

Cooper Industries plc
Form 10-Q
November 05, 2009

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10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarter ended September 30, 2009

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)

Ireland

98-0632292

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

5 Fitzwilliam Square

Dublin 2, Ireland

(Address of principal executive offices)

(Zip Code)

(713) 209-8400

(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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Number of registrant's common shares outstanding as of September 30, 2009 was 166,830,675.

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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,	
	2009	2008	2009	2008
	(in millions, except per share data)			
Revenues	\$ 1,286.4	\$ 1,727.7	\$ 3,813.0	\$ 4,998.1
Cost of sales	876.5	1,170.0	2,646.3	3,348.1
Selling and administrative expenses	251.1	307.8	757.4	923.7
Restructuring and asset impairment charges	6.5		25.7	7.6
Operating earnings	152.3	249.9	383.6	718.7
Interest expense, net	15.9	17.3	47.4	50.5
Income from continuing operations before income taxes	136.4	232.6	336.2	668.2
Income taxes expense	22.1	43.4	51.4	163.7
Income from continuing operations	114.3	189.2	284.8	504.5
Income related to discontinued operations, net of income taxes	6.6	16.6	25.5	16.6
Net income	\$ 120.9	\$ 205.8	\$ 310.3	\$ 521.1
Income per common share:				
Basic:				
Income from continuing operations	\$.68	\$ 1.09	\$ 1.71	\$ 2.88
Income from discontinued operations	.04	.10	.15	.10
Net income	\$.72	\$ 1.19	\$ 1.86	\$ 2.98
Diluted:				
Income from continuing operations	\$.68	\$ 1.08	\$ 1.69	\$ 2.85
Income from discontinued operations	.04	.09	.15	.09
Net income	\$.72	\$ 1.17	\$ 1.84	\$ 2.94
Cash dividends declared per common share	\$.25	\$.25	\$.75	\$.75

The accompanying notes are an integral part of these statements.

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**COOPER INDUSTRIES PLC
CONSOLIDATED BALANCE SHEETS**

	September 30, 2009 (unaudited)	December 31, 2008 (Note 1)
	(in millions)	
ASSETS		
Cash and cash equivalents	\$ 658.4	\$ 258.8
Investments	3.6	21.9
Receivables	875.8	1,011.4
Inventories	502.7	641.8
Current discontinued operations receivable	13.4	17.5
Deferred income taxes and other current assets	223.9	246.5
Total current assets	2,277.8	2,197.9
Property, plant and equipment, less accumulated depreciation	709.6	728.2
Goodwill	2,635.8	2,567.3
Long-term discontinued operations receivable	166.6	174.8
Deferred income taxes and other noncurrent assets	456.8	496.7
Total assets	\$ 6,246.6	\$ 6,164.9
LIABILITIES AND SHAREHOLDERS EQUITY		
Short-term debt	\$ 9.4	\$ 25.6
Accounts payable	428.0	492.5
Accrued liabilities	541.7	618.7
Current discontinued operations liability	49.8	50.4
Current maturities of long-term debt	277.3	275.0
Total current liabilities	1,306.2	1,462.2
Long-term debt	922.6	932.5
Postretirement benefits other than pensions	68.7	71.2
Long-term discontinued operations liability	747.2	764.7
Other long-term liabilities	330.1	326.9
Total liabilities	3,374.8	3,557.5
Common stock, \$.01 par value	1.7	1.7
Capital in excess of par value		
Retained earnings	3,135.7	2,935.4
Accumulated other nonowner changes in equity	(265.6)	(329.7)
Total shareholders equity	2,871.8	2,607.4

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Total liabilities and shareholders' equity	\$ 6,246.6	\$ 6,164.9
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The accompanying notes are an integral part of these statements.

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COOPER INDUSTRIES PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30, 2009 2008 (in millions)	
Cash flows from operating activities:		
Net income	\$ 310.3	\$ 521.1
Adjust: Income related to discontinued operations	(25.5)	(16.6)
Income from continuing operations	284.8	504.5
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	108.1	106.8
Deferred income taxes	(13.7)	1.7
Excess tax benefits from stock options and awards	1.6	(8.6)
Restructuring and asset impairment charges	25.7	7.6
Changes in assets and liabilities: ⁽¹⁾		
Receivables	163.4	(123.4)
Inventories	153.5	(53.6)
Accounts payable and accrued liabilities	(156.9)	28.8
Discontinued operations assets and liabilities, net	35.9	6.9
Other assets and liabilities, net	36.0	99.1
Net cash provided by operating activities	638.4	569.8
Cash flows from investing activities:		
Proceeds from short-term investments	19.1	56.4
Proceeds from cash restricted for business acquisitions		290.1
Capital expenditures	(70.8)	(95.5)
Cash paid for acquired businesses	(21.8)	(270.8)
Proceeds from sales of property, plant and equipment and other	1.4	(0.9)
Net cash used in investing activities	(72.1)	(20.7)
Cash flows from financing activities:		
Proceeds from issuance of debt		297.6
Debt issuance costs	(1.7)	(0.6)
Proceeds from debt derivatives		0.5
Repayments of debt	(24.6)	(380.0)
Dividends	(125.7)	(126.9)
Purchases of common shares	(26.0)	(325.2)
Excess tax benefits from stock options and awards	(1.6)	8.6
Proceeds from exercise of stock options and other	4.5	17.0
Net cash used in financing activities	(175.1)	(509.0)
Effect of exchange rate changes on cash and cash equivalents	8.4	(12.2)

Increase in cash and cash equivalents	399.6	27.9
Cash and cash equivalents, beginning of period	258.8	232.8
Cash and cash equivalents, end of period	\$ 658.4	\$ 260.7

(1) Net of the effects of acquisitions and translation.

The accompanying notes are an integral part of these statements.

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COOPER INDUSTRIES PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Accounting Policies

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

In June 2009, our Board of Directors approved moving Cooper's place of incorporation from Bermuda to Ireland. This move is part of a reorganization that created a newly formed Irish company, Cooper Industries plc. We completed the first step in this reorganization by establishing our tax residency in Ireland in December 2008. At a Special Shareholders Meeting on August 31, 2009, shareholders voted in favor of completing the reorganization pursuant to which all Cooper Industries, Ltd. Class A common shares held by public shareholders would be cancelled and all holders of such shares would receive ordinary shares of Cooper Industries plc on a one-for-one basis. The reorganization transaction was completed on September 8, 2009, following approval from the Supreme Court of Bermuda, at which time Cooper Industries plc replaced Cooper Industries, Ltd. as the ultimate parent company. Shares of the Irish company, Cooper Industries plc, began trading on the New York Stock Exchange on September 9, 2009 under the symbol CBE, the same symbol under which Cooper Industries, Ltd. shares were previously traded.

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. Further, in connection with preparation of the consolidated financial statements, Cooper evaluated subsequent events after the balance sheet date of September 30, 2009 through November 5, 2009, which is the date these financial statements were issued. For additional information regarding Cooper's accounting policies, refer to the Consolidated Financial Statements and related notes for the year ended December 31, 2008 included in Part IV of Cooper's 2008 Annual Report on Form 10-K.

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168 *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162*. SFAS No. 168 made the FASB Accounting Standards Codification (ASC or the Codification) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification was developed to organize GAAP pronouncements by accounting topics within a consistent structure so that users can more easily access authoritative accounting guidance; its purpose is not to create new accounting and reporting guidance. The Codification is effective July 1, 2009. All accounting references have therefore been updated and SFAS references have been replaced with ASC references.

ASC Topic 820, *Fair Value Measurements and Disclosures*, was revised to provide enhanced guidance for using fair value to measure assets and liabilities. ASC Topic 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. ASC Topic 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. On February 12, 2008, the FASB delayed the effective date of ASC Topic 820 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Cooper implemented the provisions of ASC Topic 820 as of January 1, 2008 for those assets and liabilities not subject to the deferral described above. The

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implementation of ASC Topic 820 as of January 1, 2009 for assets and liabilities previously subject to the deferral described above did not have a material impact on Cooper's results of operations, financial position or cash flows. See Note 15 of the Notes to the Consolidated Financial Statements.

Effective prospectively to business combinations completed on or after January 1, 2009, ASC Topic 805, *Business Combinations*, was revised to provide enhanced guidance related to the measurement of identifiable assets acquired, liabilities assumed and disclosure of information related to business combinations. This guidance, together with the International Accounting Standards Board's (IASB) IFRS 3, *Business Combinations*, completed a joint effort by the FASB and IASB to improve financial reporting about business combinations and promotes the international convergence of accounting standards. Cooper implemented the revised guidance prospectively to business combinations completed on or after January 1, 2009. Cooper recognizes acquisition-related costs in the period in which such costs are incurred as required by the guidance.

Effective January 1, 2009, ASC Topic 810, *Consolidation*, was revised to provide enhanced guidance related to the disclosure of information regarding noncontrolling interests in a subsidiary. This guidance, together with the IASB's IAS 27, *Consolidated and Separate Financial Statements*, concluded a joint effort by the FASB and IASB to improve the accounting for and reporting of noncontrolling interests in consolidated financial statements and promotes international convergence of accounting standards. Cooper did not apply the disclosure provisions of ASC Topic 810 regarding noncontrolling interests in a subsidiary as the information is immaterial to the consolidated financial statements.

Effective January 1, 2009, the disclosure provisions of ASC Topic 815, *Derivatives and Hedging*, were revised to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Topic 815, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. Cooper implemented the revised guidance as of January 1, 2009 and has provided the additional disclosures required.

Effective for fiscal years ending after December 15, 2009, ASC Topic 715, *Compensation - Retirement Benefits*, was revised to require additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan, primarily related to categories and fair value measurements of plan assets. The revised guidance is effective for Cooper's 2009 year end and will only impact the disclosures related to Cooper's pension assets.

Effective for interim periods ending after June 15, 2009, ASC Topic 825, *Financial Instruments*, was revised to extend the annual disclosure requirements of Topic 825 to interim financial statements. Cooper has implemented the revised guidance and has provided the additional disclosures required.

Reclassification - Certain amounts in the Consolidated Statements of Cash Flows in 2008 have been reclassified to conform to the 2009 presentation.

Note 2. Restructuring and Asset Impairment Charges

During the fourth quarter of 2008, Cooper committed to employment reductions to appropriately size Cooper's workforce to current and anticipated market conditions and to downsize a domestic Tools segment manufacturing operation. Cooper recorded a \$35.7 million charge in the fourth quarter of 2008 related to these actions, \$25.5 million of which relates to the Electrical Products segment and \$10.2 million relates to the Tools segment. A total of 1,314 hourly and 930 salaried positions are being eliminated as a result of the fourth quarter 2008 restructuring actions to reduce Cooper's workforce.

During the first nine months of 2009, Cooper committed to additional employment reductions and certain facility closures as a result of management's ongoing assessment of its hourly and salary workforce and its required production capacity in consideration of current and anticipated market conditions and demand levels. Cooper recorded charges of \$24.9 million in the first nine months of 2009 related to these

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actions, \$15.2 million of which relates to the Electrical Products segment and \$8.1 million relates to the Tools segment. The remaining \$1.6 million relates to reductions in Cooper's corporate staff. A total of 999 hourly and 694 salaried positions are being eliminated as a result of the 2009 restructuring actions to reduce Cooper's workforce.

The following table reflects activity in the accrued liability related to the restructuring actions.

	Involuntary Employee Termination Benefits		Contract Termination and Other Exit Costs
	Headcount	Dollars	(\$ in millions)
Balance at December 31, 2008	886	\$ 28.0	\$ 1.7
2009 restructuring actions	1,693	22.2	2.7
Headcount reductions or costs incurred	(2,354)	(43.0)	(3.0)
Balance at September 30, 2009	225	\$ 7.2	\$ 1.4

The workforce reductions, contract termination and other exit costs and the related cash payments associated with the accrual balances at September 30, 2009 will be substantially completed in the first half of 2010. As part of the restructuring actions, Cooper has approved the closure of ten factories and warehouses, six of which have been completed at the end of the third quarter 2009. Cooper has recorded non-cash impairment charges of \$0.8 million related to these actions. Of the remaining facility closures, two are expected to be completed by the end of 2009 with the remaining two factory closures expected to be substantially completed in the first half of 2010. Cooper expects to incur incremental restructuring charges in the range of approximately \$8 to \$15 million associated with the completion of planned restructuring activities as the actions are implemented over the next year.

