

COOPER COMPANIES INC
Form 10-Q
June 06, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarterly Period Ended April 30, 2008

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 1-8597

The Cooper Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-2657368
(I.R.S. Employer
Identification No.)

6140 Stoneridge Mall Road, Suite 590, Pleasanton, CA
(Address of principal executive offices)

94588
(Zip Code)

Registrant's telephone number, including area code (925) 460-3600

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of issuer's classes of common stock, as of the latest practicable date.

**Common Stock, \$.10 par value
Class**

**44,993,632 Shares
Outstanding at May 31, 2008**

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except for earnings per share)

(Unaudited)

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|---|---------------------------------|------------|-------------------------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | \$ 263,451 | \$ 225,535 | \$ 508,484 | \$ 444,955 |
| Cost of sales | 113,443 | 99,079 | 215,594 | 188,587 |
| Gross profit | 150,008 | 126,456 | 292,890 | 256,368 |
| Selling, general and administrative expense | 107,529 | 100,934 | 217,409 | 198,457 |
| Research and development expense | 9,116 | 7,957 | 17,248 | 19,068 |
| Restructuring costs | 526 | 2,842 | 1,349 | 4,707 |
| Amortization of intangibles | 4,371 | 4,192 | 8,467 | 7,843 |
| Operating income | 28,466 | 10,531 | 48,417 | 26,293 |
| Interest expense | 12,070 | 10,918 | 23,176 | 20,710 |
| Other (expense) income, net | (450) | 9 | 192 | 828 |
| Income (loss) before income taxes | 15,946 | (378) | 25,433 | 6,411 |
| Provision for income taxes | 4,705 | 149 | 7,315 | 1,590 |
| Net income (loss) | \$ 11,241 | \$ (527) | \$ 18,118 | \$ 4,821 |
| Basic earnings (loss) per share | \$ 0.25 | \$ (0.01) | \$ 0.40 | \$ 0.11 |
| Diluted earnings (loss) per share | \$ 0.25 | \$ (0.01) | \$ 0.40 | \$ 0.11 |
| Number of shares used to compute earnings (loss) per share: | | | | |
| Basic | 44,989 | 44,645 | 44,965 | 44,606 |
| Diluted | 47,740 | 44,645 | 47,759 | 45,012 |

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands)

(Unaudited)

| | April 30, 2008 | October 31, 2007 |
|--|-------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,911 | \$ 3,226 |
| Trade accounts receivable, net of allowance for doubtful accounts of \$4,913 at April 30, 2008 and \$6,194 at October 31, 2007 | 176,268 | 164,493 |
| Inventories, net | 293,397 | 267,914 |
| Deferred tax assets | 25,280 | 23,395 |
| Prepaid expenses and other current assets | 59,810 | 58,494 |
| Total current assets | 556,666 | 517,522 |
| Property, plant and equipment, at cost | 859,870 | 797,038 |
| Less: accumulated depreciation and amortization | 221,727 | 192,508 |
| | 638,143 | 604,530 |
| Goodwill | 1,256,949 | 1,253,686 |
| Other intangibles, net | 138,029 | 145,833 |
| Deferred tax assets | 25,250 | 20,015 |
| Other assets | 14,621 | 18,685 |
| | \$ 2,629,658 | \$ 2,560,271 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$ 39,258 | \$ 46,514 |
| Accounts payable | 68,109 | 61,377 |
| Employee compensation and benefits | 29,611 | 33,772 |
| Accrued acquisition costs | 8,117 | 10,303 |
| Accrued income taxes | 14,596 | 40,322 |
| Other current liabilities | 81,097 | 94,192 |
| Total current liabilities | 240,788 | 286,480 |
| Long-term debt | 901,787 | 830,116 |
| Deferred tax liability | 12,538 | 10,678 |
| Accrued pension liability and other | 40,839 | 9,408 |
| Total liabilities | 1,195,952 | 1,136,682 |
| Commitments and Contingencies (see Note 12) | | |
| Stockholders' equity: | | |

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| | | |
|---|---------------------|---------------------|
| Preferred stock, 10 cents par value, shares authorized: 1,000; zero shares issued or outstanding | | |
| Common stock, 10 cents par value, shares authorized: 70,000; issued 45,344 at April 30, 2008 and 45,253 at October 31, 2007 | 4,534 | 4,525 |
| Additional paid-in capital | 1,031,103 | 1,018,949 |
| Accumulated other comprehensive income | 47,255 | 71,882 |
| Retained earnings | 356,233 | 334,127 |
| Treasury stock at cost: 353 shares at April 30, 2008 and 384 shares at October 31, 2007 | (5,419) | (5,894) |
| Stockholders' equity | 1,433,706 | 1,423,589 |
| | \$ 2,629,658 | \$ 2,560,271 |

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(In thousands)

(Unaudited)

| | Six Months Ended April 30, | |
|---|---------------------------------------|------------------|
| | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income | \$ 18,118 | \$ 4,821 |
| Depreciation and amortization | 41,128 | 32,939 |
| Decrease in operating capital | (54,068) | (8,511) |
| Other non-cash items | 6,314 | 19,185 |
| Net cash provided by operating activities | 11,492 | 48,434 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (76,874) | (90,090) |
| Acquisitions of businesses, net of cash acquired, and other | (3,062) | (68,793) |
| Net cash used in investing activities | (79,936) | (158,883) |
| Cash flows from financing activities: | | |
| Net (repayments) proceeds of short-term debt | (7,260) | 22,721 |
| Repayments of long-term debt | (221,870) | (839,964) |
| Proceeds from long-term debt | 293,470 | 938,200 |
| Debt acquisition costs | | (11,226) |
| Dividends on common stock | (1,349) | (1,337) |
| Excess tax benefit from share-based compensation arrangements | 1,758 | 176 |
| Proceeds from exercise of stock options | 2,372 | 5,313 |
| Net cash provided by financing activities | 67,121 | 113,883 |
| Effect of exchange rate changes on cash and cash equivalents | 8 | 375 |
| Net (decrease) increase in cash and cash equivalents | (1,315) | 3,809 |
| Cash and cash equivalents - beginning of period | 3,226 | 8,224 |
| Cash and cash equivalents - end of period | \$ 1,911 | \$ 12,033 |

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(In thousands)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|-------------|-------------------------|-------------|
| | April 30, | | April 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Net income (loss) | \$ 11,241 | \$ (527) | \$ 18,118 | \$ 4,821 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | 5,549 | 10,675 | (8,841) | 19,875 |
| Change in value of derivative instruments, net of tax | (1,682) | (3,347) | (15,786) | (827) |
| Other comprehensive income (loss) | 3,867 | 7,328 | (24,627) | 19,048 |
| Comprehensive income (loss) | \$ 15,108 | \$ 6,801 | \$ (6,509) | \$ 23,869 |

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 1. General

The Cooper Companies, Inc. (Cooper or the Company) develops, manufactures and markets healthcare products through its two business units:

CooperVision (CVI) develops, manufactures and markets a broad range of contact lenses for the worldwide vision care market. Its leading products are disposable and planned replacement lenses.

CooperSurgical (CSI) develops, manufactures and markets medical devices, diagnostic products and surgical instruments and accessories used primarily by gynecologists and obstetricians.

During interim periods, we follow the accounting policies described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2007. Please refer to this when reviewing this Quarterly Report on Form 10-Q. Certain prior period amounts have been reclassified to conform to the current period's presentation. Readers should not assume that the results reported here either indicate or guarantee future performance.

The unaudited consolidated condensed financial statements presented in this report contain all adjustments necessary to present fairly Cooper's consolidated financial position at April 30, 2008 and October 31, 2007, the consolidated results of its operations for the three and six months ended April 30, 2008 and 2007 and its cash flows for the six months ended April 30, 2008 and 2007. Most of these adjustments are normal and recurring. However, certain adjustments associated with acquisitions and the related financial arrangements are of a nonrecurring nature.

We use derivatives to reduce market risks associated with changes in foreign exchange and interest rates. We do not use derivatives for trading or speculative purposes. We believe that the counterparties with which we enter into foreign currency forward contracts and interest rate swap agreements are financially sound and that the credit risk of these contracts is negligible. See Note 6. Derivative Instruments.

Estimates and Critical Accounting Policies

Management estimates and judgments are an integral part of financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). We believe that the critical accounting policies described in this section address the more significant estimates required of management when preparing our consolidated financial statements in accordance with GAAP. We consider an accounting estimate critical if changes in the estimate may have a material impact on our financial condition or results of operations. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustment to these balances in future periods.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Revenue recognition We recognize revenue when it is realized or realizable and earned, based on terms of sale with the customer, where persuasive evidence of an agreement exists, delivery has occurred, the seller's price is fixed and determinable and collectability is reasonably assured. For contact lenses as well as CSI medical devices, diagnostic products and surgical instruments and accessories, this primarily occurs upon product shipment, when risk of ownership transfers to our customers. We believe our revenue recognition policies are appropriate in all circumstances and that our policies are reflective of our customer arrangements. We record, based on historical statistics, estimated reductions to revenue for customer incentive programs offered including cash discounts, promotional and advertising allowances, volume discounts, contractual pricing allowances, rebates and specifically established customer product return programs. While estimates are involved, historically, most of these programs have not been major factors in our business since a high percentage of our revenue is from direct sales to doctors. The Company records taxes collected from customers on a net basis, as these taxes are not included in revenue.

Allowance for doubtful accounts Our reported balance of accounts receivable, net of the allowance for doubtful accounts, represents our estimate of the amount that ultimately will be realized in cash. We review the adequacy of our allowance for doubtful accounts on an ongoing basis, using historical payment trends and the age of the receivables and knowledge of our individual customers. When our analyses indicate, we increase or decrease our allowance accordingly. However, if the financial condition of our customers were to deteriorate, additional allowances may be required. While estimates are involved, bad debts historically have not been a significant factor given the diversity of our customer base, well established historical payment patterns and the fact that patients require satisfaction of healthcare needs in both strong and weak economies.

Net realizable value of inventory In assessing the value of inventories, we must make estimates and judgments regarding aging of inventories and other relevant issues potentially affecting the saleable condition of products and estimated prices at which those products will sell. On an ongoing basis, we review the carrying value of our inventory, measuring number of months on hand and other indications of salability, and reduce the value of inventory if there are indications that the carrying value is greater than market. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. While estimates are involved, historically, obsolescence has not been a significant factor due to long product dating and lengthy product life cycles. We target to keep, on average, about seven months of inventory on hand to maintain high customer service levels given the complexity of our specialty lens product portfolio.

Valuation of goodwill We account for goodwill and evaluate our goodwill balances and test them for impairment in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). The SFAS 142 goodwill impairment test is a two-step process. Initially, we compare the book value of net assets to the fair value of each reporting unit that has goodwill assigned

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

to it. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of the impairment. The valuation of each of our reporting units is determined using a combination of discounted cash flows, an income valuation approach, and the guideline company method, a market valuation approach. When available and as appropriate, we use comparative market multiples to corroborate fair value results. A reporting unit is the level of reporting at which goodwill is tested for impairment.

Our reporting units are the same as our business segments CVI and CSI reflecting the way that we manage our business. We test goodwill for impairment annually and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist. We performed an impairment test in our fiscal third quarter 2007, and our analysis indicated that we had no impairment of goodwill.

Business combinations We routinely consummate business combinations. We allocate the purchase price of acquisitions based on our estimates and judgments of the fair value of net assets purchased, acquisition costs incurred and intangibles other than goodwill. On individually significant acquisitions, we utilize independent valuation experts to provide a basis in order to refine the purchase price allocation, if appropriate. Results of operations for acquired companies are included in our consolidated results of operations from the date of acquisition.

Income taxes The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As part of the process of preparing our consolidated financial statements, we must estimate our income tax expense for each of the jurisdictions in which we operate. This process requires significant management judgments and involves estimating our current tax exposures in each jurisdiction including the impact, if any, of additional taxes resulting from tax examinations as well as judging the recoverability of deferred tax assets. To the extent recovery of deferred tax assets is not likely based on our estimation of future taxable income in each jurisdiction, a valuation allowance is established. Tax exposures can involve complex issues and may require an extended period to resolve. Frequent changes in tax laws in each jurisdiction complicate future estimates. To determine the quarterly tax rate, we are required to estimate full-year income and the related income tax expense in each jurisdiction. Changes in the geographic mix or estimated level of annual pre-tax income can affect the overall effective tax rate, and such changes could be material.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 applies to all tax positions related to income taxes subject to SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). The Company adopted the provisions of FIN 48 on November 1, 2007. Under FIN 48, the Company recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. FIN 48 clarifies how the Company measures the income tax benefits from the tax positions that are recognized, provides guidance as to the timing of the derecognition of previously recognized tax benefits and describes the methods for classifying and disclosing the liabilities within the consolidated financial statements for any unrecognized tax benefits. FIN 48 also addresses when the Company should record interest and penalties related to tax positions and how the interest and penalties may be classified within our Consolidated Statement of Operations and presented in the Consolidated Balance Sheet. We discuss our adoption of FIN 48 at Note 9. Income Taxes.

