Table of Contents

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 January 31, 2006

☐ **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	**94-2657368**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6140 Stoneridge Mall Road, Suite 590, Pleasanton, CA 94588
(Address of principal executive offices) (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 or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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.

Class	Outstanding at February 28, 2006
Common Stock, $.10 par value	44,514,298 Shares

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except for earnings per share)
(Unaudited)

	Three Months Ended January 31,	
	2006	2005
Net sales	$ 205,739	$ 147,550
Cost of sales	76,578	55,432
Gross profit	129,161	92,118
Selling, general and administrative expense	84,446	60,395
Research and development expense	5,932	2,830
Restructuring costs	1,340	666
Amortization of intangibles	3,729	1,610
Operating income	33,714	26,617
Interest expense	8,428	3,648
Other expense, net	5,163	614
Income before income taxes	20,123	22,355
Provision for income taxes	2,169	4,646
Net income	17,954	17,709
Add interest charge applicable to convertible debt, net of tax	522	524
Income for calculating diluted earnings per share	$ 18,476	$ 18,233
Earnings per share:		
Basic	$ 0.40	$ 0.50
Diluted	$ 0.39	$ 0.46
Number of shares used to compute earnings per share:		
Basic	44,497	35,209
Diluted	47,614	39,479

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands)
(Unaudited)

	January 31, 2006	October 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,597	$ 30,826
Trade accounts receivable, net of allowance for doubtful accounts of $6,876 at January 31, 2006 and $7,232 at October 31, 2005	155,001	152,610
Inventories	198,480	185,693
Deferred tax assets	21,147	23,449
Prepaid expense and other assets	50,118	51,136
Total current assets	449,343	443,714
Property, plant and equipment, at cost	519,676	477,244
Less: accumulated depreciation and amortization	105,563	97,459
	414,113	379,785
Goodwill	1,209,834	1,169,049
Other intangibles, net	161,096	151,413
Deferred tax assets	20,699	19,716
Other assets	13,173	16,153
	$2,268,258	$2,179,830
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 38,537	$ 72,260
Accounts payable	40,880	36,042
Employee compensation and benefits	31,239	30,896
Accrued acquisition costs	37,836	41,110
Accrued income taxes	28,034	26,454
Other current liabilities	48,409	50,860
Total current liabilities	224,935	257,622
Long-term debt	727,234	632,652
Deferred tax liability	7,819	9,118
Accrued pension liability and other	7,606	7,213
Total liabilities	967,594	906,605
Commitments and Contingencies (see Note 12)		
Stockholders' equity:		
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 44,937 at January 31, 2006 and 44,896 at October 31, 2005, respectively	4,494	4,490
Additional paid-in capital	984,960	977,317
Accumulated other comprehensive income and other	16,642	14,114
Retained earnings	301,056	284,437
Treasury stock at cost: 423 shares at January 31, 2006 and 465 shares at October 31, 2005, respectively	(6,488)	(7,133)
Stockholders' equity	1,300,664	1,273,225
	$2,268,258	$2,179,830

See accompanying notes.

Table of Contents

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended January 31,	
	2006	2005
Cash flows from operating activities:		
Net income	$ 17,954	$ 17,709
Depreciation and amortization	14,176	8,182
Increase (decrease) in operating capital	(7,946)	2,289
Other non-cash items	8,870	7,627
Net cash provided from operating activities	33,054	35,807
Cash flows from investing activities:		
Purchases of property, plant and equipment	(45,960)	(11,630)
Acquisitions of businesses, net of cash acquired	(54,730)	(615,658)
Sale of marketable securities and other	—	1,779
Net cash used by investing activities	(100,690)	(625,509)
Cash flows from financing activities:		
Net proceeds of short-term debt	4,183	26
Repayments of long-term debt	(557,110)	(98,425)
Proceeds from long-term debt	613,750	675,000
Debt acquisition costs	(625)	(7,697)
Dividends on common stock	(1,335)	(983)
Exercise of stock options	2,544	10,703
Net cash provided by financing activities	61,407	578,624
Effect of exchange rate changes on cash and cash equivalents	—	204
Net decrease in cash and cash equivalents	(6,229)	(10,874)
Cash and cash equivalents - beginning of period	30,826	39,368
Cash and cash equivalents - end of period	$ 24,597	$ 28,494

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

	Three Months Ended January 31,	
	2006	2005
Net income	$17,954	$17,709
Other comprehensive income		
Foreign currency translation adjustment	2,881	5,492
Change in value of derivative instruments, net of tax	(12)	5
Minimum pension liability adjustment, net of tax	197	—
Unrealized gain on marketable securities, net of tax:		
Gain arising during the period	—	81
Reclassification adjustment	—	(71)
	—	10
Other comprehensive income, net of tax	3,066	5,507
Comprehensive income	$21,020	$23,216

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 1. General

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

- CooperVision (CVI) markets, develops and manufactures a broad range of contact lenses for the worldwide vision care market. Its leading products are disposable and planned replacement lenses.
- CooperSurgical (CSI) markets, develops and manufactures 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 Form 10-K for the fiscal year ended October 31, 2005. Please refer to this when reviewing this 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 January 31, 2006 and October 31, 2005, the consolidated results of its operations for the three months ended January 31, 2006 and 2005 and its cash flows for the three months ended January 31, 2006 and 2005. Most of these adjustments are normal and recurring. However, certain adjustments associated with the acquisition of Ocular Sciences, Inc. (Ocular) 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 including certain intercompany equipment sales and leaseback transactions. We do not use derivatives for trading or speculative purposes. We believe that the counterparty with which we enter into forward exchange contracts and interest rate swap agreements is financially sound and that the credit risk of these contracts is negligible.

Estimates and Critical Accounting Policies

Management estimates and judgments are an integral part of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (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.
- 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 in spite of the complexity of our specialty lens product portfolio.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

- Valuation of goodwill – We account for goodwill and evaluate our goodwill balances and test them for impairment in accordance with the provisions of FASB Statement No. 142, *Goodwill and Other Intangible Assets*. We no longer amortize goodwill. We test goodwill for impairment annually during the third fiscal quarter 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 third fiscal quarter 2005, and our analysis indicated that we had no goodwill impairment.

  The FASB Statement No. 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. 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 – CooperVision and CooperSurgical – reflecting the way that we manage our business. Our most recent estimate of fair value, at the time of our May 1, 2005 review and using several valuation techniques including assessing industry multiples, for CVI ranged from $1.9 billion to $3.6 billion compared to a carrying value of $1.7 billion and for CSI ranged from $260 million to $436 million compared to a carrying value of $174 million.

- 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 – 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. We adjust the estimated effective tax rate for the tax related to significant unusual items. 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.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

New Accounting Pronouncement

Effective November 1, 2005, the Company began recording compensation expense associated with stock options and other forms of equity compensation in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), as interpreted by SEC Staff Accounting Bulletin No. 107. Prior to November 1, 2005, the Company accounted for stock options according to the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations, and therefore no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS 123R and, consequently, has not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock options recognized in the first quarter of fiscal 2006 includes: 1) quarterly amortization related to the remaining unvested portion of all stock option awards granted prior to November 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, *Accounting for Stock-Based Compensation*; and 2) quarterly amortization related to all stock option awards granted on or subsequent to November 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R.

As a result of the adoption of SFAS 123R, the Company’s income before income taxes and net income for the quarter ended January 31, 2006, were $4.9 million and $3.5 million lower, respectively, than under the Company’s previous accounting method for share-based compensation.

Prior to the adoption of SFAS 123R, the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in the Condensed Consolidated Statement of Cash Flows. SFAS 123R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised (excess tax benefits) be classified as financing cash flows. The company has sufficient net operating loss carryforwards to generally eliminate cash payments for income taxes. Therefore, no cash has been retained as a result of excess tax benefits relating to share based payments made to directors and employees.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

For stock options granted prior to the adoption of SFAS 123R, if compensation expense for the Company's various stock option plans had been determined based upon estimated fair values at the grant dates in accordance with SFAS No. 123, the Company's pro forma net income and basic and diluted income per common share would have been as follows:

	Three Months Ended January 31, 2005 (In thousands, except per share amounts)
Net income, as reported	$ 17,709
Add: Stock-based director compensation expense included in reported net income, net of related tax effects	14
Deduct: Total stock-based employee and director compensation expense determined under fair value based method, net of related tax effects	(1,479)
Pro forma net income	$ 16,244
Basic earnings per share:	
As reported	$ 0.50
Pro forma	$ 0.46
Diluted earnings per share:	
As reported	$ 0.46
Pro forma	$ 0.43

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Note 2. Acquisitions

Inlet Acquisition: In November 2005, Cooper purchased Inlet Medical, Incorporated (Inlet), a manufacturer of trocar closure systems and pelvic floor reconstruction procedure kits. Inlet offers a cost effective trocar wound closure system and supplies procedure kits for the treatment of pelvic support problems.

We paid $25.5 million in cash for Inlet and, initially, have ascribed $17 million to goodwill, $0.4 million to working capital (including acquisition costs of $1 million), $8 million to other intangibles and $0.1 million to property, plant and equipment. The purchase price can be adjusted up (earn-out) or down at the end of one year based on revenue and operating profit achievements. The allocation of the purchase price is subject to refinement, including determination of the existence of in-process research and development, as we are in the process of obtaining a third party valuation. Subsequent adjustments could be material.

NeoSurg Acquisition: In November 2005, Cooper acquired NeoSurg Technologies, Inc. (NeoSurg) for $23 million in cash. NeoSurg has developed a patented combination reusable and disposable trocar access system to compete in the $285 million market for trocars within the $2.9 billion market for laparoscopic surgical devices.

Initially, we have ascribed $19.2 million to goodwill, $4.9 million to other intangibles, and negative $1.1 million to working capital (including acquisition costs of $1 million). The allocation for the purchase price is subject to refinement, including determination of the existence of in-process research and development, as we are in the process of obtaining a third party valuation. Subsequent adjustments could be material.

Ocular Acquisition: On January 6, 2005, Cooper acquired all of the outstanding common stock of Ocular Sciences, Inc., a global manufacturer and marketer of soft contact lenses, primarily spherical and daily disposable contact lenses. The results of Ocular's operations are included in the Company's Consolidated Statements of Income from the acquisition date. The aggregate consideration paid for the stock of Ocular was about $1.2 billion plus transaction costs, less acquired cash and cash equivalents. Cooper paid $605 million in cash and issued approximately 10.7 million shares of its common stock, valued at about $623 million, to Ocular stockholders and options holders.

Pro Forma

The following reflects the Company's unaudited pro forma results had the unaudited results of Ocular been included as of the beginning of the period. The pro forma amounts are not necessarily indicative of the results that would have occurred if the acquisition had been completed at that time.