Note 3. Goodwill

Cooper had goodwill of \$2.64 billion and \$2.57 billion at September 30, 2009 and December 31, 2008, respectively. Goodwill is subject to an annual impairment test and Cooper has designated January 1 as the date of this test. If an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying value; an interim impairment test would be performed between annual tests. Cooper has identified eight reporting units for which goodwill is tested for impairment. The results of step one of the goodwill impairment tests as of January 1, 2009 did not require the completion of step two of the test for any reporting unit.

Note 4. Stock-Based Compensation

Cooper has a share-based compensation plan known as the Amended and Restated Stock Incentive Plan (the Plan). The Plan provides for the granting of stock options, performance-based share awards and restricted stock units. Since the original Plan's inception in 1996, the aggregate number of shares authorized under the Plan is 41 million. As of September 30, 2009, 5,949,184 shares were available for future grants under the Plan. Of the total shares available for future grants, 2,805,533 are available for grants of performance-based shares and restricted stock units. Total compensation expense for all share-based compensation arrangements under the Plan was \$20.4 million and \$28.6 million for the nine months ended September 30, 2009 and 2008, respectively. The total income tax benefit recognized in the income statement for all share-based compensation arrangements under the Plan was \$7.2 million and \$9.9 million for the nine months ended September 30, 2009 and 2008, respectively. During the nine months ended September 30, 2009, Cooper granted 2,421,725 stock option awards, 370,560 performance-based shares and 108,160 restricted stock units.

Table of Contents**Note 5. Acquisitions**

Cooper completed three acquisitions and acquired certain intellectual property rights in the Electrical Products segment during the nine months ended September 30, 2009. These acquisitions were selected because of their strategic fit with existing Cooper businesses.

Cooper makes an initial allocation of the purchase price as of the date of acquisition, based on its estimate of the fair value of the assets and liabilities acquired. Cooper continues to evaluate the acquisition date fair value of the assets and liabilities acquired and will adjust the allocations as additional information relative to the businesses becomes available for up to one year from the acquisition date. This includes finalization of amount by major asset class and weighted-average amortization period for other intangible assets acquired.

The acquisition date fair value of the total consideration for the 2009 acquisitions was approximately \$25.0 million. The acquisitions resulted in the recognition of preliminary estimated aggregate goodwill of \$14.0 million, substantially all of which is not expected to be deductible for tax purposes. Total cash consideration paid for acquisitions during the first nine months of 2009 was \$22.6 million, net of cash acquired.

The results of operations of acquisitions are included in the consolidated income statement since the respective acquisition dates. Pro-forma income from continuing operations and diluted earnings per share for the nine months ended September 30, 2009 and 2008, assuming the acquisitions had occurred at the beginning of the period, would not be materially different from reported results.

Note 6. Inventories

	September 30, 2009	December 31, 2008
	(in millions)	
Raw materials	\$ 197.0	\$ 239.3
Work-in-process	158.9	163.2
Finished goods	328.6	405.0
Perishable tooling and supplies	13.1	13.9
	697.6	821.4
Allowance for excess and obsolete inventory	(84.9)	(77.0)
Excess of current standard costs over LIFO costs	(110.0)	(102.6)
Net inventories	\$ 502.7	\$ 641.8

Note 7. Contingencies

Cooper and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. Cooper estimates the range of liability related to pending litigation when management believes the amount and range of loss can be estimated. Cooper records its best estimate of a loss 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.

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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. Cooper has 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 too early to determine whether any fines or penalties may be assessed against Cooper.

Note 8. Debt

On August 14, 2009, Cooper entered into a credit agreement that provides a \$350 million three-year committed bank credit facility that replaces Cooper's previous credit facility that was to mature in November 2009. The agreement for the credit facility requires that Cooper maintains certain financial ratios, including a prescribed limit on debt as a percentage of total capitalization and minimum earnings before interest, income taxes, depreciation and amortization to interest ratio. Retained earnings are unrestricted as to the payment of dividends, except to the extent that payment would cause a violation of the prescribed limit on the debt-to-total capitalization ratio. The credit agreement is not subject to termination based upon a decrease in Cooper's debt ratings or a material adverse change.

At September 30, 2009, Cooper has \$9.4 million of short-term debt and \$277.3 million of current maturities of long-term debt. At September 30, 2009 Cooper had no commercial paper borrowings outstanding. At September 30, 2009, Cooper has a U.S. committed credit facility for \$350 million that matures in August 2012. On November 2, 2009, Cooper repaid the \$275 million 5.5% senior unsecured notes at maturity.

Note 9. Shareholders' Equity

As discussed in Note 1, Cooper completed a reorganization transaction on September 8, 2009 whereby all Cooper Industries, Ltd. Class A common shares held by public shareholders were cancelled and all holders of such shares received ordinary shares of Cooper Industries plc on a one-for-one basis. The Class A and Class B common shares of Cooper Industries, Ltd. held by wholly-owned subsidiaries of Cooper Industries, Ltd. did not participate in the exchange transaction and continue to be held by wholly-owned subsidiaries of Cooper Industries, Ltd. On October 19, 2009, the Irish High Court approved the reduction of share premium (similar to additional paid-in-capital) to establish distributable reserves on the unconsolidated balance sheet of Cooper Industries plc. The establishment of distributable reserves was required to enable the Company to pay dividends and repurchase shares in the future. The reorganization transaction and establishment of distributable reserves had no impact on consolidated shareholders' equity.

At September 30, 2009, Cooper Industries plc had 166,830,675 common shares, \$.01 par value issued and outstanding compared to Cooper Industries, Ltd.'s 166,908,287 Class A common shares, \$.01 par value (excluding 37,362,915 Class A common shares held by wholly-owned subsidiaries) at December 31, 2008. During the nine months ended September 30, 2009, Cooper issued 1,185,188 common shares primarily in connection with employee incentive and benefit plans and Cooper's dividend reinvestment program. During the nine months ended September 30, 2009 and prior to the reorganization transaction described above, Cooper Industries Ltd. and its wholly-owned subsidiaries purchased 1,262,800 Class A common shares of Cooper Industries, Ltd. for \$26.0 million under Cooper's share repurchase plans. The share purchases are recorded by Cooper's wholly-owned subsidiaries as an investment in Cooper Industries, Ltd. that is eliminated in consolidation.

A wholly-owned subsidiary owns all of the issued and outstanding Class B common shares of Cooper Industries, Ltd. During the first quarter of 2009, Cooper Industries, Ltd. repurchased 4.2 million Class B common shares from its wholly-owned subsidiary. The subsidiary's investment in the Class B common shares is eliminated in consolidation. If at any time a dividend was declared and paid by Cooper

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	Pension Benefits			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(in millions)			
Components of net periodic benefit cost:				
Service cost	\$ 0.9	\$ 0.6	\$ 2.6	\$ 2.5
Interest cost	10.6	10.4	31.4	31.5
Expected return on plan assets	(9.9)	(12.3)	(29.4)	(37.3)
Amortization of prior service cost	(0.7)	(0.7)	(2.0)	(1.8)
Recognized actuarial loss	5.7	2.5	17.0	7.3
Curtailment loss		3.9		3.9
Net periodic benefit cost	\$ 6.6	\$ 4.4	\$ 19.6	\$ 6.1

	Other Postretirement Benefits			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(in millions)			
Components of net periodic benefit cost:				
Interest cost	\$ 1.2	\$ 1.3	\$ 3.6	\$ 3.9
Amortization of prior service cost	(0.5)	(0.5)	(1.5)	(1.5)
Recognized actuarial gain	(0.8)	(0.6)	(2.4)	(1.8)
Net periodic benefit cost (gain)	\$ (0.1)	\$ 0.2	\$ (0.3)	\$ 0.6

Note 12. Income Taxes

The effective tax rate was 15.3% for the nine months ended September 30, 2009 and 24.5% for the nine months ended September 30, 2008. Cooper reduced income taxes expense by \$9.6 million and \$22.9 million in the first nine months of 2009 and 2008, respectively, for discrete tax items primarily related to statute expirations, state tax settlements, and foreign taxes. Excluding the impacts of the discrete items, Cooper's effective tax rate would have been 18.2% for the nine months ended September 30, 2009 and 28.0% for the first nine months of 2008. The decrease in Cooper's 2009 effective tax rate compared to 2008, adjusted for the aforementioned discrete items, is primarily related to the decrease in 2009 earnings without a corresponding decrease in projected tax benefits.

Cooper has recorded a foreign deferred tax asset of approximately \$1.3 billion as of September 30, 2009 relating to a net operating loss carryforward that was approved by a foreign jurisdiction in September 2009. While this net operating loss carryforward has an indefinite life, a valuation allowance of approximately \$1.3 billion was recognized because management believes at this time it is more likely than not that the deferred tax asset will not be realized.

Cooper has unrecognized gross tax benefits of \$40.6 million at September 30, 2009. Approximately \$32.5 million of unrecognized tax benefits, if recognized, would favorably impact the effective tax rate.

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Cooper believes it is reasonably possible that additional tax benefits in the range of approximately \$1 to \$5 million could be recognized during the next 12 months as audits close and statutes expire.

In June 2009, the Internal Revenue Service completed its examination of Cooper's 2007 Federal Tax Return and issued a notice of assessment in the amount of \$16 million. The IRS challenged Cooper's intercompany pricing with a foreign affiliate. On July 15, 2009, Cooper filed its protest for this assessment and continues to work with the IRS to resolve this matter. While the outcome of the proceedings with the IRS cannot be predicted with certainty, management believes that it is more likely than not that its tax position will prevail.

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 2007, 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 2000. 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.

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. Cooper believes 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. In August 2009, Cooper filed its response to the proposed audit finding with respect to a portion of the transaction and expects an assessment related to the remainder of the transaction in the future. Cooper will challenge the proposed findings vigorously. While 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. If the proposed audit finding is upheld, it would require Cooper to pay German tax of approximately \$58 million, which would be available for credit in the United States, plus accrued interest.

Note 13. Net Income Per Common Share

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	2008	2008	2008	2008
	(in millions)			
Basic:				
Income from continuing operations	\$ 114.3	\$ 189.2	\$ 284.8	\$ 504.5
Income from discontinued operations	6.6	16.6	25.5	16.6
Net income applicable to common stock	\$ 120.9	\$ 205.8	\$ 310.3	\$ 521.1
Weighted average common shares outstanding	167.1	173.6	167.1	175.0
Diluted:				
Income from continuing operations	\$ 114.3	\$ 189.2	\$ 284.8	\$ 504.5
Income from discontinued operations	6.6	16.6	25.5	16.6
Net income applicable to common stock	\$ 120.9	\$ 205.8	\$ 310.3	\$ 521.1
Weighted average common shares outstanding	167.1	173.6	167.1	175.0
Incremental shares from assumed conversions:				
Options, performance-based stock awards and other employee awards	1.2	2.1	1.1	2.2

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Weighted average common shares and common share equivalents	168.3	175.7	168.2	177.2
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Options and employee awards are not considered in the calculations if the effect would be antidilutive. Out of the money options and employee awards of 7.7 million and 3.3 million shares were excluded in the nine months ended September 30, 2009 and 2008, respectively.

Note 14. Net Income and Other Nonowner Changes in Equity

The components of net income and other nonowner changes in equity, net of related taxes, were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	(in millions)			
Net income	\$ 120.9	\$ 205.8	\$ 310.3	\$ 521.1
Foreign currency translation gains (losses)	3.5	(56.8)	50.0	(33.1)
Change in fair value of derivatives	2.9	(10.6)	7.6	(0.6)
Pension and postretirement benefit plans	2.3	3.4	6.5	4.3
Net income and other nonowner changes in equity	\$ 129.6	\$ 141.8	\$ 374.4	\$ 491.7

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

All derivatives are recognized as assets and liabilities and measured at fair value. For derivative instruments that are not designated as hedges, the gain or loss on the derivative is recognized in earnings currently. A derivative instrument may be designated as a hedge of the exposure to changes in the fair value of an asset or liability or variability in expected future cash flows if the hedging relationship is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period of designation. If a derivative is designated as a fair value hedge, the gain or loss on the derivative and the offsetting loss or gain on the hedged asset, liability or firm commitment is recognized in earnings. For derivative instruments designated as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated nonowner changes in equity and reclassified into earnings in the same period that the hedged transaction affects earnings. The ineffective portion of the gain or loss is immediately recognized in earnings.

Hedge accounting is discontinued prospectively when (1) it is determined that a derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; (2) the derivative is sold, terminated or exercised; (3) the hedged item no longer meets the definition of a firm commitment; or (4) it is unlikely that a forecasted transaction will occur within two months of the originally specified time period.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the derivative will continue to be carried on the balance sheet at its fair value, and the hedged asset or liability will no longer be adjusted for changes in fair value. When hedge accounting is discontinued because a hedged item no longer meets the definition of a firm commitment, the derivative will continue to be carried on the balance sheet at its fair value, and any asset or liability that was recorded pursuant to recognition of the firm commitment will be removed from the balance sheet and recognized as a gain or loss currently in earnings. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur within two months of the originally specified time period, the derivative will continue to be carried on the balance sheet at its fair value, and gains and losses reported in accumulated nonowner changes in equity will be recognized immediately in earnings.

