COOPER COMPANIES INC
Form 10-Q
September 08, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For Quarterly Period Ended July 31, 2008

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from __________ to __________

Commission File Number 1-8597

The Cooper Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-2657368**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**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 x No ¨

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

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

Common Stock, $.10 par value	**45,002,632 Shares**
Class	**Outstanding at August 31, 2008**

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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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 July 31,		Nine Months Ended July 31,	
	2008	2007	2008	2007
Net sales	$ 285,884	$ 251,862	$ 794,367	$ 696,817
Cost of sales	130,787	105,938	346,381	294,526
Gross profit	155,097	145,924	447,986	402,291
Selling, general and administrative expense	110,639	104,521	328,048	302,977
Research and development expense	9,030	11,513	26,278	30,581
Restructuring costs	173	2,072	1,521	6,779
Amortization of intangibles	4,211	4,160	12,678	12,003
Operating income	31,044	23,658	79,461	49,951
Interest expense	15,266	11,085	38,441	31,795
Other income, net	1,738	512	1,929	1,340
Income before income taxes	17,516	13,085	42,949	19,496
(Benefit from) provision for income taxes	(363)	4,905	6,952	6,495
Net income	$ 17,879	$ 8,180	$ 35,997	$ 13,001
Basic earnings per share	$ 0.40	$ 0.18	$ 0.80	$ 0.29
Diluted earnings per share	$ 0.39	$ 0.18	$ 0.79	$ 0.29
Number of shares used to compute earnings per share:				
Basic	44,993	44,778	44,974	44,664
Diluted	46,934	47,785	47,477	45,082

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands)

(Unaudited)

	July 31, 2008	October 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,438	$ 3,226
Trade accounts receivable, net of allowance for doubtful accounts of $4,966 at July 31, 2008 and $6,194 at October 31, 2007	180,492	164,493
Inventories, net	295,862	267,914
Deferred tax assets	26,284	23,395
Prepaid expenses and other current assets	62,592	58,494
Total current assets	568,668	517,522
Property, plant and equipment, at cost	873,602	797,038
Less: accumulated depreciation and amortization	227,681	192,508
	645,921	604,530
Goodwill	1,286,176	1,289,584
Other intangibles, net	134,879	145,833
Deferred tax assets	22,098	20,015
Other assets	17,784	18,685
	$ 2,675,526	$ 2,596,169
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term debt	$ 36,894	$ 46,514
Accounts payable	66,041	61,377
Employee compensation and benefits	35,841	33,772
Accrued acquisition costs	7,920	10,303
Accrued income taxes	13,178	40,322
Other current liabilities	79,994	94,192
Total current liabilities	239,868	286,480
Long-term debt	890,866	830,116
Deferred tax liability	12,397	10,678
Accrued pension liability and other	35,791	9,408
Total liabilities	1,178,922	1,136,682
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 45,356 at July 31, 2008 and 45,253 at October 31, 2007	4,536	4,525
Additional paid-in capital	1,034,572	1,018,949
Accumulated other comprehensive income	90,153	107,780
Retained earnings	372,762	334,127
Treasury stock at cost: 353 shares at July 31, 2008 and 384 shares at October 31, 2007	(5,419)	(5,894)
Stockholders equity	1,496,604	1,459,487
	$ 2,675,526	$ 2,596,169

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended July 31, 2008	Nine Months Ended July 31, 2007
Cash flows from operating activities:		
Net income	$ 35,997	$ 13,001
Depreciation and amortization	62,391	55,651
(Increase) decrease in operating capital	(65,810)	11,783
Other non-cash items	22,943	15,427
Net cash provided by operating activities	55,521	95,862
Cash flows from investing activities:		
Purchases of property, plant and equipment	(102,282)	(128,688)
Acquisitions of businesses, net of cash acquired, and other	(3,711)	(77,636)
Net cash used in investing activities	(105,993)	(206,324)
Cash flows from financing activities:		
Net (repayments) proceeds of short-term debt	(9,624)	28,012
Repayments of long-term debt	(667,120)	(1,005,364)
Proceeds from long-term debt	725,620	1,093,700
Debt acquisition costs		(11,496)
Dividends on common stock	(2,699)	(2,681)
Excess tax benefit from share-based compensation arrangements	1,758	176
Proceeds from exercise of stock options	2,693	7,578
Net cash provided by financing activities	50,628	109,925
Effect of exchange rate changes on cash and cash equivalents	56	374
Net increase (decrease) in cash and cash equivalents	212	(163)
Cash and cash equivalents - beginning of period	3,226	8,224
Cash and cash equivalents - end of period	$ 3,438	$ 8,061