	Three Months Ended January 31,	
	2006	2005
	(In millions, except per share amounts)	
Pro Forma		
Net sales	$ 205.7	$ 197.8
Net income	$ 18.0	$ (14.5)
Diluted earnings per share	$ 0.39	$ (0.29)

Note 3. Acquisition and Restructuring Costs

When acquisitions are recorded, we accrue for the estimated direct costs of severance and plant/office closure costs of the acquired business in accordance with applicable accounting guidance including EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. Management with the appropriate level of authority have completed or in the cases of Inlet and NeoSurg are in the process of developing their assessment of exit activities of the acquired companies and have substantially completed their plans. 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 periods reported. Below is a summary of activity related to accrued acquisition costs for the three months ended January 31, 2006.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Description	Balance Oct. 31, 2005	Additions	Payments	Balance Jan. 31, 2006
		(In thousands)		
Plant shutdown	$ 12,442	$ 180	$ 2,247	$ 10,375
Severance	14,725	1,144	1,506	14,363
Legal and consulting	8,918	1,098	2,300	7,716
Preacquisition liabilities	768	—	—	768
Other	4,257	2,339	1,982	4,614
	$ 41,110	$ 4,761	$ 8,035	$ 37,836

In connection with the January 6, 2005, acquisition of Ocular, we are in the process of completing an integration plan to optimize operational synergies of the combined companies. These activities include integrating duplicate facilities, expanding utilization of preferred manufacturing and distribution practices and integrating the worldwide sales and marketing organizations. Integration activities began in January 2005 and are expected to continue through 2007.

We estimate that the total restructuring costs under this integration plan, exclusive of accrued acquisition related costs, will be approximately $25 – $30 million and will be reported as cost of sales or restructuring costs in our Consolidated Statements of Income. The following table summarizes the activity that occurred during the three month period ended January 31, 2006:

	Plant Shutdown	Severance	Other	Total
		(In millions)		
Restructuring costs incurred through October 31, 2005	$ 1.9	$ 2.1	$ 6.5	$10.5
Activity for the three-month period ended January 31, 2006	0.5	0.5	0.8	1.8
Restructuring costs incurred through January 31, 2006	$ 2.4	$ 2.6	$ 7.3	$12.3

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Note 4. Inventories

	January 31, 2006	October 31, 2005
	(In thousands)	
Raw materials	$ 27,200	$ 26,161
Work-in-process	15,125	16,083
Finished goods	156,155	143,449
	$ 198,480	$ 185,693

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

Note 5. Intangible Assets

Goodwill

	CVI	CSI	Total
		(In thousands)	
Balance as of October 31, 2005	$ 1,047,538	$ 121,511	$ 1,169,049
Additions during the three month period ended January 31, 2006	3,683	36,466	40,149
Other adjustments*	636	—	636
	$ 1,051,857	$ 157,977	$ 1,209,834

* Primarily translation differences in goodwill denominated in foreign currency.

	As of January 31, 2006		As of October 31, 2005	
	Gross Carrying Amount	Accumulated Amortization & Translation	Gross Carrying Amount	Accumulated Amortization & Translation
		(In thousands)		
Other Intangible Assets				
Trademarks	$ 1,651	$ 245	$ 1,651	$ 236
Technology	93,920	14,414	83,725	13,113
Shelf space and market share	73,420	5,978	70,224	4,033
License and distribution rights and other	17,114	4,372	17,117	3,922
	186,105	$ 25,009	172,717	$ 21,304
Less accumulated amortization and translation	25,009		21,304	
Other intangible assets, net	$ 161,096		$ 151,413	

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

We estimate that amortization expense will be about $14.2 million per year in the five-year period ending October 31, 2010.

Note 6. Debt

	January 31, 2006	October 31, 2005
	(In thousands)	
Short-term:		
Overdraft facilities	$ 38,164	$ 33,981
Current portion of long-term debt	373	38,279
	$ 38,537	$ 72,260
Long-term:		
Convertible senior debentures, net of discount of $2,504 and 2,540	$ 112,496	$ 112,460
Credit facility	614,000	557,250
Other	1,111	1,221
	727,607	670,931
Less current portion	373	38,279
	$ 727,234	$ 632,652

Syndicated Bank Credit Facility: On December 12, 2005, Cooper amended and restated its existing $750 million syndicated bank credit facility. The amendment extended maturities and provides the Company with additional borrowing flexibility and lower overall pricing. The amendment refinanced the $465 million outstanding of Term A and Term B loans under the prior facility and is comprised of a revolving credit facility, which was increased from $275 million to $500 million, and a $250 million term loan. In addition, the Company has the ability from time to time to increase the size of the revolving credit facility by up to an additional $250 million. KeyBank led the amendment process, which resulted in substantially all original banks retaining or increasing their participation in the agreement. The revolving facility and the term loan mature on December 12, 2010.

Interest rates are based on the KeyBank's London Interbank Offered Rate (LIBOR) plus additional basis points determined by certain ratios of debt to pro forma earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the credit agreement. These range from 62.5 to 150 basis points for the revolver and term loan. As of January 31, 2006, the additional basis points were 137.5 on both the revolver and the term loan.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Terms include a first security interest in all of the Company's domestic assets. The credit agreement:

- Limits Cooper's debt (total funded indebtedness) to a maximum of 50% of its total capitalization, which is defined as the sum of total debt plus stockholders' equity.
- Requires that the ratio of EBITDA to fixed charges (as defined) be at least 1.1 to 1 through October 30, 2009 and 1.2 to 1 thereafter.
- Requires that the ratio of total debt to EBITDA (as defined, "Leverage Ratio") be no higher than 3.75 to 1 from December 12, 2005 through October 30, 2006, 3.0 to 1 from October 31, 2006 through October 30, 2007, 2.5 to 1 from October 31, 2007 through October 30, 2009, and 2.0 to 1 thereafter.

At January 31, 2006, the Company's debt was 37% of total capitalization, the ratio of EBITDA to fixed charges (as defined) was 1.245 to 1 and the ratio of debt to EBITDA was 3.088 to 1.

The Company wrote off about $4.1 million of debt issuance costs as a result of amending the facility. The remaining $2.3 million of debt issuance and the additional $625,000 cost incurred to amend the facility are carried in other assets and amortized to interest expense over its life.

At January 31, 2006, we had $132.2 million available under the credit facility:

(In millions)	
Amount of facility	$ 750.0
Outstanding loans	(617.8)*
Available	$ 132.2

* Includes $3.8 million in letters of credit backing other debt.

Convertible Senior Debentures: Our $115 million of 2.625% convertible senior debentures, net of discount, are due on July 1, 2023.

European Overdraft Facility: At January 31, 2006, $37.9 million of the $40 million facility was utilized. The weighted average interest rate on the outstanding balances was 4.77%.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Note 7. Earnings Per Share (EPS)

	Three Months Ended January 31,	
	2006	2005
	(In thousands, except for per share amounts)	
Net income	$ 17,954	$ 17,709
Add interest charge applicable to convertible debt, net of tax	522	524
Income for calculating diluted earnings per share	$ 18,476	$ 18,233
Basic:		
Weighted average common shares	44,497	35,209
Basic earnings per common share	$ 0.40	$ 0.50
Diluted:		
Weighted average common shares	44,497	35,209
Effect of dilutive stock options	527	1,680
Shares applicable to convertible debt	2,590	2,590
Diluted weighted average common shares	47,614	39,479
Diluted earnings per common share	$ 0.39	$ 0.46

For the three months ended January 31, 2006 and 2005, we excluded 2,137,216 and 229,166 (exercise prices of $62.60-$80.51 and $72.94-$73.40, respectively) options to purchase Cooper's common stock, respectively, from the computation of diluted EPS because their exercise prices were above the average market price.

Note 8. Share-Based Compensation Plans

The Company has two stock-based compensation plans, which include stock options and restricted stock awards. The Amended and Restated 2001 Long-Term Incentive Plan (2001 LTIP) and the 1996 Long-Term Incentive Plan for Non-Employee Directors (1996 Directors Plan) are the only plans with stock awards currently available for grant as of January 31, 2006.

The compensation expense and related income tax benefit recognized in the Consolidated Statement of Income in the first quarter of fiscal 2006 for stock options and restricted stock awards was $4.9 million and $1.4 million, respectively. Of the $4.9 million of stock option compensation expense recognized in the first quarter of fiscal 2006, $4.8 million was a component of selling, general and administrative expenses, $0.1 million was a component of research and development expenses and an additional $0.3 million was capitalized in inventory at January 31, 2006. Cash received from options exercised under all share-based payment arrangements for the quarter ended January 31, 2006, was $2.5 million.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

The Company issues shares from treasury stock upon the exercise of 1996 Directors Plan stock options. The Company did not repurchase shares in the first quarter of fiscal 2006.

The Company is currently seeking stockholder approval of the Second Amended and Restated 2001 Long-Term Incentive Plan and the 2006 Long-Term Incentive Plan for Non-Employee Directors (2006 Directors Plan). Subject to stockholder approval, no further awards will be granted from the 1996 Directors Plan.

Details regarding the valuation and accounting for stock options follow.

The fair value of each option award granted after the adoption of SFAS 123R is estimated on the date of grant using the Black-Scholes option valuation model and assumptions noted in the following table.

	Three Months Ended January 31, 2006
Expected life	3.56 to 5.16 years
Expected volatility	29.5% to 30.8%
Risk-free interest rate	4.37% to 4.52%
Dividend yield	0.09%

The expected life of the options is based on the observed and expected time to post-vesting forfeiture and 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 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 option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

The fair value of each option award granted during the first quarter of fiscal 2005 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 January 31, 2005
Expected life	3.50 years
Expected volatility	28%
Risk-free interest rate	3.47%
Dividend yield	0.098%

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

The status of the Company's stock option plans at January 31, 2006, 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, 2005	3,967,609	$ 50.66		
Granted	148,400	$ 68.03		
Exercised	(75,500)	$ 27.47		
Forfeited or expired	(15,750)	$ 68.51		
Outstanding at January 31, 2006	4,024,759	$ 51.68	8.02	$15,089,697
Vested and exercisable at January 31, 2006	1,901,109	$ 37.65	6.78	$33,795,352

During the first quarter of fiscal 2006, the weighted-average fair value of each option granted, estimated as of the grant date using the Black-Scholes option pricing model, for the 2001 LTIP and the 1996 Directors Plan was $14.53 per share and $24.11 per share, respectively. The total intrinsic value of options exercised during the first quarter of fiscal 2006 was $2.6 million. The requisite service periods for options granted in the first quarter of fiscal 2006 for employees and directors was 33 months and 4 months, respectively.