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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 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 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.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. Valuation techniques utilized for each individual asset and liability category are referenced in the tables below. The valuation techniques are as follows:

- (a) Market approach Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) Income approach Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models);
- (c) Cost approach Amount that would be required to replace the service capacity of an asset (replacement cost).

The inputs used in measuring fair value are prioritized using a three-tier fair value hierarchy as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value as of September 30, 2009 on a recurring basis are as follows:

(in millions)	Assets Significant other observable inputs (Level 2)	Liabilities Significant other observable inputs (Level 2)	Valuation Technique
Short-term investments	\$ 3.6	\$	(a)
Short-term currency forward exchange contracts	22.1	(12.2)	(a)
Long-term currency forward exchange contracts	61.4	(25.0)	(a)
Short-term commodity swaps	1.5	(3.8)	(a)
Long-term cross-currency swaps		(62.3)	(a)

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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 approximately \$39 million of assets and \$27 million of liabilities at September 30, 2009 are not designated as hedging instruments.

Assets and liabilities measured at fair value as of December 31, 2008 on a recurring basis are as follows:

(in millions)	Assets Significant other observable inputs (Level 2)	Liabilities Significant other observable inputs (Level 2)	Valuation Technique
Short-term investments	\$21.9	\$	(a)
Short-term currency forward exchange contracts	40.0	(8.4)	(a)
Long-term currency forward exchange contracts	91.3	(40.0)	(a)
Short-term commodity swaps		(33.5)	(a)
Long-term cross-currency swaps		(29.1)	(a)

There were no changes in our valuation techniques used to measure asset or liability fair values on a recurring basis in the nine months ended September 30, 2009.

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 months ended September 30, 2009 and 2008. For commodity swaps, Cooper recognized, in cost of sales, a net loss of \$17.6 million and a net gain of \$7.0 million during the nine months ended September 30, 2009 and 2008, respectively. At September 30, 2009, Cooper estimates that approximately \$3 million of net losses on derivative instruments designated as cash flow hedges will be reclassified from accumulated other nonowner changes in equity to earnings during the next twelve months. The amount of discontinued cash flow hedges in the nine months ended September 30, 2009 and 2008 was not material.

The table below summarizes the U. S. dollar equivalent contractual amounts of Cooper's forward exchange contracts at September 30, 2009 and December 31, 2008.

	September 30, 2009	December 31, 2008
	(in millions)	
U.S. Dollar	\$ 574.7	\$ 502.4
Euro	362.3	214.6
British Pound Sterling	198.4	151.3
Singapore Dollar	51.5	23.0
Mexican Peso	10.2	40.9
Other	27.8	20.8
	\$ 1,224.9	\$ 953.0

The contractual amounts of Cooper's commodity swap contracts at September 30, 2009 and December 31, 2008 were approximately \$27 million and \$68 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

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consolidated balance sheets. The aggregate notional value of these instruments was \$124.4 million and \$107.9 million at September 30, 2009 and December 31, 2008, 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 5.2% of accounts receivable at September 30, 2009 (5.5% at December 31, 2008).

Fair Value of Financial Instruments Other than Derivatives

Cooper's financial instruments other than derivative instruments consist primarily of cash and cash equivalents, investments, restricted cash, trade receivables, trade payables and debt instruments. The book values of cash and cash equivalents, investments, restricted cash, trade receivables, and trade payables are considered to be representative of their respective fair values. Cooper had a book value of approximately \$1.21 billion and \$1.23 billion for debt instruments at September 30, 2009 and December 31, 2008, respectively. The fair value (as represented primarily by quoted market prices) of these debt instruments was approximately \$1.30 billion and \$1.25 billion at September 30, 2009 and December 31, 2008, respectively.

Note 16. Discontinued Operations Receivable and Liability**Discontinued Operations 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 was 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 may have to Pneumo pursuant to a 1994 Mutual Guaranty Agreement between Cooper and Pneumo. On October 1, 2001, Federal-Mogul and several of its affiliates filed a Chapter 11 bankruptcy petition. The Bankruptcy Court for the District of Delaware confirmed Federal-Mogul's plan of reorganization and Federal-Mogul emerged from bankruptcy in December 2007. As part of Federal-Mogul's Plan of Reorganization, Cooper and Federal-Mogul reached a settlement agreement that was subject to approval by the Bankruptcy Court resolving Federal-Mogul's indemnification obligations to Cooper. As discussed further below, on September 30, 2008, the Bankruptcy Court issued its final ruling denying Cooper's participation in the proposed Federal-Mogul 524(g) trust resulting in implementation of the previously approved Plan B Settlement. As part of its obligation to Pneumo for any asbestos-related claims arising from the Abex Friction product line (Abex Claims), Cooper has rights, confirmed by Pneumo, to significant insurance for such claims. Based on information provided by representatives of Federal-Mogul and recent claims experience, from August 28, 1998 through September 30, 2009, a total of 147,337 Abex Claims were filed, of which 124,360 claims have been resolved leaving 22,977 Abex Claims pending at September 30, 2009. During the nine months ended September 30, 2009, 1,162 claims were filed and 1,873 claims were resolved. Since August 28, 1998, the average indemnity payment for resolved Abex Claims was \$2,085 before insurance. A total of \$159.5 million was spent on defense costs for the period August 28, 1998 through September 30, 2009. Historically, existing insurance coverage has provided 50% to 80% of the total defense and indemnity payments for Abex Claims. However, insurance recovery is currently at a lower percentage (approximately 30%) due to exhaustion of primary layers of coverage and litigation with certain excess insurers, although in certain periods, insurance recoveries can be higher due to new settlements with insurers.

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In December 2005, Cooper reached an initial agreement in negotiations with the representatives of Federal-Mogul, its bankruptcy committees and the future claimants (the Representatives) regarding Cooper's participation in Federal Mogul's proposed 524(g) asbestos trust. By participating in this trust, Cooper would have resolved its liability for asbestos claims arising from Cooper's former Abex Friction Products business. The proposed settlement agreement was subject to court approval and certain other approvals. Future claims would have been resolved through the bankruptcy trust.

Although the final determination of whether Cooper would participate in the Federal-Mogul 524(g) trust was unknown, Cooper's management concluded that, at the date of the filing of its 2005 Form 10-K, the most likely outcome in the range of potential outcomes was a settlement approximating the December 2005 proposed settlement. Accordingly, the accrual for potential liabilities related to the Automotive Products sale and the Federal-Mogul bankruptcy was \$526.3 million at December 31, 2005. The December 31, 2005 discontinued operations accrual included payments to a 524(g) trust over 25 years that were undiscounted, and included \$215 million of insurance recoveries where insurance in place agreements, settlements or policy recoveries were probable.

Throughout 2006 and 2007, Cooper continued to believe that the most likely outcome in the range of potential outcomes was a revised settlement with Cooper resolving its asbestos obligations through participation in the proposed Federal-Mogul 524(g) trust. While the details of the proposed settlement agreement evolved during the on-going negotiations throughout 2006 and 2007, the underlying principles of the proposed settlement arrangements being negotiated principally included fixed payments to a 524(g) trust over 25 years that were subject to reduction for insurance proceeds received in the future.

As a result of the then current status of settlement negotiations, Cooper recorded a \$20.3 million after-tax discontinued operations charge, which is net of an \$11.4 million income tax benefit, in the second quarter of 2006 to reflect the revised terms of the proposed settlement agreement at that time. The discontinued operations accrual was \$509.1 million and \$529.6 million as of December 31, 2007 and 2006, respectively, and included payments to a 524(g) trust over 25 years that were undiscounted, and included insurance recoveries of \$230 million and \$239 million, respectively, where insurance in place agreements, settlements or policy recoveries were probable.

The U.S. Bankruptcy Court for the District of Delaware confirmed Federal-Mogul's plan of reorganization on November 8, 2007, and the U.S. District Court for the District of Delaware affirmed the Bankruptcy Court's order on November 14, 2007. As part of its ruling, the Bankruptcy Court approved the Plan B Settlement between Cooper and Federal-Mogul, which would require payment of \$138 million to Cooper in the event Cooper's participation in the Federal-Mogul 524(g) trust is not approved for any reason, or if Cooper elected not to participate or to pursue participation in the trust. The Bankruptcy Court stated that it would consider approving Cooper's participation in the Federal-Mogul 524(g) trust at a later time, and that its order confirming the plan of reorganization and approving the settlement between Cooper and Federal-Mogul did not preclude later approval of Cooper's participation in the 524(g) trust. Accordingly, in an effort to continue working towards approval of Cooper's participation in the trust and to address certain legal issues identified by the Court, Cooper, Pneumo-Abex, Federal-Mogul, and other plan supporters filed the Modified Plan A Settlement Documents on December 13, 2007. The Modified Plan A Settlement Documents would have required Cooper to make an initial payment of \$248.5 million in cash to the Federal-Mogul trust upon implementation of Plan A with additional annual payments of up to \$20 million each due over 25 years. If the Bankruptcy Court had approved the modified settlement and that settlement was implemented, Cooper, through Pneumo-Abex LLC, would have continued to have access to Abex insurance policies.

2008 2009

During the first quarter of 2008, the Bankruptcy Court concluded hearings on Plan A. On September 30, 2008, the Bankruptcy Court issued its ruling denying the Modified Plan A Settlement resulting in Cooper not participating in the Federal-Mogul 524(g) trust and instead proceeding with the Plan B Settlement that had previously been approved by the Bankruptcy Court. As a result of the Plan B Settlement, Cooper

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received the \$138 million payment, plus interest of \$3 million, in October 2008 from the Federal-Mogul Bankruptcy estate and will continue to resolve through the tort system the asbestos related claims arising from the Abex Friction product line that it had sold to Federal-Mogul in 1998. Additionally, under Plan B, Cooper has access to Abex insurance policies.

The accrual for potential liabilities related to the Automotive Products sale and the Federal-Mogul bankruptcy and a progression of the activity is presented in the following table assuming resolution through participation in the Federal-Mogul 524(g) trust up until September 30, 2008 when the accounting was adjusted to reflect the Plan B Settlement.

	Nine Months Ended September 30, 2008 (in millions)
Accrual at beginning of period (under Plan A)	\$ 509.1
Indemnity and defense payments	(16.9)
Insurance recoveries	25.4
Other	(1.6)
Accrual at end of period (under Plan A) *	\$ 516.0

* The \$516.0 million liability reflects the estimated liability under Plan A immediately prior to adjusting the accounting on September 30, 2008 to reflect the Plan B Settlement.

As a result of the September 30, 2008 Bankruptcy Court ruling discussed above, Cooper adjusted its accounting in the third quarter of 2008 to reflect the separate assets and liabilities related to the on-going activities to resolve the potential asbestos related claims through the tort system. Cooper recorded income from discontinued operations of \$16.6 million, net of a \$9.4 million income tax expense, in the third quarter of 2008 to reflect the Plan B Settlement.

The following table presents the separate assets and liabilities under the Plan B settlement and the cash activity under the Plan B Settlement.

	September 30, 2009	December 31, 2008
	(in millions)	
Asbestos liability analysis (undiscounted):	\$ 797.0	\$ 815.1

Total liability for unpaid, pending and future indemnity and defense costs at end of period

Asbestos receivable analysis (undiscounted):

Insurance receivable for previously paid claims and insurance settlements	\$ 68.8	\$ 74.6
Insurance-in-place agreements available for pending and future claims	111.2	117.7
Total estimated asbestos receivable at end of period	\$ 180.0	\$ 192.3

Nine Months
Ended
September 30,
2009
(in millions)

Cash Flow:

Indemnity and defense payments	\$	(17.5)
Insurance recoveries		53.9
Other		(0.5)
Net cash flow	\$	35.9

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During 2009, Cooper recognized after tax gains from discontinued operations of \$25.5 million, which is net of a \$16.2 million income tax expense, from negotiated insurance settlements consummated in 2009 that were not previously recognized. Cooper believes that it is likely that additional insurance recoveries will be recorded in the future as new insurance-in-place agreements are consummated or settlements with insurance carriers are completed. Timing and value of these agreements and settlements cannot be currently estimated as they may be subject to extensive additional negotiation and litigation.