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended July 31, 2008	Three Months Ended July 31, 2007	Nine Months Ended July 31, 2008	Nine Months Ended July 31, 2007
Net income	$ 17,879	$ 8,180	$ 35,997	$ 13,001
Other comprehensive income (loss):				
Foreign currency translation adjustment	(2,034)	6,937	(16,423)	26,812
Change in value of derivative instruments, net of tax	14,581	(2,908)	(1,204)	(3,735)
Other comprehensive income (loss)	12,547	4,029	(17,627)	23,077
Comprehensive income	$ 30,426	$ 12,209	$ 18,370	$ 36,078

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 1. General

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

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

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

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

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

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

We have revised our financial position for goodwill and accumulated other comprehensive income from amounts in our Consolidated Balance Sheet, and foreign currency translation adjustment in our Consolidated Statement of Comprehensive Income, that were reported in our Annual Report on Form 10-K for the fiscal year ended October 31, 2007, and our Quarterly Reports on Form 10-Q for the periods ended January 31, 2008 and April 30, 2008. The revision reflects a fiscal third quarter 2008 cumulative translation adjustment of about $30.0 million that we recorded to adjust goodwill balances recorded in a functional currency different from the underlying acquisition and, therefore, not translated. The related effect is recorded in the cumulative translation adjustment in other comprehensive income.

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Estimates and Critical Accounting Policies

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

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

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

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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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

Valuation of goodwill We account for goodwill and evaluate our goodwill balances and test them for impairment in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). The SFAS 142 goodwill impairment test is a two-step process. Initially, we compare the book value of net assets to the fair value of each reporting unit that has goodwill assigned to it. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of the impairment. The valuation of each of our reporting units is determined using discounted cash flows, an income valuation approach. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are the same as our business segments CVI and CSI reflecting the way that we manage our business. We test goodwill for impairment annually and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist. We performed an impairment test in our fiscal third quarter 2008, and our analysis indicated that we had no impairment of goodwill.

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

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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

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

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

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158). Effective October 31, 2007, we adopted the balance sheet recognition provision of this standard and accordingly recognized the funded status of the Company s defined benefit postretirement plan. Effective for fiscal years ending after December 15, 2008, the standard also requires the measurement date for the Company s defined benefit postretirement plan assets and benefit obligations to coincide with our fiscal year-end. SFAS 158 provides two transition alternatives related to the change in measurement date provisions. We will adopt the measurement date provisions of SFAS 158 on the first day of our fiscal year ending October 31, 2009. We are currently evaluating the impact of the measurement date provision of the standard on our consolidated financial statements.

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

In May 2008, the FASB issued FASB Staff Position APB No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*. Additionally, this FSP specifies that issuers of such instruments

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of FSP APB 14-1, which is effective for the Company in our fiscal year ending October 31, 2010, and related interim periods, will have on our consolidated financial statements.

Note 2. Acquisition and Restructuring Costs

In connection with the Ocular Sciences Inc. (Ocular) acquisition, we are completing our integration plan that is designed to optimize operational synergies of the combined companies. These activities include integrating duplicate facilities and expanding utilization of preferred manufacturing and distribution practices. Integration activities began in January 2005 and were substantially complete in our fiscal third quarter 2008.

Of the approximately $50 million in restructuring costs under this integration plan, exclusive of accrued acquisition related costs, approximately $25 - $30 million is cash related, and are reported as cost of sales or restructuring costs in our Consolidated Statements of Income. In the three- and nine-month periods, we reported $38 thousand and $0.4 million in cost of sales and $0.2 million and $1.5 million in restructuring costs, respectively. The following table summarizes the restructuring costs incurred under this integration plan through July 31, 2008.