Share-based compensation Under the fair value recognition provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R) as interpreted by SEC Staff Accounting Bulletin No. 107, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating Cooper's stock price volatility, employee exercise behavior and employee forfeiture rates.

The expected life of the share-based awards is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected volatility is based on implied volatility from publicly-traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly-traded options, historical volatility and other factors. The risk-free interest rate is based on the continuous rates provided by the U.S. Treasury with a term equal to the expected life of the award. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

As share-based compensation expense recognized in the Consolidated Statement of Operations is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience. If factors change and the Company employs different assumptions in the application of SFAS 123R, the compensation expense that it records in future periods may differ significantly from what it has recorded in the current period.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

New Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), with the intent of providing users of the financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedge items affect an entity's financial position, financial performance and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures above fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk related contingent features in derivative agreements. The provisions of this statement are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS 161, which is effective for the Company in our fiscal year ending October 31, 2010 and related interim periods, will have on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position APB No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of FSP APB 14-1, which is effective for the Company in our fiscal year ending October 31, 2010, and related interim periods, will have on our consolidated financial statements.

Note 2. Acquisition and Restructuring Costs

In connection with the Ocular Sciences Inc. (Ocular) acquisition, we are progressing through our integration plan that is designed to optimize operational synergies of the combined companies. These activities include integrating duplicate facilities and expanding utilization of preferred manufacturing and distribution practices. Integration activities began in January 2005 and are expected to continue through mid calendar year 2008.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

We estimate that the total restructuring costs under this integration plan, exclusive of accrued acquisition related costs, will be approximately \$50 million, of which approximately \$25 - \$30 million is cash related, and will be reported as cost of sales or restructuring costs in our Consolidated Statements of Operations. In the three- and six-month periods, we reported \$0.2 million and \$0.4 million in cost of sales and \$0.5 million and \$1.3 million in restructuring costs, respectively. The following table summarizes the restructuring costs incurred under this integration plan through April 30, 2008.

| | Plant Shutdown | Severance | Asset Impairments (In millions) | Other | Total |
|---|-------------------|-----------|---------------------------------------|---------|---------|
| Restructuring costs incurred through October 31, 2007 | \$ 9.5 | \$ 8.2 | \$ 9.3 | \$ 20.2 | \$ 47.2 |
| For the six-month period ended April 30, 2008 | 0.4 | 0.9 | | 0.4 | 1.7 |
| | \$ 9.9 | \$ 9.1 | \$ 9.3 | \$ 20.6 | \$ 48.9 |

Restructuring costs reported in our Consolidated Statements of Operations also include costs related to less significant restructuring activities within our consolidated organization.

Accrued Acquisition Costs

When acquisitions are recorded, we accrue for the estimated direct costs in accordance with applicable accounting guidance including Emerging Issues Task Force (EITF) Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (EITF 95-3), of severance and plant/office closure costs of the acquired business. These estimated costs are based on management's assessment of planned exit activities. In addition, we also accrue for costs directly associated with acquisitions, including legal, consulting, deferred payments and due diligence. There were no adjustments of accrued acquisition costs included in the determination of net income for the reported periods.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Below is a summary of activity related to accrued acquisition costs for the six months ended April 30, 2008.

| Description | Balance | Additions | Payments | Balance |
|----------------------|------------------|-----------|----------------|----------------|
| | October 31, 2007 | | | April 30, 2008 |
| | | | (In thousands) | |
| Plant shutdown | \$ 2,096 | \$ | \$ 113 | \$ 1,983 |
| Severance | 3,751 | | 711 | 3,040 |
| Legal and consulting | 3,192 | | 295 | 2,897 |
| Other | 1,264 | | 1,067 | 197 |
| | \$ 10,303 | \$ | \$ 2,186 | \$ 8,117 |

Note 3. Inventories, Net

| | April 30, 2008 | October 31, 2007 |
|-----------------|-------------------|---------------------|
| | (In thousands) | |
| Raw materials | \$ 48,182 | \$ 37,754 |
| Work-in-process | 9,306 | 11,044 |
| Finished goods | 235,909 | 219,116 |
| | \$ 293,397 | \$ 267,914 |

Inventories are stated at the lower of cost or market. Cost is computed using standard cost that approximates actual cost, on a first-in, first-out basis.

Note 4. Intangible Assets**Goodwill**

| | CVI | CSI | Total |
|---|----------------|------------|--------------|
| | (In thousands) | | |
| Balance as of October 31, 2007 | \$ 1,048,682 | \$ 205,004 | \$ 1,253,686 |
| Additions (reductions) during the six-month period ended April 30, 2008 | 958 | (542) | 416 |
| Translation and other | 2,847 | | 2,847 |
| Balance as of April 30, 2008 | \$ 1,052,487 | \$ 204,462 | \$ 1,256,949 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Other Intangible Assets

| | As of April 30, 2008 | | As of October 31, 2007 | |
|---|-----------------------|--|------------------------|--|
| | Gross Carrying Amount | Accumulated Amortization & Translation | Gross Carrying Amount | Accumulated Amortization & Translation |
| | (In thousands) | | | |
| Trademarks | \$ 2,907 | \$ 664 | \$ 2,907 | \$ 507 |
| Technology | 90,340 | 32,045 | 90,064 | 27,849 |
| Shelf space and market share | 86,386 | 19,314 | 86,386 | 15,758 |
| License and distribution rights and other | 17,099 | 6,680 | 16,713 | 6,123 |
| | 196,732 | \$ 58,703 | 196,070 | \$ 50,237 |
| Less accumulated amortization and translation | 58,703 | | 50,237 | |
| Other intangible assets, net | \$ 138,029 | | \$ 145,833 | |

We estimate that amortization expense will be about \$16.1 million per year in the five-year period ending October 31, 2012.

Note 5. Debt

| | April 30, 2008 | October 31, 2007 |
|---|----------------|------------------|
| | (In thousands) | |
| Short-term: | | |
| Overdraft and other credit facilities | \$ 39,258 | \$ 46,514 |
| Long-term: | | |
| Convertible senior debentures, net of discount of \$2,180 and \$2,252 | \$ 112,820 | \$ 112,748 |
| Senior unsecured revolving line of credit | 438,600 | 367,000 |
| 7.125% senior notes | 350,000 | 350,000 |
| Other | 367 | 368 |
| | \$ 901,787 | \$ 830,116 |

Note 6. Derivative Instruments

We operate multiple foreign subsidiaries that manufacture and/or sell our products worldwide. As a result, our earnings, cash flows and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables, sales transactions, capital expenditures and net investment in certain foreign operations. Our policy is to minimize transaction remeasurement and specified economic exposures with derivatives instruments such as foreign currency forward contracts and cross currency swaps. The gains and losses on these derivatives are intended to at least partially offset the transaction gains and losses

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

recognized in earnings. We do not enter into derivatives for speculative purposes. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), all derivatives are recorded on the balance sheet at fair value. Changes in the fair value of derivatives that do not qualify, or are not effective as hedges, must be recognized currently in earnings.

Cash Flow Hedging

In March 2008, the Company entered into approximately \$15.9 million of foreign currency forward contracts with maturities of up to eight months to reduce foreign currency fluctuations related to forecasted foreign currency denominated purchases and sales of product. In January 2008, the Company entered into approximately \$142 million of foreign currency forward contracts with maturities of up to ten months to reduce foreign currency fluctuations related to forecasted foreign currency denominated purchases and sales of product. The derivatives are accounted for as cash flow hedges under SFAS 133 and are expected to be effective throughout the life of the hedges. No ineffectiveness was recorded during the period.

Balance Sheet Hedges

We manage the foreign currency risk associated with non-functional currency assets and liabilities using foreign exchange forward contracts with maturities of less than 24 months and cross currency swaps with maturities up to 36 months. The change in fair value of these derivatives is recognized in other income or expense and is intended to offset the remeasurement gains and losses associated with the non-functional currency assets and liabilities. In January 2008, the Company entered into approximately \$57 million of foreign currency forward contracts to reduce foreign currency fluctuation related to the balance sheet translation of certain intercompany balances.

Interest Rate Swaps

On January 31, 2007, the Company refinanced its syndicated bank credit facility with a \$650 million syndicated Senior Unsecured Revolving Line of Credit and \$350 million aggregate principal amount of 7.125% Senior Notes. As part of this debt structure, the Company entered into five interest rate swaps, which hedge variable interest payments related to the Company's \$650 million credit facility by exchanging variable rate interest risk for a fixed interest rate. The Company has qualified and designated these swaps under SFAS 133 as cash flow hedges, and records the offset of the cumulative fair market value, net of tax effect to other comprehensive income (loss) (OCI) in our Consolidated Balance Sheet.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Effectiveness testing of the hedge relationship and measurement to quantify ineffectiveness is performed at a minimum each fiscal quarter using the hypothetical derivative method. The swaps have been and are expected to remain highly effective for the life of the hedges. Effective amounts are reclassified to interest expense as the related hedged expense is incurred. No material ineffectiveness was recognized on the five outstanding interest rate swaps during the current fiscal year. As of April 30, 2008, the fair value of the five outstanding swaps, approximately \$10.5 million, was recorded as a liability and the effective offset, net of tax was recorded in OCI in our Consolidated Balance Sheet.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 7. Earnings Per Share

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|---|--|-----------|-------------------------------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands, except for per share amounts) | | | |
| Net income (loss) | \$ 11,241 | \$ (527) | \$ 18,118 | \$ 4,821 |
| Add interest charge applicable to convertible debt, net of tax | 523 | | 1,046 | |
| Income (loss) for calculating diluted earnings (loss) per share | \$ 11,764 | \$ (527) | \$ 19,164 | \$ 4,821 |
| Basic: | | | | |
| Weighted average common shares | 44,989 | 44,645 | 44,965 | 44,606 |
| Basic earnings (loss) per common share | \$ 0.25 | \$ (0.01) | \$ 0.40 | \$ 0.11 |
| Diluted: | | | | |
| Weighted average common shares | 44,989 | 44,645 | 44,965 | 44,606 |
| Effect of dilutive stock options | 161 | | 204 | 406 |
| Shares applicable to convertible debt | 2,590 | | 2,590 | |
| Diluted weighted average common shares | 47,740 | 44,645 | 47,759 | 45,012 |
| Diluted earnings (loss) per common share | \$ 0.25 | \$ (0.01) | \$ 0.40 | \$ 0.11 |

The following table sets forth stock options to purchase Cooper's common stock, restricted stock units and common shares applicable to convertible debt that are not included in the diluted net income per share calculation because to do so would be antidilutive for the periods presented:

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|--|---------------------------------|------------------|-------------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Numbers of stock option shares excluded | 4,227,896 | 4,901,535 | 4,057,896 | 3,187,783 |
| Range of exercise prices | \$ 35.69-\$80.51 | \$ 15.35-\$80.51 | \$ 37.90-\$80.51 | \$ 52.40-\$80.51 |
| Number of restricted stock units excluded | 263,975 | | 263,975 | |
| Number of common shares applicable to convertible debt | | 2,590,090 | | 2,590,090 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 8. Share-Based Compensation Plans

The Company has several share-based compensation plans that are described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007. The compensation and related income tax benefit recognized in the Company's consolidated financial statements for stock options, restricted stock awards and restricted stock units were as follows:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|----------------|------------------|----------------|
| | April 30, 2008 | April 30, 2007 | April 30, 2008 | April 30, 2007 |
| | (In millions) | | | |
| Selling, general and administrative expense | \$ 1.8 | \$ 2.7 | \$ 7.0 | \$ 9.4 |
| Cost of sales | 0.4 | 0.3 | 0.8 | 0.6 |
| Research and development expense | 0.2 | 0.2 | (0.2) | 0.4 |
| Restructuring costs | | 0.8 | | 0.8 |
| Capitalized in inventory | 0.4 | 0.5 | 0.8 | 1.0 |
| Total compensation expense | \$ 2.8 | \$ 4.5 | \$ 8.4 | \$ 12.2 |
| Related income tax benefit | \$ 0.6 | \$ 1.0 | \$ 2.3 | \$ 3.1 |