Stock awards outstanding under the Company's current plans have been granted at prices which are either equal to or above the market value of the stock on the date of grant. Options granted under the 2001 LTIP generally vest over three and one-half to five years based on market and service conditions and expire no later than ten years after the grant date. Options granted under the 1996 Directors Plan generally vest in five years or upon achievement of a market condition and expire no later than ten years after the grant date. Effective November 1, 2005, the Company generally recognizes compensation expense ratably over the vesting period. As of January 31, 2006, there was $29.9 million of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 2.8 years.

Note 9. Income Taxes

Cooper's effective tax rate (ETR) (provision for income taxes divided by pretax income) for the first quarter of fiscal 2006 was 11 percent. Accounting principles generally accepted in the United States of America (GAAP) require that the projected fiscal year ETR be included in the year-to-date results. The ETR used to record the provision for income taxes for the three-month period ended January 31, 2005 was 21 percent. The decrease in the 2006 ETR reflects the continuing shift of business to jurisdictions with lower tax rates.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

The Company has not provided for Federal income tax on approximately $315.1 million of undistributed earnings of its foreign subsidiaries since the Company intends to reinvest this amount outside the U.S. indefinitely. As a result, the Company has not availed itself of the favorable repatriation provisions of Internal Revenue Code Section 965.

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 are comprised of equity and fixed income funds.

Cooper has adopted the interim financial statement disclosure requirements of SFAS No. 132 (Revised 2003), *Employers' Disclosures about Pension and Other Postretirement Benefits.* The provisions of SFAS No. 132, as revised, require additional disclosure to those in the original SFAS No. 132 regarding assets, obligations, cash flows and net periodic pension benefit cost of defined benefit plans. Cooper's results of operations for the three months ended January 31, 2006 and 2005 reflect the following pension costs.

	Three Months Ended January 31,	
	2006	2005
	(In thousands)	
Components of net periodic pension cost:		
Service cost	$ 740	$ 480
Interest cost	388	355
Expected returns on assets	(421)	(342)
Amortization of prior service cost	6	7
Amortization of transition obligation	8	7
Recognized net actuarial loss	116	70
Net periodic pension cost	$ 837	$ 577
Pension contributions:		
Contributions made during period	$ —	$ —

Note 11. Cash Dividends

We paid a semiannual dividend of 3 cents per share on January 5, 2006, to stockholders of record on December 16, 2005.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Note 12. Contingencies

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. 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.

United States Tax Court Litigation: On September 29, 2004, the Internal Revenue Service (IRS) issued Notices of Deficiency to Ocular in connection with its audit of Ocular's income tax returns for the years 1999, 2000 and 2001. The Notice primarily pertains to transfer pricing issues and an alternative adjustment under the anti-deferral provisions of Subpart F of the Internal Revenue Code and asserts that $44.8 million of additional taxes is owed for these years, plus unspecified interest and approximately $12.7 million in related penalties.

On December 29, 2004, Ocular filed a Petition for the United States Tax Court to redetermine the deficiencies asserted by the IRS. On February 11, 2005, the IRS filed its Answer to the Petition generally denying the various arguments made by Ocular against the assertions of the IRS. The Company believes that the IRS may not have fully reviewed the facts before making its assessment of additional taxes, and that its position misapplies the law and is incorrect. Discovery began on March 7, 2005, and the Company intends to fully access the work product of the IRS to more fully ascertain an understanding of its position.

The amount of taxes paid for these years was supported by pricing studies performed by an international firm of tax advisors. The resulting intercompany transactions and tax payments reflected pricing terms that were and are consistent with industry practice for arm's length transactions with unrelated third parties. The Company intends to vigorously contest the IRS's claims, and believes that the ultimate outcome of this matter will not have a material adverse effect on financial condition, liquidity or cash flow of the Company.

The Company continues to be subject to the examination of Ocular's income tax returns by the IRS and other fiscal authorities, and we cannot assure that the outcomes from these examinations will not have a material adverse effect on the Company's operating results and financial condition. Moreover, the Company's future effective tax rates could be adversely affected by earnings being higher than anticipated in countries where it has higher statutory rates or lower than expected in countries where it has lower statutory rates, by changes in the valuation of deferred tax assets or liabilities, or by changes in tax laws or interpretations thereof.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Note 13. Business Segment Information

Cooper is organized by product line for management reporting with operating income, as presented in our financial reports, as the primary measure of segment profitability. We do not allocate costs from corporate functions to the segments' 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 overall accounting policies.

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 January 31,	
	2006	2005
	(In thousands)	
Net sales to external customers:		
CVI	$ 175,626	$ 121,049
CSI	30,113	26,501
	$ 205,739	$ 147,550
Operating income:		
CVI	$ 37,027	$ 26,944
CSI	5,275	3,517
Corporate	(8,588)	(3,844)
Total operating income	33,714	26,617
Interest expense	(8,428)	(3,648)
Other expense, net	(5,163)	(614)
Income before income taxes	$ 20,123	$ 22,355

	January 31, 2006	October 31, 2005
	(In thousands)	
Identifiable assets:		
CVI	$1,953,238	$1,884,955
CSI	236,701	185,497
Corporate	78,319	109,378
Total	$2,268,258	$2,179,830

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements, Continued
(Unaudited)

Geographic information:

	Three Months Ended January 31,	
	2006	2005
	(In thousands)	
Net sales to external customers by country of domicile:		
United States	$ 101,501	$ 80,486
Europe	62,197	48,205
Rest of world	42,041	18,859
Total	$ 205,739	$ 147,550

	January 31, 2006	October 31, 2005
	(In thousands)	
Long-lived assets by country of domicile:		
United States	$ 204,240	$ 189,538
Europe	203,667	186,716
Rest of world	6,206	3,531
Total	$ 414,113	$ 379,785

Note 14. Subsequent Events

Legal Proceedings

Levine v. The Cooper Cos., Inc., et.al.

On February 15, 2006, a securities class action lawsuit was filed in the United States District Court for the Central District of California, Case No. SACV-06-169 CJC, against the Company, Thomas A. Bender, its Chairman of the Board, President and Chief Executive Officer, Robert S. Weiss, its Executive Vice President, Chief Operating Officer and a director, and John D. Fruth, a director. The complaint was filed on behalf of purchasers of the Company's securities between July 29, 2004 and November 21, 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.

The 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: (a) the Company improperly accounted for assets acquired in the Ocular merger by misclassifying intangible assets as tangible ones; (b) the Company's earnings guidance reflected the improper accounting for intangible assets and was inflated by (among other things) the amount of the understated amortization expense; (c) the merger synergies touted by defendants were unrealistic and were lacking in any reasonable basis; (d) Ocular had "stuffed the channel" with its *Biomedics* products so that inventories would have to be sold off before a material amount of new sales could reasonably be expected, which would have a materially negative impact on the

Company's revenues; (e) the Company's lack of a two-week silicone hydrogel product would prevent it from meeting its aggressive growth targets for 2005 and beyond; and (f) CooperVision and Ocular competed in the two-week lens market, which negatively impacted the Company's ability to realize synergies from the Ocular acquisition. This lawsuit, which is in a very preliminary stage, seeks unspecified damages. The Company intends to vigorously defend these matters.

Japan Overdraft Facility

On February 22, 2006, the company entered into a $15 million Yen-denominated credit facility allowing the company to better manage its cash in Japan. The Company also provided a continuing and unconditional guaranty to the bank on behalf of its Japanese subsidiary, CooperVision K.K. The Company will pay to the bank all forms of indebtedness in Yen upon demand by the bank. Interest expense is calculated on the outstanding balance based on the Euroyen rate plus a 1% fixed spread.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations

Note numbers refer to "Notes to Consolidated Condensed Financial Statements" beginning on page 7.

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 certain statements about the integration of the Ocular Sciences, Inc. (Ocular) business acquired on January 6, 2005, our capital resources, performance and results of operations. In addition, all statements regarding anticipated growth in our revenue, anticipated market conditions, planned product launches and results of operations 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 or phrases. Discussions of strategy, plans or intentions often contain forward-looking statements. Forward-looking statements necessarily depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. These include the risk that acquired businesses will not be integrated successfully into CooperVision (CVI) and CooperSurgical (CSI), including the risk that The Cooper Companies, Inc. (Cooper or the Company) may not continue to realize anticipated benefits from its cost-cutting measures and inherent in accounting assumptions made in the acquisitions; the risks that CVI's new products will be delayed or not occur at all, or that sales will be limited following introduction due to manufacturing constraints; risks related to implementation of information technology systems covering the Company's businesses and any delays in such implementation or other events which could result in management having to report a significant deficiency or material weakness in the effectiveness of the Company's internal control over financial reporting in its 2006 annual report on Form 10-K; 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; and the impact of the NeoSurg Technologies, Inc. (NeoSurg) and Inlet Medical, Inc. (Inlet) acquisitions on CSI's and the Company's revenue, earnings and margins.

Events, among others, that could cause our actual results and future actions of the Company to differ materially from those described in forward-looking statements include major changes in business conditions, a major disruption in the operations of our manufacturing or distribution facilities, new competitors or technologies, significant delays in new product introductions, the impact of an undetected virus on our computer systems, acquisition integration delays or costs, increases in interest rates, foreign currency exchange exposure, investments in research and development and other start-up projects, variations in stock option expenses caused by stock price movement or other assumptions inherent in accounting for stock options, dilution to earnings per share from acquisitions or issuing stock, worldwide regulatory issues, including product recalls and the effect of healthcare reform legislation, cost of complying with corporate governance requirements, changes in tax laws or their interpretation, changes in geographic profit mix effecting tax rates, significant environmental cleanup costs above those already accrued, litigation costs including any related settlements or judgments, the adverse effects on patients, practitioners and product distribution of natural disasters, cost of business divestitures, the requirement to provide for a significant liability or to write off a significant asset, including

impaired goodwill, changes in accounting principles or estimates and other events described in our Securities and Exchange Commission filings, including the "Business" section in our Annual Report on Form 10-K for the fiscal year ended October 31, 2005, and the "Risk Factors" section in Part II, Item 1A of this report. 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 first quarter of fiscal 2006 and compare them with the same period of fiscal 2005. We discuss our cash flows and current financial condition beginning on page 33 under "Capital Resources and Liquidity."

On January 6, 2005, Cooper acquired all of the outstanding common stock of Ocular, a global manufacturer and marketer of soft contact lenses, primarily spherical and daily disposable contact lenses that are brand and product differentiated by distribution channel. Ocular's results are included in our first fiscal quarter ended January 31, 2005 from January 6, 2005.

First Quarter Highlights:

- Sales of $205.7 million, up 39%, 45% in constant currency.
- Gross profit up 40%; margin up one percentage point to 63% of revenue.
- Operating income up 27% to $33.7 million.
- Diluted earnings per share at 39 cents, down from 46 cents, with a 21% increase in the number of shares.