	Plant Shutdown	Severance	Asset Impairments (In millions)	Other	Total
Restructuring costs incurred through October 31, 2007	$ 9.5	$ 8.2	$ 9.3	$ 20.2	$ 47.2
For the nine-month period ended July 31, 2008	0.6	0.9		0.4	1.9
	$ 10.1	$ 9.1	$ 9.3	$ 20.6	$ 49.1

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

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Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Accrued Acquisition Costs

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

Below is a summary of activity related to accrued acquisition costs for the nine months ended July 31, 2008.

Description	Balance October 31, 2007	Additions	Payments	Balance July 31, 2008
	(In thousands)			
Plant shutdown	$ 2,096	$	$ 152	$ 1,944
Severance	3,751		851	2,900
Legal and consulting	3,192		309	2,883
Other	1,264		1,071	193
	$ 10,303	$	$ 2,383	$ 7,920

Note 3. Inventories, Net

	July 31, 2008	October 31, 2007
	(In thousands)	
Raw materials	$ 50,719	$ 37,754
Work-in-process	10,245	11,044
Finished goods	234,898	219,116
	$ 295,862	$ 267,914

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 4. Intangible Assets

Goodwill

	CVI	CSI	Total
		(In thousands)	
Balance as of October 31, 2007	$ 1,081,291	$ 208,293	$ 1,289,584
Additions (reductions) during the nine-month period ended July 31, 2008	560	(542)	18
Translation and other	(3,501)	75	(3,426)
Balance as of July 31, 2008	$ 1,078,350	$ 207,826	$ 1,286,176

Other Intangible Assets

	As of July 31, 2008		As of October 31, 2007	
	Gross Carrying Amount	Accumulated Amortization & Translation	Gross Carrying Amount	Accumulated Amortization & Translation
		(In thousands)		
Trademarks	$ 2,907	$ 743	$ 2,907	$ 507
Technology	90,610	34,087	90,064	27,849
Shelf space and market share	87,177	21,109	86,386	15,758
License and distribution rights and other	17,099	6,975	16,713	6,123
	197,793	$ 62,914	196,070	$ 50,237
Less accumulated amortization and translation	62,914		50,237	
Other intangible assets, net	$ 134,879		$ 145,833	

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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 5. Debt

	July 31, 2008	October 31, 2007
	(In thousands)	
Short-term:		
Overdraft and other credit facilities	$ 36,894	$ 46,514
Long-term:		
Convertible senior debentures, net of discount of $2,252 at October 31, 2007	$	$ 112,748
Senior unsecured revolving line of credit	540,500	367,000
7.125% senior notes	350,000	350,000
Other	366	368
	$ 890,866	$ 830,116

On July 1, 2008, we repurchased all $115 million in aggregate principal amount of our 2.625% Convertible Senior Debentures due 2023 (Securities) pursuant to the terms of the indenture for the Securities. The terms of the indenture included a put option that entitled each holder of the Securities to require the Company to repurchase all or any part of such holder s Securities at a price equal to $1,000 in cash per $1,000 of principal amount of Securities plus accrued and unpaid interest. The Company accepted all of these Securities for repurchase, and therefore no Securities remain outstanding. The Company paid the aggregate repurchase price from borrowings under its $650 million revolving line of credit. On July 1, 2008, we also wrote off about $3.0 million of unamortized costs related to the Securities.

Note 6. Derivative Instruments

We operate multiple foreign subsidiaries that manufacture and/or sell our products worldwide. As a result, our earnings, cash flows and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables, sales transactions, capital expenditures and net investment in certain foreign operations. Our policy is to minimize transaction remeasurement and specified economic exposures with derivative instruments such as foreign currency forward contracts and cross currency swaps. The gains and losses on these derivatives are intended to at least partially offset the transaction gains and losses recognized in earnings. We do not enter into derivatives for speculative purposes. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), all derivatives are recorded on the balance sheet at fair value. Changes in the fair value of derivatives that do not qualify, or are not effective as hedges, must be recognized currently in earnings.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Cash Flow Hedging

In May 2008, the Company entered into approximately $307 million of foreign currency forward contracts. Approximately $296 million in contracts with maturities of up to thirteen months serve to reduce foreign currency exposure related to forecasted foreign currency denominated purchases and sales of product in fiscal 2009. Approximately $11 million in contracts with maturities of up to seven months serve to reduce foreign currency exposure related to forecasted foreign currency denominated purchases and sales of product in fiscal 2008. The derivatives are accounted for as cash flow hedges under SFAS 133 and are expected to be effective throughout the life of the hedges. An immaterial amount of ineffectiveness was recorded during the Company s fiscal third quarter 2008.