The status of the Company's stock option plans at April 30, 2008, is summarized below:

| | Number of Shares | Weighted- Average Exercise Price Per Share | Weighted- Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|--|------------------|--|---|---------------------------|
| Outstanding at October 31, 2007 | 5,199,534 | \$ 53.06 | | |
| Granted | 157,300 | 38.93 | | |
| Exercised | (104,000) | 22.80 | | |
| Forfeited or expired | (301,837) | 59.84 | | |
| Outstanding at April 30, 2008 | 4,950,997 | 52.84 | 5.85 | |
| Vested and exercisable at April 30, 2008 | 2,062,907 | 43.66 | 4.94 | |

The weighted-average fair value of each option granted during the three and six months ended April 30, 2008, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was \$10.67 and \$10.91, respectively. For the 2006 Directors Plan, the weighted-average fair value of options granted for the six months ended April 30, 2008, was \$14.23; there were no options granted during the three months ended April 30, 2008. As of April 30, 2008, there was \$20.2 million of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 2.4 years.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

The fair value of each option award granted during the three and six months ended April 30, 2008 and 2007 was estimated on the date of grant using the Black-Scholes option valuation model and weighted-average assumptions in the following table.

| | Three Months Ended | | Six Months Ended | |
|-------------------------|--------------------|------------------|------------------|-------------------|
| | April 30, | | April 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Expected life | 3.2 years | 2.71 to 2.8 yrs. | 3.2 to 5.16 yrs. | 2.71 to 5.16 yrs. |
| Expected volatility | 29.1% | 29.3% to 30.4% | 29.1% | 29.3% to 30.4% |
| Risk-free interest rate | 4.37% | 4.50% to 4.73% | 3.99% to 4.37% | 4.47% to 4.73% |
| Dividend yield | 0.10% | 0.09% to 0.117% | 0.10% | 0.09% |

The status of the Company's non-vested restricted stock units (RSUs) at April 30, 2008, is summarized below:

| | Number of Shares | Weighted-Average Grant Date Fair Value Per Share |
|-------------------------------------|---------------------|--|
| Non-vested RSUs at October 31, 2007 | 167,700 | \$ 42.65 |
| Granted | 100,250 | 31.90 |
| Forfeited or expired | (3,975) | 42.65 |
| Non-vested RSUs at April 30, 2008 | 263,975 | 42.52 |

As of April 30, 2008, there was \$9.4 million of total unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a remaining weighted-average requisite service period of 2.44 years.

Note 9. Income Taxes

Cooper's effective tax rate (ETR) (provision for income taxes divided by pretax income) for the first half of fiscal 2008 was 28.8 percent. GAAP require that the projected fiscal year ETR, plus any discrete items, be included in the year-to-date results. The ETR used to record the provision for income taxes for the six-month period ended April 30, 2007, was 24.8 percent.

The Company adopted the provisions of FIN 48 on November 1, 2007. Under FIN 48, the Company recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. As a result, the Company reduced its net liability for unrecognized tax benefits by \$5.3 million, which was accounted for as an increase to retained earnings. As of the adoption date, the Company had total gross unrecognized tax benefits of \$18.9 million. If recognized, \$16.5 million of unrecognized tax benefits would impact the Company's effective tax rate. For the six-month period ended April 30, 2008, there were no material changes to the total amount of unrecognized tax benefits. The Company historically classified unrecognized tax benefits in current taxes payable. As a result of adoption of FIN 48, unrecognized tax benefits were reclassified to long-term income taxes payable.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Interest and penalties of \$1.75 million have been reflected as a component of the total liability as of the date of adoption of FIN 48. It is the Company's policy to recognize as additional income tax expense, the items of interest and penalties directly related to income taxes.

Included in the balance of unrecognized tax benefits at November 1, 2007 is \$0.6 million to \$1.4 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits comprised of items related to transfer pricing in various jurisdictions, state net operating losses and expiring statutes in various jurisdictions worldwide.

As of April 30, 2008, the tax years for which the Company remains subject to U.S. Federal income tax assessment upon examination are 2004 through 2007. The Company remains subject to income tax examinations in other major tax jurisdictions including the United Kingdom, Japan and Australia for the tax years 2003 through 2007.

Note 10. Employee Benefits

Cooper's Retirement Income Plan (Plan) covers substantially all full-time United States employees. Cooper's contributions are designed to fund normal cost on a current basis and to fund over 30 years the estimated prior service cost of benefit improvements (5 years for annual gains and losses). The unit credit actuarial cost method is used to determine the annual cost. Cooper pays the entire cost of the Plan and funds such costs as they accrue. Virtually all of the assets of the Plan continue to be comprised of equity and fixed income funds.

Cooper's results of operations for the three and six months ended April 30, 2008 and 2007 reflect the following pension costs.

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|--|---------------------------------|--------|-------------------------------|----------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands) | | | |
| Components of net periodic pension cost: | | | | |
| Service cost | \$ 750 | \$ 714 | \$ 1,501 | \$ 1,429 |
| Interest cost | 509 | 453 | 1,018 | 906 |
| Expected returns on assets | (593) | (458) | (1,187) | (916) |
| Amortization of prior service cost | 8 | 8 | 15 | 15 |
| Amortization of transition obligation | 6 | 7 | 13 | 13 |
| Recognized net actuarial loss | | 42 | | 85 |
| Net periodic pension cost | \$ 680 | \$ 766 | \$ 1,360 | \$ 1,532 |

No pension contributions were made during either period.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 11. Cash Dividends

We paid a semiannual dividend of approximately \$1.3 million or 3 cents per share on January 4, 2008, to stockholders of record on December 14, 2007. On May 15, 2008, we announced that the Company declared a semiannual dividend of 3 cents per share payable on July 3, 2008, to stockholders of record on June 13, 2008.

Note 12. Contingencies

Legal Proceedings

In re The Cooper Cos., Inc., Securities Litigation

On February 15, 2006, Alvin L. Levine filed a putative securities class action lawsuit in the United States District Court for the Central District of California, Case No. SACV-06-169 CJC, against the Company, A. Thomas Bender, its Chairman of the Board and a director, Robert S. Weiss, its Chief Executive Officer and a director, and John D. Fruth, a former director. Two similar putative class action lawsuits were also filed in the United States District Court for the Central District of California, Case Nos. SACV-06-306 CJC and SACV-06-331 CJC. On May 19, 2006, the Court consolidated all three actions under the heading *In re Cooper Companies, Inc. Securities Litigation* and selected a lead plaintiff and lead counsel pursuant to the provisions of the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4.

The lead plaintiff filed a consolidated complaint on July 31, 2006. The consolidated complaint was filed on behalf of all purchasers of the Company's securities between July 28, 2004, and December 12, 2005, including persons who received Company securities in exchange for their shares of Ocular in the January 2005 merger pursuant to which the Company acquired Ocular. In addition to the Company, Messrs. Bender, Weiss, and Fruth, the consolidated complaint named as defendants several of the Company's other current officers and directors and former officers. On July 13, 2007, the Court granted Cooper's motion to dismiss the consolidated complaint and granted the lead plaintiff leave to amend to attempt to state a valid claim.

On August 9, 2007, the lead plaintiff filed an amended consolidated complaint. As before, the amended consolidated complaint was filed on behalf of all purchasers of the Company's securities between July 28, 2004, and December 12, 2005, including persons who received Company securities in exchange for their shares of Ocular in the January 2005 merger pursuant to which the Company acquired Ocular. In addition to the Company, the amended consolidated complaint names as defendants Messrs. Bender, Weiss, Fruth, Steven M. Neil, the Company's former Executive Vice President and Chief Financial Officer, and Gregory A. Fryling, CooperVision's former President and Chief Operating Officer.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

The amended consolidated complaint purports to allege violations of Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 by, among other things, contending that the defendants made misstatements concerning the Biomedics® product line, sales force integration following the merger with Ocular, the impact of silicone hydrogel lenses and financial projections. The amended consolidated complaint also alleges that the Company improperly accounted for assets acquired in the Ocular merger by improperly allocating \$100 million of acquired customer relationships and manufacturing technology to goodwill (which is not amortized against earnings) instead of to intangible assets other than goodwill (which are amortized against earnings), that the Company lacked appropriate internal controls and issued false and misleading Sarbanes-Oxley Act certifications.

On October 23, 2007, the Court granted in-part and denied in-part Cooper and the individual defendants' motion to dismiss. The Court dismissed the claims relating to the Sarbanes-Oxley Act certifications and the Company's accounting of assets acquired in the Ocular merger. The Court denied the motion as to the claims related to alleged false statements concerning the Biomedics product line, sales force integration, the impact of silicone hydrogel lenses and the Company's financial projections. On November 28, 2007, the Court dismissed all claims against Mr. Fruth with leave to amend. The lead plaintiff did not amend the consolidated amended complaint within the time permitted by the Court. On December 3, 2007, the Company and Messrs. Bender, Weiss, Neil and Fryling answered the amended consolidated complaint. On April 8, 2008, the Court granted a motion by Mr. Neil for judgment on the pleadings as to him, and granted leave to amend. The lead plaintiff did not amend the consolidated amended complaint within the time permitted by the Court. The Company intends to defend this matter vigorously.

In re Cooper Companies, Inc. Derivative Litigation

On March 17, 2006, Eben Brice filed a purported shareholder derivative complaint in the United States District Court for the Central District of California, Case No. 8:06-CV-00300-CJC-RNB, against several current and former officers and directors of the Company. The Company is named as a nominal defendant. Since the filing of the first purported shareholder derivative lawsuit, three similar purported shareholder derivative suits were filed in the United States District Court for the Central District of California. All four actions have been consolidated under the heading In re Cooper Companies, Inc. Derivative Litigation and the Court selected a lead plaintiff and lead counsel.

On September 11, 2006, plaintiffs filed a consolidated amended complaint. The consolidated amended complaint names as defendants Messrs. Bender, Weiss, Fruth, Marx, Rosenberg, and Fryling. It also names as defendants current directors Michael Kalkstein, Stanley Zinberg, Allan Rubenstein, and one former director. The Company is a nominal defendant. The complaint purports to allege causes of action for breach of fiduciary duty, insider trading, breach of contract, and unjust enrichment, and largely repeats the allegations in the class action securities case, described above. Under the existing scheduling order, the Company has until November 17, 2008, to respond to the consolidated amended complaint.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

In addition to the derivative action pending in federal court, three similar purported shareholder actions were filed in the Superior Court for the State of California for the County of Alameda. These actions have been consolidated under the heading In re Cooper Companies, Inc. Shareholder Derivative Litigation, Case Nos. RG06260748. A consolidated amended complaint was filed on September 18, 2006. The consolidated amended complaint names as defendants the same individuals that are in the defendants in the federal derivative action. In addition, the complaint names Ms. Kaufman, Messrs. Fryling, Battin, Calcagno, and current officers Paul L. Remmell, Jeffrey Allan McLean, and Nicholas J. Pichotta. The Company is a nominal defendant. On November 29, 2006, the Superior Court for the County of Alameda entered an order staying the consolidated action pending the resolution of the federal derivative action.

Both the state and federal derivative actions are derivative in nature and do not seek damages from the Company.

Bausch & Lomb Incorporated Litigation

On October 5, 2004, Bausch & Lomb Incorporated (Bausch & Lomb) filed a lawsuit against Ocular Sciences, Inc. in the U.S. District Court for the Western District of New York alleging that its Biomedics toric soft contact lens and its private label equivalents infringe Bausch & Lomb's U.S. Patent No. 6,113,236 relating to toric contact lenses having optimized thickness profiles. The complaint seeks an award of damages, including multiple damages, attorneys' fees and costs and an injunction preventing the alleged infringement. The parties have filed claim construction briefs for the court to consider for its Markman order, and fact discovery substantially concluded during the first quarter of fiscal 2006. No trial date has been set. Based on our review of the complaint and the patent, as well as other relevant information obtained in discovery, we believe this lawsuit is without merit and plan to continue to pursue a vigorous defense.