Asbestos Liability Estimate

As of September 30, 2009, Cooper estimates that the undiscounted liability for pending and future indemnity and defense costs for the next 45 years will be \$797.0 million. The amount included for unpaid indemnity and defense costs is not significant at September 30, 2009. The estimated liability is before any tax benefit and is not discounted as the timing of the actual payments is not reasonably predictable.

The methodology used to project Cooper's liability estimate relies upon a number of assumptions including Cooper's recent claims experience and declining future asbestos spending based on past trends and publicly available epidemiological data, changes in various jurisdictions, management's judgment about the current and future litigation environment, and the availability to claimants of other payment sources.

Abex discontinued using asbestos in the Abex Friction product line in the 1970's and epidemiological studies that are publicly available indicate the incidence of asbestos-related disease is in decline and should continue to decline steadily. However, there can be no assurance that these studies, or other assumptions, will not vary significantly from the estimates utilized to project the undiscounted liability.

Although Cooper believes that its estimated liability for pending and future indemnity and defense costs represents the best estimate of its future obligation, Cooper utilized scenarios that it believed were reasonably possible that indicate a broader range of potential estimates from \$735 to \$950 million (undiscounted).

Asbestos Receivable Estimate

As of September 30, 2009, Cooper, through Pneumo-Abex LLC, has access to Abex insurance policies with remaining limits on policies with solvent insurers in excess of \$680 million. Insurance recoveries reflected as receivables in the balance sheet include recoveries where insurance-in-place agreements, settlements or policy recoveries are probable. As of September 30, 2009, Cooper's receivable for recoveries of costs from insurers amounted to \$180.0 million, of which \$68.8 million relate to costs previously paid or insurance settlements. Cooper's arrangements with the insurance carriers defer certain amounts of insurance and settlement proceeds that Cooper is entitled to receive beyond twelve months. Approximately 90% of the \$180 million receivable from insurance companies at September 30, 2009 is due from domestic insurers whose AM Best rating is Excellent (A-) or better. The remaining balance of the insurance receivable has been significantly discounted to reflect management's best estimate of the recoverable amount.

Cooper believes that it is likely that additional insurance recoveries will be recorded in the future as new insurance-in-place agreements are consummated or settlements with insurance carriers are completed. However, extensive litigation with the insurance carriers may be required to receive those additional recoveries.

Critical Accounting Assumptions

The amounts recorded by Cooper for its asbestos liability and related insurance receivables are not discounted and rely on assumptions that are based on currently known facts and strategy. The value of the liability on a discounted basis net of the amount of insurance recoveries likely to materialize in the future would be significantly lower than the net amounts currently recognized in the balance sheet. Cooper's actual asbestos costs or insurance recoveries could be significantly higher or lower than those recorded if assumptions used in the estimation process vary significantly from actual results over time. As the estimated liability is not discounted and extends over 45 years, any changes in key assumptions could have a significant impact on the recorded liability. Key variables in these assumptions include the number and type

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of new claims filed each year, the average indemnity and defense costs of resolving claims, the number of years these assumptions are projected into the future, and the resolution of on-going negotiations of additional settlement or coverage-in-place agreements with insurance carriers. Assumptions with respect to these variables are subject to greater uncertainty as the projection period lengthens. Other factors that may affect Cooper's liability and ability to recover under its insurance policies include uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, reforms that may be made by state and federal courts, and the passage of state or federal tort reform legislation. Cooper will review these assumptions on a periodic basis to determine whether any adjustments are required to the estimate of its recorded asbestos liability and related insurance receivables.

From a cash flow perspective, Cooper management believes that the annual cash outlay for its potential asbestos liability, net of insurance recoveries, will not be material to Cooper's operating cash flow.

Note 17. Consolidating Financial Information

Cooper Industries plc, Cooper Industries, Ltd. and certain of Cooper's principal operating subsidiaries (the Guarantors) fully and unconditionally guarantee, on a joint and several basis, the registered debt securities of Cooper Industries, LLC and Cooper US, Inc. Cooper Industries plc was incorporated on June 4, 2009 and as discussed in Note 1 replaced Cooper Industries, Ltd. as the ultimate parent company on September 8, 2009. The following condensed consolidating financial information is included so that separate financial statements of Cooper Industries, LLC, 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. Intercompany investments in the Class A and Class B common shares of Cooper Industries, Ltd. that are held by wholly-owned subsidiaries are accounted for using the cost method.

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Consolidating Income Statements
Three Months Ended September 30, 2009
(in millions)

	Cooper Industries plc	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Revenues	\$	\$	\$	\$	\$ 745.5	\$ 703.2	\$ (162.3)	\$ 1,286.4
Cost of sales			(0.6)	(0.5)	532.6	507.3	(162.3)	876.5
Selling and administrative expenses	0.5	5.0	4.4	13.1	114.6	114.0	(0.5)	251.1
Restructuring and asset impairment charges					1.2	5.3		6.5
Interest expense, net			3.9	11.6		0.4		15.9
Equity in earnings of subsidiaries, net of tax	21.1	167.7	1.0	63.4	5.4	66.4	(325.0)	
Intercompany income (expense)		(6.5)	6.6	9.1	(34.1)	60.3	(35.4)	
Income (loss) from continuing operations before income taxes	20.6	156.2	(0.1)	48.3	68.4	202.9	(359.9)	136.4
Income tax expense (benefit)			(0.4)	(18.2)	26.0	14.7		22.1
Income from continuing operations	20.6	156.2	0.3	66.5	42.4	188.2	(359.9)	114.3
Income from discontinued operations, net of tax			6.6					6.6
Net income	\$ 20.6	\$ 156.2	\$ 6.9	\$ 66.5	\$ 42.4	\$ 188.2	\$ (359.9)	\$ 120.9

Consolidating Income Statements
Three Months Ended September 30, 2008
(in millions)

	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Revenues	\$	\$	\$	\$ 1,020.0	\$ 811.9	\$ (104.2)	\$ 1,727.7
Cost of sales	(0.1)	(0.1)	2.3	728.2	543.9	(104.2)	1,170.0

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Selling and administrative expenses	2.4	3.4	19.5	145.0	141.5	(4.0)	307.8
Restructuring and asset impairment charges							
Interest expense, net		4.0	13.2		0.1		17.3
Equity in earnings of subsidiaries, net of tax	250.2	13.3	149.0	23.1	171.7	(607.3)	
Intercompany income (expense)	(10.4)	(11.5)	30.5	(44.9)	72.0	(35.7)	
Income (loss) from continuing operations before income taxes	237.5	(5.5)	144.5	125.0	370.1	(639.0)	232.6
Income tax expense (benefit)		(7.1)	(27.3)	34.9	42.9		43.4
Income from continuing operations	237.5	1.6	171.8	90.1	327.2	(639.0)	189.2
Income related to discontinued operations, net of income taxes		16.6					16.6
Net income	\$ 237.5	\$ 18.2	\$ 171.8	\$ 90.1	\$ 327.2	\$ (639.0)	\$ 205.8

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Consolidating Income Statements
Nine Months Ended September 30, 2009
(in millions)

	Cooper Industries plc	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Revenues	\$	\$	\$	\$	\$ 2,263.8	\$ 1,939.6	\$ (390.4)	\$ 3,813.0
Cost of sales			(1.9)	(0.4)	1,642.7	1,396.3	(390.4)	2,646.3
Selling and administrative expenses	0.5	12.8	9.4	45.2	356.9	334.7	(2.1)	757.4
Restructuring and asset impairment charges				1.5	7.5	16.7		25.7
Interest expense, net			11.9	35.2	0.4	(0.1)		47.4
Equity in earnings of subsidiaries, net of tax	21.1	446.9	(8.6)	172.1	37.1	195.2	(863.8)	
Intercompany income (expense)		(21.8)	1.7	41.7	(103.6)	185.6	(103.6)	
Income (loss) from continuing operations before income taxes	20.6	412.3	(26.3)	132.3	189.8	572.8	(965.3)	336.2
Income tax expense (benefit)			(6.9)	(63.0)	62.9	58.4		51.4
Income (loss) from continuing operations	20.6	412.3	(19.4)	195.3	126.9	514.4	(965.3)	284.8
Income from discontinued operations, net of tax			25.5					25.5
Net income	\$ 20.6	\$ 412.3	\$ 6.1	\$ 195.3	\$ 126.9	\$ 514.4	\$ (965.3)	\$ 310.3

Consolidating Income Statements
Nine Months Ended September 30, 2008
(in millions)

	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
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Revenues	\$	\$	\$	\$ 2,945.1	\$ 2,344.2	\$ (291.2)	\$ 4,998.1
Cost of sales	(0.2)	(0.3)	5.4	2,065.4	1,569.0	(291.2)	3,348.1
Selling and administrative expenses	7.9	9.4	62.6	432.4	424.6	(13.2)	923.7
Restructuring and asset impairment charges					7.6		7.6
Interest expense, net		14.2	37.9		(1.6)		50.5
Equity in earnings of subsidiaries, net of tax	649.7	25.9	380.3	88.3	416.4	(1,560.6)	
Intercompany income (expense)	(29.9)	(30.9)	89.1	(127.5)	203.4	(104.2)	
Income (loss) from continuing operations before income taxes	612.1	(28.3)	363.5	408.1	964.4	(1,651.6)	668.2
Income tax expense (benefit)		(20.4)	(52.9)	123.2	113.8		163.7
Income (loss) from continuing operations	612.1	(7.9)	416.4	284.9	850.6	(1,651.6)	504.5
Income related to discontinued operations, net of income taxes		16.6					16.6
Net income	\$ 612.1	\$ 8.7	\$ 416.4	\$ 284.9	\$ 850.6	\$ (1,651.6)	\$ 521.1

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Consolidating Balance Sheets
September 30, 2009
(in millions)

	Cooper Industries plc	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Cash and cash equivalents	\$	\$	\$	\$ 479.5	\$ 1.9	\$ 177.0	\$	\$ 658.4
Investments				3.6				3.6
Receivables			0.1	0.1	412.7	462.9		875.8
Inventories					246.3	256.4		502.7
Current discontinued operations receivable			13.4					13.4
Deferred income taxes and other current assets			28.7	58.8	36.2	100.2		223.9
Total current assets			42.2	542.0	697.1	996.5		2,277.8
Property, plant and equipment, less accumulated depreciation				61.1	313.0	335.5		709.6
Goodwill					1,278.0	1,357.8		2,635.8
Investment in subsidiaries	2,609.7	3,008.0	566.8	4,686.4	1,177.3	2,560.3	(14,608.5)	
Investment in parent				3,418.5		312.7	(3,731.2)	
Intercompany accounts receivable	1.4		72.1		1,807.9	1,546.5	(3,427.9)	
Intercompany notes receivable		3,345.0	27.8	494.0	0.1	4,307.4	(8,174.3)	
Long-term discontinued operations receivable			166.6					166.6
Deferred income taxes and other noncurrent assets			244.8	8.2	(103.5)	307.3		456.8

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Total assets	\$ 2,611.1	\$ 6,353.0	\$ 1,120.3	\$ 9,210.2	\$ 5,169.9	\$ 11,724.0	\$ (29,941.9)	\$ 6,246.6
Short-term debt	\$	\$	\$	\$	\$	\$ 9.4	\$	\$ 9.4
Accounts payable		41.6	6.4	18.2	150.3	211.5		428.0
Accrued liabilities	0.2	3.4	38.0	68.0	218.1	214.0		541.7
Current discontinued operations liability			49.8					49.8
Current maturities of long-term debt			277.3					277.3
Total current liabilities	0.2	45.0	371.5	86.2	368.4	434.9		1,306.2
Long-term debt				922.6				922.6
Intercompany accounts payable		83.6		3,344.3			(3,427.9)	
Intercompany notes payable		1,435.7		1,214.6	1,742.3	3,781.7	(8,174.3)	
Long-term discontinued operations liability			747.2					747.2
Other long-term liabilities			44.4	131.2	58.3	164.9		398.8
Total liabilities	0.2	1,564.3	1,163.1	5,698.9	2,169.0	4,381.5	(11,602.2)	3,374.8
Common stock	1.7							1.7
Subsidiary preferred stock						325.5	(325.5)	
Subsidiary common stock		3.1				285.4	(288.5)	
Capital in excess of par value	2,587.4	3,270.5		752.3	1,490.3	2,184.0	(10,284.5)	
Retained earnings	20.6	1,648.2	83.1	3,014.9	1,537.9	4,823.6	(7,992.6)	3,135.7
Accumulated other non-owner changes in equity	1.2	(133.1)	(125.9)	(255.9)	(27.3)	(276.0)	551.4	(265.6)
Total shareholders	2,610.9	4,788.7	(42.8)	3,511.3	3,000.9	7,342.5	(18,339.7)	2,871.8

equity

Total liabilities
and
shareholders

equity	\$ 2,611.1	\$ 6,353.0	\$ 1,120.3	\$ 9,210.2	\$ 5,169.9	\$ 11,724.0	\$ (29,941.9)	\$ 6,246.6
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Consolidating Balance Sheets
December 31, 2008
(in millions)

