 (in millions) | |
|------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------|
| Cash flows from operating activities: | | |
| Net income | \$ 538.1 | \$ 667.7 |
| Less: Income related to discontinued operations | | 190.3 |
| Income from continuing operations | 538.1 | 477.4 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 104.2 | 96.7 |
| Deferred income taxes | (31.1) | 53.1 |
| Excess tax benefits from stock options and awards | (24.6) | (13.3) |
| Distribution of earnings from Apex Tool Group, LLC | 19.4 | 20.9 |
| Equity in income of Apex Tool Group, LLC | (50.9) | (44.9) |
| Changes in assets and liabilities: ⁽¹⁾ | | |
| Receivables | (113.6) | (115.5) |
| Inventories | (62.7) | (37.3) |
| Accounts payable and accrued liabilities | 63.6 | (5.5) |
| Discontinued operations assets and liabilities, net | (5.5) | (246.6) |
| Other assets and liabilities, net | 108.3 | (8.0) |
| Net cash provided by operating activities | 545.2 | 177.0 |
| Cash flows from investing activities: | | |
| Capital expenditures | (113.4) | (84.8) |
| Cash paid for acquired businesses | (136.9) | (250.1) |
| Proceeds from sales of property, plant and equipment and other | 0.9 | 15.8 |
| Net cash used in investing activities | (249.4) | (319.1) |
| Cash flows from financing activities: | | |
| Repayments of long-term debt | (0.4) | (3.0) |
| Short-term debt, net | (2.0) | (1.6) |
| Debt issuance costs | | (1.0) |
| Dividends | (144.6) | (141.4) |
| Purchases of treasury shares | | (383.0) |
| Purchases of common shares for cancellation | (7.4) | |
| Excess tax benefits from stock options and awards | 24.6 | 13.3 |
| Proceeds from exercise of stock options and other | 120.2 | 54.8 |
| Net cash used in financing activities | (9.6) | (461.9) |
| Effect of exchange rate changes on cash and cash equivalents | 3.0 | (0.7) |
| Increase (decrease) in cash and cash equivalents | 289.2 | (604.7) |
| Cash and cash equivalents, beginning of period | 676.6 | 1,035.3 |
| Cash and cash equivalents, end of period | \$ 965.8 | \$ 430.6 |

⁽¹⁾ Net of the effects of acquisitions and translation.
The accompanying notes are an integral part of these statements.

COOPER INDUSTRIES PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1. Accounting Policies

Basis of Presentation The consolidated financial statements of Cooper Industries plc, an Irish company (Cooper), have been prepared in accordance with generally accepted accounting principles in the United States.

The financial information presented as of any date other than December 31 has been prepared from the books and records without audit. Financial information as of December 31 has been derived from Cooper's audited financial statements, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated, have been included. For further information regarding Cooper's accounting policies, refer to the Consolidated Financial Statements and related notes for the year ended December 31, 2011 included in Part IV of Cooper's 2011 Annual Report on Form 10-K.

Note 2. Eaton Transaction Agreement

On May 21, 2012 Cooper entered into a Transaction Agreement (as amended, the Transaction Agreement) with Eaton Corporation (Eaton), Eaton Corporation Limited (New Eaton) and certain other entities. Under the terms of the Transaction Agreement, New Eaton will acquire Cooper with each Cooper shareholder entitled to receive \$39.15 in cash and .77479 of a newly issued New Eaton ordinary share in exchange for each outstanding Cooper ordinary share (the Acquisition). In connection with the Acquisition, Eaton will merge with a wholly owned subsidiary of New Eaton, a newly formed Irish company (the Merger). As a result of the Acquisition and Merger, both Eaton and Cooper will become wholly owned subsidiaries of New Eaton (the Transactions). The Transactions have been approved by the boards of directors and shareholders of both Eaton and Cooper. The closing of the Transactions is subject to customary closing conditions, including regulatory approvals under the antitrust laws of certain jurisdictions, and is expected to close in 2012.

The Transaction Agreement also provides that, if the Transaction Agreement is terminated following a change in recommendation by the Eaton board of directors in certain circumstances, Eaton will pay to Cooper \$300 million. In addition, on May 21, 2012, Cooper and Eaton entered into an Expenses Reimbursement Agreement whereby Cooper has agreed to pay to Eaton specified transaction-related expenses incurred by Eaton in the event of termination of the Transaction Agreement in certain specified circumstances. The amount payable by Cooper in such circumstances is limited to one percent of the total value of the issued share capital of Cooper as ascribed by the terms of the Acquisition.

In connection with the Transaction Agreement, on May 21, 2012, Cooper also entered into an amendment to its Second Amended Rights Plan (as described in Note 11 to Cooper's 2011 financial statements) to render it inapplicable to the Transaction Agreement and the transactions contemplated thereby.

On July 9, 2012, two purported Cooper shareholders, the Louisiana Municipal Police Employees Retirement System and Frank E. Waters, filed a putative class action complaint in the United States District Court for the Northern District of Ohio, Eastern Division, styled Louisiana Municipal Police Employees Retirement System v. Cooper Industries plc et. al., Case No. 1:12-cv-1750, challenging the transaction. The complaint alleged that Cooper, its directors and Eaton disseminated a preliminary proxy statement in connection with the transaction that contained material omissions and misstatements in violation of federal securities laws. The alleged omissions and misstatements concerned: (a) the sales process leading to the proposed acquisition and (b) the analysis performed by Cooper's financial advisor. The complaint further alleged that the conduct of Cooper's directors constituted shareholder oppression in violation of Irish law. Plaintiffs requested that consummation of the transaction be enjoined. On October 16, 2012, the Court granted Cooper's motion to dismiss the litigation. On October 17, 2012, the Plaintiffs filed a motion requesting the Court to permit the Plaintiffs to file an amended complaint. Cooper and Eaton believe that the claims asserted in the motion are without merit and intend to vigorously defend against them.

Note 3. Subsequent Event Pending Disposition of Investment in Apex Tool Group, LLC

On October 10, 2012, Cooper and Danaher Corporation announced they had entered into a definitive agreement to sell Apex Tool Group to Bain Capital for approximately \$1.6 billion subject to post-closing adjustments. Currently, Cooper and Danaher each maintain a 50% ownership interest in Apex. The closing of the definitive agreement is subject to customary conditions, including regulatory approvals. Upon closing of the transaction, Cooper expects to recognize a pretax gain on the disposition equal to the excess of the net proceeds over the carrying value of its net investment at such time. The parties currently expect that the transaction will close in the first half of 2013.

The definitive agreement also contains customary termination rights and further provides that, upon termination of the definitive agreement under certain circumstances, Bain Capital is required to pay Cooper and Danaher a termination fee of \$80 million.

Note 4. Acquisitions

Cooper has completed a number of acquisitions that were selected because of their strategic fit with existing Cooper businesses or were new strategic lines that were complementary to Cooper's operations. In the nine month period ended September 30, 2012, Cooper completed four acquisitions, three in the Energy and Safety Solutions segment and one in the Electrical Products Group segment. During the year ended December 31, 2011 Cooper completed seven acquisitions, three in the Energy and Safety Solutions segment and four in the Electrical Products Group segment, and also acquired certain other intangible assets in the Electrical Products Group segment.

The acquisition date fair value of the total consideration for the 2012 transactions was approximately \$143.3 million and resulted in the preliminary recognition of aggregate goodwill of \$77.2 million, of which approximately \$23.9 million is expected to be deductible for tax purposes. The goodwill arising from the 2012 transactions includes \$64.0 million related to the Energy and Safety Solutions segment and \$13.2 million related to the Electrical Products Group segment. The goodwill arises because the purchase price reflects a number of factors including the future earnings and cash flow potential of these businesses and the complementary strategic fit and resulting synergies these businesses bring to existing operations. The transactions consummated in 2012 also resulted in the preliminary recognition of \$67.4 million in other intangible assets consisting primarily of customer relationships, technology and trademarks. All of these identifiable intangibles are finite-lived intangible assets that are preliminarily expected to be amortized over periods of 3 to 15 years with a weighted average amortization period of approximately 12 years.

The results of operations of acquisitions are included in the consolidated income statements since the respective acquisition dates. Pro-forma income from continuing operations and diluted earnings per share for the three and nine month periods ended September 30, 2012 and 2011, assuming the acquisitions had occurred at the beginning of 2011, would not be materially different from reported results.

Note 5. Inventories

| | September 30, 2012 | December 31, 2011 |
|---------------------------------------------|-----------------------|----------------------|
| | (in millions) | |
| Raw materials | \$ 227.1 | \$ 194.8 |
| Work-in-process | 133.6 | 110.1 |
| Finished goods | 317.7 | 295.2 |
| Perishable tooling and supplies | 6.8 | 7.1 |
| | 685.2 | 607.2 |
| Allowance for excess and obsolete inventory | (73.4) | (65.8) |
| Excess of FIFO costs over LIFO costs | (69.0) | (75.1) |
| Net inventories | \$ 542.8 | \$ 466.3 |

Note 6. Goodwill

Cooper has goodwill of \$2.62 billion and \$2.51 billion at September 30, 2012 and December 31, 2011, respectively. Cooper completed its annual impairment tests for each reporting unit's goodwill as of January 1, 2012. The results of step one of these goodwill impairment tests did not require the completion of step two of the test for any reporting unit.

Note 7. Contingencies

Cooper and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. Cooper records its best estimate of a loss, including estimated defense costs, when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, Cooper records the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, Cooper assesses the potential liability related to pending litigation and claims and revises its estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from the estimates. In the opinion of management and based on liability accruals provided, the ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on Cooper's consolidated financial position or cash flows, although they could have a material adverse effect on the results of operations for a particular reporting period.

The U.S. Federal Government has enacted legislation intended to deny certain federal funding and government contracts to U.S. companies that reincorporate outside the United States, including Section 745 of the Consolidated Appropriations Act, 2008 (Public Law 110-161), Section 724(c) of the Transportation, Treasury, Housing and Urban Development, the Judiciary, and Independent Agencies Appropriations Act, 2006 (Public Law 109-115), and 6 U.S.C. 395(b) of The Homeland Security Act. In 2008 Cooper self-reported to the Department of Defense certain transactions aggregating approximately \$8 million with U.S. government entities which may be subject to the legislation. At the time of this filing, it is not possible to determine whether any fines or penalties may be assessed against Cooper.

In connection with laws and regulations pertaining to the protection of the environment, Cooper and its subsidiaries are party to several environmental proceedings and remediation investigations and cleanups and, along with other companies, have been named a potentially responsible party (PRP) for certain sites at which hazardous substances have been released into the environment (Superfund sites).