Note 13. Financial Information for Guarantor and Non-Guarantor Subsidiaries

On January 31, 2007, the Company issued \$350 million aggregate principal amount of 7.125% Senior Notes due 2015 (Senior Notes). The Senior Notes are guaranteed by certain of our direct and indirect subsidiaries. The Senior Notes are our general unsecured obligations; senior in right of payment to all of our existing and any future subordinated indebtedness; pari passu in right of payment with all of our existing and any future unsecured indebtedness that is not by its terms expressly subordinated to the Senior Notes; effectively junior in right of payment to our existing and future secured indebtedness to the extent of the value of the collateral securing that indebtedness; unconditionally guaranteed by all of our existing and future domestic subsidiaries, other than any excluded domestic subsidiaries; and structurally subordinated to indebtedness of our subsidiaries that are not subsidiary guarantors.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Presented below are the Consolidating Condensed Statements of Operations for the three and six months ended April 30, 2008 and 2007, the Consolidating Condensed Balance Sheets as of April 30, 2008 and October 31, 2007 and the Consolidating Condensed Statements of Cash Flows for the six months ended April 30, 2008 and 2007 for The Cooper Companies, Inc. (Parent Company), the guarantor subsidiaries (Guarantor Subsidiaries) and the subsidiaries that are not guarantors (Non-Guarantor Subsidiaries).

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Operations

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Consolidating Entries | Consolidated Total |
|---|-------------------|---------------------------|---|--------------------------|-----------------------|
| Three Months Ended April 30, 2008 | | | | | |
| Net sales | \$ | \$ 122,668 | \$ 182,951 | \$ (42,168) | \$ 263,451 |
| Cost of sales | | 51,621 | 101,222 | (39,400) | 113,443 |
| Gross profit | | 71,047 | 81,729 | (2,768) | 150,008 |
| Operating expenses | 5,847 | 51,086 | 64,759 | (150) | 121,542 |
| Operating income (loss) | (5,847) | 19,961 | 16,970 | (2,618) | 28,466 |
| Interest expense | 11,685 | | 385 | | 12,070 |
| Other (expense) income, net | 6,465 | (3,398) | (3,519) | 2 | (450) |
| Income (loss) before income taxes | (11,067) | 16,563 | 13,066 | (2,616) | 15,946 |
| Provision for (benefit from) income taxes | (5,252) | 7,460 | 2,497 | | 4,705 |
| Net income (loss) | \$ (5,815) | \$ 9,103 | \$ 10,569 | \$ (2,616) | \$ 11,241 |

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Consolidating Entries | Consolidated Total |
|---|-------------------|---------------------------|---|--------------------------|-----------------------|
| Six Months Ended April 30, 2008 | | | | | |
| Net sales | \$ | \$ 238,406 | \$ 343,131 | \$ (73,053) | \$ 508,484 |
| Cost of sales | | 106,183 | 171,286 | (61,875) | 215,594 |
| Gross profit | | 132,223 | 171,845 | (11,178) | 292,890 |
| Operating expenses | 15,155 | 99,475 | 130,129 | (286) | 244,473 |
| Operating income (loss) | (15,155) | 32,748 | 41,716 | (10,892) | 48,417 |
| Interest expense | 22,427 | | 749 | | 23,176 |
| Other income (expense), net | 11,870 | (5,601) | (6,076) | (1) | 192 |
| Income (loss) before income taxes | (25,712) | 27,147 | 34,891 | (10,893) | 25,433 |
| Provision for (benefit from) income taxes | (13,866) | 14,061 | 7,120 | | 7,315 |
| Net income (loss) | \$ (11,846) | \$ 13,086 | \$ 27,771 | \$ (10,893) | \$ 18,118 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Operations

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Consolidating Entries | Consolidated Total |
|---|-------------------|---------------------------|---|--------------------------|-----------------------|
| <u>Three Months Ended April 30, 2007</u> | | | | | |
| Net sales | \$ | \$ 114,190 | \$ 132,459 | \$ (21,114) | \$ 225,535 |
| Cost of sales | | 49,329 | 70,599 | (20,849) | 99,079 |
| Gross profit | | 64,861 | 61,860 | (265) | 126,456 |
| Operating expenses | 7,324 | 51,962 | 56,964 | (325) | 115,925 |
| Operating income (loss) | (7,324) | 12,899 | 4,896 | 60 | 10,531 |
| Interest expense | 10,918 | | | | 10,918 |
| Other income (expense), net | 14,850 | (10,460) | (4,381) | | 9 |
| (Loss) income before income taxes | (3,392) | 2,439 | 515 | 60 | (378) |
| Provision for (benefit from) income taxes | (2,278) | 1,392 | 1,035 | | 149 |
| Net (loss) income | \$ (1,114) | \$ 1,047 | \$ (520) | \$ 60 | \$ (527) |
| <u>Six Months Ended April 30, 2007</u> | | | | | |
| Net sales | \$ | \$ 221,838 | \$ 253,673 | \$ (30,556) | \$ 444,955 |
| Cost of sales | | 98,731 | 119,929 | (30,073) | 188,587 |
| Gross profit | | 123,107 | 133,744 | (483) | 256,368 |
| Operating expenses | 17,440 | 102,813 | 110,556 | (734) | 230,075 |
| Operating income (loss) | (17,440) | 20,294 | 23,188 | 251 | 26,293 |
| Interest expense | 20,710 | | | | 20,710 |
| Other income (expense), net | 25,154 | (15,882) | (8,444) | | 828 |
| Income (loss) before income taxes | (12,996) | 4,412 | 14,744 | 251 | 6,411 |
| Provision for (benefit from) income taxes | (6,318) | 2,702 | 5,206 | | 1,590 |
| Net income (loss) | \$ (6,678) | \$ 1,710 | \$ 9,538 | \$ 251 | \$ 4,821 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Balance Sheets

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Consolidating Entries | Consolidated Total |
|---|-------------------|---------------------------|---|--------------------------|-----------------------|
| <u>April 30, 2008</u> | | | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 30 | \$ (248) | \$ 2,129 | \$ | \$ 1,911 |
| Trade receivables, net | | 67,215 | 109,053 | | 176,268 |
| Inventories, net | | 159,171 | 195,715 | (61,489) | 293,397 |
| Deferred tax asset | 1,061 | 20,438 | 3,781 | | 25,280 |
| Other current assets | 2,842 | 16,459 | 40,509 | | 59,810 |
| Total current assets | 3,933 | 263,035 | 351,187 | (61,489) | 556,666 |
| Property, plant and equipment, net | 726 | 93,666 | 543,751 | | 638,143 |
| Goodwill | 116 | 668,107 | 588,726 | | 1,256,949 |
| Other intangibles, net | | 83,142 | 54,887 | | 138,029 |
| Deferred tax asset | 68,509 | (45,535) | 2,276 | | 25,250 |
| Other assets | 1,686,139 | 898 | 4,093 | (1,676,509) | 14,621 |
| | \$ 1,759,423 | \$ 1,063,313 | \$ 1,544,920 | \$ (1,737,998) | \$ 2,629,658 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Short-term debt | \$ | \$ 327 | \$ 38,931 | \$ | \$ 39,258 |
| Other current liabilities | (1,679) | 64,198 | 139,011 | | 201,530 |
| Total current liabilities | (1,679) | 64,525 | 177,942 | | 240,788 |
| Long-term debt | 901,420 | | 367 | | 901,787 |
| Deferred tax liability | | 1 | 12,537 | | 12,538 |
| Intercompany and other liabilities | (111,044) | (133,150) | 285,033 | | 40,839 |
| Total liabilities | 788,697 | (68,624) | 475,879 | | 1,195,952 |
| Stockholders' equity | 970,726 | 1,131,937 | 1,069,041 | (1,737,998) | 1,433,706 |
| | \$ 1,759,423 | \$ 1,063,313 | \$ 1,544,920 | \$ (1,737,998) | \$ 2,629,658 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Balance Sheets

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Consolidating Entries | Consolidated Total |
|--|-------------------|---------------------------|---|--------------------------|-----------------------|
| <u>October 31, 2007</u> | | | | | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 83 | \$ 489 | \$ 2,654 | \$ | \$ 3,226 |
| Trade receivables, net | | 68,193 | 96,300 | | 164,493 |
| Inventories, net | | 92,433 | 226,077 | (50,596) | 267,914 |
| Deferred tax asset | 1,601 | 17,178 | 4,616 | | 23,395 |
| Other current assets | 3,748 | 15,529 | 39,217 | | 58,494 |
| Total current assets | 5,432 | 193,822 | 368,864 | (50,596) | 517,522 |
| Property, plant and equipment, net | 783 | 92,343 | 511,404 | | 604,530 |
| Goodwill | 116 | 668,648 | 584,922 | | 1,253,686 |
| Other intangibles, net | | 87,913 | 57,920 | | 145,833 |
| Deferred tax asset | 17,950 | | 2,065 | | 20,015 |
| Other assets | 1,687,194 | 1,489 | 6,510 | (1,676,508) | 18,685 |
| | \$ 1,711,475 | \$ 1,044,215 | \$ 1,531,685 | \$ (1,727,104) | \$ 2,560,271 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| Current liabilities: | | | | | |
| Short-term debt | \$ | \$ 561 | \$ 45,953 | \$ | \$ 46,514 |
| Other current liabilities | 24,885 | 76,810 | 138,271 | | 239,966 |
| Total current liabilities | 24,885 | 77,371 | 184,224 | | 286,480 |
| Long-term debt | 829,748 | | 368 | | 830,116 |
| Deferred tax liability | (33,845) | 33,846 | 10,677 | | 10,678 |
| Intercompany and other liabilities | (93,384) | (176,257) | 279,049 | | 9,408 |
| Total liabilities | 727,404 | (65,040) | 474,318 | | 1,136,682 |
| Stockholders equity | 984,071 | 1,109,255 | 1,057,367 | (1,727,104) | 1,423,589 |
| | \$ 1,711,475 | \$ 1,044,215 | \$ 1,531,685 | \$ (1,727,104) | \$ 2,560,271 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Cash Flows

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Consolidating Entries | Consolidated Total |
|--|-------------------|---------------------------|---|--------------------------|-----------------------|
| <u>Six Months Ended April 30, 2008</u> | | | | | |
| Cash flows from operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ (39,229) | \$ (16,428) | \$ 67,149 | \$ | \$ 11,492 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (18) | (11,525) | (65,331) | | (76,874) |
| Acquisitions of businesses, net of cash acquired, and other | (97) | (1,398) | (1,567) | | (3,062) |
| Intercompany (investment in subsidiaries) | (35,090) | | (1) | 35,091 | |
| Net cash (used in) provided by investing activities | (35,205) | (12,923) | (66,899) | 35,091 | (79,936) |
| Cash flows from financing activities: | | | | | |
| Net (repayments) proceeds of short-term debt | | (235) | (7,025) | | (7,260) |
| Intercompany proceeds (repayments) | | 28,849 | 6,242 | (35,091) | |
| Net proceeds from long-term debt | 71,600 | | | | 71,600 |
| Dividends on common stock | (1,349) | | | | (1,349) |
| Excess tax benefit from share- based compensation arrangements | 1,758 | | | | 1,758 |
| Proceeds from exercise of stock options | 2,372 | | | | 2,372 |
| Net cash provided by (used in) financing activities | 74,381 | 28,614 | (783) | (35,091) | 67,121 |
| Effect of exchange rate changes on cash and cash equivalents | | | 8 | | 8 |
| Net decrease in cash and cash equivalents | (53) | (737) | (525) | | (1,315) |
| Cash and cash equivalents at the beginning of the period | 83 | 489 | 2,654 | | 3,226 |
| Cash and cash equivalents at the end of the period | \$ 30 | \$ (248) | \$ 2,129 | \$ | \$ 1,911 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Cash Flows

| | Parent Company | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Consolidating Entries | Consolidated Total |
|---|-------------------|---------------------------|---|--------------------------|-----------------------|
| <u>Six Months Ended April 30, 2007</u> | | | | | |
| Cash flows from operating activities: | | | | | |
| Net cash provided by (used in) operating activities | \$ (16,980) | \$ 57,909 | \$ 7,505 | \$ | \$ 48,434 |
| Cash flows from investing activities: | | | | | |
| Purchase of property, plant and equipment | (80) | (12,110) | (77,900) | | (90,090) |
| Acquisitions of businesses, net of cash acquired, and other | (326) | (67,086) | (1,381) | | (68,793) |
| Intercompany (investments in subsidiaries) | (72,963) | | | 72,963 | |
| Net cash (used in) provided by investing activities | (73,369) | (79,196) | (79,281) | 72,963 | (158,883) |
| Cash flows from financing activities: | | | | | |
| Net proceeds (repayments) of short-term debt | | (2,328) | 25,049 | | 22,721 |
| Intercompany proceeds (repayments) | | 26,096 | 46,867 | (72,963) | |
| Net proceeds (repayments) of long-term debt | 99,100 | (780) | (84) | | 98,236 |
| Debt acquisition costs | (11,226) | | | | (11,226) |
| Dividends on common stock | (1,337) | | | | (1,337) |
| Excess tax benefit from share-based compensation arrangements | 176 | | | | 176 |
| Proceeds from exercise of stock options | 5,313 | | | | 5,313 |
| Net cash provided by (used in) financing activities | 92,026 | 22,988 | 71,832 | (72,963) | 113,883 |
| Effect of exchange rate changes on cash and cash equivalents | | | 375 | | 375 |
| Net increase in cash and cash equivalents | 1,677 | 1,701 | 431 | | 3,809 |
| Cash and cash equivalents at the beginning of the period | 401 | (307) | 8,130 | | 8,224 |
| Cash and cash equivalents at the end of the period | \$ 2,078 | \$ 1,394 | \$ 8,561 | \$ | \$ 12,033 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 14. Business Segment Information

Cooper uses operating income, as presented in our financial reports, as the primary measure of segment profitability. We do not allocate costs from corporate functions to segment operating income. Items below operating income are not considered when measuring the profitability of a segment. We use the same accounting policies to generate segment results as we do for our consolidated results.