In March 2008, the Company entered into approximately $15.9 million of foreign currency forward contracts with maturities of up to eight months to reduce foreign currency fluctuations related to forecasted foreign currency denominated purchases and sales of product. No ineffectiveness was recorded during the Company s fiscal third quarter 2008.

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

Balance Sheet Hedges

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

Interest Rate Swaps

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Effectiveness testing of the hedge relationships and measurement to quantify ineffectiveness is performed at a minimum each fiscal quarter using the hypothetical derivative method. The swaps have been and are expected to remain highly effective for the life of the hedges. Effective amounts are reclassified to interest expense as the related hedged expense is incurred. No material ineffectiveness was recognized on the five outstanding interest rate swaps during the current fiscal year. As of July 31, 2008, the fair value of the five outstanding swaps, approximately $8.1 million, was recorded as a liability and the effective offset, net of tax was recorded in OCI in our Consolidated Balance Sheet.

Note 7. Earnings Per Share

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008	2007	2008	2007
	(In thousands, except for per share amounts)			
Net income	$ 17,879	$ 8,180	$ 35,997	$ 13,001
Add interest charge applicable to convertible debt, net of tax	348	523	1,394	
Income for calculating diluted earnings per share	$ 18,227	$ 8,703	$ 37,391	$ 13,001
Basic:				
Weighted average common shares	44,993	44,778	44,974	44,664
Basic earnings per common share	$ 0.40	$ 0.18	$ 0.80	$ 0.29
Diluted:				
Weighted average common shares	44,993	44,778	44,974	44,664
Effect of dilutive stock options	196	417	196	418
Shares applicable to convertible debt	1,745	2,590	2,307	
Diluted weighted average common shares	46,934	47,785	47,477	45,082
Diluted earnings per common share	$ 0.39	$ 0.18	$ 0.79	$ 0.29

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008	2007	2008	2007
Numbers of stock option shares excluded	4,045,208	3,159,533	4,045,208	3,187,533
Range of exercise prices	$ 37.90-$80.51	$ 53.52-$80.51	$ 37.90-$80.51	$ 52.40-$80.51
Number of restricted stock units excluded			261,425	
Number of common shares applicable to convertible debt excluded				2,590,090

Note 8. Share-Based Compensation Plans

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008	2007	2008	2007
	(In millions)			
Selling, general and administrative expense	$ 3.0	$ 3.4	$ 10.0	$ 12.8
Cost of sales	0.2	0.5	1.0	1.1
Research and development expense		0.2	(0.2)	0.6
Restructuring costs				0.8
Capitalized in inventory	0.2	0.5	1.0	1.5
Total compensation expense	$ 3.4	$ 4.6	$ 11.8	$ 16.8
Related income tax benefit	$ 0.8	$ 0.9	$ 3.1	$ 4.0

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

The status of the Company s stock option plans at July 31, 2008, is summarized below:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at October 31, 2007	5,199,534	$ 53.06		
Granted	206,800	$ 39.82		
Exercised	(116,000)	$ 23.21		
Forfeited or expired	(364,025)	$ 60.37		
Outstanding at July 31, 2008	4,926,309	$ 52.67	5.27	
Vested and exercisable at July 31, 2008	2,058,594	$ 43.61	4.11	

The weighted-average fair value of each option granted during the nine months ended July 31, 2008, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was $12.43. No options were granted during the three months ended July 31, 2008. For the 2006 Directors Plan, the weighted-average fair value of options granted for the nine months ended July 31, 2008, was $14.23. No options were granted during the three months ended July 31, 2008. As of July 31, 2008, there was $17.2 million of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 2.1 years.

The fair value of each option award granted during the three months ended July 31, 2007 and the nine months ended July 31, 2008 and 2007 was estimated on the date of grant using the Black-Scholes option valuation model and weighted-average assumptions in the following table. No options were granted during the three months ended July 31, 2008.