Selected Statistical Information – Percentage of Sales and Growth

	Percent of Sales Three Months Ended January 31,		% Growth
	2006	2005	
Net sales	100%	100%	39%
Cost of sales	37%	38%	38%
Gross profit	63%	62%	40%
Selling, general and administrative	41%	41%	40%
Research and development	3%	2%	110%
Restructuring	1%	0%	101%
Amortization	2%	1%	132%
Operating income	16%	18%	27%

Net Sales: Cooper's two business units, CooperVision and CooperSurgical generate all its revenue:

- CVI markets, develops and manufacturers a broad range of contact lenses for the worldwide vision care market.
- CSI markets, develops and manufacturers medical devices, diagnostic products and surgical instruments and accessories used primarily by gynecologists and obstetricians.

Our consolidated net sales grew $58.1 million, or 39%:

	Three Months Ended January 31,		% Increase
	2006	2005	
	($ in millions)		
CVI	$ 175.6	$ 121.1	45%
CSI	30.1	26.5	14%
	$ 205.7	$ 147.6	39%

CVI Net Sales by Market:

Segment	First Quarter		Growth
	2006	2005	
	($ in millions)		
Americas	$ 83.6	$ 60.4	38%
Europe	63.7	47.9	33%
Asia/Pacific	28.3	12.8	121%
Total	$175.6	$121.1	45%

CVI's worldwide net sales grew 45% in the quarter, 52% in constant currency. Americas sales grew 38%, 37% in constant currency. European sales grew 33%, 46% in constant currency. Sales to the Asia-Pacific region grew 121%, 143% in constant currency. Net sales of Ocular have been included since the acquisition date of January 6, 2005.

CSI Net Sales: Women's healthcare products used primarily in obstetricians' and gynecologists' practices generate about 90% of CSI's sales. The balance are sales of medical devices outside of women's healthcare which CSI does not actively market. CSI's first quarter net sales increased 14% to $30.1 million. CSI's organic sales grew about 6% over last year's first quarter. CSI's acquisitions during the period did not significantly affect Cooper's results of operations. While unit growth and product mix have influenced organic revenue growth, average realized prices by product have not materially influenced organic revenue growth.

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 lenses, cosmetic lenses, multifocal lenses, continuous wear lenses and lenses to alleviate dry eye symptoms.
- Commodity spherical lenses to value-added spherical lenses such as lenses with aspherical optical properties or higher oxygen permeable lenses such as silicone hydrogels.

These shifts generally favor CVI's line of specialty products, which now comprise 50% of CVI's worldwide business. In the first quarter, CVI commenced sales of a silicone hydrogel product in Europe and is in the process of expanding its manufacturing capacity to grow sales and for the release of the product in the United States in the second half of calendar 2006 to compete in the growing market for silicone hydrogel lenses.

Definitions: Contact lens revenue includes sales of conventional, disposable and single-use spherical lenses, some of which are aspherically designed, and specialty lenses - toric lenses, cosmetic lenses, long-term extended wear lenses and multifocal lenses. Core product revenue includes specialty lenses and single-use spherical 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.
- Cosmetic lenses are opaque and color enhancing lenses that alter the natural appearance of the eye.
- Multifocal lens designs correct presbyopia.
- *Proclear* (PC) lenses help enhance tissue/device compatibility and offer improved lens comfort.

Sales growth includes continued global market share gains during the quarter with disposable sphere revenue up 55%, disposable toric revenue up 33%, disposable multifocal revenue up 100% and total toric revenue up 32%. CVI's line of specialty lenses grew 27% during the quarter. Sales increases also resulted from the continued global rollout of *Proclear* toric that increased 29% to $7.3 million and *Proclear* multifocal lenses that increased 181% to $4.4 million. Daily disposable sphere sales were $20.7 million. 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 revenue growth, average realized prices by product have not materially influenced revenue growth.

CVI results include Ocular beginning on January 6, 2005, when Cooper acquired Ocular. To present CVI's organic growth, this paragraph discusses reported sales adjusted by adding Ocular's unaudited net sales of $51.6 million for November 1, 2004 through January 5, 2005, when Cooper did not own Ocular, to CVI's reported net sales of $121.1 million for Cooper's fiscal first quarter 2005. As so adjusted, organic net sales grew 2%, 7% in constant currency. Americas sales grew 5%, European sales declined 2% but increased 8% in constant currency, and Asia-Pacific sales were flat but grew 10% in constant currency. CVI's core product lines grew 7% with specialty lens growth of 6% and single-use lens growth of 12%. Disposable lens sales growth of 3% included disposable toric sales up 9%, disposable multifocal lens sales up 52% and disposable spheres declining 1%.

Cost of Sales/Gross Profit: Gross profit as a percentage of net sales (margin) was:

	First Quarter Margin	
	2006	2005
CVI	64%	64%
CSI	57%	55%
Consolidated	63%	62%

CVI's margin for the first quarter of fiscal 2006 was 64%, the same as the first quarter last year, as a result of the changing product mix from the acquisition of Ocular and the impact of unfavorable foreign currency that flowed through cost of sales. The addition of Ocular's sphere products, including daily disposable spheres that represented 11.9% of sales in the current period compared to 4.9% in the first quarter of fiscal 2005, contributed to the decline of specialty products in the period to 50% of sales from 57% of sales.

CSI's margin was 57%, compared with 55% for the first fiscal quarter last year. Higher gross margin reflects continuing efficiencies from CSI's restructuring activities completed in the fourth quarter of fiscal 2005 and the integration of acquisitions.

Selling, General and Administrative (SGA) Expense:

	Three Months Ended January 31,				
	2006	% Net Sales	2005	% Net Sales	% Increase
	($ in millions)				
CVI	$65.1	37%	$46.6	38%	40%
CSI	10.7	36%	10.0	38%	7%
Headquarters	8.6	N/A	3.8	N/A	123%
	$84.4	41%	$60.4	41%	40%

In the first quarter of fiscal 2006, consolidated SGA increased 40% and was 41% of revenue, the same as the first quarter of fiscal 2005. Stock option expenses of $4.8 million and acquisitions contributed largely to the SGA increases. Corporate headquarters' expenses in 2006, which increased 123% to $8.6 million, include $3.4 million of stock option expenses, increased costs to comply with corporate governance requirements and support a larger company and continued expenses for projects to maintain the Company's global trading arrangement.

Research and Development Expense: During the first fiscal quarter, CVI's research and development expenditures were $5.2 million, up 155% over the first quarter of 2005, which included only one month of costs from the acquisition. CVI's research and development activities include programs to develop two-week disposable and continuous wear silicone hydrogel lenses, a disposable multifocal toric lens and a daily wear lens incorporating the PC lens material. CSI's research and development expenditures of $692,000 were for upgrading 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 improved by $7.1 million, or 27%, in the fiscal first quarter:

	Three Months Ended January 31,				
	2006	% Net Sales	2005	% Net Sales	% Increase
	($ in millions)				
CVI	$37.0	21%	$26.9	22%	37%
CSI	5.3	18%	3.5	13%	50%
Headquarters	(8.6)	N/A	(3.8)	N/A	123%
	$33.7	16%	$26.6	18%	27%

Interest Expense: Interest expense increased by $4.8 million or 131% as the first quarter of fiscal 2005 included only one month of interest expense related to the acquisition of Ocular on January 6, 2005. On December 12, 2005, we amended and restated our $750 million syndicated bank credit facility used to fund the acquisition of Ocular, and we had $614 million in loans on our credit facility at January 31, 2006, compared to $627 million outstanding on January 31, 2005.

Other Income (Expense), Net:

	Three Months Ended January 31,	
	2006	2005
	(In thousands)	
Interest income	$ 83	$ 200
Foreign exchange gain (loss)	(838)	481
Unamortized debt issuance costs	(4,085)	(1,602)
Other	(323)	307
	$(5,163)	$ (614)

In the first quarter of 2006 we wrote off debt issuance costs related to our previous credit agreement of $4.1 million, and in the first quarter of 2005 we wrote off $1.6 million of debt issuance costs for a prior credit agreement.

Provision for Income Taxes: We recorded tax expense of $2.2 million in the first quarter of fiscal 2006 compared to $4.6 million in the first quarter of fiscal 2005, on income before income taxes. The effective tax rate for the first quarter of fiscal 2006 (provision for taxes divided by income before taxes) was approximately 11 percent compared to approximately 21 percent for the first quarter of fiscal 2005 reflecting the shift of business to jurisdictions with lower tax rates.

Share-Based Compensation Plans: Effective November 1, 2005, the Company began recording compensation expense associated with stock options and other forms of equity compensation in accordance with SFAS 123R, *Share-Based Payment.* Prior to November 1, 2005, the Company accounted for stock options according to the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, and, therefore, no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS 123R and, consequently, has not retroactively adjusted

results from prior periods. Under this transition method, compensation cost associated with stock options recognized in the first quarter of fiscal 2006 includes: 1) quarterly amortization related to the remaining unvested portion of all stock option awards granted prior to November 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123; and 2) quarterly amortization related to all stock option awards granted on or subsequent to November 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R.

The compensation expense and related income tax benefit recognized in the Consolidated Statement of Income in the first quarter of fiscal 2006 for stock options and restricted stock awards was $4.9 million and $1.4 million, respectively. Of the $4.9 million of stock option compensation expense recognized in the first quarter of fiscal 2006, $4.8 million was a component of selling, general and administrative expenses, $0.1 million was a component of research and development expenses and an additional $0.3 million was capitalized in inventory at January 31, 2006. Cash received from options exercised under all share-based payment arrangements for the quarter ended January 31, 2006, was $2.5 million. The Company issues shares from treasury stock upon the exercise of 1996 Directors Plan stock options. The Company did not repurchase shares in the first quarter of fiscal 2006.

The Company continues to estimate the fair value of each option award on the date of grant using the Black-Scholes option valuation model. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Previously, under SFAS No. 123, the Company did not utilize separate employee groupings in the determination of option values. The Company now estimates option forfeitures based on historical data for each employee grouping and adjusts the rate to expected forfeitures periodically. The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in the period the forfeiture estimate is changed.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations, Continued

Capital Resources and Liquidity

First Quarter Highlights:

- Operating cash flow $33.1 million vs. $35.8 million in the first quarter of fiscal 2005.
- Cash payments for acquisitions totaled $54.7 million.
- Expenditures for purchases of property, plant and equipment (PP&E) $46 million vs. $11.6 million in 2005's first quarter.