Identifiable assets are those used in continuing operations except cash and cash equivalents, which we include as corporate assets. Long-lived assets are property, plant and equipment.

Segment information:

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|--|---|-------------------|---------------------------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands) | | | |
| Net sales to external customers: | | | | |
| CooperVision net sales: | | | | |
| Spherical soft lens | \$ 133,258 | \$ 106,362 | \$ 252,323 | \$ 212,446 |
| Toric soft lens | 73,359 | 67,719 | 143,837 | 131,212 |
| Multifocal and other eye care products | 15,404 | 14,078 | 31,410 | 28,123 |
| Total CooperVision net sales | 222,021 | 188,159 | 427,570 | 371,781 |
| CooperSurgical net sales | 41,430 | 37,376 | 80,914 | 73,174 |
| Total net sales to external customers | \$ 263,451 | \$ 225,535 | \$ 508,484 | \$ 444,955 |
| Operating income (loss): | | | | |
| CVI | \$ 26,319 | \$ 11,501 | \$ 49,047 | \$ 35,535 |
| CSI | 7,994 | 6,354 | 14,525 | 8,198 |
| Corporate | (5,847) | (7,324) | (15,155) | (17,440) |
| Total operating income | 28,466 | 10,531 | 48,417 | 26,293 |
| Interest expense | 12,070 | 10,918 | 23,176 | 20,710 |
| Other (loss) income, net | (450) | 9 | 192 | 828 |
| Income (loss) before income taxes | \$ 15,946 | \$ (378) | \$ 25,433 | \$ 6,411 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Concluded

(Unaudited)

| | April 30, 2008 | October 31, 2007 |
|----------------------|---------------------|---------------------|
| | (In thousands) | |
| Identifiable assets: | | |
| CVI | \$ 2,260,170 | \$ 2,197,791 |
| CSI | 309,789 | 307,193 |
| Corporate | 59,699 | 55,287 |
| Total | \$ 2,629,658 | \$ 2,560,271 |

Geographic information:

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|---|---------------------------------|-------------------|-------------------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands) | | | |
| Net sales to external customers by country of domicile: | | | | |
| United States | \$ 123,594 | \$ 112,859 | \$ 237,177 | \$ 218,559 |
| Europe | 86,349 | 71,818 | 167,659 | 141,500 |
| Rest of world | 53,508 | 40,858 | 103,648 | 84,896 |
| Total | \$ 263,451 | \$ 225,535 | \$ 508,484 | \$ 444,955 |

| | April 30, 2008 | October 31, 2007 |
|---|-------------------|---------------------|
| | (In thousands) | |
| Long-lived assets by country of domicile: | | |
| United States | \$ 337,180 | \$ 297,824 |
| Europe | 292,554 | 298,296 |
| Rest of world | 8,409 | 8,410 |
| Total | \$ 638,143 | \$ 604,530 |

Note 15. Subsequent Event

In May 2008, the Company entered into approximately \$296 million of foreign currency forward contracts with maturities of up to thirteen months to reduce foreign currency exposure related to forecasted foreign currency denominated purchases and sales of product. The derivatives will be accounted for as cash flow hedges under SFAS 133 and are expected to be effective through their maturities.

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and Results of Operations

Note numbers refer to Notes to Consolidated Condensed Financial Statements in Item 1. Financial Statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These include statements relating to plans, prospects, goals, strategies, future actions, events or performance and other statements which are other than statements of historical fact. In addition, all statements regarding anticipated growth in our revenue, anticipated market conditions, planned product launches and expected results of operations and integration of any acquisition are forward-looking. To identify these statements look for words like believes, expects, may, will, should, could, seeks, intends, plans, estimates or anticipates and similar words. Forward-looking statements necessarily depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Among the factors that could cause our actual results and future actions to differ materially from those described in forward-looking statements are:

Failures to launch, or significant delays in introducing, new products, or limitations on sales following introduction due to manufacturing constraints or poor market acceptance.

Failures to receive or delays in receiving U.S. or foreign regulatory approvals for products.

Compliance costs and potential liability in connection with U.S. and foreign healthcare regulations, including product recalls, and potential losses resulting from sales of counterfeit and other infringing products.

The success of research and development activities and other start-up projects.

New competitors, product innovations or technologies.

Failure to develop new manufacturing processes, or delays in implementation of such processes.

A major disruption in the operations of our manufacturing, research and development or distribution facilities, due to technological problems, natural disasters or other causes.

Disruptions in supplies of raw materials, particularly components used to manufacture our silicone hydrogel lenses.

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and Results of Operations, Continued

Legal costs, insurance expenses, settlement costs and the risk of an adverse decision or settlement related to claims involving product liability or patent protection (including risks with respect to the ultimate validity and enforceability of the Company's patent applications and patents and the possible infringement of the intellectual property of others).

The impact of acquisitions and divestitures on revenues, earnings and margins, including any failure by the Company to successfully integrate acquired businesses into CVI and CSI, any failure to continue to realize anticipated benefits from the Company's cost-cutting measures and risks inherent in accounting assumptions made regarding the acquisitions.

Changes in business, political and economic conditions, including the adverse effects of natural disasters on patients, practitioners and product distribution.

Interest rate and foreign currency exchange rate fluctuations.

Changes in U.S. and foreign government regulation of the retail optical industry and of the healthcare industry generally.

Dilution to earnings per share from acquisitions or issuing stock.

Changes in tax laws or their interpretation and changes in effective tax rates, including by reason of changes in the Company's geographic profit mix.

Changes in the Company's expected utilization of recognized net operating loss carry forwards.

The requirement to provide for a significant liability or to write off a significant asset, including impaired goodwill.

Changes in accounting principles or estimates.

Disruptions or delays related to implementation of information technology systems covering the Company's businesses, or other events which could result in management having to report a material weakness in the effectiveness of the Company's internal control over financial reporting in its Form 10-Q and Form 10-K filings.

Environmental risks including significant environmental cleanup costs above those already accrued.

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Other events described in our Securities and Exchange Commission filings, including the Business and Risk Factors sections in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007, as such Risk Factors may be updated in quarterly filings.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations, Continued

We caution investors that forward-looking statements reflect our analysis only on their stated date. We disclaim any intent to update them except as required by law.

Results of Operations

In this section we discuss the results of our operations for the second quarter of fiscal 2008 and compare them with the same period of fiscal 2007. We discuss our cash flows and current financial condition under Capital Resources and Liquidity.

Second Quarter Highlights

Sales of \$263.5 million, up 17%, 10% in constant currency.

Gross profit up 19%.

Operating income up 170% to \$28.5 million.

Diluted earnings per share of 25 cents, up from diluted loss per share of 1 cent.

Results include \$11.3 million of production start-up and other restructuring and integration costs.

Six-Month Highlights

Sales of \$508.5 million, up 14%, 9% in constant currency.

Gross margin 58% of revenue.

Operating income of \$48.4 million.

Diluted earnings per share of 40 cents, up from 11 cents per share.

Results include \$23.4 million of production start up and other restructuring and integration costs and \$3.4 million of intellectual property litigation costs.

Outlook

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We believe that CVI will continue to compete successfully in the worldwide contact lens market with its disposable spherical, phosphorylcholine (PC) Technology , silicone hydrogel and specialty contact lenses. We believe that market demographics are favorable with the reported incidence of myopia continuing to increase worldwide and with the teenage population in the United States, the age when most contact lens wear begins, projected to grow considerably over the next two decades. CVI expects greater market penetration in Europe and Asia as practitioners increasingly prescribe more specialty lenses.

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and Results of Operations, Continued

We are in the process of developing and launching a number of new contact lens products to enhance CVI's broad and competitive product lines. New products planned for introduction over the next two years include additional lenses utilizing silicone hydrogel and PC Technology materials and new lens designs, including toric and multifocal lenses. Contact lenses utilizing silicone hydrogel materials have grown significantly, and this material is a major product material in the industry. The Company has launched Biofinity®, a silicone hydrogel contact lens product, with sales in Europe, the United States and Australia and in April 2008 launched Avaira, a two-week silicone hydrogel contact lens in the United States. While initial customer reaction from Biofinity and Avaira has been favorable, our future growth may be limited by our late entry into the silicone hydrogel market. We have achieved sufficient manufacturing capacity of Biofinity to support our business plan. For Avaira, we face challenges associated with manufacturing a new material on a new manufacturing platform and are incurring additional manufacturing costs as we attempt to ramp up production volumes and improve efficiencies for this product. We believe that our ability to succeed with silicone hydrogel products will be an important factor affecting future levels of sales growth and profitability.

During fiscal 2007, we were engaged in litigation with regard to our silicone hydrogel product and certain lens design patents. In November 2007, we reached a global settlement agreement with CIBA Vision, the eye care unit of Novartis AG, that resolves all disputes with respect to current patent infringement litigation between the companies. Under the terms of the settlement, the companies have agreed to cross license rights to these patents, and CVI has agreed to pay a royalty on its future net U.S. contact lens sales of Biofinity and Avaira until 2014 and on net sales outside of the United States until 2016.

Our operating results reflect the progression through our integration plan that is designed to optimize operational synergies of our acquisition of Ocular. Integration activities began in January 2005 and are expected to continue through mid calendar year 2008 as we expand preferred manufacturing practices and finalize the integration of duplicate distribution facilities. Our geographic mix of income and certain expenses associated with the integration plan impacted jurisdictions with lower tax rates. As a result, our effective tax rate has increased correspondingly.

CSI has built an extensive product portfolio through acquisition and internal development, and we anticipate that CSI will continue to consolidate the women's healthcare market. CSI expects to benefit from favorable demographic trends as the women of the baby-boomer generation are now reaching the age when gynecological procedures that utilize CSI products are performed most frequently.

Regarding capital resources, we believe that cash and cash equivalents on hand of \$1.9 million plus cash from operating activities and existing credit facilities will fund future operations, capital expenditures, cash dividends and small acquisitions. We expect capital expenditures in fiscal 2008 of approximately \$160 million to \$170 million, primarily to expand silicone hydrogel and single-use lens manufacturing capacity, complete the consolidation of distribution centers and for information technology. We now expect fiscal 2009 capital expenditures to decrease to \$125 million to \$140 million due to yield improvements in several processes and the expected completion of the plant expansion in Puerto Rico during fiscal 2008.

Holders of our 2.625% Convertible Senior Debentures due 2023 (Securities) have a one-day right to surrender their Securities for repurchase in cash by the company on July 1, 2008 pursuant to the terms of the indenture for the Securities (Put Option). The Put Option entitles each holder of the Securities to require the company to repurchase all or any part of such holder's Securities at a price equal to \$1,000 in cash per \$1,000 of principal amount of Securities plus accrued and unpaid interest. If holders exercise this put option, the Company intends to pay the purchase price solely with cash out of its Senior Unsecured Revolving Line of Credit that matures on January 31, 2012. If all outstanding Securities are surrendered for repurchase pursuant to the Put Option, the aggregate cash purchase price will be approximately \$115.0 million plus accrued and unpaid interest. Holders that do not surrender their Securities for repurchase pursuant to the Put Option will maintain the rights to their Securities, subject to the terms, conditions and adjustments applicable to the Securities.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Conditionand Results of Operations, Continued**Selected Statistical Information Percentage of Sales and Growth**

| | Percent of Sales Three Months Ended April 30, | | | Percent of Sales Six Months Ended April 30, | | |
|---|---|------|-------------|---|------|-------------|
| | 2008 | 2007 | % Growth | 2008 | 2007 | % Growth |
| | Net sales | 100% | 100% | 17% | 100% | 100% |
| Cost of sales | 43% | 44% | 14% | 42% | 42% | 14% |
| Gross profit | 57% | 56% | 19% | 58% | 58% | 14% |
| Selling, general and administrative expense | 41% | 45% | 7% | 43% | 45% | 10% |
| Research and development expense | 3% | 4% | 15% | 3% | 4% | (10%) |
| Restructuring costs | | | (82%) | | 1% | (71%) |
| Amortization of intangibles | 2% | 2% | 4% | 2% | 2% | 8% |
| Operating income | 11% | 5% | 170% | 10% | 6% | 84% |

Net Sales

Cooper's two business units, CooperVision and CooperSurgical, generate all its sales:

CVI develops, manufactures and markets a broad range of contact lenses for the worldwide vision care market.