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008	2007	2008	2007
Expected life		2.8 yrs.	3.2 to 5.16 yrs.	2.71 to 5.16 yrs.
Expected volatility		30.4%	29.1%	29.3% to 30.4%
Risk-free interest rate		4.73%	3.99% to 4.37%	4.47% to 4.83%
Dividend yield		0.09%	0.10%	0.09% to 0.117%

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

The status of the Company s non-vested restricted stock units (RSUs) at July 31, 2008, is summarized below:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Non-vested RSUs at October 31, 2007	167,700	$ 42.65
Granted	100,850	$ 31.93
Forfeited or expired	(7,125)	$ 42.65
Non-vested RSUs at July 31, 2008	261,425	

As of July 31, 2008, there was $8.5 million of total unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a remaining weighted-average requisite service period of 2.2 years.

Note 9. Income Taxes

Cooper s effective tax rate (ETR) (provision for income taxes divided by pretax income) for the first nine months of fiscal 2008 was 16.2 percent. GAAP requires that the projected fiscal year ETR, plus any discrete items, be included in the year-to-date results. The ETR used to record the provision for income taxes for the nine-month period ended July 31, 2007, was 33.3 percent.

The Company adopted the provisions of FIN 48 on November 1, 2007. Under FIN 48, the Company recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. As a result, the Company reduced its net liability for unrecognized tax benefits by $5.3 million, which was accounted for as an increase to retained earnings. As of the adoption date, the Company had total gross unrecognized tax benefits of $18.9 million. If recognized, $16.5 million of unrecognized tax benefits would impact the Company s effective tax rate. For the nine-month period ended July 31, 2008, there were no material changes to the total amount of unrecognized tax benefits. The Company historically classified unrecognized tax benefits in current taxes payable. As a result of our adoption of FIN 48, unrecognized tax benefits were reclassified to long-term income taxes payable.

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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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

As of July 31, 2008, the tax years for which the Company remains subject to U.S. Federal income tax assessment upon examination are 2005 through 2007. The Company remains subject to income tax examinations in other major tax jurisdictions including the United Kingdom and Australia for the tax years 2004 through 2007.

Note 10. Employee Benefits

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

In October 2007, we adopted the funded status provision of SFAS 158, which requires that we recognize the overfunded or underfunded status of our defined benefit postretirement plan as an asset or liability on our October 31, 2007 Consolidated Balance Sheet. Subsequent changes in the funded status are recognized through comprehensive income in the year in which they occur. SFAS 158 also requires that for fiscal years ending after December 15, 2008, our assumptions used to measure our annual pension expenses be determined as of the balance sheet date and all plan assets and liabilities be reported as of that date. For fiscal years ending October 31, 2007 and prior, the Company s defined benefit postretirement plan used an August 31 measurement date, and all plan assets and obligations were generally reported as of that date.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Cooper s results of operations for the three and nine months ended July 31, 2008 and 2007 reflect the following pension costs.

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008	2007	2008	2007
	(In thousands)			
Components of net periodic pension cost:				
Service cost	$ 751	$ 714	$ 2,252	$ 2,143
Interest cost	509	453	1,527	1,359
Expected returns on assets	(594)	(458)	(1,781)	(1,374)
Amortization of prior service cost	7	7	22	22
Amortization of transition obligation	7	7	20	20
Recognized net actuarial loss		43		128
Net periodic pension cost	$ 680	$ 766	$ 2,040	$ 2,298

No pension contributions have been made during fiscal 2008. We contributed $4.5 million to the Plan in our fiscal third quarter 2007.

Note 11. Cash Dividends

We paid a semiannual dividend of approximately $1.3 million or 3 cents per share on January 4, 2008, to stockholders of record on December 14, 2007. We paid another semiannual dividend of approximately $1.4 million or 3 cents per share on July 3, 2008, to stockholders of record on June 13, 2008.

Note 12. Contingencies

Legal Proceedings

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

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

The lead plaintiff filed a consolidated complaint on July 31, 2006. The consolidated complaint was filed on behalf of all purchasers of the Company s securities between July 28, 2004, and December 12, 2005, including persons who received Company securities in exchange for their shares of Ocular in the January 2005 merger pursuant to which the Company acquired Ocular.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

In addition to the Company, Messrs. Bender, Weiss, and Fruth, the consolidated complaint named as defendants several of the Company s other current officers and directors and former officers. On July 13, 2007, the Court granted Cooper s motion to dismiss the consolidated complaint and granted the lead plaintiff leave to amend to attempt to state a valid claim.