Comparative Statistics ($ in millions):

	January 31, 2006	October 31, 2005
Cash and cash equivalents	$ 24.6	$ 30.8
Total assets	$ 2,268.3	$ 2,179.8
Working capital	$ 224.4	$ 186.1
Total debt	$ 765.8	$ 704.9
Stockholders' equity	$ 1,300.7	$ 1,273.2
Ratio of debt to equity	0.59:1	0.55:1
Debt as a percentage of total capitalization	37%	36%
Operating cash flow - twelve months ended	$ 181.1	$ 183.8

Operating Cash Flow: Cash flow provided from operating activities continues as Cooper's major source of liquidity, totaling $33.1 million in the first quarter of fiscal 2006 and $181.1 million over the twelve-month period ended January 31, 2006.

A major use of cash for operating activities in the first quarter included $14 million in interest payments.

Working capital increased $38.3 million in the first quarter of fiscal 2006 due to increases of $12.8 million in inventory and $2.4 million in receivables and a decrease in short-term debt of $33.7 million. This activity was partially offset as cash decreased $6.2 million, primarily to fund acquisitions, current deferred tax assets and other decreased $3.3 million, and current accrued liabilities and accounts payable increased $1 million. The significant increase in working capital is primarily due to the amendment of Cooper's credit facility, which reduced the current portion of debt and building inventory in anticipation of new product launches.

At the end of the first quarter of fiscal 2006, Cooper's inventory months on hand (MOH) increased to 7.8 from 6.8 in last year's first quarter as inventory was built to support new product launches. Also, our days sales outstanding (DSO) increased to 68 days from 65 days in last year's first quarter. For comparability, these DSO's and MOH's are pro forma, calculated including Ocular's results of operations for the entire first fiscal quarter of 2005. 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 $100.7 million from investing activities was driven by payments of $54.7 million for acquisitions, primarily the purchase of Inlet and NeoSurg, and capital expenditures of $46 million, used primarily to expand manufacturing capacity, combine distribution centers and continue the rollout of new information systems.

Financing Cash Flow: The cash inflow of $61.4 million from financing activities was driven by proceeds from long-term debt of $613.8 million, net proceeds from short-term debt of $4.2 million and $2.5 million from the exercise of stock options, partially offset by repayment of debt of $557.1 million, payment of debt acquisition costs of $625,000 and dividends on our common stock of $1.3 million paid in the first fiscal quarter of 2006.

Estimates and Critical Accounting Policies

Management estimates and judgments are an integral part of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (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 CooperSurgical 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.

- 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 economics.
- 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 in spite of 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 FASB Statement No. 142, *Goodwill and Other Intangible Assets*. We no longer amortize goodwill. We test goodwill for impairment annually during the third fiscal quarter 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 third fiscal quarter 2005, and our analysis indicated that we have no goodwill impairment.

  The FASB Statement No. 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. 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 – CooperVision and CooperSurgical – reflecting the way that we manage our business. Our most recent estimate of fair value, at the time of our May 1, 2005, review and using several valuation techniques

including assessing industry multiples, for CooperVision ranged from $1.9 billion to $3.6 billion compared to a carrying value of $1.7 billion and for CooperSurgical ranged from $260 million to $436 million compared to a carrying value of $174 million.

- 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 – 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. We adjust the estimated effective tax rate for the tax related to significant unusual items. 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.

New Accounting Pronouncement

Effective November 1, 2005, the Company began recording compensation expense associated with stock options and other forms of equity compensation in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), as interpreted by SEC Staff Accounting Bulletin No. 107. Prior to November 1, 2005, the Company accounted for stock options according to the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations, and therefore no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS 123R, and, consequently, has not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock options recognized in the first quarter of fiscal 2006 includes: 1) quarterly amortization related to the remaining unvested portion of all stock option awards granted prior to November 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, *Accounting for Stock-Based Compensation*; and 2) quarterly amortization related to all stock option awards granted on or subsequent to November 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R.

As a result of the adoption of SFAS 123R, the Company's income before income taxes and net income for the quarter ended January 31, 2006, were $4.9 million and $3.5 million lower, respectively, than under the Company's previous accounting method for share-based compensation.

Prior to the adoption of SFAS 123R, the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in the Condensed Consolidated Statement of Cash Flows. SFAS 123R requires that cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized for options exercised (excess tax benefits) be classified as financing cash flows. The company has sufficient net operating loss carryforwards to generally eliminate cash payments for income taxes. Therefore, no cash has been retained as a result of excess tax benefits relating to share based payments made to directors and employees.

Outlook

We believe that cash and cash equivalents on hand of $24.6 million plus cash from operating activities will fund future operations, capital expenditures, cash dividends and smaller acquisitions. We expect capital expenditures in fiscal 2006 of $150—$160 million, with about 70% for expanded manufacturing capacity, about 20% for conversion of CVI's products to the Gen II manufacturing platform and about 10% for information technology. At January 31, 2006, we had $132.2 million available under the KeyBank line of credit.

Risk Management

We are exposed to risks caused by changes in foreign exchange, principally our pound sterling and euro 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 revolver and term loan debt under the KeyBank credit agreement varies with the London Interbank Offered Rate. The significant increase in debt following the acquisition of Ocular has significantly increased the risk associated with changes in interest rates. However, we have decreased this interest rate risk by hedging about $500 million of variable rate debt effectively converting it to fixed rate debt for periods of up to three years.

As of January 31, 2006, $500 million of outstanding interest rate swaps are actively hedging outstanding debt; however, Cooper was a party to interest rate swap contracts with a notional value of $625 million. This amount includes a $100 million contract that expired on February 7, 2006. On February 7, 2006, a new $125 million contract took effect resulting in $525 million of outstanding interest rate swaps.

Amended and Restated Credit Agreement

On December 12, 2005, Cooper amended and restated its existing $750 million syndicated bank credit facility (see Note 6. Debt). The amendment extended maturities and provides the Company with additional borrowing flexibility and lower overall pricing. The amendment refinanced the $465 million outstanding of Term A and Term B loans under the prior facility and is comprised of a revolving credit facility, which was increased from $275 million to $500 million, and a $250 million term loan. In addition, the Company has the ability from time to time to increase the size of the revolving credit facility by up to an additional $250 million. We wrote off $4.1 million of debt issuance costs as a result of amending the original facility. KeyBank led the amendment process, which resulted in substantially all original banks retaining or increasing their participation in the agreement. The revolving facility and the term loan mature on December 12, 2010. Interest rates are based on the KeyBank's London Interbank Offered Rate (LIBOR) plus additional basis points determined by certain ratios of debt to pro forma earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the credit agreement. These range from 62.5 to 150 basis points for the revolver and term loan. Terms include a first security interest in all of the Company's domestic assets. The credit agreement:

- Limits Cooper's debt (total funded indebtedness) to a maximum of 50% of its total capitalization, which is defined as the sum of total debt plus stockholders' equity.
- Requires that the ratio of EBITDA to fixed charges (as defined) be at least 1.1 to 1 through October 30, 2009 and 1.2 to 1 thereafter.
- Requires that the ratio of total debt to EBITDA (as defined, "Leverage Ratio") be no higher than 3.75 to 1 from December 12, 2005 through October 30, 2006, 3.0 to 1 from October 31, 2006 through October 30, 2007, 2.5 to 1 from October 31, 2007 through October 30, 2009, and 2.0 to 1 thereafter.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations, Concluded

The changes to our contractual obligations and commercial commitments, including the amended and restated credit facility are:

Payments Due by Period

	2006	2007 & 2008	2009 & 2010	2011 & Beyond
			($ in millions)	
Long-term debt	$0.3	$ 88.0	$ 141.5	$ 498.8

Trademarks

Proclear® and Biomedics® are registered trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries and are italicized in this report.

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 January 31, 2006, 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.

The Public Company Accounting Oversight Board’s Auditing Standard No. 2 defines a material weakness as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management’s assessment of the effectiveness of the Company’s internal control over financial reporting in connection with the preparation and filing of the Company’s 2005 Form 10-K identified the following material weakness in the Company’s internal control over financial reporting as of October 31, 2005: the Company did not have sufficient personnel with adequate knowledge regarding accounting for acquisitions in accordance with generally accepted accounting principles. In addition, the Company did not have policies and procedures regarding a periodic review of existing accrued liabilities related to business combinations.

During the fiscal quarter ended January 31, 2006, Management made changes in its internal control over financial reporting to remediate the identified material weakness by establishing and implementing policies and procedures to:

- improve training and education of all relevant personnel involved in business combination accounting;
- improve the internal communication process associated with business combinations as well as the communication process associated with external advisors; and
- perform ongoing reviews of existing acquisition accrual balances and accounting procedures designed to ensure proper accounting for business combination activities.

As of January 31, 2006, except as set forth above, 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Levine v. The Cooper Cos., Inc., et.al.

On February 15, 2006, a securities class action lawsuit was filed in the United States District Court for the Central District of California, Case No. SACV-06-169 CJC, against the Company, Thomas A. Bender, its Chairman of the Board, President and Chief Executive Officer, Robert S. Weiss, its Executive Vice President, Chief Operating Officer and a director, and John D. Fruth, a director. The complaint was filed on behalf of purchasers of the Company's securities between July 29, 2004 and November 21, 2005, including persons who received Company securities in exchange for their shares of Ocular Sciences, Inc. in the January 2005 merger pursuant to which the Company acquired Ocular.

The 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: (a) the Company improperly accounted for assets acquired in the Ocular merger by misclassifying intangible assets as tangible ones; (b) the Company's earnings guidance reflected the improper accounting for intangible assets and was inflated by (among other things) the amount of the understated amortization expense; (c) the merger synergies touted by defendants were unrealistic and were lacking in any reasonable basis; (d) Ocular had "stuffed the channel" with its *Biomedics* products so that inventories would have to be sold off before a material amount of new sales could reasonably be expected, which would have a materially negative impact on the Company's revenues; (e) the Company's lack of a two-week silicone hydrogel product would prevent it from meeting its aggressive growth targets for 2005 and beyond; and (f) CooperVision and Ocular competed in the two-week lens market, which negatively impacted the Company's ability to realize synergies from the Ocular acquisition. This lawsuit, which is in a very preliminary stage, seeks unspecified damages. The Company intends to vigorously defend these matters.

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. 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.

United States Tax Court Litigation

United States Tax Court Litigation: On September 29, 2004, the Internal Revenue Service (IRS) issued Notices of Deficiency to Ocular in connection with its audit of Ocular's income tax returns for the years 1999, 2000 and 2001. The Notice primarily pertains to transfer pricing issues and an alternative adjustment under the anti-deferral provisions of Subpart F of the Internal Revenue Code and asserts that $44.8 million of additional taxes is owed for these years, plus unspecified interest and approximately $12.7 million in related penalties.