	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Cash and cash equivalents	\$	\$	\$ 81.6	\$ 1.3	\$ 175.9	\$	\$ 258.8
Investments			21.9				21.9
Receivables			0.5	521.8	489.1		1,011.4
Inventories				336.2	305.6		641.8
Current discontinued operations receivable		17.5					17.5
Deferred income taxes and other current assets	10.8	24.8	79.6	33.1	98.2		246.5
Total current assets	10.8	42.3	183.6	892.4	1,068.8		2,197.9
Property, plant and equipment, less accumulated depreciation			61.2	324.3	342.7		728.2
Goodwill				1,266.4	1,300.9		2,567.3
Investment in subsidiaries	2,541.5	587.4	4,438.5	1,116.9	2,734.1	(11,418.4)	
Investment in parent			3,532.7		312.7	(3,845.4)	
Intercompany accounts receivable		903.8		1,546.2	1,564.2	(4,014.2)	
Intercompany notes receivable	3,345.0	24.0	1,361.7	0.2	4,028.5	(8,759.4)	
Long-term discontinued operations receivable		174.8					174.8
Deferred income taxes and other noncurrent assets		248.2	(9.0)	(116.5)	374.0		496.7
Total assets	\$ 5,897.3	\$ 1,980.5	\$ 9,568.7	\$ 5,029.9	\$ 11,725.9	\$ (28,037.4)	\$ 6,164.9
Short-term debt	\$	\$	\$	\$	\$ 25.6	\$	\$ 25.6
Accounts payable	42.5	3.1	18.9	207.8	220.2		492.5
Accrued liabilities	6.5	33.0	106.7	255.3	217.2		618.7

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Current discontinued operations liability		50.4					50.4
Current maturities of long-term debt		275.0					275.0
Total current liabilities	49.0	361.5	125.6	463.1	463.0		1,462.2
Long-term debt		2.2	922.1	8.0	0.2		932.5
Intercompany accounts payable	10.6		4,003.6			(4,014.2)	
Intercompany notes payable	1,155.7	851.6	1,217.1	1,742.0	3,793.0	(8,759.4)	
Long-term discontinued operations liability		764.7					764.7
Other long-term liabilities		49.8	62.0	70.0	216.3		398.1
Total liabilities	1,215.3	2,029.8	6,330.4	2,283.1	4,472.5	(12,773.6)	3,557.5
Class A common stock	2.0					(0.3)	1.7
Class B common stock	1.1					(1.1)	
Subsidiary preferred stock					325.5	(325.5)	
Subsidiary common stock					348.6	(348.6)	
Capital in excess of par value	3,365.0		753.9	1,455.0	2,561.0	(8,134.9)	
Retained earnings	1,511.3	94.4	2,778.8	1,342.3	4,381.8	(7,173.2)	2,935.4
Accumulated other non-owner changes in equity	(197.4)	(143.7)	(294.4)	(50.5)	(363.5)	719.8	(329.7)
Total shareholders equity	4,682.0	(49.3)	3,238.3	2,746.8	7,253.4	(15,263.8)	2,607.4
Total liabilities and shareholders equity	\$ 5,897.3	\$ 1,980.5	\$ 9,568.7	\$ 5,029.9	\$ 11,725.9	\$ (28,037.4)	\$ 6,164.9

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Consolidating Statements of Cash Flows
Nine Months Ended September 30, 2009
(in millions)

	Cooper Industries plc	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net cash provided by (used in) operating activities	\$ (0.4)	\$ (28.6)	\$ 23.9	\$ 0.4	\$ 254.3	\$ 388.8	\$	\$ 638.4
Cash flows from investing activities:								
Proceeds from short-term investments				19.1				19.1
Capital expenditures				(15.6)	(26.8)	(28.4)		(70.8)
Cash paid for acquired businesses				(10.7)	(7.9)	(3.2)		(21.8)
Investments in affiliates		(0.1)	(0.2)	(0.2)			0.5	
Loans to affiliates			(3.8)	(261.3)		(1,131.2)	1,396.3	
Repayments of loans from affiliates		0.1		375.8		841.4	(1,217.3)	
Dividends from affiliates				107.9	42.5	8.0	(158.4)	
Proceeds from sales of property, plant and equipment						1.4		1.4
Net cash provided by (used in) investing activities			(4.0)	215.0	7.8	(312.0)	21.1	(72.1)
Cash flows from financing activities:								
Debt issuance costs				(1.7)				(1.7)
Repayments of debt					(8.0)	(16.6)		(24.6)
		1,313.0		47.6		35.7	(1,396.3)	

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Borrowings from affiliates								
Repayments of loans to affiliates		(1,105.8)		(47.5)		(64.0)		1,217.3
Other intercompany financing activities	0.1	76.5	(19.9)	185.7	(253.5)	11.1		(125.7)
Dividends		(125.7)						(125.7)
Dividends paid to affiliates		(107.6)				(50.8)		158.4
Purchases of common shares		(26.0)						(26.0)
Excess tax benefits from stock options and awards				(1.6)		0.5		(1.6)
Issuance of stock							(0.5)	
Proceeds from exercise of stock options and other	0.3	4.2						4.5
Net cash provided by (used in) financing activities	0.4	28.6	(19.9)	182.5	(261.5)	(84.1)	(21.1)	(175.1)
Effect of exchange rate changes on cash and cash equivalents						8.4		8.4
Increase in cash and cash equivalents				397.9	0.6	1.1		399.6
Cash and cash equivalents, beginning of period				81.6	1.3	175.9		258.8
Cash and cash equivalents, end of period	\$	\$	\$	\$ 479.5	\$ 1.9	\$ 177.0	\$	\$ 658.4

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Consolidating Statements of Cash Flows
Nine Months Ended September 30, 2008
(in millions)

	Cooper Industries, Ltd.	Cooper Industries, LLC	Cooper US, Inc.	Guarantors	Other Subsidiaries	Consolidating Adjustments	Total
Net cash provided by (used in) operating activities	\$ (29.5)	\$ (17.7)	\$ (26.8)	\$ 159.0	\$ 484.8	\$	\$ 569.8
Cash flows from investing activities:							
Proceeds from short-term investments			56.4				56.4
Proceeds from cash restricted for business acquisitions					290.1		290.1
Capital expenditures			(11.9)	(37.4)	(46.2)		(95.5)
Cash paid for acquired businesses					(270.8)		(270.8)
Investments in affiliates			(18.0)	(3.3)		21.3	
Loans to affiliates	(189.8)		(568.2)		(751.3)	1,509.3	
Repayments of loans from affiliates	346.8	1.8	358.4	0.1	590.4	(1,297.5)	
Dividends from affiliates			96.1		8.0	(104.1)	
Proceeds from sales of property, plant and equipment and other			(3.3)	0.6	1.8		(0.9)
Net cash provided by (used in) investing activities	157.0	1.8	(90.5)	(40.0)	(178.0)	129.0	(20.7)
Cash flows from financing activities:							
Proceeds from issuance of debt			297.6				297.6
Debt issuance costs			(0.6)				(0.6)
Proceeds from debt derivatives			0.5				0.5
Repayments of debt		(100.0)	(218.7)		(61.3)		(380.0)
Borrowings from affiliates	1,083.7 (850.9)	151.5	42.6 (97.5)	3.2 (3.0)	228.3 (346.1)	(1,509.3) 1,297.5	

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Repayments of loans to affiliates							
Other intercompany financing activities	(2.2)	(34.2)	325.1	(114.8)	(187.1)	13.2	
Dividends	(126.9)						(126.9)
Dividends paid to affiliates	(104.1)					104.1	
Purchase of common shares	(141.6)		(183.6)				(325.2)
Excess tax benefits from stock options and awards			8.6				8.6
Issuance of stock					21.3	(21.3)	
Proceeds from exercise of stock options and other	13.2		17.0			(13.2)	17.0
Net cash provided by (used in) financing activities	(128.8)	17.3	191.0	(114.6)	(344.9)	(129.0)	(509.0)
Effect of exchange rate changes on cash and cash equivalents					(12.2)		(12.2)
Increase (decrease) in cash and cash equivalents	(1.3)	1.4	73.7	4.4	(50.3)		27.9
Cash and cash equivalents, beginning of period	1.3		23.1	(1.1)	209.5		232.8
Cash and cash equivalents, end of period	\$	\$ 1.4	\$ 96.8	\$ 3.3	\$ 159.2	\$	\$ 260.7

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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 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. These statements are not historical facts but instead represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of our control. It is possible that our actual results and financial condition may differ, possibly materially, from the anticipated results and the financial condition indicated in these forward-looking statements. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: market and economic conditions, competitive pressures, volatility of raw material prices, our ability to develop and introduce new products, our ability to implement revenue growth plans and cost-reduction programs, mergers and acquisitions and their implementations, implementation of manufacturing rationalization programs, changes in legislation and regulations (including changes in tax laws, tax treaties or tax regulations), changes in financial markets including currency exchange rate fluctuations, and our ability to resolve potential liabilities and insurance recoveries resulting from Pneumo-Abex related asbestos claims.

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 II 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.

Recent Developments

In June 2009, our Board of Directors approved moving Cooper's place of incorporation from Bermuda to Ireland. This move is part of a reorganization that created a newly formed Irish company, Cooper Industries plc. We completed the first step in this reorganization by establishing our tax residency in Ireland in December 2008. At a Special Shareholders Meeting on August 31, 2009, shareholders voted in favor of completing the reorganization pursuant to which all Cooper Industries, Ltd. Class A common shares held by public shareholders would be cancelled and all holders of such shares would receive ordinary shares of Cooper Industries plc on a one-for-one basis. The reorganization transaction was completed on September 8, 2009, following approval from the Supreme Court of Bermuda, at which time Cooper Industries plc replaced Cooper Industries, Ltd. as the ultimate parent company. On October 19, 2009, the Irish High Court approved the reduction of share premium (similar to additional paid-in-capital) to establish distributable reserves on the unconsolidated balance sheet of Cooper Industries plc. The establishment of distributable reserves was required to enable the Company to pay dividends and repurchase shares in the future.

We believe incorporating in Ireland offers increased strategic flexibility and operational benefits as we continue to expand the growing international portion of our business. We do not expect the reorganization will have any material impact on our financial results. Shares of the Irish company, Cooper Industries plc,

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began trading on the New York Stock Exchange on September 9, 2009 under the symbol **CBE**, the same symbol under which Cooper Industries, Ltd. shares were previously traded. Cooper Industries plc will remain subject to the U.S. Securities and Exchange Commission reporting requirements, the mandates of the Sarbanes-Oxley Act and applicable corporate governance rules of the New York Stock Exchange.

Results of Operations**Three Months Ended September 30, 2009 Compared With Three Months Ended September 30, 2008**

Income from continuing operations for the third quarter of 2009 was \$114.3 million on revenues of \$1,286.4 million compared with 2008 third quarter income from continuing operations of \$189.2 million on revenues of \$1,727.7 million. Third quarter 2009 diluted earnings per share decreased 37% to \$.68 from \$1.08 in 2008. During the third quarter of 2009, reported income from continuing operations was reduced by restructuring charges of \$6.5 million or \$.03 per share. The third quarter 2009 results included discrete tax adjustments that increased earnings per share from continuing operations by \$.01 per share. During the third quarter of 2008, tax benefits from settlements and other discrete tax adjustments increased earnings per share from continuing operations by \$.11 per share.

Revenues:

Revenues for the third quarter of 2009 decreased 25.5% compared to the third quarter of 2008. The impact of currency translation decreased reported revenues by 2.0% for the quarter.

Electrical Products segment revenues decreased 24.8% compared to the third quarter of 2008. The impact of unfavorable currency translation decreased reported revenues by 1.8% and acquisitions increased reported revenues 0.1% for the quarter. The global recession resulted in weakness in all markets for the Electrical Products segment, especially the North American and Western European markets when comparing results to the prior year.

Tools segment revenues for the third quarter of 2009 decreased 31.0% from the third quarter of 2008. Unfavorable currency translation decreased revenues by 3.2% over the third quarter of 2008. Lower revenues from declining retail market activity, weaker demand in the North American and Western European industrial markets and lower requirements for assembly systems for the light passenger vehicle markets drove the reduction in revenue compared to prior year results.