Each of these matters is subject to various uncertainties and it is possible that some of these matters will be decided unfavorably against Cooper. The resolution of these matters often spans several years and frequently involves regulatory oversight or adjudication. Additionally, many remediation requirements are not fixed and are likely to be affected by future technological, site and regulatory developments. Consequently, the ultimate liability with respect to such matters, as well as the timing of cash disbursements cannot be determined with certainty.

In the first quarter of 2010 Cooper received two notices of potential liability under Section 107(a) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) from the United States Environmental Protection Agency with respect to the release or threatened release of hazardous substances, pollutants, and contaminants into the 17-mile stretch of the river known as the Lower Passaic River Study Area, which is part of the Diamond Alkali Superfund Site located in Newark, New Jersey. The EPA sent notices to over 125 companies. The notices to Cooper identified three former sites in the Newark area owned by the former Thomas A. Edison, Inc. and McGraw-Edison Company. The notice alleges that as the successor to Thomas A. Edison, Inc. and the McGraw-Edison Company, the former owners and operators of the facilities, Cooper may be potentially liable for response costs and clean up of the site although the notices do not state an amount of potential liability. On June 14, 2012, Cooper, along with certain other noticed companies, entered into a settlement agreement with the EPA with respect to a specific section of the 17-mile stretch, known as River Mile 10.9. Under the settlement agreement and allocation among the parties to that agreement, Cooper's share of costs for River Mile 10.9 over time is expected to be approximately \$0.6 million. The EPA's actions with respect to the remainder of the Lower Passaic River Study Area remain ongoing.

During 2011 the New York State Department of Environmental Conservation selected a final remedy in a Record of Decision with respect to two inactive landfills in Syracuse, New York historically used by Cooper's Crouse-Hinds business, the City of Syracuse, and others. The Record of Decision requires certain remediation actions having an estimated cost of approximately \$13 million. Cooper believes that responsibility for the cost of the remediation should be borne by a variety of responsible parties and is pursuing its options in this regard.

In December 2011 Cooper agreed to accept a share of the costs for investigation and remediation at the Standard Chlorine Chemical Company Superfund Site located in Hudson County, New Jersey. The site is being administered by the United States Environmental Protection Agency. Cooper's share is based upon its alleged successorship to Thomas A. Edison, Inc, which operated a battery manufacturing facility on the site in the mid 1900s.

Environmental remediation costs are accrued based on estimates of known environmental remediation exposures. Such accruals are adjusted as information develops or circumstances change. The environmental liability accrual includes amounts related to sites owned by Cooper, retained environmental liabilities related to sites previously owned by Cooper and third-party sites where Cooper is a potentially responsible party. Third-party sites usually involve multiple contributors where Cooper's liability will be determined based on an estimate of Cooper's proportionate responsibility for the total cleanup. The amount accrued for such sites is based on these estimates as well as an assessment of the financial capacity of the other potentially responsible parties. Cooper had an accrual of \$49.4 million at September 30, 2012 related to potential environmental liabilities, including \$11.8 million classified as a long-term liability.

Note 8. Debt

At September 30, 2012, Cooper has \$4.4 million of short-term debt and has no commercial paper borrowings outstanding. At September 30, 2012, Cooper has \$500 million available under its five-year committed bank credit facility that matures on May 26, 2016.

Note 9. Shareholders Equity

Cooper Industries plc had common shares, \$.01 par value outstanding of 161,713,954 (net of 14,325,562 treasury shares) and 158,314,748 (net of 14,325,562 treasury shares) at September 30, 2012 and December 31, 2011, respectively. During the nine month period ended September 30, 2012 Cooper issued 3,524,019 common shares primarily in connection with employee incentive and benefit plans and Cooper's dividend reinvestment program. During the nine month period ended September 30, 2012 Cooper repurchased and cancelled 124,813 common shares at an average price per share of \$59.00 under the Board of Directors authorization discussed below.

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On February 9, 2009, Cooper's Board of Directors authorized the repurchase of ten million shares of common stock and increased the share repurchase authorization by ten million shares on November 1, 2011. Cooper's Board has also authorized the repurchase of shares issued from time to time under its equity compensation plans, matched savings plan and dividend reinvestment plan in order to offset the dilution that results from issuing shares under these plans. For 2012 Cooper estimated that 2.5 million shares would be issued under equity compensation plans. As of September 30, 2012, 16,054,582 shares remain available to be repurchased under the authorizations by the Board of Directors. Notwithstanding the above, Cooper is prohibited at this time under the Transaction Agreement with Eaton from repurchasing its shares.

Note 10. Segment Information

| | Revenues | | | |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, 2012 | September 30, 2011 | September 30, 2012 | September 30, 2011 |
| | (in millions) | | | |
| Energy and Safety Solutions | \$ 804.0 | \$ 752.2 | \$ 2,349.3 | \$ 2,184.1 |
| Electrical Products Group | 693.5 | 637.5 | 2,021.5 | 1,852.2 |
| Total revenues | \$ 1,497.5 | \$ 1,389.7 | \$ 4,370.8 | \$ 4,036.3 |

| | Operating Earnings | | | |
|------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, 2012 | September 30, 2011 | September 30, 2012 | September 30, 2011 |
| | (in millions) | | | |
| Energy and Safety Solutions | \$ 152.6 | \$ 125.6 | \$ 439.6 | \$ 375.4 |
| Electrical Products Group | 103.3 | 88.3 | 295.6 | 270.0 |
| Total segment operating earnings | 255.9 | 213.9 | 735.2 | 645.4 |
| General Corporate expense | 19.5 | 24.6 | 74.9 | 70.9 |
| Equity in income of Apex Tool Group, LLC | 18.5 | 16.0 | 50.9 | 44.9 |
| Total operating earnings | \$ 254.9 | \$ 205.3 | \$ 711.2 | \$ 619.4 |

Note 11. Stock-Based Compensation

During the nine month period ended September 30, 2012 Cooper granted 1,093,670 stock option awards, 362,186 performance-based shares and 73,528 restricted stock units. As of September 30, 2012, 9,719,576 shares were available for future grants under the 2011 Incentive Plan. Total compensation expense for all share-based compensation arrangements was \$30.2 million and \$28.1 million for the nine month periods ended September 30, 2012 and 2011, respectively. The total income tax benefit recognized in the income statement for all share-based compensation arrangements was \$11.7 million and \$10.3 million for the nine month periods ended September 30, 2012 and 2011, respectively.

Note 12. Income Taxes

The effective tax rate from continuing operations was 19.3% and 16.2% for the nine month periods ended September 30, 2012 and 2011, respectively. Income tax expense from continuing operations was reduced by \$8.0 million during the nine month period ended September 30, 2012 for discrete tax adjustments related to the resolution of certain foreign tax matters. Income tax expense from continuing operations was reduced by \$9.7 million during the nine month period ended September 30, 2011 for discrete tax adjustments related to the settlement of the discontinued operations asbestos liability that was required under accounting principles to be classified in continuing operations. Excluding these discrete tax adjustments, Cooper's effective tax rate for the nine month periods ended September 30, 2012 and 2011 was 20.5% and 17.9%, respectively.

Net deferred taxes recognized in the balance sheet consist of:

| | September 30, 2012 | December 31, 2011 |
|-----------------------------|-----------------------|----------------------|
| | (in millions) | |
| Other current assets | \$ 96.1 | \$ 69.8 |
| Other long-term liabilities | 74.2 | 67.4 |
| Net deferred taxes | \$ 21.9 | \$ 2.4 |

In June 2008 the German Tax Authorities issued a proposed audit finding related to a 2004 reorganization that was treated as a non-taxable event. In December 2009 at Cooper's request, the German taxing authorities finalized and issued a notice of assessment for 62.8 million, inclusive of 5.7 million of interest, related to this matter. To continue to challenge the German tax authorities finding, in December 2009, Cooper paid the assessment for approximately \$90 million and continues to challenge the notice of assessment through the court process. Cooper continues to believe that the reorganization was properly reflected on its German income tax returns in accordance with applicable tax laws and regulations in effect during the period involved and will continue challenging the assessment vigorously. Although the outcome of the proceedings with the German Tax Authorities cannot be predicted with certainty, management believes that it is more likely than not that its tax position related to the 2004 reorganization will prevail. As such, Cooper has recognized the 62.8 million tax payment, including interest, in other noncurrent assets in the accompanying balance sheets. The German tax payment has been included in Cooper's foreign tax credit calculations in the United States, which would be amended upon successful defense of the German reorganization.

Cooper is under examination by various United States State and Local taxing authorities, as well as various taxing authorities in other countries. Cooper is no longer subject to U.S. Federal income tax examinations by tax authorities for years prior to 2011 and, with few exceptions, Cooper is no longer subject to State and Local, or non-U.S. income tax examinations by tax authorities for years before 2005. Cooper fully cooperates with all audits, but defends existing positions vigorously. These audits are in various stages of completion. To provide for potential tax exposures, Cooper maintains a liability for unrecognized tax benefits, which management believes is adequate. The results of future audit assessments, if any, could have a material effect on Cooper's cash flows as these audits are completed.

At September 30, 2012 and December 31, 2011, Cooper has a foreign deferred tax asset of approximately \$1.1 billion and \$1.0 billion, respectively, relating to a net operating loss carryforward that was approved by a foreign jurisdiction in September 2009. Although this net operating loss carryforward deferred tax asset has an indefinite life, a corresponding valuation allowance for the same amount has been recognized because management believes at this time it is more likely than not that there will not be sufficient taxable income in the future to realize this net operating loss carryforward in the foreign jurisdiction.

Cooper has unrecognized gross tax benefits of \$9.2 million at September 30, 2012. Approximately \$6.0 million of the unrecognized tax benefits would favorably impact the effective tax rate if recognized. Cooper believes it is reasonably possible that additional tax benefits in the range of approximately \$1 to \$4 million could be recognized during the next 12 months as audits close and statutes expire.