CSI develops, manufactures and markets medical devices, diagnostic products and surgical instruments and accessories used primarily by gynecologists and obstetricians.

Our consolidated net sales grew \$38.0 million or 17% in the three-month period and \$63.5 million or 14% in the six-month period:

| | Three Months Ended April 30, | | | Six Months Ended April 30, | | |
|-----|---------------------------------|----------|---------------|-------------------------------|----------|---------------|
| | 2008 | 2007 | % Increase | 2008 | 2007 | % Increase |
| | (\$ in millions) | | | | | |
| CVI | \$ 222.0 | \$ 188.1 | 18% | \$ 427.6 | \$ 371.8 | 15% |
| CSI | 41.5 | 37.4 | 11% | 80.9 | 73.2 | 11% |
| | \$ 263.5 | \$ 225.5 | 17% | \$ 508.5 | \$ 445.0 | 14% |

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CVI Net Sales

Practitioner and patient preferences in the worldwide contact lens market continue to change. The major shifts are from:

Conventional lenses replaced annually to disposable and frequently replaced lenses. Disposable lenses are designed for either daily, two-week or monthly replacement; frequently replaced lenses are designed for replacement after one to three months.

Commodity lenses to specialty lenses including toric, multifocal and cosmetic lenses.

Commodity spherical lenses to value-added spherical lenses such as continuous wear lenses and lenses to alleviate dry eye symptoms as well as lenses with aspherical optical properties or higher oxygen permeable lenses such as silicone hydrogels. These shifts generally favor CVI's product lines of specialty lenses, PC Technology brand spherical lenses, silicone hydrogel spherical lenses and single-use spherical lenses. Additionally, it is important that CVI develop a range of silicone hydrogel products. CVI has launched Biofinity, its silicone hydrogel lens, with sales in Europe, the United States and Australia and launched Avaira, a second silicone hydrogel spherical lens, in April 2008, and is in the process of expanding its manufacturing capacity to grow sales. CVI anticipates launching a silicone hydrogel toric in the first half of 2009.

Definitions: Contact lens revenue includes sales of conventional, disposable, long-term extended wear lenses and single-use lenses, some of which are aspherically designed, and specialty lenses - toric lenses, multifocal lenses and cosmetic lenses.

Aspheric lenses correct for near- and farsightedness and have additional optical properties that help improve visual acuity in low light conditions and can correct low levels of astigmatism and low levels of presbyopia, an age-related vision defect.

Toric lens designs correct astigmatism by adding the additional optical properties of cylinder and axis, which correct for irregularities in the shape of the cornea.

Multifocal lens designs correct presbyopia.

Cosmetic lenses are opaque and color enhancing lenses that alter the natural appearance of the eye.

Proclear® lenses, manufactured using proprietary PC Technology, help enhance tissue/device compatibility and offer improved lens comfort.

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Item 2. Management's Discussion and Analysis of Financial Conditionand Results of Operations, Continued**CVI Net Sales by Market**

| | Three Months Ended April 30, | | | Six Months Ended April 30, | | |
|--------------|---------------------------------|----------|---------------|-------------------------------|----------|---------------|
| | 2008 | 2007 | % Increase | 2008 | 2007 | % Increase |
| | (\$ in millions) | | | | | |
| Americas | \$ 95.4 | \$ 86.8 | 10% | \$ 182.5 | \$ 168.2 | 9% |
| Europe | 86.6 | 72.4 | 20% | 168.2 | 142.8 | 18% |
| Asia Pacific | 40.0 | 28.9 | 38% | 76.9 | 60.8 | 27% |
| | \$ 222.0 | \$ 188.1 | 18% | \$ 427.6 | \$ 371.8 | 15% |

CVI's worldwide net sales grew 18% and 15% in the three- and six-month periods, 10% and 8% in constant currency. Americas sales grew 10% and 9% in the three- and six-month periods, 8% and 6% in constant currency, primarily due to market gains of CVI's silicone hydrogel lens, Biofinity, PC Technology lenses and single-use lenses. European sales grew 20% and 18% in the three- and six-month periods, 8% and 7% in constant currency, driven by significant increases in sales of Biofinity, disposable toric and disposable sphere products, including Proclear 1 Day lenses. Sales to the Asia Pacific region grew 38% and 27% in the three- and six-month periods, 22% and 15% in constant currency, primarily due to significant sales growth of single-use sphere and toric products.

Net sales growth for the quarter includes increases in single-use spheres up 62%, at \$39.4 million, all disposable spheres up 28% and total spheres up 25%. Biofinity had sales of \$12.4 million primarily in Europe and the United States. Disposable toric sales grew 13% with total toric sales up 8% and disposable multifocal sales up 32%. CVI's line of specialty lenses grew 11% and cosmetic lenses grew 16%. Older conventional lens products declined 15%. Proclear products continued global market share gains as Proclear toric sales increased 45% to \$17.7 million, Proclear spheres, including Biomedics XC and Proclear 1 Day, increased 24% to \$31.6 million and Proclear multifocal lenses, including Biomedics XC, increased 45% to \$10.6 million.

CVI's sales growth is driven primarily through increases in the volume of lenses sold as the market continues to move to more frequent replacement. While unit growth and product mix have influenced CVI's sales growth, average realized prices by product have not materially influenced sales growth.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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CSI's net sales increased 11% in both the three- and six-month periods to \$41.5 million and \$80.9 million, respectively, with organic sales growth of about 9% and 6%. Sales of products marketed directly to hospitals grew 17% over last year's second quarter and now represent 29% of CSI's sales. Women's healthcare products used primarily by obstetricians and gynecologists generate 95% of CSI's sales. The balance are sales of medical devices outside of women's healthcare which CSI does not actively market. Unit growth and product mix are the primary influences of CSI's organic sales growth. Average realized prices by product have not materially influenced organic sales growth.

Cost of Sales/Gross Profit

Gross profit as a percentage of net sales (margin) was:

| | Margin | | Margin | |
|--------------|--------------------|------|------------------|------|
| | Three Months Ended | | Six Months Ended | |
| | April 30, | | April 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| CVI | 57% | 55% | 57% | 57% |
| CSI | 59% | 59% | 59% | 59% |
| Consolidated | 57% | 56% | 58% | 58% |

CVI's margin was 57% for both the three- and six-month periods of fiscal 2008 compared with 55% and 57% for the same periods last year, the result of changing product mix offset by improvements in manufacturing efficiencies. The changing product mix included a shift to lower margin sphere products, including single-use spheres that represented 18% of lens sales in the current period compared to 13% in the second quarter of fiscal 2007. CVI's fiscal 2008 cost of sales includes production start-up costs for our new silicone hydrogel products, share-based compensation and integration activities. These costs amounted to \$9.2 million or 4% of sales in the three-month period, and \$18.7 million or 4% of sales in the six-month period. For 2007, cost of sales included production start-up costs, share-based compensation and the write off of manufacturing assets associated with Ocular integration activities, which were 8% of sales in the three-month period and 6% of sales in the six-month period.

CSI's margin was 59% in both the three- and six-month periods ended April 30, 2008, compared with 59% for both of the same periods in fiscal year 2007. Gross margin reflects continuing efficiencies associated with recent acquisitions partially offset by higher costs on products sourced outside the United States.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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| | Three Months Ended April 30, | | | | | Six Months Ended April 30, | | | | |
|--------------|------------------------------|-------------|----------|-------------|-----------------|----------------------------|-------------|----------|-------------|-----------------|
| | 2008 | % Net Sales | 2007 | % Net Sales | % Incr. (Decr.) | 2008 | % Net Sales | 2007 | % Net Sales | % Incr. (Decr.) |
| | (\$ in millions) | | | | | | | | | |
| CVI | \$ 87.5 | 39% | \$ 80.0 | 43% | 9% | \$ 173.7 | 41% | \$ 153.9 | 41% | 13% |
| CSI | 14.2 | 34% | 13.6 | 36% | 4% | 28.6 | 35% | 27.1 | 37% | 5% |
| Headquarters | 5.8 | | 7.3 | | (20%) | 15.1 | | 17.5 | | (13%) |
| | \$ 107.5 | 41% | \$ 100.9 | 45% | 7% | \$ 217.4 | 43% | \$ 198.5 | 45% | 10% |

In the second quarter of fiscal 2008, consolidated SGA increased by 7% and as a percentage of net sales, decreased to 41% from 45% in the second quarter of 2007 and decreased to 43% from 45% for the six-month period. CVI's SGA increased 9%, primarily due to costs supporting increased sales levels as well as lenses used in marketing programs for new products. SGA as a percentage of net sales decreased to 39% in the three-month period from 43% in 2007. During fiscal 2007, we were engaged in litigation with regard to our silicone hydrogel product and certain lens design patents. In November 2007, we reached a global settlement agreement with CIBA Vision, the eye care unit of Novartis AG, that resolves all disputes with respect to the patent infringement litigation between the companies. Under the terms of the settlement, the companies have agreed to cross license rights to these patents, and CVI has agreed to pay a royalty on its future Biofinity and Avaira net U.S. contact lens sales until 2014 and on net sales outside of the United States until 2016. CSI's SGA increased 4% and 5% in the three- and six-month periods of fiscal 2008, which supported the 11% sales growth in both periods.

Corporate headquarters expenses decreased 20% to \$5.8 million and 13% to \$15.1 million in the three- and six-month periods of fiscal 2008, primarily due to expense recovery related to share-based compensation. Share-based compensation expense was \$0.1 million and \$3.4 million in the three- and six-month periods of 2008 compared to \$1.3 million and \$6.0 million in the three- and six-month periods of fiscal 2007.

Research and Development Expense

During the three- and six-month periods ended April 30, 2008, CVI's research and development expenditures were 4% of sales at \$8.0 million, up 18% and 3% of sales at \$14.6 million, up 16% over the same periods of fiscal 2007. CVI's research and development activities include programs to develop disposable silicone hydrogel products and product lines utilizing PC Technology.

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CSI's research and development expenditures were 3% of net sales for the three- and six-month periods at \$1.1 million and \$2.6 million, respectively. CSI's research and development activities include the upgrade and redesign of many CSI osteoporoses, in-vitro fertilization, incontinence and assisted reproductive technology products and other obstetrical and gynecological product development activities.

Operating Income

Operating income increased by \$18.0 million, or 170% and \$22.1 million or 84%, in the three- and six-month periods, respectively:

| | Three Months Ended April 30, | | | | | Six Months Ended April 30, | | | | |
|--------------|------------------------------|-------------|---------|-------------|-----------------|----------------------------|-------------|---------|-------------|-----------------|
| | 2008 | % Net Sales | 2007 | % Net Sales | % Incr. (Decr.) | 2008 | % Net Sales | 2007 | % Net Sales | % Incr. (Decr.) |
| | (\$ in millions) | | | | | | | | | |
| CVI | \$ 26.3 | 12% | \$ 11.5 | 6% | 129% | \$ 49.0 | 11% | \$ 35.5 | 10% | 38% |
| CSI | 8.0 | 19% | 6.4 | 17% | 26% | 14.5 | 18% | 8.2 | 11% | 77% |
| Headquarters | (5.8) | | (7.4) | | 20% | (15.1) | | (17.4) | | 13% |
| | \$ 28.5 | 11% | \$ 10.5 | 5% | 170% | \$ 48.4 | 10% | \$ 26.3 | 6% | 84% |

Interest Expense

Interest expense increased by \$1.2 million or 11% and increased by \$2.5 million or 12% in the three- and six-month periods, primarily reflecting an increase in our long-term borrowings used for capital expenditures.