On December 29, 2004, Ocular filed a Petition for the United States Tax Court to redetermine the deficiencies asserted by the IRS. On February 11, 2005, the IRS filed its Answer to the Petition generally denying the various arguments made by Ocular against the assertions of the IRS. The Company believes that the IRS may not have fully reviewed the facts before making its assessment of additional taxes, and that its position misapplies the law and is incorrect. Discovery began on March 7, 2005, and the Company intends to fully access the work product of the IRS to more fully ascertain an understanding of its position.

The amount of taxes paid for these years was supported by pricing studies performed by an international firm of tax advisors. The resulting intercompany transactions and tax payments reflected pricing terms that were and are consistent with industry practice for arm's length transactions with unrelated third parties. The Company intends to vigorously contest the IRS's claims, and believes that the ultimate outcome of this matter will not have a material adverse effect on financial condition, liquidity or cash flow of the Company.

The Company continues to be subject to the examination of Ocular's income tax returns by the IRS and other fiscal authorities, and we cannot assure that the outcomes from these examinations will not have a material adverse effect on the Company's operating results and financial condition. Moreover, the Company's future effective tax rates could be adversely affected by earnings being higher than anticipated in countries where it has higher statutory rates or lower than expected in countries where it has lower statutory rates, by changes in the valuation of deferred tax assets or liabilities, or by changes in tax laws or interpretations thereof.

Item 1A. Risk Factors

Our business faces significant risks. These risks include those described below and may include additional risks and uncertainties not presently known to us or that we currently deem immaterial. Our business, financial condition and results of operations could be materially adversely affected by any of these risks, and the trading prices of our common stock or convertible debentures could decline. These risks should be read in conjunction with the other information in this report and our Annual Report on Form 10-K for fiscal year ended October 31, 2005.

Risks Relating to Our Business

We operate in the highly competitive healthcare industry and there can be no assurance that we will be able to compete successfully.

Each of our businesses operates within a highly competitive environment. In our soft contact lens segment, CVI faces intense competition from competitors' products, including newer silicone hydrogel contact lenses, and may face increasing competition as other new products enter the market. Our major competitors in the contact lens business have substantially greater financial resources, larger research and development budgets, larger sales forces, greater market penetration and larger manufacturing volumes than CVI.

Our major competitors in the specialty contact lens business offer competitive products, newer materials plus a variety of other eyecare products, including lens care products and ophthalmic pharmaceuticals, which may give them a competitive advantage in marketing their lenses. Moreover, newer silicone hydrogel lenses may gain market acceptance in the specialty lens business before we are able to manufacture in volume and market our own competitive silicone hydrogel specialty products, which could erode our market share and margins.

The market for our non-specialty, commodity contact lenses is also intensely competitive and is characterized by declining prices for many older product lines and growing demand for newer silicone hydrogel based products. Our ability to respond to these competitive pressures will depend on our ability to decrease our costs and maintain gross margins and operating results and to introduce our own silicone hydrogel products on a timely basis and to achieve manufacturing efficiencies for such products. Any significant decrease in our costs per lens will depend, in part, on our ability to increase sales volume and production capacity. Our failure to respond to competitive pressures in a timely manner could have a material adverse effect on our business, financial condition and results of operations.

To a lesser extent, CVI also competes with manufacturers of eyeglasses and other forms of vision correction including ophthalmic surgery. There can be no assurance that we will not encounter increased competition in the future, or that a successful entry into CVI's higher-margin specialty lens segments by a larger competitor would not have a material adverse effect on our business, financial condition or results of operations.

In the women's healthcare segment, competitive factors include technological and scientific advances, product quality, price and effective communication of product information to physicians and hospitals. CooperSurgical competes with a number of manufacturers in each of its niche markets, some of which have substantially greater financial and personnel resources and sell a much broader range of products, which may give them an advantage in marketing competitive products.

Product innovations are important in the industry in which we operate, and we face the risk of product obsolescence.

Product innovations are important in the contact lens business in which CVI competes and in the niche areas of the healthcare industry in which CSI competes. We have not historically allocated substantial resources to new product development, but rather have purchased, leveraged or licensed the technology developments of others. With the acquisition of Ocular, we have begun to invest more in new product development, including the development of silicone hydrogel based contact lenses. Although our focus is on products that will be marketable immediately or in the short to medium term rather than on funding longer-term, higher risk research and development projects, time commitments, the cost of obtaining necessary regulatory approval and other costs related to product innovations can be substantial. There can be no assurance that our new products will successfully compete in the marketplace and, as a result, justify the expense involved in their development and regulatory approval. In addition, our competitors may have developed or may in the future develop new products or technologies that could lead to the obsolescence of one or more of our products. Failure to stay current with our competitors with regard to new product offerings and technological changes and to offer products that provide performance that is at least comparable to competing products could have a material adverse effect on our business, financial condition, or results of operations.

If our products are not accepted by the market, we will not be able to sustain or expand our business.

Certain of our proposed products have not yet been clinically tested or commercially introduced, and we cannot assure you that any of them will achieve market acceptance or generate operating profits. We have not commercially marketed many of our planned new products, such as certain of our planned silicone hydrogel contact lens products and new contact lens products containing our patented phosphorilcoline (PC) technology and have just begun manufacturing silicone hydrogel lenses in Europe. Market acceptance and customer demand for these products are uncertain. The development of a market for our products may be influenced by many factors, some of which are out of our control, including:

- acceptance of our products by eyecare and women’s healthcare practitioners;
- the cost competitiveness of our products;
- consumer reluctance to try and use a new product;
- regulatory requirements;
- the earlier release of competitive products, such as silicone hydrogel products into the market by our competitors; and
- the emergence of newer and more competitive products.

New medical and technological developments may reduce the need for our optical products.

Technological developments in the eyecare and women's healthcare industries, such as new surgical procedures or medical devices, may limit demand for our products. Corneal refractive surgical procedures such as Lasik surgery and the development of new pharmaceutical products may decrease the demand for our optical products. If these new advances were to provide a practical alternative to traditional vision correction, the demand for contact lenses and eyeglasses may materially decrease. We cannot assure that medical advances and technological developments will not have a material adverse effect on our businesses.

Our substantial and expanding international operations are subject to uncertainties which could affect our operating results.

A significant portion of our current operations is conducted and located outside the United States, and our growth strategy involves expanding our existing foreign operations and entering into new foreign jurisdictions. We have significant manufacturing and distribution sites in North America and Europe. Approximately 51% and 45% of our net sales for the three months ended January 31, 2006 and 2005, respectively, were derived from the sale of products outside the United States. Further, we believe that sales outside the United States will continue to account for a material portion of our total net sales for the foreseeable future. International operations and business expansion plans are subject to numerous additional risks, including:

- foreign customers may have longer payment cycles than customers in the United States;
- failure to comply with United States Department of Commerce export controls may result in fines and/or penalties;
- tax rates in some foreign countries may exceed those of the United States, and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- we may find it difficult to comply with a variety of foreign regulatory requirements;
- general economic and political conditions in the countries where we operate may have an adverse effect on our operations in those countries or not be favorable to our growth strategy;
- we may find it difficult to manage a large organization spread throughout various countries;
- foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities;
- we may have difficulty enforcing agreements and collecting receivables through some foreign legal systems;
- fluctuations in currency exchange rates could adversely affect our results;
- we may have difficulty enforcing intellectual property rights in some foreign countries;
- we may have difficulty gaining market share in countries such as Japan because of regulatory restrictions and customer preferences; and
- we may find it difficult to enter new markets such as China, India and other developing nations due to, among other things, customer acceptance, undeveloped distribution channels and business knowledge of these new markets.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could adversely affect our international operations and, consequently, our operating results.

Acquisitions we may make may involve numerous risks.

We have a history of acquiring businesses and products that have significantly contributed to our growth in recent years, including our recent acquisition of Ocular. As part of our growth strategy, particularly at CSI, we intend to continue to consider acquiring complementary technologies, products and businesses. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities and an increase in amortization and/or write-offs of goodwill and other intangible assets, which could have a material adverse effect upon our business, financial condition and results of operations. Risks we could face with respect to acquisitions include:

- difficulties in the integration of the operations, technologies, products and personnel of the acquired company and establishment of appropriate accounting controls and reporting procedures and other regulatory compliance procedures;
- risks of entering markets in which we have no or limited prior experience;
- potential loss of employees;
- an inability to identify and consummate future acquisitions on favorable terms or at all;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential liabilities of the acquired company;
- expenses, including restructuring expenses, to shut-down our own locations and/or terminate our employees;
- a dilution of earnings per share; and
- risks inherent in accounting allocations and consequences thereof, such as whether a strategic or financial buyer would view such allocations as establishing a fair value for so called tangible and intangible assets.

We face risks associated with disruption of manufacturing operations and failure to develop new manufacturing processes that could adversely affect our profitability or competitive position.

We manufacture a significant portion of the medical device products we sell. Any prolonged disruption in the operations of our existing manufacturing facilities, whether due to technical or labor difficulties, destruction of or damage to any facility (as a result of natural disaster, use and storage of hazardous materials or other events) or other reasons, could have a material adverse effect on our business, financial condition and results of operations. In addition, materials, such as silicone hydrogel, require improvements to our manufacturing processes to make them cost effective. Our failure to develop such new manufacturing processes could significantly impact our ability to compete.

CVI manufactures our molded contact lenses, which represent a significant portion of our contact lens revenues, primarily at our facilities in the United Kingdom, Puerto Rico and Norfolk, Virginia. CSI manufactures the majority of its products in Trumbull, Connecticut. We manufacture certain products at only one manufacturing site for certain markets, and certain products are approved for manufacturing only at one site. Before we can use a second manufacturing site we must obtain the approval of regulatory authorities and because this process is expensive, we have generally not sought approvals needed to manufacture at an additional site. If there were any prolonged disruption in the operations of the approved facility, it could take a significant amount of time to validate a second site and replace lost product, which could result in lost customers and thereby reduce sales, profitability and market share.

If our manufacturing operations fail to comply with applicable regulations, our manufacturing could be delayed or disrupted, and our product sales and profitability could suffer.

Our manufacturing operations and processes are required to comply with numerous federal, state and foreign regulatory requirements, including the FDA's Quality System Regulation, or QSR regulations in Japan, and other similar foreign regulations which govern the procedures related to the design, testing, production processes, controls, quality assurance, labeling, packaging, storage and shipping of our products. We also are subject to state requirements and licenses applicable to manufacturers of medical devices. In addition, we must engage in extensive recordkeeping and reporting and must make available our manufacturing facilities and records for periodic unscheduled inspections by governmental agencies, including the FDA, state authorities and comparable agencies in other countries. Failure to pass a QSR or similar foreign inspection or to comply with these and other applicable regulatory requirements could result in disruption of our operations and manufacturing delays in addition to, among other things, significant fines, suspension of approvals, seizures or recalls of products, operating restrictions and criminal prosecutions. As a result, any failure to comply with applicable requirements could adversely affect our product sales and profitability.