Note 13. Pension and Other Postretirement Benefits

| | Pension Benefits | | | |
|-------------------------------------------------|-----------------------|---------------|-----------------------|---------------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, 2012 | 2011 | September 30, 2012 | 2011 |
| | (in millions) | | | |
| Components of net periodic benefit cost: | | | | |
| Service cost | \$ 0.6 | \$ 0.6 | \$ 1.9 | \$ 1.8 |
| Interest cost | 7.2 | 8.4 | 21.5 | 25.2 |
| Expected return on plan assets | (10.8) | (10.9) | (32.3) | (32.7) |
| Amortization of prior service cost | (0.7) | (0.6) | (2.0) | (2.0) |
| Recognized actuarial loss | 5.3 | 5.4 | 15.9 | 15.3 |
| Net periodic benefit cost | \$ 1.6 | \$ 2.9 | \$ 5.0 | \$ 7.6 |

| | Other Postretirement Benefits | | | |
|-------------------------------------------------|-------------------------------|-----------------|-----------------------|-----------------|
| | Three Months Ended | | Nine Months Ended | |
| | September 30, 2012 | 2011 | September 30, 2012 | 2011 |
| | (in millions) | | | |
| Components of net periodic benefit cost: | | | | |
| Interest cost | \$ 0.6 | \$ 0.9 | \$ 1.9 | \$ 2.7 |
| Amortization of prior service cost | (0.5) | (0.5) | (1.5) | (1.5) |
| Recognized actuarial gain | (1.2) | (0.8) | (3.5) | (2.4) |
| Net periodic benefit gain | \$ (1.1) | \$ (0.4) | \$ (3.1) | \$ (1.2) |

Note 14. Net Income Per Common Share

| | Three Months Ended | | Nine Months Ended | |
|-------------------------------------------------------------------|--------------------|-----------------|-------------------|-----------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2012 | 2011 | 2012 | 2011 |
| | (in millions) | | | |
| Income from continuing operations | \$ 188.4 | \$ 160.2 | \$ 538.1 | \$ 477.4 |
| Income from discontinued operations | | | | 190.3 |
| Net income applicable to common stock | \$ 188.4 | \$ 160.2 | \$ 538.1 | \$ 667.7 |
| Weighted average shares outstanding Basic | 161.1 | 162.3 | 159.9 | 164.3 |
| Incremental shares from assumed conversions: | | | | |
| Options, performance-based stock awards and other employee awards | 1.8 | 1.7 | 1.9 | 2.2 |
| Weighted average shares outstanding Diluted | 162.9 | 164.0 | 161.8 | 166.5 |

Options and employee awards are not considered in the calculations if the effect would be anti-dilutive. Anti-dilutive options and employee awards of 1.9 million and 1.5 million shares were excluded in the nine month periods ended September 30, 2012 and 2011, respectively.

Note 15. Financial Instruments and Hedging Activities, Concentrations of Credit Risk and Fair Value of Financial Instruments
Derivative Instruments and Hedging Activities

As a result of having sales, purchases and certain intercompany transactions denominated in currencies other than the functional currencies of Cooper's businesses, Cooper is exposed to the effect of currency exchange rate changes on its cash flows and earnings. Cooper enters into currency forward exchange contracts to hedge significant non-functional currency denominated transactions for periods consistent with the terms of the underlying transactions. Contracts generally have maturities that do not exceed one year.

Currency forward exchange contracts executed to hedge forecasted transactions are accounted for as cash flow hedges. Currency forward exchange contracts executed to hedge a recognized asset, liability or firm commitment are accounted for as fair value hedges. Cooper sometimes enters into certain currency forward exchange contracts that are not designated as hedges. These contracts are intended to reduce cash flow volatility generally related to short-term intercompany financing transactions. Cooper also enters into commodity swaps to reduce the volatility of price fluctuations on a portion of up to eighteen months of forecasted material purchases. These instruments are designated as cash flow hedges. Cooper does not enter into speculative derivative transactions.

During October 2005 Cooper entered into cross-currency swaps designated as cash flow hedges to effectively convert its newly issued \$325 million, 5.25% fixed-rate debt maturing in November 2012 to 272.6 million of 3.55% fixed-rate debt. The \$325 million debt issuance proceeds were swapped to 272.6 million and lent through an intercompany loan to a non-U.S. subsidiary to partially fund repayment of the 300 million Euro bond debt that matured on October 25, 2005. The cross-currency swaps mature in November 2012.

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Assets and liabilities measured on a recurring basis at fair value using Level 2 inputs and a market approach are as follows:

| | September 30, 2012 | | December 31, 2011 | |
|------------------------------------------------|--------------------|-------------|-------------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| | (in millions) | | | |
| Short-term currency forward exchange contracts | \$ 52.1 | \$ 57.6 | \$ 75.3 | \$ 64.4 |
| Short-term commodity swaps | 0.9 | 0.2 | 0.1 | 1.2 |
| Short-term cross-currency swaps | | 25.1 | | 27.8 |

Except as discussed below, the currency forward exchange contracts and commodity swaps in the above table are designated as hedging instruments. Currency forward exchange contracts representing assets of approximately \$30.8 and \$39.5 million and liabilities of \$19.7 and \$29.1 million at September 30, 2012 and December 31, 2011, respectively are not designated as hedging instruments.

The fair value of currency forward exchange contracts, commodity swaps and the cross-currency swaps are determined based on pricing models that use inputs from actively quoted markets that are readily accessible and observable. There were no changes in the valuation techniques used to measure asset or liability fair values on a recurring basis in 2012 or 2011.

Gains or losses on derivative instruments are reported in the same line item as the underlying hedged transaction in the consolidated statements of income. The net gain or loss on currency forward exchange contracts was not material in the nine month periods ended September 30, 2012 and 2011. For commodity swaps, Cooper recognized, in cost of sales, a net loss of \$1.5 million in the nine month period ended September 30, 2012 and a net gain of \$1.4 million in the nine month period ended September 30, 2011. At September 30, 2012 Cooper estimates that approximately \$0.3 million of net losses on derivative instruments designated as cash flow hedges will be reclassified from accumulated other comprehensive income included in shareholders' equity to earnings during the next twelve months. The amount of discontinued cash flow hedges in the nine month periods ended September 30, 2012 and 2011 was not material.

The table below summarizes the U. S. dollar equivalent contractual amount of forward exchange contracts.

| | September 30, 2012 | December 31, 2011 |
|------------------------|-----------------------|----------------------|
| | (in millions) | |
| U.S. Dollar | \$ 613.2 | \$ 572.2 |
| Euro | 301.0 | 369.8 |
| British Pound Sterling | 167.4 | 144.9 |
| Other | 30.5 | 21.5 |
| | \$ 1,112.1 | \$ 1,108.4 |

The contractual amount of commodity swap contracts at September 30, 2012 and December 31, 2011 was approximately \$16 million and \$14 million, respectively.

Other Instruments

In the normal course of business, Cooper executes stand-by letters of credit, performance bonds and other guarantees that ensure Cooper's performance or payment to third parties that are not reflected in the consolidated balance sheets. The aggregate notional value of these instruments was approximately \$115 million and \$118 million at September 30, 2012 and December 31, 2011, respectively. In the past, no significant claims have been made against these financial instruments. Management believes the likelihood of demand for payment under these instruments is minimal and expects no material losses to occur in connection with these instruments.

Concentrations of Credit Risk

Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers as well as their dispersion across many different geographic areas with no one customer receivable exceeding 4.8% of accounts receivable at September 30, 2012 (4.9% at December 31, 2011). At September 30, 2012, Cooper has approximately 26% of its cash and cash equivalents held at one financial institution. Cooper believes this financial institution to be financially stable.

Fair Value of Financial Instruments Other than Derivatives

Cooper's financial instruments other than derivative instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and debt instruments. The book values of cash and cash equivalents, trade receivables, and trade payables are considered to be representative of their respective fair values due to the short-term nature of these instruments. Cooper had a book value of approximately \$1.43 billion and \$1.43 billion for debt instruments at September 30, 2012 and December 31, 2011, respectively. The fair value of these debt instruments was approximately \$1.55 billion and \$1.55 billion at September 30, 2012 and December 31, 2011, respectively based on a market approach using Level 2 inputs represented primarily by quoted market prices for similar instruments.

Note 16. Discontinued Operations Receivable and Liability

In October 1998 Cooper sold its Automotive Products business to Federal-Mogul Corporation (Federal-Mogul). These discontinued businesses (including the Abex Friction product line obtained from Pneumo-Abex Corporation (Pneumo) in 1994) were operated through subsidiary companies, and the stock of those subsidiaries were sold to Federal-Mogul pursuant to a Purchase and Sale Agreement dated August 17, 1998 (1998 Agreement). In conjunction with the sale, Federal-Mogul indemnified Cooper for certain liabilities of these subsidiary companies, including liabilities related to the Abex Friction product line and any potential liability that Cooper had to Pneumo pursuant to a 1994 Mutual Guaranty Agreement (the Mutual Guaranty) between Cooper and Pneumo. On October 1, 2001, Federal-Mogul and several of its affiliates filed a Chapter 11 bankruptcy petition. On February 1, 2011, Cooper entered into a settlement agreement that closed on April 5, 2011 resolving Cooper's liability under the Mutual Guaranty with Pneumo. The settlement agreement terminated the Mutual Guaranty between Cooper and Pneumo and created a Settlement Trust. As a result of the April 2011 settlement the Company and its subsidiaries have no further obligations under the Mutual Guaranty. At September 30, 2012 remaining payments due under the settlement agreement total approximately \$40.5 million and are due in installments in April of each year as follows: \$17.0 million in 2013 and \$11.75 million in each of 2014 and 2015.

As discussed further in Note 19 of the Notes to Consolidated Financial Statements included in Cooper's 2011 Annual Report on Form 10-K, Cooper adjusted its previously recorded net liability in the first quarter of 2011 for its obligations under the Mutual Guaranty to the amounts payable under the settlement agreement and related unpaid legal expenses resulting in the recognition of an after-tax gain from discontinued operations of \$190.3 million, which is net of a \$105.6 million income tax expense. Cooper also has approximately \$5.1 million in receivables for non-Abex related insurance recoveries remaining on the balance sheet at September 30, 2012 due through 2014 under previously recognized insurance settlements.

Note 17. Consolidating Financial Information

Cooper Industries plc along with Cooper Industries, Ltd. and certain of Cooper's principal U.S. operating subsidiaries (the Guarantors) fully and unconditionally guarantee, on a joint and several basis, the registered debt securities of Cooper US, Inc. The following condensed consolidating financial information is included so that the separate financial statements of Cooper US, Inc. or the Guarantors are not required to be filed with the Securities and Exchange Commission. The consolidating financial statements present investments in subsidiaries using the equity method of accounting.