On August 9, 2007, the lead plaintiff filed an amended consolidated complaint. In addition to the Company, the amended consolidated complaint names as defendants Messrs. Bender, Weiss, Fruth, Steven M. Neil, the Company s former Executive Vice President and Chief Financial Officer, and Gregory A. Fryling, CooperVision s former President and Chief Operating Officer.

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

On October 23, 2007, the Court granted in-part and denied in-part Cooper and the individual defendants motion to dismiss. The Court dismissed the claims relating to the Sarbanes-Oxley Act certifications and the Company s accounting of assets acquired in the Ocular merger. The Court denied the motion as to the claims related to alleged false statements concerning the Biomedics product line, sales force integration, the impact of silicone hydrogel lenses and the Company s financial projections. On November 28, 2007, the Court dismissed all claims against Mr. Fruth. On December 3, 2007, the Company and Messrs. Bender, Weiss, Neil and Fryling answered the amended consolidated complaint. On April 8, 2008, the Court granted a motion by Mr. Neil for judgment on the pleadings as to him. Discovery has commenced. The Company intends to defend this matter vigorously.

In re Cooper Companies, Inc. Derivative Litigation

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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

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

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

Bausch & Lomb Incorporated Litigation

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

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

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

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Operations

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Three Months Ended July 31, 2008					
Net sales	$	$ 135,671	$ 185,749	$ (35,536)	$ 285,884
Cost of sales		62,649	114,005	(45,867)	130,787
Gross profit		73,022	71,744	10,331	155,097
Operating expenses	6,649	50,730	66,674		124,053
Operating income (loss)	(6,649)	22,292	5,070	10,331	31,044
Interest expense	14,905		361		15,266
Other income (expense), net	8,972	(6,746)	(488)		1,738
Income (loss) before income taxes	(12,582)	15,546	4,221	10,331	17,516
Provision for (benefit from) income taxes	(5,632)	4,426	843		(363)
Net income (loss)	$ (6,950)	$ 11,120	$ 3,378	$ 10,331	$ 17,879

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Nine Months Ended July 31, 2008					
Net sales	$	$ 374,077	$ 528,877	$ (108,587)	$ 794,367
Cost of sales		170,491	283,785	(107,895)	346,381
Gross profit		203,586	245,092	(692)	447,986
Operating expenses	21,804	149,918	196,803		368,525
Operating income (loss)	(21,804)	53,668	48,289	(692)	79,461
Interest expense	37,331		1,110		38,441
Other income (expense), net	20,842	(12,347)	(6,566)		1,929
Income (loss) before income taxes	(38,293)	41,321	40,613	(692)	42,949
Provision for (benefit from) income taxes	(19,498)	18,487	7,963		6,952
Net income (loss)	$ (18,795)	$ 22,834	$ 32,650	$ (692)	$ 35,997

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Operations

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Three Months Ended July 31, 2007					
Net sales	$	$ 122,160	$ 170,438	$ (40,736)	$ 251,862
Cost of sales		56,277	105,421	(55,760)	105,938
Gross profit		65,883	65,017	15,024	145,924
Operating expenses	7,502	55,603	59,543	(382)	122,266
Operating income (loss)	(7,502)	10,280	5,474	15,406	23,658
Interest expense	11,085				11,085
Other income (expense), net	12,289	(8,172)	(3,605)		512
Income (loss) before income taxes	(6,298)	2,108	1,869	15,406	13,085
Provision for (benefit from) income taxes	(1,584)	(576)	7,065		4,905
Net income (loss)	$ (4,714)	$ 2,684	$ (5,196)	$ 15,406	$ 8,180

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Nine Months Ended July 31, 2007					
Net sales	$	$ 343,998	$ 404,786	$ (51,967)	$ 696,817
Cost of sales		155,008	206,025	(66,507)	294,526
Gross profit		188,990	198,761	14,540	402,291
Operating expenses	24,942	158,416	170,099	(1,117)	352,340
Operating income (loss)	(24,942)	30,574	28,662	15,657	49,951
Interest expense	31,795				31,795
Other income (expense), net	37,443	(24,055)	(12,048)		1,340
Income (loss) before income taxes	(19,294)	6,519	16,614	15,657	19,496
Provision for (benefit from) income taxes	(7,902)	2,126	12,271		6,495
Net income (loss)	$ (11,392)	$ 4,393	$ 4,343	$ 15,657	$ 13,001