Costs and Expenses:

Cost of sales, as a percentage of revenues, was 68.1% for the third quarter of 2009 compared to 67.7% for the comparable 2008 quarter. The increase in the cost of sales percentage primarily resulted from negative leverage on fixed costs due to lower demand for products.

Electrical Products segment cost of sales, as a percentage of revenues, was 67.7% for the third quarter of 2009 compared to 67.5% for the third quarter of 2008. The increase in cost of sales as a percentage of revenues in comparison to the prior year third quarter was primarily due to negative leverage of fixed costs from reduced demand due to the global market slowdown. Tools segment cost of sales, as a percentage of revenues, was 72.9% for the third quarter of 2009 compared to 69.0% for the third quarter of 2008. The increase in the cost of sales percentage was primarily driven by unfavorable leverage of fixed costs due to lower production volumes.

Selling and administrative expenses, as a percentage of revenues, for the third quarter of 2009 was 19.5% compared to 17.8% for the third quarter of 2008. Selling and administrative expenses were reduced by \$56.7 million in the third quarter 2009 when compared to the same prior year period. The increase in percentage is reflective of the reduced revenue levels offset by cost reduction actions taken to align the overall selling and administrative expenses with current and projected market demand.

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Electrical Products segment selling and administrative expenses, as a percentage of revenues for the third quarter of 2009, was 17.2% compared to 16.1% for the third quarter of 2008. The increase in the percentage reflects the impact of 25% lower comparable revenue levels for the third quarter 2009 which was partially offset by cost reduction actions taken to adjust segment selling and administrative expenses to global market conditions.

Tools segment selling and administrative expenses, as a percentage of revenues for the third quarter of 2009, was 22.3% compared to 19.1% for the third quarter of 2008. The increase in selling and administrative expenses, as a percentage of revenues, was driven by the 31% reduction in comparable third quarter 2009 revenues partially offset by cost reduction actions implemented for the segment.

Net interest expense in the third quarter of 2009 decreased \$1.4 million from the 2008 third quarter, primarily as a result of lower average debt balances. Average debt balances were \$1.21 billion and \$1.33 billion and average interest rates were 5.37% and 5.18% for the third quarter of 2009 and 2008, respectively.

Operating Earnings:

Electrical Products segment third quarter 2009 operating earnings decreased 31% to \$173.5 million from \$249.7 million for the same quarter of last year. The decrease resulted from the reduced global market demand and adjustments to production volumes to align with the current market demand. The Electrical Products segment continues its investment in productivity initiatives which include manufacturing productivity improvements, product redesign and selling and administrative expense reductions to improve operating earnings in addition to continuing review of additional restructuring actions.

Tools segment third quarter 2009 operating earnings was \$6.8 million compared to operating earnings of \$24.1 million in the third quarter of 2008. The decrease resulted from the impact of lower unit volumes and curtailment of production volumes to forecasted market demand. The Tools segment continues its investment in productivity initiatives to improve operating earnings in addition to continuing review of additional restructuring actions.

General Corporate expense decreased \$2.4 million to \$21.5 million during the third quarter of 2009 compared to \$23.9 million during the same period of 2008. The decrease primarily relates to lower stock compensation expense and actions taken to reduce General Corporate expense in response to the reduced global market demand for Cooper products. General Corporate expense for the third quarter 2009 included \$2.8 million in costs associated with the reincorporation of the Company to Ireland.

Restructuring and Asset Impairment Charges:

In the third quarter of 2009, Cooper recorded a pre-tax restructuring charge of \$5.7 million primarily for severance costs as a result of management's on-going assessment of its operational cost structure in consideration of the continued challenging market conditions and anticipated future market levels. An incremental total of 440 hourly and 126 salary positions are being eliminated as a result of the third quarter 2009 restructuring actions to reduce Cooper's workforce. The third quarter 2009 also includes a non-cash impairment charge of \$0.8 million related to certain facility closures. See Note 2 of the Notes to the Consolidated Financial Statements.

Income Taxes:

The effective tax rate was 16.2% for the three months ended September 30, 2009 and 18.7% for the three months ended September 30, 2008. Cooper reduced income taxes expense by \$1.2 million and \$18.3 million in the three months ended September 30, 2009 and 2008, respectively, for discrete tax items primarily related to statute expirations, state tax settlements, and foreign taxes. Excluding the discrete tax items, Cooper's effective tax rate for the three months ended September 30, 2009 and 2008 was 17.1% and

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26.5%. This decrease is primarily related to lower earnings in 2009 without a corresponding decrease in projected tax benefits.

Nine Months Ended September 30, 2009 Compared With Nine Months Ended September 30, 2008

Income from continuing operations for the nine months ended September 30, 2009 was \$284.8 million on revenues of \$3,813.0 million compared with income from continuing operations of \$504.5 million on revenues of \$4,998.1 million during the comparable 2008 period. Diluted earnings per share from continuing operations were \$1.69 in 2009 compared to \$2.85 in 2008. During the nine months ended September 30, 2009, income from continuing operations was reduced by restructuring charges of \$25.7 million or \$.13 per share. Income from continuing operations for the nine months ended September 30, 2009 was favorably impacted by discrete tax items primarily related to foreign taxes which improved earnings by \$.06 per share. During the nine months ended September 30, 2008, income from continuing operations was reduced by restructuring charges of \$7.6 million or \$.03 per share. Discrete tax items for the nine months ended September 30, 2008 favorably impacted earnings by \$.13 per share.

Revenues:

Revenues for the nine months ended September 30, 2009 decreased 23.7% compared to the same period in 2008. The impact of acquisitions increased comparable revenues in 2009 by 0.7% with currency translation decreasing 2009 revenues by 3.3%.

Electrical Products segment revenues for the nine months ended September 30, 2009 decreased 22.5% compared to the same period in 2008. The impact of acquisitions increased revenue by 0.7% and currency translation had a 3.0% unfavorable effect on revenues in the nine months ended September 30, 2009. Revenue declines were a result of the global recession in all markets for the Electrical Products segment, especially for distribution channels impacted by the overall reduced demand and actions taken by distributors to reduce the inventory levels in the channel.

Tools segment revenues for the nine months ended September 30, 2009 decreased 32.7% compared to the same period in 2008. Unfavorable currency translation impact was 5.4% on revenues in 2009. Revenues declined as the segment continued to see weak global demand in all markets.

Costs and Expenses:

Cost of sales, as a percentage of revenues, was 69.4% for the nine months ended September 30, 2009 compared to 67.0% for the comparable 2008 period. The increase in the cost of sales percentage primarily resulted from negative leverage on fixed costs due to lower demand for products and production curtailments to reduce overall inventory levels to align with slowing market demands.

Electrical Products segment cost of sales, as a percentage of revenues, was 68.8% for the nine months ended September 30, 2009 compared to 66.6% for the comparable period in 2008. The increase in cost of sales as a percentage of revenues in comparison to the prior year period was primarily due to negative leverage of fixed costs from the 23% decline in revenues due to the global market slowdown and actions taken to adjust production inventory levels to current lower market conditions.

Tools segment cost of sales, as a percentage of revenues, was 75.2% for the nine months ended September 30, 2009 compared to 69.6% for the same period of 2008. The increase in the cost of sales percentage was driven by unfavorable leverage of fixed costs due to lower production volumes and further actions taken to adjust inventory levels to market conditions.

Selling and administrative expenses, as a percentage of revenues, for the nine months ended September 30, 2009 was 19.9% compared to 18.5% for the same 2008 period. Selling and administrative expenses were reduced by \$166.3 million in the first nine months of 2009 when compared to the same prior year period. The increase in the percentage is reflective of the reduced revenue levels offset partially by cost

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reduction actions taken to align the overall selling and administrative expenses with current and projected market demand.

Electrical Products segment selling and administrative expenses, as a percentage of revenues, for the nine months ended September 30, 2009 was 17.5% compared to 16.8% for the same period in 2008. The increase in the percentage reflects the impact of 23% lower comparable revenue levels in 2009 which was partially offset by cost reduction actions taken to adjust segment selling and administrative expenses to global market conditions.

Tools segment selling and administrative expenses, as a percentage of revenues, for the nine months ended September 30, 2009 was 23.4% compared to 19.8% for the same 2008 period. The increase in selling and administrative expenses, as a percentage of revenues, was driven by the 33% reduction in comparable revenues partially offset by cost reduction actions implemented for the segment.

Net interest expense for the nine months ended September 30, 2009 decreased \$3.1 million from the comparable 2008 period primarily as a result of lower average debt balances partially offset by higher average borrowing rates and lower interest earned on cash invested. Average debt balances were \$1.22 billion and \$1.39 billion and average interest rates were 5.35% and 5.16% for the nine months ended September 30, 2009 and 2008, respectively.

Operating Earnings:

Electrical Products segment operating earnings of \$467.0 million for the nine months ended September 30, 2009 decreased 36% from the operating earnings of \$732.2 million for the same period of last year. The decrease primarily resulted from the reduced global market demand and adjustments to production volumes to align with the lower market demand.

Tools segment operating earnings was \$5.8 million in the nine months ended September 30, 2009 compared to operating earnings of \$63.6 million in the same period of 2008. The decrease resulted from the impact of lower unit volumes and further curtailment of production volumes to adjust inventory levels to current and forecasted market demand.

General Corporate expense decreased \$6.0 million to \$63.5 million during the nine months ended September 30, 2009 compared to \$69.5 million during the same period of 2008. The decrease primarily relates to lower stock and incentive compensation expense and actions taken to reduce General Corporate expense in response to the reduced global market demand for Cooper products. General Corporate expense for the nine months ended September 30, 2009 includes \$3.0 million in costs associated with the reincorporation of the Company to Ireland.

Restructuring and Asset Impairment Charges:

At December 31, 2008, Cooper had an accrual of \$29.7 million for future cash expenditures related to its fourth quarter 2008 restructuring actions. The fourth quarter 2008 restructuring actions included the elimination of 1,314 hourly and 930 salaried positions.

During the nine months ended September 30, 2009, Cooper recorded pre-tax restructuring and asset impairment charges of \$25.7 million related to additional employment reductions and certain facility closures as a result of management's on-going assessment of its hourly and salary workforce and its required production capacity in consideration of current and anticipated market conditions and demand levels. An incremental total of 999 hourly and 694 salary positions are being eliminated as a result of the 2009 restructuring actions to reduce Cooper's workforce.

During the nine months ended September 30, 2009, Cooper expended \$26.9 million in cash related to its fourth quarter 2008 restructuring actions and an additional \$19.1 million for the actions taken in 2009.

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At September 30, 2009, Cooper has an accrual for future cash expenditures related to the restructuring actions of \$8.6 million. The related cash payments will be substantially completed in the first half of 2010.

As part of the restructuring actions, Cooper has approved the closure of ten factories and warehouses, six of which have been completed as of September 30, 2009. Cooper has recorded non-cash impairment charges of \$0.8 million related to these actions. Of the remaining facility closures, two are expected to be completed by the end of 2009 with the remaining two factory closures expected to be substantially completed in the first half of 2010. Cooper expects to incur incremental restructuring charges in the range of approximately \$8 to \$15 million associated with the completion of planned restructuring activities as the actions are implemented over the next year. See Note 2 of the Notes to the Consolidated Financial Statements.

Cooper estimates the restructuring actions taken in the fourth quarter of 2008 and during the nine months ended September 30, 2009 have reduced operating costs by approximately \$59 million in 2009 and anticipates these actions will reduce operating costs by approximately \$24 million during the remainder of 2009. Cooper expects to realize approximately \$13 million of sequential benefits in 2010 from the restructuring actions taken to date.

Income Taxes:

The effective tax rate was 15.3% for the nine months ended September 30, 2009 and 24.5% for the nine months ended September 30, 2008. Cooper reduced income taxes expense by \$9.6 million and \$22.9 million in the nine months ended September 30, 2009 and 2008, respectively, for discrete tax items primarily related to statute expirations, state tax settlements and foreign taxes. Excluding the impacts of the discrete items, Cooper's effective tax rate would have been 18.2% and 28.0% for the nine months ended September 30, 2009 and 2008, respectively. The decrease in Cooper's 2009 effective tax rate compared to 2008, adjusted for the aforementioned discrete items, is primarily related to a decrease in 2009 earnings without a corresponding decrease in projected tax benefits.

Income Related to Discontinued Operations:

During the nine months ended September 30, 2009, Cooper recognized an after tax gain from discontinued operations of \$25.5 million, which is net of a \$16.2 million income tax expense (or \$.15 per diluted share) related to its asbestos liability regarding the Automotive Products segment, which was sold in 1998. The income resulted from negotiated insurance settlements consummated in 2009 that were not previously recognized. Cooper believes that it is likely that additional insurance recoveries will be recorded in the future as new insurance-in-place agreements are consummated or settlements with insurance carriers are completed. The timing and value of these agreements and settlements cannot be currently estimated as they may be subject to extensive additional negotiation and litigation. See Note 16 of the Notes to the Consolidated Financial Statements.