Consolidating Statements of Comprehensive Income**Three Months Ended September 30, 2012**

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|--------------------------------------------------------------|-----------------------------|--------------------|------------|-----------------------|------------------------------|------------|
| Revenues | \$ | \$ | \$ 957.1 | \$ 767.6 | \$ (227.2) | \$ 1,497.5 |
| Cost of sales | | (0.8) | 652.1 | 557.8 | (227.2) | 981.9 |
| Selling and administrative expenses | 2.6 | 72.7 | 145.7 | 115.8 | (57.6) | 279.2 |
| Equity in income of Apex Tool Group, LLC | | | | 18.5 | | 18.5 |
| Interest expense, net | | 15.9 | | (1.3) | | 14.6 |
| Equity in earnings of subsidiaries, net of tax | 133.8 | 115.4 | 17.3 | 37.7 | (304.2) | |
| Intercompany income (expense) | (0.3) | (32.2) | (37.1) | 69.7 | (0.1) | |
| Income (loss) from continuing operations before income taxes | 130.9 | (4.6) | 139.5 | 221.2 | (246.7) | 240.3 |
| Income tax expense (benefit) | | (19.7) | 45.9 | 25.7 | | 51.9 |
| Income from continuing operations | 130.9 | 15.1 | 93.6 | 195.5 | (246.7) | 188.4 |
| Income from discontinued operations, net of tax | | | | | | |
| Net Income | 130.9 | 15.1 | 93.6 | 195.5 | (246.7) | 188.4 |
| Other comprehensive income (loss) | 51.1 | 11.1 | 46.6 | 94.4 | (152.1) | 51.1 |
| Comprehensive income | \$ 182.0 | \$ 26.2 | \$ 140.2 | \$ 289.9 | \$ (398.8) | \$ 239.5 |

Consolidating Statements of Comprehensive Income**Three Months Ended September 30, 2011**

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|--------------------------------------------------------------|-----------------------------|--------------------|------------|-----------------------|------------------------------|------------|
| Revenues | \$ | \$ | \$ 886.5 | \$ 688.3 | \$ (185.1) | \$ 1,389.7 |
| Cost of sales | | (0.9) | 621.9 | 495.3 | (185.1) | 931.2 |
| Selling and administrative expenses | 0.2 | 18.5 | 134.1 | 120.7 | (4.3) | 269.2 |
| Equity in income of Apex Tool Group, LLC | | | | 16.0 | | 16.0 |
| Interest expense, net | | 16.3 | | 0.1 | | 16.4 |
| Equity in earnings of subsidiaries, net of tax | 156.4 | 88.7 | 139.3 | 207.2 | (591.6) | |
| Intercompany income (expense) | (0.3) | (13.8) | (37.2) | 51.3 | | |
| Income (loss) from continuing operations before income taxes | 155.9 | 41.0 | 232.6 | 346.7 | (587.3) | 188.9 |
| Income tax expense (benefit) | | (20.6) | 33.7 | 15.6 | | 28.7 |
| Income from continuing operations | 155.9 | 61.6 | 198.9 | 331.1 | (587.3) | 160.2 |
| Income from discontinued operations, net of tax | | | | | | |
| Net Income | 155.9 | 61.6 | 198.9 | 331.1 | (587.3) | 160.2 |
| Other comprehensive income (loss) | (47.4) | (14.4) | (112.7) | (154.4) | 281.5 | (47.4) |

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| | | | | | | |
|----------------------|----------|---------|---------|----------|------------|----------|
| Comprehensive income | \$ 108.5 | \$ 47.2 | \$ 86.2 | \$ 176.7 | \$ (305.8) | \$ 112.8 |
|----------------------|----------|---------|---------|----------|------------|----------|

Consolidating Statements of Comprehensive Income**Nine Months Ended September 30, 2012**

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|--------------------------------------------------------------|-----------------------------|--------------------|------------|-----------------------|------------------------------|------------|
| Revenues | \$ | \$ | \$ 2,824.7 | \$ 2,201.2 | \$ (655.1) | \$ 4,370.8 |
| Cost of sales | | (1.3) | 1,922.2 | 1,587.7 | (655.1) | 2,853.5 |
| Selling and administrative expenses | 7.5 | 161.6 | 434.9 | 367.7 | (114.7) | 857.0 |
| Equity in income of Apex Tool Group, LLC | | | | 50.9 | | 50.9 |
| Interest expense, net | | 47.9 | | (3.9) | | 44.0 |
| Equity in earnings of subsidiaries, net of tax | 431.9 | 303.0 | 83.8 | 185.7 | (1,004.4) | |
| Intercompany income (expense) | (1.3) | (74.2) | (113.0) | 188.2 | 0.3 | |
| Income (loss) from continuing operations before income taxes | 423.1 | 20.6 | 438.4 | 674.5 | (889.4) | 667.2 |
| Income tax expense (benefit) | | (59.5) | 138.1 | 50.5 | | 129.1 |
| Income from continuing operations | 423.1 | 80.1 | 300.3 | 624.0 | (889.4) | 538.1 |
| Income from discontinued operations, net of tax | | | | | | |
| Net Income | 423.1 | 80.1 | 300.3 | 624.0 | (889.4) | 538.1 |
| Other comprehensive income (loss) | 39.4 | 17.8 | 46.9 | 91.3 | (156.0) | 39.4 |
| Comprehensive income | \$ 462.5 | \$ 97.9 | \$ 347.2 | \$ 715.3 | \$ (1,045.4) | \$ 577.5 |

Consolidating Statements of Comprehensive Income**Nine Months Ended September 30, 2011**

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|--------------------------------------------------------------|-----------------------------|--------------------|------------|-----------------------|------------------------------|------------|
| Revenues | \$ | \$ | \$ 2,600.4 | \$ 1,987.5 | \$ (551.6) | \$ 4,036.6 |
| Cost of sales | | (2.7) | 1,822.5 | 1,413.8 | (551.6) | 2,682.0 |
| Selling and administrative expenses | | 92.4 | 389.7 | 342.8 | (45.1) | 779.8 |
| Equity in income of Apex Tool Group, LLC | | | | 44.9 | | 44.9 |
| Interest expense, net | | 50.0 | | (0.2) | | 49.8 |
| Equity in earnings of subsidiaries, net of tax | 623.3 | 457.2 | 602.5 | 480.6 | (2,163.6) | |
| Intercompany income (expense) | (1.0) | (54.6) | (121.5) | 176.8 | 0.3 | |
| Income (loss) from continuing operations before income taxes | 622.3 | 262.9 | 869.2 | 933.4 | (2,118.2) | 569.6 |
| Income tax expense (benefit) | | (72.1) | 105.5 | 58.8 | | 92.2 |
| Income from continuing operations | 622.3 | 335.0 | 763.7 | 874.6 | (2,118.2) | 477.4 |
| Income from discontinued operations, net of tax | | | | 190.3 | | 190.3 |
| Net Income | 622.3 | 335.0 | 763.7 | 1,064.9 | (2,118.2) | 667.7 |
| Other comprehensive income (loss) | (33.5) | (14.4) | (60.2) | (110.1) | 217.9 | (0.3) |

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| | | | | | | |
|----------------------|----------|----------|----------|----------|--------------|----------|
| Comprehensive income | \$ 588.8 | \$ 320.6 | \$ 703.5 | \$ 954.8 | \$ (1,900.3) | \$ 667.4 |
|----------------------|----------|----------|----------|----------|--------------|----------|

Consolidating Balance Sheets

September 30, 2012

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|--------------------------------------------------------------|-----------------------------|--------------------|--------------------|-----------------------|------------------------------|-------------------|
| Cash and cash equivalents | \$ 123.8 | \$ 298.7 | \$ (0.3) | \$ 543.6 | \$ | \$ 965.8 |
| Receivables, less allowances | | 1.5 | 268.9 | 738.5 | | 1,008.9 |
| Inventories | | | 269.4 | 273.4 | | 542.8 |
| Current discontinued operations receivable | | | | 2.1 | | 2.1 |
| Other current assets | 1.0 | 27.2 | 52.7 | 140.2 | | 221.1 |
| Total current assets | 124.8 | 327.4 | 590.7 | 1,697.8 | | 2,740.7 |
| Property, plant and equipment, less accumulated depreciation | | 33.9 | 314.5 | 316.0 | | 664.4 |
| Investment in Apex Tool Group, LLC | | | | 560.6 | | 560.6 |
| Investment in subsidiaries | 1,565.1 | 3,748.6 | 5,427.4 | 4,858.3 | (15,599.4) | |
| Investment in parent | | 3,428.0 | | 312.7 | (3,740.7) | |
| Intercompany accounts receivable | 180.1 | | 1,409.5 | 976.7 | (2,566.3) | |
| Intercompany notes receivable | 9,552.5 | 549.6 | 6,977.3 | 4,047.2 | (21,126.6) | |
| Goodwill | | | 1,294.3 | 1,329.7 | | 2,624.0 |
| Other intangible assets, less accumulated amortization | | | 86.2 | 345.6 | | 431.8 |
| Long-term discontinued operations receivable | | | | 3.0 | | 3.0 |
| Other noncurrent assets | 0.4 | (3.2) | 2.9 | 111.1 | | 111.2 |
| Total assets | \$ 11,422.9 | \$ 8,084.3 | \$ 16,102.8 | \$ 14,558.7 | \$ (43,033.0) | \$ 7,135.7 |
| Short-term debt | \$ | \$ | \$ | \$ 4.4 | \$ | \$ 4.4 |
| Accounts payable | 51.2 | 23.7 | 225.0 | 261.8 | | 561.7 |
| Accrued liabilities | 6.1 | 103.2 | 241.9 | 302.1 | (1.7) | 651.6 |
| Current discontinued operations liability | | | | 17.0 | | 17.0 |
| Current maturities of long-term debt | | 325.0 | | 0.3 | | 325.3 |
| Total current liabilities | 57.3 | 451.9 | 466.9 | 585.6 | (1.7) | 1,560.0 |
| Long-term debt | | 1,095.6 | | 1.1 | | 1,096.7 |
| Intercompany accounts payable | | 2,566.3 | | | (2,566.3) | |
| Intercompany notes payable | 462.7 | 1,815.1 | 1,833.4 | 17,015.4 | (21,126.6) | |
| Long-term discontinued operations liability | | | | 23.5 | | 23.5 |
| Other long-term liabilities | | (68.2) | 216.6 | 170.2 | | 318.6 |
| Total liabilities | 520.0 | 5,860.7 | 2,516.9 | 17,795.8 | (23,694.6) | 2,998.8 |
| Common stock | 1.8 | | | | | 1.8 |
| Subsidiary preferred stock | | | 2,872.0 | 335.1 | (3,207.1) | |
| Subsidiary common stock | | | 9.2 | 257.8 | (267.0) | |
| Capital in excess of par value | 10,537.5 | 848.6 | 6,328.2 | (8,626.5) | (8,959.6) | 128.2 |
| Retained earnings | 1,002.7 | 1,508.8 | 4,520.3 | 4,964.8 | (7,141.6) | 4,855.0 |
| Treasury stock | (671.6) | | | | | (671.6) |
| Accumulated other comprehensive income (loss) | 32.5 | (133.8) | (143.8) | (168.3) | 236.9 | (176.5) |
| Total shareholders equity | 10,902.9 | 2,223.6 | 13,585.9 | (3,237.1) | (19,338.4) | 4,136.9 |