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Balance Sheets

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
July 31, 2008					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 129	$ 156	$ 3,153	$	$ 3,438
Trade receivables, net		68,494	111,998		180,492
Inventories, net		152,074	194,957	(51,169)	295,862
Deferred tax assets	1,065	21,381	3,838		26,284
Other current assets	2,274	16,149	44,169		62,592
Total current assets	3,468	258,254	358,115	(51,169)	568,668
Property, plant and equipment, net	1,653	94,900	549,368		645,921
Goodwill	116	669,135	616,925		1,286,176
Other intangibles, net		80,467	54,412		134,879
Deferred tax assets	54,280	(34,217)	2,035		22,098
Other assets	1,684,903	817	8,573	(1,676,509)	17,784
	$ 1,744,420	$ 1,069,356	$ 1,589,428	$ (1,727,678)	$ 2,675,526
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Short-term debt	$	$ 671	$ 36,223	$	$ 36,894
Other current liabilities	1,658	67,935	133,381		202,974
Total current liabilities	1,658	68,606	169,604		239,868
Long-term debt	890,500		366		890,866
Deferred tax liabilities		1	12,396		12,397
Intercompany and other liabilities	(113,158)	(142,534)	291,483		35,791
Total liabilities	779,000	(73,927)	473,849		1,178,922
Stockholders equity	965,420	1,143,283	1,115,579	(1,727,678)	1,496,604
	$ 1,744,420	$ 1,069,356	$ 1,589,428	$ (1,727,678)	$ 2,675,526

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Balance Sheets

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
October 31, 2007					
ASSETS					
Current assets:					
Cash and cash equivalents	$ 83	$ 489	$ 2,654	$	$ 3,226
Trade receivables, net		68,193	96,300		164,493
Inventories, net		92,433	226,077	(50,596)	267,914
Deferred tax assets	1,601	17,178	4,616		23,395
Other current assets	3,748	15,529	39,217		58,494
Total current assets	5,432	193,822	368,864	(50,596)	517,522
Property, plant and equipment, net	783	92,343	511,404		604,530
Goodwill	116	668,648	620,820		1,289,584
Other intangibles, net		87,913	57,920		145,833
Deferred tax assets	17,950		2,065		20,015
Other assets	1,687,194	1,489	6,510	(1,676,508)	18,685
	$ 1,711,475	$ 1,044,215	$ 1,567,583	$ (1,727,104)	$ 2,596,169
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Short-term debt	$	$ 561	$ 45,953	$	$ 46,514
Other current liabilities	24,885	76,810	138,271		239,966
Total current liabilities	24,885	77,371	184,224		286,480
Long-term debt	829,748		368		830,116
Deferred tax liabilities	(33,845)	33,846	10,677		10,678
Intercompany and other liabilities	(93,384)	(176,257)	279,049		9,408
Total liabilities	727,404	(65,040)	474,318		1,136,682
Stockholders equity	984,071	1,109,255	1,093,265	(1,727,104)	1,459,487
	$ 1,711,475	$ 1,044,215	$ 1,567,583	$ (1,727,104)	$ 2,596,169

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Cash Flows

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Nine Months Ended July 31, 2008					
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ (28,852)	$ (660)	$ 85,033	$	$ 55,521
Cash flows from investing activities:					
Purchases of property, plant and equipment	(60)	(17,180)	(85,042)		(102,282)
Acquisitions of businesses, net of cash acquired	(101)	(1,628)	(1,982)		(3,711)
Intercompany (investment in subsidiaries)	(31,193)			31,193	
Net cash (used in) provided by investing activities	(31,354)	(18,808)	(87,024)	31,193	(105,993)
Cash flows from financing activities:					
Net (repayments) proceeds of short-term debt		110	(9,734)		(9,624)
Intercompany proceeds (repayments)		19,025	12,168	(31,193)	
Net proceeds of long-term debt	58,500				58,500
Dividends on common stock	(2,699)				(2,699)
Excess tax benefit from share-based compensation arrangements	1,758				1,758
Proceeds from exercise of stock options	2,693				2,693
Net cash provided by (used in) financing activities	60,252	19,135	2,434	(31,193)	50,628
Effect of exchange rate changes on cash and cash equivalents			56		56
Net increase (decrease) in cash and cash equivalents	46	(333)	499		212
Cash and cash equivalents at the beginning of the period	83	489	2,654		3,226
Cash and cash equivalents at the end of the period	$ 129	$ 156	$ 3,153	$	$ 3,438