Liquidity and Capital Resources

Liquidity:

Cooper's operating working capital (defined as receivables and inventories less accounts payable) decreased \$210.2 million during the nine months ended September 30, 2009. A \$135.6 million decrease in receivables and a \$139.1 million decrease in inventories, partially offset by a \$64.5 million decrease in accounts payable, were driven primarily by a 24% decrease in sales and aggressive actions to right size Cooper's businesses for current market conditions. Cooper's operating working capital at September 30, 2009 was approximately 28% lower than at September 30, 2008 as operating working capital levels have been adjusted to the current lower operating levels. Operating working capital turnover (defined as annualized revenues divided by average quarterly operating working capital) for the third quarter of 2009 was 5.2 turns as compared to 5.1 turns for the same period of 2008.

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Cash provided by operating activities was \$638.4 million during the nine months ended September 30, 2009. This cash, plus \$19.1 million from redemption of short-term investments and \$4.5 million of cash received from stock option exercises significantly exceeded the funds utilized to fund capital expenditures of \$70.8 million, acquisitions of \$21.8 million, dividends of \$125.7 million, debt repayments of \$24.6 million and share purchases of \$26.0 million. Cash provided by operating activities in 2009 is net of a \$25 million voluntary contribution to the U.S. defined benefit pension plan.

Cash provided by operating activities was \$569.8 million during the nine months ended September 30, 2008. This cash, plus \$297.5 million of net proceeds from issuances of debt, \$290.1 million of proceeds from cash previously restricted, \$56.4 million from redemption of short-term investments and \$17.0 million of cash received from stock option exercises was primarily used to fund capital expenditures of \$95.5 million, acquisitions of \$270.8 million, dividends of \$126.9 million, debt repayments of \$380.0 million and share purchases of \$325.2 million.

As discussed in Note 16 of Notes to the Consolidated Financial Statements, Cooper's contingent liabilities related to the Automotive Products sale to Federal-Mogul in 1998 will continue to be resolved through the tort system. Cooper anticipates that the annual cash outlay for its potential asbestos liability, net of insurance recoveries, will average in the range of \$20 to \$30 million, although the amounts will vary as the amount of the actual net cash outlay is not reasonably predictable. In 2009, insurance recoveries will likely exceed cash outlays.

Cooper's financial position and liquidity has remained strong during the global economic recession. It is likely that most markets that Cooper services will continue to have weak demand in the near term. While the length and depth of the recession and a recovery are not predictable, Cooper is proactively adjusting our cost structure. In this regard, in the fourth quarter of 2008, Cooper implemented contingency plans to reduce our cost structure and recognized a restructuring charge of \$35.7 million primarily related to reductions in our workforce in excess of 2,200 employees. During the nine months ended September 30, 2009, Cooper further reduced its workforce by approximately 1,700 additional employees and recognized restructuring charges of \$24.9 million. Cash flows from operating activities for the nine months ended September 30, 2009 have been reduced by the \$46.0 million expended in connection with the restructuring actions. At September 30, 2009, Cooper had an \$8.6 million accrual related to these activities for which the related cash payments will be substantially completed in the first half of 2010. As part of the restructuring actions, Cooper has approved the closure of ten factories and warehouses, six of which have been completed at the end of the third quarter 2009. Of the remaining facility closures, two are expected to be completed by the end of 2009 with the remaining two factory closures expected to be substantially completed in the first half of 2010. Cooper expects to incur incremental restructuring charges in the range of approximately \$8 to \$15 million associated with the completion of planned restructuring activities as the actions are implemented over the next year, with approximately \$7 million expected during the fourth quarter of 2009. See Note 2 of the Notes to the Consolidated Financial Statements for further information.

On November 2, 2009, Cooper repaid the \$275 million 5.5% senior unsecured notes at maturity with existing cash. Cooper currently anticipates that it will annually generate in excess of \$600 million in cash flow available for acquisitions, debt repayments, dividends and common stock repurchases during 2009.

Capital Resources:

Cooper targets a 30% to 40% debt-to-total capitalization ratio. Excess cash flows are utilized to fund acquisitions or to purchase shares of Cooper common stock. Cooper's debt-to-total capitalization ratio was 29.6% at September 30, 2009, 32.1% at December 31, 2008 and 29.6% at September 30, 2008.

At September 30, 2009 and December 31, 2008, Cooper had cash and cash equivalents of \$658.4 million and \$258.8 million, respectively and short-term investments of \$3.6 million and \$21.9 million, respectively. At September 30, 2009 and December 31, 2008, Cooper had short-term debt of \$9.4 million and \$25.6 million, respectively.

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On August 14, 2009 Cooper entered into a credit agreement that provides a \$350 million three-year committed bank credit facility that replaces Cooper's previous credit facility that was to mature in November 2009. Cooper's practice is to back up its short-term debt balance with a combination of cash, cash equivalents, and committed credit facilities. At September 30, 2009, Cooper has a \$350 million committed credit facility that matures in August 2012. Short-term debt, to the extent not backed up by cash or short-term investments, reduces the amount of additional liquidity provided by the committed credit facility.

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 principal financial covenants in the agreement limits Cooper's debt-to-total capitalization ratio to 60% and requires Cooper to maintain a minimum earnings before interest expense, income taxes, depreciation and amortization to interest ratio of 3 to 1. 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 facilities to provide short-term funding. The committed credit facilities do not contain any provision which makes their availability to Cooper dependent on Cooper's credit ratings.

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, 2008. No significant changes have occurred to those policies except our adoption of the revisions to ASC Topic 805, *Business Combinations* effective January 1, 2009. The revisions provide enhanced guidance related to the measurement of identifiable assets acquired, liabilities assumed and disclosure of information related to business combinations. Cooper implemented the revised guidance prospectively to business combinations completed on or after January 1, 2009. See Note 1 of the Notes to the Consolidated Financial Statements.

Cooper had goodwill of \$2.64 billion and \$2.57 billion at September 30, 2009 and December 31, 2008, respectively. Cooper records goodwill related to business acquisitions when the purchase price exceeds the fair value of identified assets and liabilities acquired. Goodwill is subject to an annual impairment test and Cooper has designated January 1 as the date of this test. If an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying value, an interim impairment test would be performed between annual tests. Cooper has identified eight reporting units for which goodwill is tested for impairment.

Goodwill impairment is evaluated using a two-step process. The first step of the goodwill impairment test compares the fair value of a reporting unit with its carrying value. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test shall be performed. The second step compares the implied fair value of the reporting unit's goodwill to the carrying amount of its goodwill to measure the amount of impairment loss. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (e.g., the fair value of the reporting unit is allocated to all of the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit).

The primary technique we utilize in estimating the fair value of our reporting units is discounted cash flow analysis. Discounted cash flow analysis requires us to make various judgments, estimates and assumptions, many of which are interdependent, about future sales, operating margins, growth rates, capital expenditures, working capital and discount rates. In addition to estimating the fair value of each of our reporting units using discounted cash flow analysis, we compare the sum of the fair values of our reporting units that resulted from the discounted cash flow analysis to our market capitalization to determine that our estimates of reporting unit fair value are reasonable.

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The starting point for the assumptions used in our discounted cash flow analysis is the annual long range financial forecast. The annual planning process that we undertake to prepare the long range financial forecast takes into consideration a multitude of factors including historical growth rates and operating performance, related industry trends, macroeconomic conditions, inflationary and deflationary forces, pricing strategies, customer analysis, operational issues, competitor analysis, customer needs and marketplace data, among others. Assumptions are also made for perpetual growth rates for periods beyond the long range financial forecast period. Our estimates of fair value are sensitive to changes in all of these variables, certain of which relate to broader macroeconomic conditions outside our control.

The long range financial forecast is typically completed early in the fourth quarter of each year, and it serves as the primary basis for our estimate of reporting unit fair values used in our annual impairment tests, absent significant changes in our outlook on future results. In the fourth quarter of 2008, the global financial and credit crisis and economic slowdown impacted the near-term outlook for the majority of our businesses. As a result, we revised the operating plans and discounted cash flows included in our initial long range financial forecast for each reporting unit to reflect our most current assessment of estimated fair value for purposes of the January 1, 2009 goodwill impairment test.

In determining the fair value of our reporting units at January 1, 2009, we were required to make significant judgments and estimates regarding the expected severity and duration of the current economic slowdown. We forecasted revenues for Electrical Products reporting units to decline in 2009 in the range of 1% to 16% with an average reduction of 11%. We forecasted Tools revenues to decline in 2009 by 24%. The forecast assumptions for 2010 anticipate a recovery to begin in certain markets and realization of certain benefits from cost reduction actions taken in late 2008 and early 2009 to reduce our overall cost structure. Our forecasted revenue amounts in 2011 are approximately 7% above the actual 2008 revenue levels for Electrical Products and approximately 4% lower than 2008 for Tools. In developing our forecast, we considered the historical operating results achieved in each of our businesses. Over the three year period through 2008, Electrical Products revenues increased annually in the range of 11% to 15%. Tools revenues increased approximately 4% in 2006 and 5% in 2007 and declined approximately 4% in 2008. During the three year period through 2008, Cooper achieved compounded annual growth in earnings from continuing operations of over 15% (2006 24%; 2007 20%; 2008 8%) and free cash flow in excess of earnings from continuing operations.

We estimate a 3% annual growth rate beyond 2011 to arrive at a normalized residual year representing the perpetual cash flows of each reporting unit. The forecasted 3% annual growth rate is less than Cooper's historical annual growth rate achieved in the prior three and five year periods through 2008. The residual year cash flow was capitalized to arrive at the terminal value of the reporting units. Utilizing a discount rate of 11% for each reporting unit, the present value of the cash flows during the projection period and terminal value were aggregated to estimate the fair value of the reporting units. We assumed a discount rate of 11% in our discounted cash flow analysis at January 1, 2009 compared to a 10% discount rate used at January 1, 2008. In determining the appropriate discount rate, we considered the weighted average cost of capital for comparable companies.

Due to the effects of the current economic slowdown on our operations, we determined that, although the estimated fair value significantly exceeded the carrying value for each of our reporting units as of January 1, 2009, the margin by which the estimated fair value exceeded carrying value was smaller than the prior year. If the current economic downturn worsens or does not recover as we have projected, the estimated fair values of our reporting units could decrease.

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The following table provides information for each of Cooper's eight reporting units.

\$ in millions

Reporting Unit	Goodwill at 12/31/07 (2)	Fair Value in Excess of Carrying Value at 1/1/08 (1)	Goodwill at 12/31/08 (2)	Fair Value in Excess of Carrying Value at 1/1/09 (1)	Percentage Reduction Required to Reduce 1/1/09 Estimated Fair Value to Carrying Value
B-Line	\$ 319.8	39%	\$ 303.4	88%	47%
Bussmann	337.3	117%	337.8	65%	39%
Crouse-Hinds	213.0	372%	362.8	192%	66%
Lighting	367.8	124%	362.1	93%	48%
Wiring Devices	81.7	144%	82.7	72%	42%
Power Systems	429.3	201%	443.1	85%	46%
Safety	484.2	48%	374.0	35%	26%
Tools	307.2	107%	301.4	35%	26%

(1) Expressed as a percentage of carrying value.

(2) There were no changes in the allocation of goodwill between reporting units. The changes in goodwill are due to the effect of acquisitions and translation.

In addition to estimating the fair value of each of our reporting units using the discounted cash flow analysis as described above, we compared the sum of the fair values of our reporting units that resulted from the discounted cash flow analysis to our market capitalization to determine that our estimates of reporting unit fair value were reasonable. As of December 31, 2008, our equity market capitalization was approximately \$5.1 billion, compared to the \$2.6 billion book value of equity.

The above table reflects the percentage reduction in estimated fair value required to reduce the January 1, 2009 fair value estimates to the respective reporting unit's carrying value. To evaluate the sensitivity of the fair value calculations and to address the uncertainty inherent in estimating the fair values of our reporting units, we applied a range of discount rates and long-term cash flow growth assumptions. Discount rates applied ranged from 9% to 13% with long-term cash flow growth assumptions ranging from 2% to 4%. Under this range of assumptions, only one

scenario would reduce the fair value of a reporting unit below its carrying value (with the fair value approximately 1% below its carrying value). If the current economic downturn worsens or the projected recovery is significantly delayed beyond our projections, it is possible the estimated fair values of certain reporting units could decrease such that the second step of the goodwill impairment test must be completed.