We rely on independent suppliers for raw materials and we could experience inventory shortages if we were required to use an alternative supplier on short notice.

We rely on independent suppliers for key raw materials, consisting primarily of various chemicals and packaging materials. Raw materials used by us are generally available from more than one source. However, because some products require specialized manufacturing procedures, we could experience inventory shortages if we were required to use an alternative manufacturer on short notice. Asahikasei Aime Co. Ltd. (Asahi) is our sole supplier of the material used to make our silicone hydrogel contact lens products, comfilcon A. If Asahi fails to supply sufficient material on a timely basis or at all for any reason, we may suffer a disruption in the supply of our silicone hydrogel contact lens products and may need to switch to an alternative supplier in accordance with our agreement with Asahi. A disruption in the supply of comfilcon A could disrupt production of our silicone hydrogel contact lens products thereby adversely impacting our ability to market and sell such products and our ability to compete in all segments of the contact lens market.

If we fail to adequately protect our intellectual property, our business could suffer.

We consider our intellectual property rights, including patents, trademarks and licensing agreements, to be an integral component of our business. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

We have applied for patent protection in the United States and other foreign jurisdictions relating to certain existing and proposed processes and products. We cannot assure you that any of our patent applications will be approved. Patent applications in the United States are maintained in secrecy for a period of time, which may last until patents are issued, and since publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months, we cannot be certain that we will be the first creator of inventions covered by any patent application we make or the first to file patent applications on such inventions. The patents we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Further, we cannot assure you that we will have adequate resources to enforce our patents.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, we could lose competitive advantages and be materially adversely affected.

The laws of certain foreign countries in which we do business or contemplate doing business in the future do not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. Adverse determinations in a judicial or administrative proceeding could prevent us from manufacturing and selling our products or prevent us from stopping others from manufacturing and selling competing products, and thereby have a material adverse affect on our business, financial condition and results of operations.

Our intellectual property could be subject to claims of infringement.

Our competitors in both the U.S. and foreign countries, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for or obtained, or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make and sell our existing and planned products.

Claims that our products infringe the proprietary rights of others often are not asserted until after commencement of commercial sales incorporating our technology.

Significant litigation regarding intellectual property rights exists in our industry. Third parties have made, and it is possible that they will make in future, claims of infringement against us or our contract manufacturers in connection with their use of our technology. Any claims, even those without merit, could:

- be expensive and time consuming to defend;
- cause us to cease making, licensing or using products that incorporate the challenged intellectual property;
- require us to redesign or reengineer our products, if feasible;
- divert management's attention and resources; or
- require us to enter into royalty or licensing agreements in order to obtain the right to use a necessary product, component or process.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement against us or our contract manufacturers in connection with the use of our technology, in particular if we are unable to manufacture or sell any of our planned products in any major market, could adversely affect our business.

We could experience losses from product liability claims, including such claims and other losses resulting from sales of counterfeit and other infringing products.

We face an inherent risk of exposure to product liability claims in the event that the use of our products results in personal injury. We also face the risk that defects in the design or manufacture of our products or sales of counterfeit or other infringing product might necessitate a product recall and other actions by manufacturers, distributors or retailers in order to safeguard the health of consumers and protect the integrity of the subject brand. In addition, consumers may halt or delay purchases of a product that is the subject of a claim or recall, or has been counterfeited. We handle some risk with third-party carrier policies that are subject to deductibles and limitations. There can be no assurance that we will not experience material losses due to product liability claims or recalls, or a decline in sales resulting from sales of counterfeit or other infringing product, in the future.

We face risks in connection with securities litigation.

The Company and three of its directors and officers have been named in a putative securities class action, the nature and status of which are described in "Item 1 — Legal Proceedings." This lawsuit, which is at a very preliminary stage, seeks unspecified damages, and we are unable to estimate the range of potential losses that would be incurred if the plaintiffs in this action were to prevail, or to determine the total effect that it may have on our results of operations, financial position and cash flows. However, any settlement or judgment on the merits of this action could have a material adverse effect on the Company's liquidity, results of operations and financial condition. In addition, securities litigation, irrespective of its merits, is costly to defend and diverts management's attention and resources, which could adversely affect our business.

We face risks related to environmental matters.

Our facilities are subject to a broad range of federal, state, local and foreign environmental laws and requirements, including those governing discharges to the air and water, the handling or disposal of solid and hazardous substances and wastes and remediation of contamination associated with the release of hazardous substances at our facilities and offsite disposal locations. We have made, and will continue to make, expenditures to comply with such laws and requirements. Future events, such as changes in existing laws and regulations or the discovery of contamination at our facilities, may give rise to additional compliance or remediation costs that could have a material adverse effect on our business, results of operations or financial condition. As a manufacturer of various products, we are exposed to some risk of claims with respect to environmental matters, and there can be no assurance that material costs or liabilities will not be incurred in connection with any such claims.

We are involved in a voluntary clean-up at one of our sites in the state of New York, and although the workplan submitted to the state was accepted and the clean-up is proceeding in accordance with the workplan and our expectations, there can be no assurance that the clean-up will be completed within the timeframe and cost projected, that the expected results will be achieved, or that we will not identify alternate sources of contamination in connection with their remediation. As such, there can be no assurance that material costs or liabilities will not be incurred in connection with any such remediation.

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our debt obligations.

We have now and expect to continue to have a significant amount of indebtedness. As of January 31, 2006, we had total indebtedness of $765.8 million and $132.2 million of availability under our bank credit facility for further borrowings.

Our substantial indebtedness could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our ability to borrow additional funds; and
- make it more difficult for us to satisfy our obligations with respect to our debt, including our obligation to repay our credit facility or repurchase the debentures under certain circumstances;

In addition, our credit facility contains financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt.

We are vulnerable to interest rate risk with respect to our debt.

We are subject to interest rate risk in connection with the issuance of variable and fixed-rate debt. In order to maintain our desired mix of fixed-rate and variable-rate debt, we may use interest rate swap agreements and exchange fixed and variable-rate interest payment obligations over the life of the arrangements, without exchange of the underlying principal amounts. We may not be successful in structuring such swap agreements to effectively manage our risks, which could adversely affect our business, earnings and financial condition.

Exchange rate fluctuations could adversely affect our financial results.

As a result of our international operations, currency exchange rate fluctuations tend to affect our results of operations and financial position. Our most significant currency exposures are the British Pound, Canadian Dollar, Japanese Yen, and Euro. We expect to generate an increasing portion of our revenue and incur a significant portion of our expenses in currencies other than U.S. dollars. Although we may enter into foreign exchange agreements with financial institutions to reduce our exposure to fluctuations in foreign currency values relative to our debt or receivables obligations, these hedging transactions, if entered into, will not eliminate that risk entirely. In addition, to the extent we are unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on our financial condition and results of operations. Additionally, because our consolidated financial results are reported in dollars, if we generate sales or earnings in other currencies the translation of those results into dollars can result in a significant increase or decrease in the amount of those sales or earnings.

We may be required to recognize impairment charges on goodwill, which would reduce our consolidated net worth and stockholders' equity.

Pursuant to generally accepted accounting principles in the United States, we are required to perform impairment tests on our goodwill balance annually or at any time when events occur, which could impact the value of our business segments. Our determination of whether an impairment has occurred is based on a comparison of each of our reporting units' fair market value with its carrying value. Significant and unanticipated changes could require a provision for impairment in a future period that could substantially affect our reported earnings in a period of such change. In addition, such charges would reduce our consolidated net worth and our shareholders' equity, increasing our debt to total capitalization ratio, which may result in a default under our credit facilities.

Increases in our effective tax rates or adverse outcomes resulting from examination of income tax returns for Ocular for periods prior to our acquisition could adversely affect our results.

Our future effective tax rates could be adversely affected by earnings being higher than anticipated in countries where the company has higher statutory rates or lower than anticipated in countries where it has lower statutory rates, by changes in valuation of our deferred tax assets and liabilities, or by changes in tax laws or interpretations of those laws. In addition, the Internal Revenue Service has been auditing Ocular's income tax returns for the years 2002 – 2004, and we are also subject to the examination of its income tax returns by other tax authorities. The outcome of these examinations could have a material adverse effect on our operating results and financial condition.

We are in the process of upgrading certain of our management information systems, and we cannot assure you that there will not be associated excessive costs or disruption of our business.

We have implemented a management information system at our major locations and are in the process of implementing the system for substantially all of our businesses worldwide. Many other companies have had severe problems with computer system implementations of this nature and scope. We are using a controlled project plan, and we believe we have assigned adequate staffing and other resources to the projects to ensure its successful implementation. However, we cannot assure you that the design will meet our current and future business needs or that it will operate as designed. We are heavily dependent on such computer systems, and any failure or delay in the system implementation would cause a substantial interruption to our business, additional expense and loss of sales, customers and profits.

If we do not retain our key personnel and attract and retain other highly skilled employees, our business could suffer.

If we fail to recruit and retain the necessary personnel, our business and our ability to obtain new customers, develop new products and provide acceptable levels of customer service could suffer. The success of our business is heavily dependent on the leadership of our key management personnel. Our success also depends on our ability to recruit, retain and motivate highly skilled sales, marketing and engineering personnel. Competition for these persons in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel.

Provisions of our governing documents and Delaware law, and our rights plan, may have anti-takeover effects.

Certain provisions of our Second Restated Certificate of Incorporation and Amended and Restated By-laws may inhibit changes in control of the Company not approved by our board of directors. These provisions include: (i) advance notice requirements for stockholder proposals and nominations and (ii) the authority of our board to issue without stockholder approval preferred stock with such terms as our board may determine. We will also be afforded the

protections of Section 203 of the Delaware General Corporation Law, which could have similar effects. Our board of directors adopted a preferred stock purchase rights plan, commonly known as a "poison pill," pursuant to a rights agreement dated as of October 29, 1997. The rights agreement is intended to prevent abusive hostile takeover attempts by requiring a potential acquiror to negotiate the terms of an acquisition with our board of directors. However, it could have the effect of deterring or preventing an acquisition of our company, even if a majority of the our stockholders would be in favor of such acquisition, and could also have the effect of making it more difficult for a person or group to gain control of the Company or to change existing management.

Risks Relating to Government Regulation of Manufacture and Sale of Our Products

Our failure to comply with regulatory requirements or to receive regulatory clearance or approval for our products or operations could adversely affect our business.