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| | | | | | | |
|--------------------------------------------|-------------|------------|-------------|-------------|---------------|------------|
| Total liabilities and shareholders' equity | \$ 11,422.9 | \$ 8,084.3 | \$ 16,102.8 | \$ 14,558.7 | \$ (43,033.0) | \$ 7,135.7 |
|--------------------------------------------|-------------|------------|-------------|-------------|---------------|------------|

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Consolidating Balance Sheets

December 31, 2011

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|--------------------------------------------------------------|-----------------------------|--------------------|--------------------|-----------------------|------------------------------|-------------------|
| Cash and cash equivalents | \$ 20.8 | \$ 276.9 | \$ 0.6 | \$ 378.3 | \$ | \$ 676.6 |
| Receivables, less allowances | | 0.5 | 253.0 | 625.3 | | 878.8 |
| Inventories | | | 235.0 | 231.3 | | 466.3 |
| Current discontinued operations receivable | | | | 3.8 | | 3.8 |
| Other current assets | 0.8 | 70.6 | 40.9 | 153.6 | | 265.9 |
| Total current assets | 21.6 | 348.0 | 529.5 | 1,392.3 | | 2,291.4 |
| Property, plant and equipment, less accumulated depreciation | | 36.3 | 324.4 | 264.7 | | 625.4 |
| Investment in Apex Tool Group, LLC | | | | 521.9 | | 521.9 |
| Investment in subsidiaries | 1,093.5 | 3,432.0 | 5,266.0 | 4,709.6 | (14,501.1) | |
| Investment in parent | | 3,428.0 | | 312.7 | (3,740.7) | |
| Intercompany accounts receivable | 113.3 | | 1,238.2 | 1,034.3 | (2,385.8) | |
| Intercompany notes receivable | 9,564.5 | 550.9 | 6,976.9 | 4,003.6 | (21,095.9) | |
| Goodwill | | | 1,295.7 | 1,217.8 | | 2,513.5 |
| Other intangible assets, less accumulated amortization | | | 88.9 | 291.5 | | 380.4 |
| Long-term discontinued operations receivable | | | | 5.1 | | 5.1 |
| Other noncurrent assets | 0.4 | (2.4) | 0.9 | 111.0 | | 109.9 |
| Total assets | \$ 10,793.3 | \$ 7,792.8 | \$ 15,720.5 | \$ 13,864.5 | \$ (41,723.5) | \$ 6,447.6 |
| Short-term debt | \$ | \$ | \$ | \$ 6.4 | \$ | \$ 6.4 |
| Accounts payable | 46.3 | 25.3 | 214.0 | 217.0 | | 502.6 |
| Accrued liabilities | 1.0 | 94.0 | 228.2 | 293.6 | (1.5) | 615.3 |
| Current discontinued operations liability | | | | 9.3 | | 9.3 |
| Current maturities of long-term debt | | 325.0 | | | | 325.0 |
| Total current liabilities | 47.3 | 444.3 | 442.2 | 526.3 | (1.5) | 1,458.6 |
| Long-term debt | | 1,094.7 | | 1.5 | | 1,096.2 |
| Intercompany accounts payable | | 2,385.8 | | | (2,385.8) | |
| Intercompany notes payable | 419.1 | 1,815.1 | 1,845.4 | 17,016.3 | (21,095.9) | |
| Long-term discontinued operations liability | | | | 40.5 | | 40.5 |
| Other long-term liabilities | | (48.1) | 218.3 | 146.1 | | 316.3 |
| Total liabilities | 466.4 | 5,691.8 | 2,505.9 | 17,730.7 | (23,483.2) | 2,911.6 |
| Common stock | 1.7 | | | | | 1.7 |
| Subsidiary preferred stock | | | 2,872.0 | 335.1 | (3,207.1) | |
| Subsidiary common stock | | | 9.2 | 257.8 | (267.0) | |
| Capital in excess of par value | 10,274.1 | 824.0 | 6,303.6 | (8,540.2) | (8,861.5) | |
| Retained earnings | 729.6 | 1,428.6 | 4,220.5 | 4,340.7 | (6,297.6) | 4,421.8 |
| Treasury stock | (671.6) | | | | | (671.6) |
| Accumulated other comprehensive income (loss) | (6.9) | (151.6) | (190.7) | (259.6) | 392.9 | (215.9) |
| Total shareholders equity | 10,326.9 | 2,101.0 | 13,214.6 | (3,866.2) | (18,240.3) | 3,536.0 |

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| | | | | | | |
|--------------------------------------------|-------------|------------|-------------|-------------|---------------|------------|
| Total liabilities and shareholders' equity | \$ 10,793.3 | \$ 7,792.8 | \$ 15,720.5 | \$ 13,864.5 | \$ (41,723.5) | \$ 6,447.6 |
|--------------------------------------------|-------------|------------|-------------|-------------|---------------|------------|

Consolidating Statements of Cash Flows**Nine Months Ended September 30, 2012**

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|----------------------------------------------------------------|-----------------------------|--------------------|------------|-----------------------|------------------------------|----------|
| Net cash provided by (used in) operating activities | \$ (0.4) | \$ (37.2) | \$ 231.5 | \$ 351.3 | \$ | \$ 545.2 |
| Cash flows from investing activities: | | | | | | |
| Capital expenditures | | (7.3) | (36.1) | (70.0) | | (113.4) |
| Cash paid for acquired businesses | | | (0.6) | (136.3) | | (136.9) |
| Investments in affiliates | | | (14.0) | | 14.0 | |
| Loans to affiliates | | (5.9) | (0.4) | (43.6) | 49.9 | |
| Repayments of loans from affiliates | 12.0 | 5.8 | | | (17.8) | |
| Dividends from affiliates | | 5.1 | 3.0 | | (8.1) | |
| Proceeds from sales of property, plant and equipment and other | | | | 0.9 | | 0.9 |
| Net cash provided by (used in) investing activities | 12.0 | (2.3) | (48.1) | (249.0) | 38.0 | (249.4) |
| Cash flows from financing activities: | | | | | | |
| Repayments of long-term debt | | | | (0.4) | | (0.4) |
| Short-term debt, net | | | | (2.0) | | (2.0) |
| Borrowings from affiliates | 43.6 | | | 6.3 | (49.9) | |
| Repayments of loans to affiliates | | | (12.0) | (5.8) | 17.8 | |
| Other intercompany financing activities | 79.6 | 36.7 | (172.3) | 56.0 | | |
| Dividends | (144.6) | | | | | (144.6) |
| Dividends paid to affiliates | | | | (8.1) | 8.1 | |
| Purchases of common shares for cancellation | (7.4) | | | | | (7.4) |
| Issuance of stock to affiliates | | | | 14.0 | (14.0) | |
| Excess tax benefits from stock options and awards | | 24.6 | | | | 24.6 |
| Proceeds from exercise of stock options and other | 120.2 | | | | | 120.2 |
| Net cash provided by (used in) financing activities | 91.4 | 61.3 | (184.3) | 60.0 | (38.0) | (9.6) |
| Effect of exchange rate changes on cash and cash equivalents | | | | 3.0 | | 3.0 |
| Increase (decrease) in cash and cash equivalents | 103.0 | 21.8 | (0.9) | 165.3 | | 289.2 |
| Cash and cash equivalents, beginning of period | 20.8 | 276.9 | 0.6 | 378.3 | | 676.6 |
| Cash and cash equivalents, end of period | \$ 123.8 | \$ 298.7 | \$ (0.3) | \$ 543.6 | \$ | \$ 965.8 |

Consolidating Statements of Cash Flows

Nine Months Ended September 30, 2011

(in millions)

| | Cooper Industries plc | Cooper US, Inc. | Guarantors | Other Subsidiaries | Consolidating Adjustments | Total |
|----------------------------------------------------------------|-----------------------------|--------------------|------------|-----------------------|------------------------------|----------|
| Net cash provided by (used in) operating activities | \$ 1.8 | \$ (94.9) | \$ 83.9 | \$ 186.2 | \$ | \$ 177.0 |
| Cash flows from investing activities: | | | | | | |
| Capital expenditures | | (8.9) | (51.3) | (24.6) | | (84.8) |
| Cash paid for acquired businesses | | | (3.5) | (246.6) | | (250.1) |
| Loans to affiliates | | | | (1,275.2) | 1,275.2 | |
| Repayments of loans from affiliates | | 1,118.4 | | 634.9 | (1,753.3) | |
| Dividends from affiliates | | 22.0 | 18.8 | | (40.8) | |
| Proceeds from sales of property, plant and equipment and other | | | | 15.8 | | 15.8 |
| Net cash provided by (used in) investing activities | | 1,131.5 | (36.0) | (895.7) | (518.9) | (319.1) |
| Cash flows from financing activities: | | | | | | |
| Repayments of long-term debt | | | | (3.0) | | (3.0) |
| Short-term debt, net | | | | (1.6) | | (1.6) |
| Debt issuance costs | (0.5) | (0.5) | | | | (1.0) |
| Borrowings from affiliates | 455.2 | 820.0 | | | (1,275.2) | |
| Repayments of loans to affiliates | (42.8) | (592.1) | (1,045.0) | (73.4) | 1,753.3 | |
| Other intercompany financing activities | 70.7 | (1,195.5) | 1,002.6 | 122.2 | | |
| Dividends | (141.4) | | | | | (141.4) |
| Dividends paid to affiliates | | | | (40.8) | 40.8 | |
| Purchases of treasury shares | (383.0) | | | | | (383.0) |
| Excess tax benefits from stock options and awards | | 13.3 | | | | 13.3 |
| Proceeds from exercise of stock options and other | 54.8 | | | | | 54.8 |
| Net cash provided by (used in) financing activities | 13.0 | (954.8) | (42.4) | 3.4 | 518.9 | (461.9) |
| Effect of exchange rate changes on cash and cash equivalents | | | | (0.7) | | (0.7) |
| Increase (decrease) in cash and cash equivalents | 14.8 | 81.8 | 5.5 | (706.8) | | (604.7) |
| Cash and cash equivalents, beginning of period | 63.2 | 36.8 | 2.6 | 932.7 | | 1,035.3 |
| Cash and cash equivalents, end of period | \$ 78.0 | \$ 118.6 | \$ 8.1 | \$ 225.9 | \$ | \$ 430.6 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements

We often discuss expectations regarding our future markets, demand for our products and services, and our performance in our annual and quarterly reports, press releases, and other written and oral statements. Statements that relate to matters that are not historical facts are forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. These forward-looking statements are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as anticipate, believe, expect, plan, intend, estimate, project, will, should, could, may, predict and similar expressions are intended to identify forward-looking statements.

This Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, includes forward-looking statements. Forward-looking statements include, but are not limited to, any statements regarding future revenues, costs and expenses, earnings, earnings per share, margins, cash flows, dividends and capital expenditures, as well as statements regarding the timing and likelihood of closing the Transaction Agreement with Eaton. Important factors which may affect the actual results include, but are not limited to, political developments, market and economic conditions, changes in raw material, transportation and energy costs, industry competition, the ability to execute and realize the expected benefits from strategic initiatives including revenue growth plans and cost control and productivity improvement programs, the ability to develop and introduce new products, the magnitude of any disruptions from manufacturing rationalizations, changes in mix of products sold, mergers and acquisitions and their integration into Cooper, the timing and amount of any stock repurchases by Cooper, changes in financial markets including currency exchange rate fluctuations, changing legislation and regulations including changes in tax law, tax treaties or tax regulations, and the ability to obtain foreign regulatory approvals for the Transaction Agreement with Eaton.

The above description of risks and uncertainties is by no means all-inclusive, but is designed to highlight what we believe are important factors to consider. For a more detailed description of risk factors, please see *Part I Item 1A. Risk Factors*.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to we, us, our, the Company, or Cooper means Cooper Industries plc and, where the context requires, includes our subsidiaries.

Results of Operations

Three Months Ended September 30, 2012 Compared With Three Months Ended September 30, 2011

Net income for the third quarter of 2012 was \$188.4 million on revenues of \$1,497.5 million compared with 2011 third quarter net income of \$160.2 million on revenues of \$1,389.7 million. Third quarter diluted earnings per share increased 18% to \$1.16 from \$.98 in 2011.

Revenues:

Revenues for the third quarter of 2012 increased 7.8% compared to the third quarter of 2011. Core revenues in the third quarter of 2012 were 6.7% higher than the prior year with acquisitions increasing comparable revenues by 2.6% in 2012. Currency translation decreased reported revenues by approximately 1.5% in the third quarter of 2012.

Energy & Safety Solutions segment revenues for the third quarter of 2012 increased 6.9% compared to the third quarter of 2011. Core revenues were 6.9% higher in the third quarter of 2012 primarily related to continued demand for utility products with strong demand from global industrial and energy markets. Unfavorable currency translation decreased reported revenues by approximately 2.3% with acquisitions adding 2.3% to reported revenues in the quarter.

Electrical Products Group segment revenues increased 8.8% compared to the third quarter of 2011. Core revenues in the third quarter of 2012 were 6.5% higher than the prior year's quarter with acquisitions increasing reported revenues by approximately 3.0% and currency translation decreasing reported revenues by 0.7%. Core revenue growth was driven primarily by demand for energy efficiency products and broad industrial demand offset partially by slowing demand for North America electrical and transportation related components.

Costs and Expenses:

Cost of sales, as a percentage of revenues, was 65.6% for the third quarter of 2012 compared to 67.0% for the comparable 2011 quarter. The decrease in the cost of sales percentage resulted from favorable impact of higher production volumes, pricing actions which more than offset material price inflation and the positive impact of Cooper's activities to improve overall cost productivity. This favorable impact was partially offset by recent acquisitions which had a higher than average cost of sales, as a percentage of revenues.

Energy & Safety Solutions segment costs of sales, as a percentage of revenues, was 65.4% for the third quarter of 2012 compared to 66.9% for the third quarter of 2011. The decrease in the cost of sales percentage resulted from favorable impact of higher production volumes, pricing actions which more than offset material price inflation and the positive impact of Cooper's activities to improve overall cost productivity. This favorable impact was partially offset by recent acquisitions which had a higher than average cost of sales, as a percentage of revenues and continuing increase in investments made to accelerate new product development.

Electrical Products Group segment cost of sales, as a percentage of revenues, was 66.1% for the third quarter of 2012 compared to 67.2% for the third quarter of 2011. The decrease in the cost of sales percentage resulted from pricing actions which more than offset material price inflation and the positive impact of Cooper's activities to improve overall cost productivity. The favorable impact from productivity and price/material economics improvements was partially offset by recent acquisitions which had a higher than average cost of sales, as a percentage of revenues and increases made in investments to accelerate new product development.

Selling and administrative expenses, as a percentage of revenues, for the third quarter of 2012 was 18.6% compared to 19.4% for the third quarter of 2011. The decrease in percentage is reflective of the favorable impact of higher revenue levels and lower environmental costs in 2012. This improvement was partially offset by recent acquisitions which have selling and administrative expenses at higher than average percentages of revenue and incremental costs related to the proposed transaction with Eaton.

Energy & Safety Solutions segment selling and administrative expenses, as a percentage of revenues, for the third quarter of 2012 was 15.7% compared to 16.4% for the third quarter of 2011. The decrease in 2012 is primarily related to lower environmental and legal expenses in 2012 than 2011. The benefit of higher comparable revenue levels in 2012 was substantially offset by higher than average selling and administrative expenses from newly acquired businesses.

Electrical Products Group segment selling and administrative expenses, as a percentage of revenues, for the third quarter of 2012 was 19.0% compared to 18.9% for the third quarter of 2011. The selling and administrative expenses as a percentage of revenues was essentially flat and reflects the impact of 8.8% higher comparable revenue levels for the third quarter 2012 primarily offset by higher legal costs.

Net interest expense in the third quarter of 2012 decreased \$1.8 million from the 2011 third quarter primarily as a result of the favorable impact from foreign currency hedges related to intercompany financing activities. Average debt balances were \$1.42 billion and \$1.42 billion and average interest rates were 4.53% and 4.79% for the third quarter of 2012 and 2011, respectively.

Operating Earnings:

Energy & Safety Solutions third quarter 2012 segment operating earnings increased 21.5% to \$152.6 million from \$125.6 million for the same quarter of last year. The increase resulted from the favorable impact of higher production volumes and improved pricing which exceeded material cost inflation during the quarter. The Energy & Safety Solutions segment continues its investment in productivity initiatives which includes manufacturing productivity improvements, product redesign and investment in developing markets to increase global revenues.

Electrical Products Group third quarter 2012 segment operating earnings increased 17.0% to \$103.3 million from \$88.3 million for the same quarter of last year. The increase resulted from the favorable impact of higher production volumes and pricing actions taken during the third quarter of 2012 more than offsetting the material price inflation encountered. The Electrical Products Group segment continues its investment in productivity initiatives which includes manufacturing productivity improvements and product redesign.

Equity income from Apex Tool Group was \$18.5 million in the third quarter of 2012 compared to \$16.0 million in the third quarter of 2011. The increase in equity income resulted from the favorable impact of higher production volumes and the positive impact of Apex's activities to improve overall cost productivity.

General Corporate expense decreased \$5.1 million to \$19.5 million during the third quarter of 2012 compared to \$24.6 million during the same period of 2011. The decrease in General Corporate expense in the third quarter of 2012 primarily relates to lower comparative costs for legal and environmental matters related to previously divested businesses partially offset by incremental costs associated with the proposed Eaton transaction.

Income Taxes:

The effective tax rate was 21.6% for the third quarter of 2012 compared to 15.2% for the same period in 2011. The increase in the effective tax rate in the third quarter 2012 is primarily related to an increase in earnings without a corresponding relative increase in tax benefits and the impact from finalization of prior year tax benefits.

Nine Months Ended September 30, 2012 Compared With Nine Months Ended September 30, 2011

Income from continuing operations for the nine month period ended September 30, 2012 was \$538.1 million on revenues of \$4,370.8 million compared with income from continuing operations in the nine month period ended September 30, 2011 of \$477.4 million on revenues of \$4,036.3 million. Diluted earnings per share from continuing operations were \$3.33 in the nine month period ended September 30, 2012 compared to \$2.87 in the same period of 2011. Reported income from continuing operations for the nine month period ended September 30, 2011 was increased by \$9.7 million or \$.06 per share for discrete tax adjustments related to the settlement of the discontinued operations asbestos liability that was required under accounting principles to be classified in continuing operations.

Revenues:

Revenues for the nine month period ended September 30, 2012 increased 8.3% compared to the nine month period ended September 30, 2011. Core revenues for the nine month period ended September 30, 2012 were 6.4% higher than the prior year. Acquisitions increased comparable revenues in the nine month period ended September 30, 2012 by 3.2% with currency translation decreasing reported revenues by approximately 1.3%.

Energy & Safety Solutions segment revenues for the nine month period ended September 30, 2012 increased 7.6% compared to the same period in 2011. Core revenues were 7.7% higher in the nine month period ended September 30, 2012 as a result of strong demand in utility, energy and industrial markets. Acquisitions added 1.8% to reported revenues in 2012 while unfavorable currency translation decreased revenues by approximately 1.9%.

Electrical Products Group segment revenues in 2012 increased 9.1% compared to the nine month period ended September 30, 2011. Core revenues in the nine month period ended September 30, 2012 were 4.8% higher than the same period in the prior year with unfavorable currency translation decreasing reported revenues by 0.7%. Acquisitions increased reported revenues by 5.0% in 2012 driven primarily by the July 2011 acquisition of Martek Power. Strong demand from our Industrial and Electrical markets with added demand for energy-efficient technologies such as LED products improved results from the non-residential markets partially offset by slowing demand for North American Electrical and Transportation markets.

Costs and Expenses:

Cost of sales, as a percentage of revenues, was 65.3% for the nine month period ended September 30, 2012 compared to 66.4% for the comparable 2011 period. The decrease in the cost of sales percentage resulted from the favorable impact of higher production volumes, material price inflation more than offset by pricing actions taken in 2012 and the positive impact of Cooper's activities to improve overall cost productivity. This favorable impact was partially offset by investments made in resources to accelerate new product development and higher warranty expenses.

Energy & Safety Solutions segment cost of sales, as a percentage of revenues, was 64.5% for the nine month period ended September 30, 2012 compared to 66.5% for the same period in 2011. The decrease in the cost of sales percentage resulted from the favorable impact of higher production volumes for selected markets with material price inflation more than offset by pricing actions taken in 2012 and the positive impact of Cooper's activities to improve overall cost productivity. Cost of sales as a percentage of revenue in 2012 was also reduced by 0.6% by the gain on the sale of a product line. Investments made in resources to accelerate new product development and incrementally higher warranty expenses partially offset the favorable items previously identified.

Electrical Products Group segment cost of sales, as a percentage of revenues, was 66.4% for the for the nine month period ended September 30, 2012 compared to 66.4% for the same period in 2011. The unchanged cost of sales as a percentage of revenues in comparison to the prior year period included favorable leverage of fixed costs from improved demand due to the recovery in selected global markets, material price inflation more than offset by pricing actions taken in 2012 and the favorable impact of actions taken to adjust operating costs. These favorable actions were primarily offset by investments made in resources to accelerate new product development and higher warranty expenses.