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Consolidating Condensed Statements of Cash Flows

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Consolidating Entries	Consolidated Total
Nine Months Ended July 31, 2007					
Cash flows from operating activities:					
Net cash provided by (used in) operating activities	$ (11,071)	$ 78,325	$ 28,608	$	$ 95,862
Cash flows from investing activities:					
Purchases of property, plant and equipment	(169)	(17,279)	(111,240)		(128,688)
Acquisitions of businesses, net of cash acquired	(470)	(71,231)	(5,935)		(77,636)
Intercompany (investment in subsidiaries)	(75,305)			75,305	
Net cash used in investing activities	(75,944)	(88,510)	(117,175)	75,305	(206,324)
Cash flows from financing activities:					
Net proceeds (repayments) of short-term debt	3,837	(2,354)	26,529		28,012
Intercompany proceeds (repayments)		13,977	61,328	(75,305)	
Net proceeds (repayments) of long-term debt	89,200	(780)	(84)		88,336
Debt acquisition costs	(11,496)				(11,496)
Dividends on common stock	(2,681)				(2,681)
Excess tax benefit from share-based compensation arrangements	176				176
Proceeds from exercise of stock options	7,578				7,578
Net cash provided by financing activities	86,614	10,843	87,773	(75,305)	109,925
Effect of exchange rate changes on cash and cash equivalents			374		374
Net increase (decrease) in cash and cash equivalents	(401)	658	(420)		(163)
Cash and cash equivalents at the beginning of the period	401	(307)	8,130		8,224
Cash and cash equivalents at the end of the period	$	$ 351	$ 7,710	$	$ 8,061

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Continued

(Unaudited)

Note 14. Business Segment Information

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

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

Segment information:

	Three Months Ended July 31, 2008	Three Months Ended July 31, 2007	Nine Months Ended July 31, 2008	Nine Months Ended July 31, 2007
	(In thousands)			
Net sales to external customers:				
CooperVision net sales:				
Spherical soft lens	$ 142,192	$ 121,319	$ 394,515	$ 333,765
Toric soft lens	83,398	74,195	227,235	205,407
Multifocal and other eye care products	17,595	16,496	49,004	44,619
Total CooperVision net sales	243,185	212,010	670,754	583,791
CooperSurgical net sales	42,699	39,852	123,613	113,026
Total net sales to external customers	$ 285,884	$ 251,862	$ 794,367	$ 696,817
Operating income (loss):				
CVI	$ 29,251	$ 27,811	$ 78,298	$ 63,346
CSI	8,442	3,349	22,967	11,547
Headquarters	(6,649)	(7,502)	(21,804)	(24,942)
Total operating income	31,044	23,658	79,461	49,951
Interest expense	15,266	11,085	38,441	31,795
Other income, net	1,738	512	1,929	1,340
Income before income taxes	$ 17,516	$ 13,085	$ 42,949	$ 19,496

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements, Concluded

(Unaudited)

	July 31, 2008	October 31, 2007
	(In thousands)	
Identifiable assets:		
CVI	$ 2,302,986	$ 2,230,400
CSI	314,156	310,482
Headquarters	58,384	55,287
Total	$ 2,675,526	$ 2,596,169

Geographic information:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2008	2007	2008	2007
	(In thousands)			
Net sales to external customers by country of domicile:				
United States	$ 134,572	$ 121,032	$ 371,749	$ 339,591
Europe	95,440	82,321	263,099	223,821
Rest of world	55,872	48,509	159,519	133,405
Total	$ 285,884	$ 251,862	$ 794,367	$ 696,817

	July 31, 2008	October 31, 2007
	(In thousands)	
Long-lived assets by country of domicile:		
United States	$ 356,873	$ 297,824
Europe	279,810	298,296
Rest of world	9,238	8,410
Total	$ 645,921	$ 604,530

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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 in Item 1. Financial Statements.

Forward-Looking Statements

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

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

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

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

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