Our products and operations are subject to rigorous regulation by the FDA, and numerous other federal, state and foreign governmental authorities. In the United States, the FDA regulates virtually all aspects of a medical device's testing, manufacture, safety, labeling, storage, recordkeeping, reporting, marketing, promotion and distribution, as well as the export of medical devices manufactured in the United States to foreign markets. Our failure to comply with FDA regulations could lead to the imposition of administrative or judicial sanctions, including injunctions, suspensions or the loss of regulatory approvals, product recalls, termination of distribution, or product seizures. In the most egregious cases, criminal sanctions or closure of our manufacturing facilities are possible.

Our medical devices require clearance or approval by the FDA before they can be commercially distributed in the United States and may require similar approvals by foreign regulatory agencies before distribution in foreign jurisdictions. The process of obtaining regulatory approvals to market a medical device, particularly from the FDA, can be costly and time consuming. There can be no assurance that such approvals will be granted on a timely basis, if at all, or that significant delays in the introduction of any new products or product enhancements will not occur, which could adversely affect our competitive position and results of operations.

Modifications and enhancements to a medical device also require a new FDA clearance or approval if they could significantly affect its safety or effectiveness or would constitute a major change in its intended use, design or manufacture. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review any manufacturer's decision. We have made modifications and enhancements to our medical devices that we do not believe require a new clearance or application, but we cannot confirm that the FDA will agree with our decisions. If the FDA requires us to seek clearance or approval for modification of a previously cleared product for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties, which could have a material adverse effect on our financial results and competitive position.

Even if regulatory approval or clearance of a medical device is granted, the FDA may impose limitations or restrictions on the uses and indications for which the device may be labeled and promoted, and failure to comply with FDA regulations prohibiting a manufacturer from promoting a device for an unapproved, or "off-label" use could result in enforcement action by the FDA, including, among other things, warning letters, fines, injunctions, consent decrees, and civil or criminal penalties.

Development and marketing of our products is subject to strict governmental regulation by foreign regulatory agencies, and failure to receive, or delay in receiving, foreign qualifications could have a material adverse affect on our business.

In many of the foreign countries in which we market our products, we are subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. Many of the regulations applicable to our devices and products in such countries are similar to those of the FDA. In many countries, the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. To date, we have not experienced difficulty in complying with these regulations. Due to the movement towards harmonization of standards in the European Union, we expect a changing regulatory environment in Europe characterized by a shift from a country by-country regulatory system to a European Union-wide single regulatory system. We cannot currently predict the timing of this harmonization. Our failure to receive, or delays in the receipt of, relevant foreign qualifications could have a material adverse effect on our business, financial condition and results of operations.

Our products are subject to reporting requirements and recalls, even after receiving regulatory clearance or approval, which could harm our reputation, business and financial results.

After a device is placed on the market, numerous regulatory requirements apply, including the FDA's Quality System Regulation, or QSR, which requires manufacturers to follow design, testing, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations, which prohibit the promotion of products for unapproved or "off-label" uses and impose other restrictions on labeling; and medical device reporting regulations that require us to report to FDA or similar governmental bodies in other countries if our products cause or contribute to a death or serious injury or malfunction in a way that would be reasonably likely to contribute to death or serious injury if the malfunction were to recur. The FDA and similar governmental bodies in other countries have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. A government mandated or voluntary recall by us could occur as a result of manufacturing or labeling errors or design defects. Any voluntary or government mandated recall may divert management attention and financial resources and harm our reputation with customers. Any recall involving one of our products could also harm the reputation of the product and the Company and would be particularly harmful to our business and financial results.

Changes in government regulation of the retail optical industry or in the selling and prescribing practices for contact lenses could have a material adverse impact on our business and financial results.

Our success depends to a significant extent upon the success of our customers who prescribe and fit contact lenses, including optometrists, ophthalmologists, and optical retail outlets, which are subject to a variety of federal, state and local laws, regulations and ordinances. These regulations relate to who is permitted to prescribe and fit contact lenses, the prescriber's obligation to provide prescriptions to its patients, the length of time a prescription is valid, the ability or obligation of prescribers to prescribe lenses by brand rather than by generic equivalent or specification, and other matters. The state and local legal requirements vary widely among jurisdictions and are subject to frequent change.

In addition, numerous healthcare-related legislative proposals have been made in recent years in the Congress and in various state legislatures. For instance, the Fairness to Contact Lens Consumers Act, which was enacted on December 6, 2003, requires that contact lens prescribers provide patients with a copy of their contact lens prescriptions after a contact lens fitting and verify those prescriptions to any third party designated by a patient, such as an online seller. Further legislative or policy initiatives directed at prescribers and the retail optical industry could be introduced on either the federal or state level. The potential impact of these proposals with respect to the business of our customers is uncertain, and we cannot assure you that the proposals, if adopted, would not have a material adverse impact on our revenues, business, financial condition and results of operations.

Adverse regulatory or other decisions affecting eyecare practitioners, or material changes in the selling and prescribing practices for contact lenses, could also have a material adverse affect on our business, operating results and financial condition. Finally, although cost controls or other requirements imposed by third party healthcare payors, such as insurers and health maintenance organizations, have not historically had a significant effect on contact lens prices or distribution practices, this could change in the future and could adversely affect our business, financial condition and results of operations.

Changes in government regulation of the healthcare industry could materially adversely affect our business.

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that could effect major changes in the healthcare system, either nationally or at the state level. Among the proposals under consideration are price controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance coverage to their employees and the creation of a government health insurance plan or plans that would cover all citizens. There continue to be efforts at the federal level to introduce various insurance market reforms, expanded fraud and abuse and anti referral legislation and

further reductions in Medicare and Medicaid coverage and reimbursement. A broad range of both similar and more comprehensive healthcare reform initiatives is likely to be considered at the state level. It is uncertain which, if any, of these or other proposals will be adopted. We cannot predict the effect such reforms or the prospect of their enactment may have on our business.

The costs of complying with the requirements of federal laws pertaining to the privacy and security of health information and the potential liability associated with failure to do so could materially adversely affect our business and results of operations.

Other federal legislation will affect the manner in which we use and disclose health information. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandates, among other things, the adoption of standards for the electronic exchange of health information that may require significant and costly changes to current practices. The U.S. Department of Health and Human Services (HHS) has released three rules to date mandating the use of new standards with respect to certain healthcare transactions and health information. The first rule requires the use of uniform standards for common healthcare transactions, including healthcare claims information, plan eligibility, referral certification and authorization, claims status, plan enrollment and disenrollment, payment and remittance advice, plan premium payments, and coordination of benefits. The second rule released by HHS imposes new standards relating to the privacy of individually identifiable health information. These standards not only require compliance with rules governing the use and disclosure of protected health information, but they also require an entity subject to HIPAA to obtain satisfactory assurances that any of its business associates to whom such information is disclosed will safeguard the information. The third rule released by HHS establishes minimum standards for the security of electronic health information. While we do not believe we are directly regulated as a covered entity under HIPAA, many of our customers are covered entities subject to HIPAA. Such customers may require us to enter into business associates agreements, which obligate us to safeguard certain health information we obtain in the course of servicing the customers, restrict the manner in which we use and disclose such information and impose liability on us for failure to meet our contractual obligations. The costs of complying with these contractual obligations and potential liability associated with failure to do so could have a material adverse effect on our business and financial condition and results of operations.

Federal and state laws pertaining to healthcare fraud and abuse could materially adversely affect our business and results of operations.

We may be subject to various federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, exclusion from participation in federal and state healthcare programs, including Medicare, Medicaid, Veterans Administration health programs and TRICARE. While we believe that our operations are in material compliance with such laws, because of the complex and far-reaching nature of these laws, there can be no assurance that we would not be required to alter one or more of its practices to be in compliance with these laws. Any violations of these laws or regulations could result in a material adverse effect on our business, financial condition and results of operations. In addition, if there is a change in law, regulation, administrative or judicial interpretation, we may have to change our business practices or our existing business practices could be challenged as unlawful, which could have a material adverse effect on our business, financial condition and results of operations.

Item 6. Exhibits

(a) Exhibits.

Exhibit Number	Description
3.1	Second Restated Certificate of Incorporation filed with the Delaware Secretary of State, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated January 13, 2006.
10.1	Amended and Restated Credit Agreement, dated as of December 12, 2005, by and among The Cooper Companies, Inc., the lenders from time to time party thereto, KeyBank National Association, as administrative agent, swing line lender and an LC issuer, JPMorgan Chase Bank, N.A. and Citicorp North America, Inc., as co-syndication agents, Harris N.A. and Union Bank of California, N.A., as co-documentation agents, and The Royal Bank of Scotland plc and BNP Paribas, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 12, 2005.
10.2	The Cooper Companies, Inc. 2006 Incentive Payment Plan, incorporated by reference to the Company's Current Report on Form 8-K dated December 20, 2005.
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 to the Consolidated Condensed Financial Statements in this report.

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: March 13, 2006

/s/ Rodney E. Folden
Rodney E. Folden
Corporate Controller
(Principal Accounting Officer)

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Index of Exhibits

Exhibit No.		Page No.
3.1	Second Restated Certificate of Incorporation filed with the Delaware Secretary of State, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated January 13, 2006.	
10.1	Amended and Restated Credit Agreement, dated as of December 12, 2005, by and among The Cooper Companies, Inc., the lenders from time to time party thereto, KeyBank National Association, as administrative agent, swing line lender and an LC issuer, JPMorgan Chase Bank, N.A. and Citicorp North America, Inc., as co-syndication agents, Harris N.A. and Union Bank of California, N.A., as co-documentation agents, and The Royal Bank of Scotland plc and BNP Paribas, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 12, 2005.	
10.2	The Cooper Companies, Inc. 2006 Incentive Payment Plan, incorporated by reference to the Company's Current Report on Form 8-K dated December 20, 2005.	
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 to the Consolidated Condensed Financial Statements in this report.

Exhibit 31.1

CERTIFICATIONS

I, A. Thomas Bender, Chairman of the Board, President and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Cooper Companies, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2006

/s/ A. Thomas Bender

A. Thomas Bender

Chairman of the Board, President and Chief Executive Office

Exhibit 31.2

CERTIFICATIONS

I, Steven M. Neil, Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Cooper Companies, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2006

/s/ Steven M. Neil

Steven M. Neil
Vice President and Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Cooper Companies, Inc. (the "Company") hereby certifies that:

(i) To his knowledge, the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended January 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) To his knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 13, 2006

/s/ A. Thomas Bender

A. Thomas Bender
Chairman of the Board, President and Chief Executive Officer

Exhibit 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of The Cooper Companies, Inc.(the "Company") hereby certifies that:

(i) To his knowledge, the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended January 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) To his knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 13, 2006

/s/ Steven M. Neil
Steven M. Neil
Vice President and Chief Financial Officer