Other (Expense) Income, Net

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|------------------------------|------------------------------|--------|----------------------------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In millions) | | | |
| Interest income | \$ 0.1 | \$ 0.1 | \$ 0.2 | \$ 0.3 |
| Foreign exchange (loss) gain | (0.4) | | 0.4 | 0.9 |
| Other | (0.2) | (0.1) | (0.4) | (0.4) |
| | \$ (0.5) | \$ | \$ 0.2 | \$ 0.8 |

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We recorded tax expense of \$7.3 million in the first half of fiscal 2008 compared to \$1.6 million in the first half of fiscal 2007. The effective tax rate for the first half of fiscal 2008 (provision for income taxes divided by income before taxes) was approximately 28.8 percent compared to approximately 24.8 percent for the first half of fiscal 2007. The increase in our effective tax rate was due primarily to our geographic mix of income, which continues to be impacted by certain expenses associated with the Ocular integration plan in jurisdictions with lower tax rates.

Share-Based Compensation Plans

The Company has several share-based compensation plans that are described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007. The compensation and related income tax benefit recognized in the Company's consolidated financial statements for stock options, restricted stock awards and restricted stock units were as follows:

| | Three Months Ended April 30, | | Six Months Ended April 30, | |
|--|---------------------------------|--------|-------------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | (In millions) | | | |
| Selling, general and administrative expenses | \$ 1.8 | \$ 2.7 | \$ 7.0 | \$ 9.4 |
| Cost of sales | 0.4 | 0.3 | 0.8 | 0.6 |
| Research and development expense | 0.2 | 0.2 | (0.2) | 0.4 |
| Restructuring costs | | 0.8 | | 0.8 |
| Capitalized in inventory | 0.4 | 0.5 | 0.8 | 1.0 |
| Total compensation expense | \$ 2.8 | \$ 4.5 | \$ 8.4 | \$ 12.2 |
| Related income tax benefit | \$ 0.6 | \$ 1.0 | \$ 2.3 | \$ 3.1 |

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Operating cash flow \$17.1 million vs. \$47.7 million in the second quarter of fiscal 2007.

Expenditures for purchases of property, plant and equipment (PP&E) \$34.1 million vs. \$40.0 million in last year's second quarter.

Six-Month Highlights

Operating cash flow \$11.5 million vs. \$48.4 million in the first half of 2007.

Cash payments for acquisitions totaled \$3.0 million vs. \$68.8 million in the first half of 2007.

Expenditures for purchases of PP&E \$76.9 million vs. \$90.1 million in the first half of 2007.

Comparative Statistics

| | April 30, 2008 | October 31, 2007 |
|--|-------------------|---------------------|
| | (\$ in millions) | |
| Cash and cash equivalents | \$ 1.9 | \$ 3.2 |
| Total assets | \$ 2,629.7 | \$ 2,560.3 |
| Working capital | \$ 315.9 | \$ 231.0 |
| Total debt | \$ 941.0 | \$ 876.6 |
| Stockholders' equity | \$ 1,433.7 | \$ 1,423.6 |
| Ratio of debt to equity | 0.66:1 | 0.62:1 |
| Debt as a percentage of total capitalization | 39.6% | 38.1% |
| Operating cash flow-twelve months ended | \$ 97.0 | \$ 134.0 |

Working Capital

The increase in working capital in the first half of fiscal 2008 was primarily due to our adoption of FIN 48, which resulted in a reclassification of certain short-term tax liabilities to long term (see Note 9. Income Taxes) and the building of inventories in anticipation of new product launches and increasing sales levels. Increases in our long-term borrowings and accounts receivable and a decrease in other accrued liabilities also contributed to the increase. The increase in working capital was partially offset by cash used to pay for capital equipment and an increase in accounts payable.

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Operating Cash Flow

Cash provided by operating activities totaled \$11.5 million in the first half of fiscal 2008 and \$97.0 million over the twelve-month period ended April 30, 2008. Operating cash flow decreased in the first half of fiscal 2008 as we have utilized cash to build inventory in support of new product launches, for costs associated with our Ocular integration plan and for the reduction of accrued liabilities.

At the end of the first half of fiscal 2008, Cooper's inventory months on hand (MOH) decreased to 7.7 from 7.9 in last year's first half but increased from an adjusted MOH of 7.4 at October 31, 2007, as inventory was built to support new product launches and distribution center consolidations. Also, our days sales outstanding (DSO) decreased to 58 days from 62 days in last year's second quarter. Based on our experience and knowledge of our customers and our analysis of inventoried products and product levels, we believe that our accounts receivable and inventories are recoverable.

Investing Cash Flow

The cash outflow of \$79.9 million from investing activities was for capital expenditures of \$76.9 million used primarily to expand manufacturing capacity and continue the rollout of new information systems and payments of \$3.0 million related to previous acquisitions.

Financing Cash Flow

The cash inflow of \$67.1 million from financing activities was driven by net proceeds from long-term debt of \$71.6 million, \$2.3 million from the exercise of stock options and \$1.8 million from excess tax benefit from share-based compensation arrangements, partially offset by cash used to pay overdraft facilities of \$7.3 million and dividends on our common stock of \$1.3 million paid in the first half of 2008.

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Estimates and Critical Accounting Policies

Management estimates and judgments are an integral part of financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). We believe that the critical accounting policies described in this section address the more significant estimates required of management when preparing our consolidated financial statements in accordance with GAAP. We consider an accounting estimate critical if changes in the estimate may have a material impact on our financial condition or results of operations. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustment to these balances in future periods.

Revenue recognition We recognize revenue when it is realized or realizable and earned, based on terms of sale with the customer, where persuasive evidence of an agreement exists, delivery has occurred, the seller's price is fixed and determinable and collectibility is reasonably assured. For contact lenses as well as CSI medical devices, diagnostic products and surgical instruments and accessories, this primarily occurs upon product shipment, when risk of ownership transfers to our customers. We believe our revenue recognition policies are appropriate in all circumstances and that our policies are reflective of our customer arrangements. We record, based on historical statistics, estimated reductions to revenue for customer incentive programs offered including cash discounts, promotional and advertising allowances, volume discounts, contractual pricing allowances, rebates and specifically established customer product return programs. While estimates are involved, historically, most of these programs have not been major factors in our business since a high percentage of our revenue is from direct sales to doctors. The Company records taxes collected from customers on a net basis, as these taxes are not included in revenue.

Allowance for doubtful accounts Our reported balance of accounts receivable, net of the allowance for doubtful accounts, represents our estimate of the amount that ultimately will be realized in cash. We review the adequacy of our allowance for doubtful accounts on an ongoing basis, using historical payment trends and the age of the receivables and knowledge of our individual customers. When our analyses indicate, we increase or decrease our allowance accordingly. However, if the financial condition of our customers were to deteriorate, additional allowances may be required. While estimates are involved, bad debts historically have not been a significant factor given the diversity of our customer base, well established historical payment patterns and the fact that patients require satisfaction of healthcare needs in both strong and weak economies.

Net realizable value of inventory In assessing the value of inventories, we must make estimates and judgments regarding aging of inventories and other relevant issues potentially affecting the saleable condition of products and estimated prices at which those products will sell. On an ongoing basis, we review the carrying value of our inventory, measuring number of months on hand and other indications of salability, and reduce the value of inventory if there are indications that the carrying value is greater than market. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and

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subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. While estimates are involved, historically, obsolescence has not been a significant factor due to long product dating and lengthy product life cycles. We target to keep, on average, about seven months of inventory on hand to maintain high customer service levels given the complexity of our specialty lens product portfolio.

Valuation of goodwill We account for goodwill and evaluate our goodwill balances and test them for impairment in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). The SFAS 142 goodwill impairment test is a two-step process. Initially, we compare the book value of net assets to the fair value of each reporting unit that has goodwill assigned to it. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of the impairment. The valuation of each of our reporting units is determined using a combination of discounted cash flows, an income valuation approach, and the guideline company method, a market valuation approach. When available and as appropriate, we use comparative market multiples to corroborate fair value results. A reporting unit is the level of reporting at which goodwill is tested for impairment

Our reporting units are the same as our business segments CVI and CSI reflecting the way that we manage our business. We test goodwill for impairment annually and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist. We performed an impairment test in our fiscal third quarter 2007, and our analysis indicated that we had no impairment of goodwill.

Business combinations We routinely consummate business combinations. We allocate the purchase price of acquisitions based on our estimates and judgments of the fair value of net assets purchased, acquisition costs incurred and intangibles other than goodwill. On individually significant acquisitions, we utilize independent valuation experts to provide a basis in order to refine the purchase price allocation, if appropriate. Results of operations for acquired companies are included in our consolidated results of operations from the date of acquisition.

Income taxes The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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As part of the process of preparing our consolidated financial statements, we must estimate our income tax expense for each of the jurisdictions in which we operate. This process requires significant management judgments and involves estimating our current tax exposures in each jurisdiction including the impact, if any, of additional taxes resulting from tax examinations as well as judging the recoverability of deferred tax assets. To the extent recovery of deferred tax assets is not likely based on our estimation of future taxable income in each jurisdiction, a valuation allowance is established. Tax exposures can involve complex issues and may require an extended period to resolve. Frequent changes in tax laws in each jurisdiction complicate future estimates. To determine the quarterly tax rate, we are required to estimate full-year income and the related income tax expense in each jurisdiction. Changes in the geographic mix or estimated level of annual pre-tax income can affect the overall effective tax rate, and such changes could be material.

Share-based compensation Under the fair value recognition provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R) as interpreted by SEC Staff Accounting Bulletin No. 107, share-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating Cooper's stock price volatility, employee exercise behavior and employee forfeiture rates.

The expected life of the share-based awards is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected volatility is based on implied volatility from publicly-traded options on the Company's stock at the date of grant, historical implied volatility of the Company's publicly-traded options, historical volatility and other factors. The risk-free interest rate is based on the continuous rates provided by the U.S. Treasury with a term equal to the expected life of the award. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

As share-based compensation expense recognized in the Consolidated Statement of Operations is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience. If factors change and the Company employs different assumptions in the application of SFAS 123R, the compensation expense that it records in future periods may differ significantly from what it has recorded in the current period.

New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 applies to all tax positions related to income taxes subject to SFAS No. 109, *Accounting for Income Taxes* (SFAS 109).

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The Company adopted the provisions of FIN 48 on November 1, 2007. Under FIN 48, the Company recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. FIN 48 clarifies how the Company measures the income tax benefits from the tax positions that are recognized, provides guidance as to the timing of the derecognition of previously recognized tax benefits and describes the methods for classifying and disclosing the liabilities within the consolidated financial statements for any unrecognized tax benefits. FIN 48 also addresses when the Company should record interest and penalties related to tax positions and how the interest and penalties may be classified within our Consolidated Statement of Operations and presented in the Consolidated Balance Sheet. We discuss our adoption of FIN 48 at Note 9. Income Taxes.

As a result, the Company reduced its net liability for unrecognized tax benefits by \$5.3 million, which was accounted for as an increase to retained earnings. As of the adoption date, the Company had total gross unrecognized tax benefits of \$18.9 million. If recognized, \$16.5 million of unrecognized tax benefits would impact the Company's effective tax rate. For the six-month period ended April 30, 2008, there were no material changes to the total amount of unrecognized tax benefits. The Company historically classified unrecognized tax benefits in current taxes payable. As a result of adoption of FIN 48, unrecognized tax benefits were reclassified to long-term income taxes payable.

Interest and penalties of \$1.75 million have been reflected as a component of the total liability as of the date of adoption of FIN 48. It is the Company's policy to recognize as additional income tax expense, the items of interest and penalties directly related to income taxes.

Included in the balance of unrecognized tax benefits at November 1, 2007 is \$0.6 million to \$1.4 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits comprised of items related to transfer pricing in various jurisdictions, state net operating losses and expiring statutes in various jurisdictions worldwide.

As of April 30, 2008, the tax years for which the Company remains subject to U.S. Federal income tax assessment upon examination are 2004 through 2007. The Company remains subject to income tax examinations in other major tax jurisdictions including the United Kingdom, Japan and Australia for the tax years 2003 through 2007.

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any controlling interest in the business and the goodwill acquired. SFAS 141R further requires that acquisition related costs and costs associated with restructuring or exiting activities of an acquired entity will be expensed as incurred. SFAS 141R also establishes disclosure requirements which will require disclosure of the nature and financial effects of the business combination. The Company is currently evaluating the impact of SFAS 141R, which is effective for the Company beginning in our fiscal year ending October 31, 2010, will have on our consolidated financial statements.