Selling and administrative expenses, as a percentage of revenues, for the nine month period ended September 30, 2012 was 19.6% compared to 19.3% for the same period in 2011. Higher environmental and legal costs and incremental costs related to the proposed transaction with Eaton increased 2012 selling and administrative expenses, as a percentage of revenues by approximately 0.5%. This increase in percentage was partially mitigated by the favorable impact of higher revenue levels partially offset by expenses associated with global growth initiatives.

Energy & Safety Solutions segment selling and administrative expenses, as a percentage of revenues for the nine month period ended September 30, 2012, was 16.8% compared to 16.3% for the same period in 2011. Higher environmental and legal costs increased 2012 selling and administrative expenses, as a percentage of revenues by approximately 0.4%. The remaining increase in selling and administrative expenses as a percentage of revenues was the result of investments in resources designed to improve global growth and higher than average selling and administrative expenses from newly acquired businesses that was partially offset by the favorable impact of 7.6% higher comparable revenue levels in 2012.

Electrical Products Group segment selling and administrative expenses, as a percentage of revenues was 19.0% for the nine month period ended September 30, 2012 compared to 19.0% for the nine month period ended September 30, 2011. The favorable leverage from the 9.1% higher comparable revenue levels in 2012 was substantially offset by investments in sales and marketing resources focused on driving improved global demand for products and higher legal costs.

Net interest expense for the nine month period ended September 30, 2012 decreased \$5.8 million from the same period in 2011 primarily as a result of the favorable impact from foreign currency hedges related to intercompany financing activities. Average debt balances were \$1.42 billion and \$1.42 billion and average interest rates were 4.62% and 4.87% for the month periods ended September 30, 2012 and 2011, respectively. Average interest rates in 2011 were unfavorably impacted by the write-off of unamortized debt issuance costs related to the prior bank credit facility that was replaced in May 2011.

Operating Earnings:

Energy & Safety Solutions segment operating earnings for the nine month period ended September 30, 2012 increased 17.1% to \$439.6 million from \$375.4 million for the same period of last year. The increase resulted from the improved demand for industrial, energy related and utility products. The favorable impact from improving markets coupled with material price inflation that was more than offset through pricing actions taken during 2012 was partially offset by higher environmental and legal costs. The Energy & Safety Solutions segment continues its investment in productivity initiatives which includes manufacturing productivity improvements, product redesign and investment in developing markets to increase global revenues. Operating earnings in 2012 also include the gain on the sale of a product line which increased reported results as a percentage of revenue by 0.4%.

Electrical Products Group segment operating earnings for the nine month period ended September 30, 2012 increased 9.5% to \$295.6 million from \$270.0 million for the same period in 2011. The increase resulted from the improvement in demand from most global markets and material price inflation that was more than offset through pricing actions taken during 2012. These items were partially offset by higher legal costs and continued investments in productivity initiatives which includes manufacturing productivity improvements, product redesign and investment in developing markets to increase global revenues.

Reported equity income from Apex Tool Group was \$50.9 million in the nine month period ended September 30, 2012 compared to equity income from Apex Tool Group of \$44.9 million for the nine month period ended September 30, 2011.

General Corporate expense increased \$4.0 million to \$74.9 million during the nine month period ended September 30, 2012 compared to \$70.9 million during the same period of 2011. The increase in General Corporate expense in 2012 primarily relates to incremental costs associated with the proposed transaction with Eaton and higher environmental costs related to previously divested businesses. These increases were partially offset by cost reduction actions taken during 2012 to reduce overall General Corporate expense.

Income Taxes:

The effective tax rate from continuing operations was 19.3% and 16.2% for the nine month periods ended September 30, 2012 and 2011, respectively. Income tax expense from continuing operations was reduced by \$8.0 million during the nine month period ended September 30, 2012 for discrete tax adjustments related to the resolution of certain foreign tax matters. Income tax expense from continuing operations was reduced by \$9.7 million during the nine month period ended September 30, 2011 for discrete tax adjustments related to the settlement of the discontinued operations asbestos liability that was required under accounting principles to be classified in continuing operations. Excluding these discrete tax adjustments, Cooper's effective tax rate for the nine month periods ended September 30, 2012 and 2011 was 20.5% and 17.9%, respectively. The increase in the effective tax rate is primarily related to an increase in earnings without a corresponding relative increase in tax benefits and the impact from finalization of prior year tax benefits.

Income Related to Discontinued Operations:

As discussed in Note 16 of the Notes to the Consolidated Financial Statements, on February 1, 2011, Cooper entered into a settlement agreement that closed on April 5, 2011 related to its asbestos liability regarding the Automotive Products segment, which was sold in 1998. The settlement terminated the 1994 Mutual Guaranty Agreement between Cooper and Pneumo and created a Settlement Trust. After the closing of the settlement in April 2011 the Company and its subsidiaries have no further obligations under the Mutual Guaranty Agreement. As a result of the settlement agreement, in the first quarter of 2011 Cooper adjusted its previously recorded net liability for its obligations under the Mutual Guaranty agreement to the amounts payable under the settlement agreement and related unpaid legal expenses resulting in the recognition of an after tax gain from discontinued operations of \$190.3 million, which is net of a \$105.6 million income tax expense.

Liquidity and Capital Resources

Cooper believes our internal cash generation together with existing cash and cash equivalent balances and availability under the committed credit facility is sufficient to fund current operations, projected capital expenditures, scheduled debt repayments, the current rate of cash dividends, and anticipated common stock repurchases. Capital expenditures in 2012 are projected to be approximately \$160 to \$180 million. Cooper evaluates opportunities to expand through acquisitions as well as through the growth of our current businesses. While a significant acquisition may require additional debt and/or equity financing, Cooper believes its conservative financial structure and access to capital markets provides the strength and flexibility to support the liquidity needs to achieve its strategic objectives. Notwithstanding the above, Cooper is prohibited at this time under the Transaction Agreement with Eaton from repurchasing its shares and, without Eaton's consent, from making certain acquisitions.

Liquidity:

Cooper's operating working capital (defined as receivables and inventories less accounts payable) increased \$147.5 million during the first nine months of 2012 reflecting working capital investments to support revenue growth and global growth initiatives. A \$130.1 million increase in receivables and a \$76.5 million increase in inventories were partially offset by a \$59.1 million increase in accounts payable. Operating working capital turnover (defined as annualized quarterly revenues divided by average quarterly operating working capital) for the 2012 third quarter was 6.1 turns as compared to the 5.8 turns reported for the same period of 2011 reflecting efficient working capital utilization.

Cash provided by operating activities was \$545.2 million during the nine months ended September 30, 2012. This cash plus an additional \$120.2 million of cash received from stock option exercises was used primarily to fund dividends of \$144.6 million, acquisitions of \$136.9 million, capital expenditures of \$113.4 million and share purchases of \$7.4 million.

Cash provided by operating activities was \$177.0 million during the nine months ended September 30, 2011, inclusive of the \$250 million asbestos settlement trust payment discussed above. This cash, plus an additional \$604.7 million of cash and cash equivalents and \$54.8 million of cash received from stock option exercises, was primarily used to fund share purchases of \$383.0 million, acquisitions of \$250.1 million, dividends of \$141.4 million and capital expenditures of \$84.8 million.

Capital Resources:

Cooper targets a 30% to 40% debt-to-total capitalization ratio. Cooper's debt-to-total capitalization ratio was 25.6% at September 30, 2012, 28.8% at December 31, 2011 and 29.3% at September 30, 2011.

At September 30, 2012 and December 31, 2011, Cooper had cash and cash equivalents of \$965.8 million and \$676.6 million, respectively. Cooper had short-term debt of \$4.4 million and \$6.4 million at September 30, 2012 and December 31, 2011, respectively. Cooper had no commercial paper outstanding at September 30, 2012 or December 31, 2011. Cooper's practice is to back up its short-term debt balance with a combination of cash, cash equivalents, and committed credit facilities. Cooper has \$325 million of long-term debt maturing in November 2012 that Cooper anticipates repaying from existing cash on hand.

At September 30, 2012, Cooper has \$500 million available under its five-year committed bank credit facility that matures in May 2016. The credit facility agreement is not subject to termination based on a decrease in Cooper's debt ratings or a material adverse change clause. The only financial covenant in the agreement limits Cooper's debt-to-total capitalization ratio to 60%. Cooper is in compliance with all covenants set forth in the credit facility agreement.

Cooper's access to the commercial paper market could be adversely affected by a change in the credit ratings assigned to its commercial paper. Should Cooper's access to the commercial paper market be adversely affected due to a change in its credit ratings, Cooper would rely on a combination of available cash and its committed credit facility to provide short-term funding. The committed credit facility does not contain any provision, which makes its availability to Cooper dependent on Cooper's credit ratings.

Cooper's senior unsecured notes, credit facility and any commercial paper amounts outstanding are guaranteed by Cooper and certain of its principal U.S. operating subsidiaries.

Eaton Transaction Agreement:

On May 21, 2012 Cooper entered into a Transaction Agreement (as amended, the Transaction Agreement) with Eaton Corporation (Eaton), Eaton Corporation Limited (New Eaton) and certain other entities. Under the terms of the Transaction Agreement, New Eaton will acquire Cooper with each Cooper shareholder entitled to receive \$39.15 in cash and .77479 of a newly issued New Eaton ordinary share in exchange for each outstanding Cooper ordinary share (the Acquisition). In connection with the Acquisition, Eaton will merge with a wholly owned subsidiary of New Eaton, a newly formed Irish company (the Merger). As a result of the Acquisition and Merger, both Eaton and Cooper will become wholly owned subsidiaries of New Eaton (the Transactions). The Transactions have been approved by the boards of directors and shareholders of both Eaton and Cooper. The closing of the Transactions is subject to customary closing conditions, including regulatory approvals under the antitrust laws of certain jurisdictions, and is expected to close in 2012. There is no assurance that the Transactions will be completed in 2012 or at all.

The Transaction Agreement also provides that, if the Transaction Agreement is terminated following a change in recommendation by the Eaton board of directors in certain circumstances, Eaton will pay to Cooper \$300 million. In addition, on May 21, 2012, Cooper and Eaton entered into an Expenses Reimbursement Agreement whereby Cooper has agreed to pay to Eaton specified transaction-related expenses incurred by Eaton in the event of termination of the Transaction Agreement in certain specified circumstances. The amount payable by Cooper in such circumstances is limited to one percent of the total value of the issued share capital of Cooper as ascribed by the terms of the Acquisition.

In connection with the Transaction Agreement, on May 21, 2012, Cooper also entered into an amendment to its Second Amended Rights Plan (as described in Note 11 to Cooper's 2011 financial statements) to render it inapplicable to the Transaction Agreement and the transactions contemplated thereby.