There are significant inherent uncertainties and management judgment involved in estimating the fair value of each reporting unit. While we believe we have made reasonable estimates and assumptions to estimate the fair value of our reporting units, it is possible that a material change could occur. If actual results are not consistent with our current estimates and assumptions, or if changes in macroeconomic conditions outside the control of management change such that it results in a significant negative impact on our estimated fair values, we may be required to perform the second step of the impairment test for one or more of our reporting units, which could result in a material impairment of our goodwill.

Table of Contents**Off-Balance Sheet Arrangements and Aggregate Contractual Obligations**

As of September 30, 2009, there have been no material changes to Cooper's off-balance sheet arrangements and contractual obligations as described in its Annual Report on Form 10-K for the year ended December 31, 2008.

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,	
	2009	2008
	(in millions)	
Electrical Products	\$ 545.0	\$ 773.9
Tools	56.8	83.2
	\$ 601.8	\$ 857.1

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****Discontinued Operations Liability**

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

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Other Matters

Cooper and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss 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, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our 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. The Company has 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 too early to determine whether any fines or penalties may be assessed against the Company.

Item 1A. Risk Factors

Please refer to the Risk Factors section in our Annual Report on Form 10-K for discussion of risks to which our business, financial condition, results of operations and cash flows are subject. Other than as set forth below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Risks relating to Cooper's change in its jurisdiction of incorporation from Bermuda to Ireland.

Legislative and regulatory action could materially adversely affect us.

Legislative and regulatory action may be taken in the U.S. which, if ultimately enacted, could override tax treaties upon which we rely or broaden the circumstances under which we would be considered a U.S. resident, each of which could materially and adversely affect our effective tax rate and/or require us to take further action, at potentially significant expense, to seek to preserve our effective tax rate. We cannot predict the outcome of any specific legislative or regulatory proposals. However, if proposals were enacted that had the effect of disregarding the reincorporation to Ireland or limiting our ability as an Irish company to take advantage of tax treaties with the U.S., we could be subjected to increased taxation and/or potentially significant expense.

The U.S. Federal Government and certain states and municipalities have enacted legislation intended to deny federal funding and government contracts to U.S. companies that reincorporate outside the U.S. For instance, the Financial Services and General Government Appropriations Act for fiscal year 2008 signed into law in December 2007 includes a provision that prohibits government contracts with U.S. companies that have reincorporated outside the United States. We cannot provide any assurance that the impact on us of any adopted or proposed legislation in this area will not be materially adverse to our operations.

In addition, there continues to be negative publicity regarding, and criticism of, companies that conduct substantial business in the U.S. but are domiciled in countries that do not have tax treaties with the United States, like Bermuda. We cannot assure you that moving our jurisdiction of incorporation to Ireland will eliminate the risk that we may be subject to similar criticism.

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The reincorporation to Ireland may not allow us to maintain a competitive worldwide effective corporate tax rate.

We believe that the reincorporation should improve our ability to maintain a competitive worldwide effective corporate tax rate. We cannot give any assurance as to what our effective tax rate will be after the reincorporation, however, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from this expectation and that variance may be material. Additionally, the tax laws of Ireland and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

After the reincorporation, a transfer of Cooper Industries plc shares may be subject to Irish stamp duty.

A transfer of Cooper Industries plc shares from a seller who holds shares beneficially to a buyer who holds the acquired shares beneficially will not be subject to Irish stamp duty. A transfer of Cooper Industries plc shares by a seller who holds shares directly to any buyer, or by a seller who holds the shares beneficially to a buyer who holds the acquired shares directly, may be subject to Irish stamp duty (currently at the rate of 1% of the price paid or the market value of the shares acquired, if higher) payable by the buyer.

We currently intend to pay stamp duty in connection with share transfers made in the ordinary course of trading by a seller who holds shares directly to a buyer who holds the acquired shares beneficially. In other cases Cooper may, in its absolute discretion, pay any stamp duty. Cooper Industries plc's articles of association provide that, in the event of any such payment, Cooper Industries plc may seek reimbursement from the buyer or seller, at its discretion.

Following Cooper Industries' change in tax residency in December 2008, dividends received by shareholders may be subject to Irish dividend withholding tax whether or not the reincorporation is completed.

In certain circumstances, Cooper Industries will be required to deduct Irish dividend withholding tax (currently at the rate of 20%) from dividends paid to its shareholders. Irish withholding tax (if any) arises in respect of dividends paid after Cooper Industries' establishment of tax residency in Ireland, which occurred in December 2008. In the majority of cases, shareholders resident in the U.S. will not be subject to Irish withholding tax, and shareholders resident in a number of other countries will not be subject to Irish withholding tax provided that they complete certain Irish dividend withholding tax forms.

Table of Contents**Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

The following table reflects activity related to equity securities purchased by Cooper during the three months ended September 30, 2009:

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 6/30/09				12,766,635
7/01/09 7/31/09		\$		12,766,635
8/01/09 8/31/09		\$		12,766,635
9/01/09 9/30/09		\$		12,766,635 ⁽²⁾
Total		\$		

⁽¹⁾ On February 12, 2008, Cooper's Board of Directors authorized the repurchase of up to ten million shares of Cooper common stock. On February 9, 2009, Cooper announced that the Board of Directors authorized the repurchase of ten million shares of common stock in addition to the remaining February 12, 2008 authorization, which is reflected in the

above table.

Cooper has also announced that the Board 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 2009, Cooper used an estimate that one million shares would be issued under equity compensation plans, which is reflected in the above table.

- (2) As of the date of this filing in 2009, Cooper had repurchased the one million shares intended to offset dilution from share issuances under equity compensation plans, as well as 262,800 additional shares under the Cooper Board of Directors authorizations

discussed
above. Cooper
may continue to
repurchase
shares under
this
authorization
from time to
time during
2009. The
decision
whether to do so
will depend on
the favorability
of market
conditions, as
well as potential
cash
requirements for
acquisitions and
debt
repayments.

Item 3. Defaults Upon Senior Securities

Not applicable

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Table of Contents**Item 4. Submission of Matters to a Vote of Security Holders**

A special meeting of shareholders was held on August 31, 2009 in Houston, Texas. Two proposals, as described in Cooper's Proxy Statement dated July 16, 2009, were voted upon at the meeting and approved by the shareholders. The following is a brief description of the matters voted upon and the results of voting.

1. Proposal to approve a Scheme of Arrangement that will effectively change the place of incorporation of the parent company of Cooper Industries from Bermuda to Ireland.

In order for the Scheme of Arrangement to be approved, it must receive the affirmative vote of a majority in number of record holders of the Cooper Industries, Ltd. Class A common shares present and voting on the proposal at the meeting, representing 75% or more in value of the Class A common shares present and voting on the proposal at the meeting.

Number of holders of Class A common shares present and voting at the meeting:

For:	2,933	(83%)
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Against:	406	(11%)
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Abstain:	212	(6%)
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Number of Class A common shares present and voting at the meeting:

For:	165,540,514	(93.48%)
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Against:	10,800,758	(6.10%)
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Abstain:	740,261	(.42%)
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2. If the Scheme of Arrangement is approved, a proposal to approve the reduction of share premium of Cooper Industries plc, an Irish company that is now the new parent company of Cooper Industries, to approve the reduction of share premium and creation of distributable reserves.

In order for the distributable reserves proposal to be approved, it must receive the affirmative vote of holders of at least a majority of the Cooper Industries, Ltd. Class A common shares present and voting on the proposal.

For:	173,541,489	(98.0%)
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Against:	2,844,080	(1.61%)
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Abstain:	695,963	(.39%)
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Item 6. Exhibits

- 2.0 Scheme of Arrangement between Cooper Industries, Ltd. and the Class A Common Shareholders (incorporated by reference to Annex A to Cooper's Definitive Proxy Statement on Schedule 14A filed July 16, 2009).
- 3.0 Memorandum and Articles of Association of Cooper Industries plc (incorporated by reference to Exhibit 3.1 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 4.1 Second Amended and Restated Rights Agreement, dated September 8, 2009, by and among Cooper Industries plc, Cooper Industries, Ltd. and Computershare Trust Company, N.A., as Rights Agent (incorporated by referenced to Exhibit 4.1 to Cooper Industries plc's Form 8-K filed on September 9, 2009).
- 4.2 Fifth Supplemental Indenture, dated as of September 8, 2009, by and among Cooper Industries, LLC, Cooper Industries, Ltd., Cooper Industries plc and The Bank of New York Mellon Trust Company, N.A., (successor to JPMorgan Chase Bank, N.A.) as Trustee (incorporated by reference to Exhibit 4.2 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 4.3 First Supplemental Indenture, dated as of September 8, 2009, by and among Cooper US, Inc., the Guarantors (as defined therein), Cooper Industries plc and The Bank of New York Mellon Trust Company, N.A. (successor to JPMorgan Chase Bank, N.A.) as Trustee (incorporated by reference to Exhibit 4.3 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 4.4 Third Supplemental Indenture, dated as of September 8, 2009, by and among Cooper US, Inc., the Guarantors (as defined therein), Cooper Industries plc and Deutsche Bank Trust Company Americas, as Trustee (incorporated by reference to Exhibit 4.4 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.1 Amended and Restated Cooper Industries plc Directors' Stock Plan (As Amended and Restated as of September 8, 2009) (incorporated by reference to Exhibit 10.3 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.2 Cooper Industries plc Amended and Restated Directors' Retainer Fee Stock Plan (As Amended and Restated as of September 8, 2009) (incorporated by reference to Exhibit 10.4 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.3 First Amendment to Cooper Industries Amended and Restated Management Annual Incentive Plan (As Amended and Restated for Non-Deferral Terms as of February 13, 2006) (As Amended and Restated in connection with Section 409A, Effective January 1, 2005) (incorporated by reference to Exhibit 10.6 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.4 Cooper Industries plc Amended and Restated Stock Incentive Plan (As Amended and Restated September 8, 2009) (incorporated by reference to Exhibit 10.7 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.5 Deed Poll of Assumption, dated September 8, 2009, by Cooper Industries plc relating to the Amended and Restated Cooper Industries, Ltd. Directors' Stock Plan (incorporated by reference to Exhibit 10.8 to Cooper Industries plc's Form 8-K filed September 9, 2009).

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- 10.6 Deed Poll of Assumption, dated September 8, 2009, by Cooper Industries plc relating to the Cooper Industries, Ltd. Amended and Restated Directors Retainer Fee Stock Plan (incorporated by reference to Exhibit 10.9 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.7 Deed Poll of Assumption, dated September 8, 2009, by Cooper Industries plc relating to the Cooper Industries Amended and Restated Management Annual Incentive Plan (incorporated by reference to Exhibit 10.10 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.8 Deed Poll of Assumption, dated September 8, 2009, by Cooper Industries plc relating to the Cooper Industries, Ltd. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.11 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 10.9 Credit Agreement, dated August 14, 2009, among Cooper Industries, Ltd., Cooper US, Inc., the Subsidiary Guarantors named therein and the banks named therein.
12. Computation of Ratios of Earnings to Fixed Charges for the Calendar Years 2004 through 2008 and the Nine Months Ended September 30, 2009 and 2008.
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 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
- Pursuant to Rule 406T of Regulation S-T, the interactive data included in Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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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, 2009

/s/ Terry A. Klebe
Terry A. Klebe, Senior Vice President and
Chief Financial Officer

Date: November 5, 2009

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

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Exhibit Index

Exhibit No.

- 2.0 Scheme of Arrangement between Cooper Industries, Ltd. and the Class A Common Shareholders (incorporated by reference to Annex A to Cooper's Definitive Proxy Statement on Schedule 14A filed July 16, 2009).
- 3.0 Memorandum and Articles of Association of Cooper Industries plc (incorporated by reference to Exhibit 3.1 to Cooper Industries plc's Form 8-K filed September 9, 2009).
- 4.1 Second Amended and Restated Rights Agreement, dated September 8, 2009, by and among Cooper Industries plc, Cooper Industries, Ltd. and Computershare Trust Company, N.A., as Rights Agent (incorporated by referenced to Exhibit 4.1 to Cooper Industries plc's Form 8-K filed on September 9, 2009).
- 4.2 Fifth Supplemental Indenture, dated as of September 8, 2009, by and among Cooper Industries, LLC, Cooper Industries, Ltd., Cooper Industries plc and The Bank of New York Mellon Trust Company, N.A., (successor to JPMorgan Chase Bank, N.A.) as Trustee (incorporated by reference to Exhibit 4.2 to Cooper Industries plc's Form 8-K filed September 9, 2009).
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