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In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 as issued is effective for fiscal years beginning after November 15, 2007. On February 12, 2008 the FASB issued FASB Staff Position (FSP) FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP FAS 157-2). FSP FAS 157-2 defers the implementation of SFAS 157 for certain nonfinancial assets and nonfinancial liabilities. The remainder of SFAS 157 is effective, for the Company, beginning our fiscal year ending October 31, 2009. The aspects that have been deferred by FSP FAS 157-2 will be effective for the Company beginning our fiscal year ending October 31, 2010. The Company is currently evaluating the impact that the adoption of FAS 157 will have on its consolidated financial statements.

In October 2007, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans: an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. Prior to the adoption of SFAS 158, the Company accounted for its defined benefit postretirement plan under SFAS No. 87, *Employers Accounting for Pensions* (SFAS 87). SFAS 87 required that a liability (minimum pension liability) be recorded when the accumulated benefit obligation liability exceeded the fair value of plan assets. In fiscal year 2007, the adjustment to initially apply SFAS 158 was approximately \$1.5 million net of tax benefit of about \$1.0 million, and was recorded as a non-cash charge to accumulated other comprehensive income in stockholders' equity. Under SFAS 87, changes in the funded status were disclosed but not immediately recognized; rather they were deferred and recognized ratably over future periods. In addition, SFAS 158 requires that the postretirement plan assets and obligations be measured as of the end of our fiscal year. We plan to adopt the measurement provisions of SFAS 158 in our fiscal year ending October 31, 2009, and are currently evaluating the impact of this provision of SFAS 158 on our consolidated financial statements. See Note 10. Employee Benefits.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 provides the option to measure, at fair value, eligible financial instrument items, which are not otherwise required to be measured at fair value. The irrevocable decision to measure items at fair value is made at specified election dates on an instrument-by-instrument basis. Changes in that instrument's fair value must be recognized in current earnings in subsequent reporting periods. If elected, the first measurement to fair value is reported as a cumulative-effect adjustment to the opening balance of retained earnings in the year of adoption. SFAS 159 also establishes additional disclosure requirements. The Company is currently evaluating the impact on our consolidated financial statements of the adoption of SFAS 159, if we elect to measure eligible financial instruments at fair value. This statement is effective for the Company beginning in our fiscal year ending October 31, 2009.

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In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. Currently, the Company does not anticipate the adoption of SFAS 160, which is effective for the Company beginning in our fiscal year ending October 31, 2010, will have a material impact on our consolidated financial statements.

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In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), with the intent of providing users of the financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedge items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedge items affect an entity's financial position, financial performance and cash flows. SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures above fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk related contingent features in derivative agreements. The provisions of this statement are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of SFAS 161, which is effective for the Company in our fiscal year ending October 31, 2010 and related interim periods, will have on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position APB No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of FSP APB 14-1, which is effective for the Company in our fiscal year ending October 31, 2010, and related interim periods, will have on our consolidated financial statements.

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Risk Management

Most of our operations outside the United States have their local currency as their functional currency. We are exposed to risks caused by changes in foreign exchange, principally our pound sterling, euro and Japanese yen-denominated debt and receivables, and from operations in foreign currencies. We have taken steps to minimize our balance sheet exposure. We are also exposed to risks associated with changes in interest rates, as the interest rate on our Senior Unsecured Revolving Line of Credit varies with the London Interbank Offered Rate. Our significant increase in debt following the acquisition of Ocular has significantly increased the risk associated with changes in interest rates. We have decreased this interest rate risk by hedging approximately \$275 million of variable rate debt effectively converting it to fixed rate debt for varying periods through May 2011.

Trademarks

Biofinity, Biomedics and Proclear are registered trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. Avaira, Biomedics XC, PC Technology and Proclear 1 Day are trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries.

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Item 3. Quantitative and Qualitative Disclosure About Market Risk

See Risk Management under Capital Resources and Liquidity in Item 2 of this report.

Item 4. Controls and Procedures

The Company has established and currently maintains disclosure controls and procedures designed to ensure that material information required to be disclosed in its reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and that any material information relating to the Company is recorded, processed, summarized and reported to its principal officers to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In conjunction with the close of each fiscal quarter, the Company conducts a review and evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer, based upon their evaluation as of April 30, 2008, the end of the fiscal quarter covered in this report, concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

As of April 30, 2008, there has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is from time to time involved in various litigation and legal matters arising in the normal course of its business operations. By describing any particular matter, the Company does not intend to imply that it or its legal advisors have concluded or believe that the outcome of any of those particular matters is or is not likely to have a material adverse impact upon the Company's consolidated financial position, cash flows or results of operations.

In re The Cooper Cos., Inc., Securities Litigation

On February 15, 2006, Alvin L. Levine filed a putative securities class action lawsuit in the United States District Court for the Central District of California, Case No. SACV-06-169 CJC, against the Company, A. Thomas Bender, its Chairman of the Board and a director, Robert S. Weiss, its Chief Executive Officer and a director, and John D. Fruth, a former director. Two similar putative class action lawsuits were also filed in the United States District Court for the Central District of California, Case Nos. SACV-06-306 CJC and SACV-06-331 CJC. On May 19, 2006, the Court consolidated all three actions under the heading *In re Cooper Companies, Inc. Securities Litigation* and selected a lead plaintiff and lead counsel pursuant to the provisions of the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4.

The lead plaintiff filed a consolidated complaint on July 31, 2006. The consolidated complaint was filed on behalf of all purchasers of the Company's securities between July 28, 2004, and December 12, 2005, including persons who received Company securities in exchange for their shares of Ocular in the January 2005 merger pursuant to which the Company acquired Ocular. In addition to the Company, Messrs. Bender, Weiss, and Fruth, the consolidated complaint named as defendants several of the Company's other current officers and directors and former officers. On July 13, 2007, the Court granted Cooper's motion to dismiss the consolidated complaint and granted the lead plaintiff leave to amend to attempt to state a valid claim.

On August 9, 2007, the lead plaintiff filed an amended consolidated complaint. As before, the amended consolidated complaint was filed on behalf of all purchasers of the Company's securities between July 28, 2004, and December 12, 2005, including persons who received Company securities in exchange for their shares of Ocular in the January 2005 merger pursuant to which the Company acquired Ocular. In addition to the Company, the amended consolidated complaint names as defendants Messrs. Bender, Weiss, Fruth, Steven M. Neil, the Company's former Executive Vice President and Chief Financial Officer, and Gregory A. Fryling, CooperVision's former President and Chief Operating Officer.

The amended consolidated complaint purports to allege violations of Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 by, among other things, contending that the defendants made misstatements concerning the Biomedics® product line, sales force integration following the merger with Ocular, the impact of silicone hydrogel lenses and financial projections. The amended consolidated complaint also alleges that the Company improperly

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accounted for assets acquired in the Ocular merger by improperly allocating \$100 million of acquired customer relationships and manufacturing technology to goodwill (which is not amortized against earnings) instead of to intangible assets other than goodwill (which are amortized against earnings), that the Company lacked appropriate internal controls and issued false and misleading Sarbanes-Oxley Act certifications.

On October 23, 2007, the Court granted in-part and denied in-part Cooper and the individual defendants' motion to dismiss. The Court dismissed the claims relating to the Sarbanes-Oxley Act certifications and the Company's accounting of assets acquired in the Ocular merger. The Court denied the motion as to the claims related to alleged false statements concerning the Biomedics product line, sales force integration, the impact of silicone hydrogel lenses and the Company's financial projections. On November 28, 2007, the Court dismissed all claims against Mr. Fruth with leave to amend. The lead plaintiff did not amend the consolidated amended complaint within the time permitted by the Court. On December 3, 2007, the Company and Messrs. Bender, Weiss, Neil and Fryling answered the amended consolidated complaint. On April 8, 2008, the Court granted by Mr. Neil a motion for judgment on the pleadings as to him, and granted leave to amend. The lead plaintiff did not amend the consolidated amended complaint within the time permitted by the Court. The Company intends to defend this matter vigorously.

In re Cooper Companies, Inc. Derivative Litigation

On March 17, 2006, Eben Brice filed a purported shareholder derivative complaint in the United States District Court for the Central District of California, Case No. 8:06-CV-00300-CJC-RNB, against several current and former officers and directors of the Company. The Company is named as a nominal defendant. Since the filing of the first purported shareholder derivative lawsuit, three similar purported shareholder derivative suits were filed in the United States District Court for the Central District of California. All four actions have been consolidated under the heading In re Cooper Companies, Inc. Derivative Litigation and the Court selected a lead plaintiff and lead counsel.

On September 11, 2006, plaintiffs filed a consolidated amended complaint. The consolidated amended complaint names as defendants Messrs. Bender, Weiss, Fruth, Marx, Rosenberg, and Fryling. It also names as defendants current directors Michael Kalkstein, Stanley Zinberg, Allan Rubenstein, and one former director. The Company is a nominal defendant. The complaint purports to allege causes of action for breach of fiduciary duty, insider trading, breach of contract, and unjust enrichment, and largely repeats the allegations in the class action securities case, described above. Under the existing scheduling order, the Company has until November 17, 2008, to respond to the consolidated amended complaint.

In addition to the derivative action pending in federal court, three similar purported shareholder actions were filed in the Superior Court for the State of California for the County of Alameda. These actions have been consolidated under the heading In re Cooper Companies, Inc. Shareholder Derivative Litigation, Case Nos. RG06260748. A consolidated amended complaint was filed on September 18, 2006. The consolidated amended complaint names as defendants the same individuals that are in the defendants in the federal derivative action. In

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addition, the complaint names Ms. Kaufman, Messrs. Fryling, Battin, Calcagno, and current officers Paul L. Remmell, Jeffrey Allan McLean, and Nicholas J. Pichotta. The Company is a nominal defendant. On November 29, 2006, the Superior Court for the County of Alameda entered an order staying the consolidated action pending the resolution of the federal derivative action.

Both the state and federal derivative actions are derivative in nature and do not seek damages from the Company.

Bausch & Lomb Incorporated Litigation

On October 5, 2004, Bausch & Lomb Incorporated (Bausch & Lomb) filed a lawsuit against Ocular Sciences, Inc. in the U.S. District Court for the Western District of New York alleging that its Biomedics toric soft contact lens and its private label equivalents infringe Bausch & Lomb's U.S. Patent No. 6,113,236 relating to toric contact lenses having optimized thickness profiles. The complaint seeks an award of damages, including multiple damages, attorneys' fees and costs and an injunction preventing the alleged infringement. The parties have filed claim construction briefs for the court to consider for its Markman order, and fact discovery substantially concluded during the first quarter of fiscal 2006. No trial date has been set. Based on our review of the complaint and the patent, as well as other relevant information obtained in discovery, we believe this lawsuit is without merit and plan to continue to pursue a vigorous defense.

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those disclosed in our Annual Report on Form 10-K for fiscal year ended October 31, 2007.

Item 4. Submission of Matters to a Vote of Security Holders

The 2008 Annual Meeting of Stockholders was held on March 18, 2008.

Each of the nine individuals nominated to serve as directors of the Company was elected:

| Director | Votes For | Votes Withheld |
|---------------------------|------------------|-----------------------|
| A. Thomas Bender | 18,197,075 | 23,339,670 |
| Michael H. Kalkstein | 18,194,655 | 23,342,090 |
| Jody S. Lindell | 18,455,981 | 23,080,764 |
| Moses Marx | 18,192,831 | 23,343,914 |
| Donald Press | 18,192,031 | 23,344,714 |
| Steven Rosenberg | 18,196,551 | 23,340,194 |
| Allan E. Rubenstein, M.D. | 18,197,320 | 23,339,425 |
| Robert S. Weiss | 18,468,594 | 23,068,151 |
| Stanley Zinberg, M.D. | 18,196,417 | 23,340,328 |

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Stockholders ratified the appointment of KPMG LLP as Cooper's independent registered public accounting firm for the fiscal year ending October 31, 2008. A total of 41,099,546 shares were voted in favor of the ratification, 428,555 shares were voted against it and 8,644 shares abstained.

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Item 6. Exhibits

| Exhibit Number | Description |
|-----------------------|---|
| 10.1 | The Cooper Companies, Inc. 2008 Incentive Payment Plan as incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 1, 2008 |
| 11* | Calculation of Earnings Per Share |
| 31.1 | Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 |
| 31.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 |
| 32.1 | Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350 |
| 32.2 | Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 |

* The information called for in this Exhibit is provided in Footnote 7, Earnings per Share, to the Consolidated Condensed Financial Statements in this report.

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SIGNATURE

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.

The Cooper Companies, Inc.
(Registrant)

Date: June 6, 2008

/s/ Rodney E. Folden
Rodney E. Folden

Corporate Controller
(Principal Accounting Officer)

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Index of Exhibits

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