On July 9, 2012, two purported Cooper shareholders, the Louisiana Municipal Police Employees Retirement System and Frank E. Waters, filed a putative class action complaint in the United States District Court for the Northern District of Ohio, Eastern Division, styled Louisiana Municipal Police Employees Retirement System v. Cooper Industries plc et. al., Case No. 1: 12-cv-1750, challenging the transaction. The complaint alleged that Cooper, its directors and Eaton disseminated a preliminary proxy statement in connection with the transaction that contained material omissions and misstatements in violation of federal securities laws. The alleged omissions and misstatements concerned: (a) the sales process leading to the proposed acquisition and (b) the analysis performed by Cooper's financial advisor. The complaint further alleged that the conduct of Cooper's directors constituted shareholder oppression in violation of Irish law. Plaintiffs requested that consummation of the transaction be enjoined. On October 16, 2012, the Court granted Cooper's motion to dismiss the litigation. On October 17, 2012, the Plaintiffs filed a motion requesting the Court to permit the Plaintiffs to file an amended complaint. Cooper and Eaton believe that the claims asserted in the motion are without merit and intend to vigorously defend against them.

Subsequent Event Pending Disposition of Investment in Apex Tool Group, LLC:

On October 10, 2012, Cooper and Danaher Corporation announced they had entered into a definitive agreement to sell Apex Tool Group to Bain Capital for approximately \$1.6 billion subject to post-closing adjustments. Currently, Cooper and Danaher each maintain a 50% ownership interest in Apex. The closing of the definitive agreement is subject to customary conditions, including regulatory approvals. Upon closing of the transaction, Cooper expects to recognize a pretax gain on the disposition equal to the excess of the net proceeds over the carrying value of its net investment at such time. The parties currently expect that the transaction will close in the first half of 2013.

The definitive agreement also contains customary termination rights and further provides that, upon termination of the definitive agreement under certain circumstances, Bain Capital is required to pay Cooper and Danaher a termination fee of \$80 million.

Critical Accounting Estimates and Recently Issued Accounting Standards

We disclosed our critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2011 and there has been no significant changes to those policies.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

As of September 30, 2012, there have been no material changes to Cooper's off-balance sheet arrangements and contractual obligations as described in our Annual Report on Form 10-K for the year ended December 31, 2011.

Backlog

Sales backlog represents the dollar amount of all firm open orders for which all terms and conditions pertaining to the sale have been approved such that a future sale is reasonably expected. Sales backlog by segment was as follows:

| | September 30, | |
|---------------------------|---------------|----------|
| | 2012 | 2011 |
| | (in millions) | |
| Energy & Safety Solutions | \$ 583.4 | \$ 531.3 |
| Electrical Products Group | 246.0 | 201.4 |
| | \$ 829.4 | \$ 732.7 |

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We included quantitative and qualitative disclosures about market risk in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011 and there has been no significant changes to our market risk.

Item 4. Controls and Procedures

The Company's management, with the participation of the Company's Chairman and Chief Executive Officer and Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the Company's Chairman and Chief Executive Officer and Senior Vice President and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective, at the reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective, at the reasonable assurance level, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chairman and Chief Executive Officer and Senior Vice President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's internal control over financial reporting (identified in connection with the evaluation required by paragraph (d) in Rules 13a-15 and 15d-15 under the Exchange Act) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Class Action Lawsuit

On July 9, 2012, two purported Cooper shareholders, the Louisiana Municipal Police Employees Retirement System and Frank E. Waters, filed a putative class action complaint in the United States District Court for the Northern District of Ohio, Eastern Division, styled Louisiana Municipal Police Employees Retirement System v. Cooper Industries plc et. al., Case No. 1: 12-cv-1750, challenging the transaction. The complaint alleged that Cooper, its directors and Eaton disseminated a preliminary proxy statement in connection with the transaction that contained material omissions and misstatements in violation of federal securities laws. The alleged omissions and misstatements concerned: (a) the sales process leading to the proposed acquisition and (b) the analysis performed by Cooper's financial advisor. The complaint further alleged that the conduct of Cooper's directors constituted shareholder oppression in violation of Irish law. Plaintiffs requested that consummation of the transaction be enjoined. On October 16, 2012, the Court granted Cooper's motion to dismiss the litigation. On October 17, 2012, the Plaintiffs filed a motion requesting the Court to permit the Plaintiffs to file an amended complaint. Cooper and Eaton believe that the claims asserted in the motion are without merit and intend to vigorously defend against them.

Discontinued Operations Liability

Information regarding the discontinued operations liability is incorporated by reference to Note 16 of the Notes to Consolidated Financial Statements included in Part I of this Form 10-Q.

Other Matters

Information regarding other matters is incorporated by reference to Note 7 of the Notes to Consolidated Financial Statements included in Part I of this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in Cooper's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 except as described below.

Failure to Complete the Proposed Acquisition by Eaton Could Negatively Affect Our Stock Price and Our Future Business and Financial Results

On May 21, 2012, Cooper entered into a Transaction Agreement (as amended, the Transaction Agreement) with Eaton Corporation (Eaton), Eaton Corporation Limited (New Eaton) and certain other entities. Under the terms of the Transaction Agreement, New Eaton will acquire Cooper with each Cooper shareholder entitled to receive \$39.15 in cash and .77479 of a newly issued New Eaton ordinary share in exchange for each outstanding Cooper ordinary share (the Acquisition). In connection with the Acquisition, Eaton will merge with a wholly-owned subsidiary of New Eaton, a newly formed Irish company (the Merger). As a result of the Acquisition and the Merger, both Eaton and Cooper will become wholly-owned subsidiaries of New Eaton. The transactions have been approved by the Boards of Directors and shareholders of both Eaton and Cooper. The closing of the transactions is subject to customary closing conditions, including regulatory approvals under the antitrust laws of certain jurisdictions. There is no assurance that the conditions to the completion of the transaction will be satisfied. If the transaction is not completed, Cooper's ongoing business may be adversely affected. As a result of the pendency of the transaction, Cooper is subject to a number of risks, including the following:

The current market price of Cooper's ordinary shares reflects assumptions by market participants as to the likelihood that the transaction will occur, and a failure to complete the transaction could result in a decline in the market price of Cooper's ordinary shares;

Cooper is required to reimburse Eaton for certain specified transaction-related expenses in the event of termination of the Transaction Agreement in certain circumstances, which reimbursement is limited to 1% of the total value of Cooper's issued share capital as ascribed by the terms of the Acquisition; and

The Transaction Agreement restricts Cooper, subject to certain exceptions, from making certain acquisitions and taking other specified actions without Eaton's consent until the transaction occurs or the Transaction Agreement terminates. These restrictions may prevent Cooper from pursuing otherwise attractive business opportunities and making other changes to the business that Cooper might otherwise have pursued or made.

Matters relating to the transaction (including integration planning) may require substantial commitments of time and resources by Cooper management, which would otherwise have been devoted to other opportunities that may have been beneficial to Cooper as an independent company.

There can be no assurance that the risks described above will not materialize and, if any of them do, they may adversely affect Cooper's business, operating results and stock price.

If the Proposed Acquisition by Eaton is Completed, the Combined Company (Eaton) May Not Realize All of the Anticipated Benefits of the Transaction or Those Benefits May Take Longer to Realize Than Expected. Further, Eaton's Post-Transaction Leverage and Debt Service Obligations Could Adversely Affect Eaton's Business

Eaton's ability to realize the anticipated benefits of the transaction will depend, to a large extent, on Eaton's ability to integrate the two businesses. The integration process may disrupt the businesses and, if implemented ineffectively, would preclude realization of the full benefits expected. Failure to meet the

challenges involved in integrating the two businesses to realize the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, the activities of New Eaton and could adversely affect New Eaton's results of operations. The difficulties of combining the operations of the companies include, among others:

the diversion of management's attention to integration matters;

difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from combining the business of Cooper with that of Eaton;

difficulties in the integration of operations and systems;

difficulties in the assimilation of employees;

difficulties in managing the expanded operations of a significantly larger and more complex company;

challenges in keeping existing customers and obtaining new customers; and

challenges in attracting and retaining key personnel.

Many of these factors will be outside of Eaton's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of Eaton. Further, Eaton intends to incur new term debt in excess of \$5 billion to pay the cash portion of the transaction purchase price. The degree to which Eaton will be leveraged following the transaction could have important consequences to shareholders.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table reflects activity related to equity securities purchased by Cooper during the three months ended September 30, 2012:

Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾ | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾ |
|-------------------|----------------------------------|------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| As of 6/30/12 | | | | 16,054,582 |
| 7/01/12 - 7/31/12 | | \$ | | 16,054,582 |
| 8/01/12 - 8/31/12 | | | | 16,054,582 |
| 9/01/12 - 9/30/12 | | | | 16,054,582 |
| Total | | \$ | | |

⁽¹⁾ On February 9, 2009, Cooper's Board of Directors authorized the repurchase of up to ten million shares of Cooper common stock and increased the share repurchase authorization by ten million shares on November 1, 2011. Cooper's Board has also authorized the

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repurchase of shares issued from time to time under its equity compensation plans, matched savings plan and dividend reinvestment plan in order to offset the dilution that results from issuing shares under these plans. For 2012 Cooper estimated that 2.5 million shares would be issued under equity compensation plans, which is reflected in the above table. Notwithstanding the above, Cooper is prohibited at this time under the Transaction Agreement with Eaton from repurchasing its shares.

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Item 3. Defaults Upon Senior Securities
None

Item 6. Exhibits

- 12. Computation of Ratios of Earnings to Fixed Charges for the Calendar Years 2007 through 2011 and the Nine Months Ended September 30, 2012 and 2011.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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- 101.INS XBRL Instance Document
- 101.SCH XBRL Schema Document
- 101.CAL XBRL Calculation Linkbase Document
- 101.LAB XBRL Label Linkbase Document
- 101.PRE XBRL Presentation Linkbase Document
- 101.DEF XBRL Definition Linkbase Document

Statement Required By The Irish Takeover Rules

The directors of Cooper accept responsibility for the information contained in this communication. To the best of the knowledge and belief of the directors of Cooper (who have taken all reasonable care to ensure that such is the case), the information contained in this communication is in accordance with the facts and does not omit anything likely to affect the import of such communication.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cooper Industries plc
(Registrant)

Date: November 5, 2012

/s/ David A. Barta
David A. Barta, Senior Vice President and Chief Financial Officer

Date: November 5, 2012

/s/ Rick L. Johnson
Rick L. Johnson, Vice President, Controller and
Chief Accounting Officer

Exhibit Index

| Exhibit No. | |
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