1999
ANNUAL REPORT

THE COOPER COMPANIES, INC.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Since the outcome of forward-looking statements is uncertain, risky and, indeed, may not occur, investors should not rely on them to predict the future.

To identify forward-looking statements, look for words like "believes," "expects," "may," "will," "should," "seeks," "approximately" "intends," "plans," "estimates" or "anticipates" and similar words or phrases. Discussions of strategy, plans or intentions often contain forward-looking statements. These necessarily depend on assumptions, data or methods that may be incorrect or imprecise.

Events, among others, that could cause actual results and future actions to differ materially from those described by or contemplated in the forward-looking statements include major changes in business conditions and the economy, loss of key senior management, major disruptions in the operations of Cooper's manufacturing facilities, new competitors or technologies, significant disruptions caused by the failure of third parties to address the year 2000 issue, or problems with our year 2000 compliance program, the impact of an undetected virus on our computer systems, acquisition integration costs, foreign currency exchange exposure, investments in research and development and other start-up projects, dilution to earnings per share from acquisitions or issuing stock, regulatory issues, significant environmental cleanup costs above those already accrued, litigation costs, costs of business divestitures and other factors described in Cooper's Securities and Exchange Commission filings, including the "Business" section in our Annual Report on Form 10-K for the year ended October 31, 1999. Cooper cautions investors not to rely unduly on forward-looking statements. They reflect our analysis only on their stated date or the date of this report.

CONTENTS

COMPANY PROFILE

The Cooper Companies, Inc. is a rapidly growing specialty healthcare company serving the vision care and women's healthcare markets around the world with high quality products and services. CooperVision markets a broad range of contact lenses. CooperSurgical offers diagnostic products, surgical instruments and accessories primarily to the physician's in-office segment of the women's healthcare market.

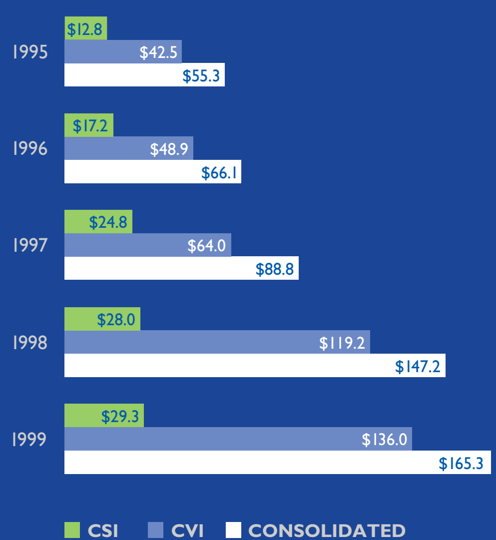
Financial Highlights

(IN MILLIONS EXCEPT PER SHARE AMOUNTS)	FISCAL YEARS ENDED OCTOBER 31, 1999	% CHANGE VS. 1998	1998	% CHANGE VS. 1997
REVENUE				
CooperVision	$ 136.0	14%	$ 119.2	86%
CooperSurgical	$ 29.3	5%	$ 28.0	13%
Total	$ 165.3	12%	$ 147.2	66%
OPERATING INCOME				
CooperVision	$ 40.8	18%	$ 34.6	50%
CooperSurgical	$ 4.3	103%	$ 2.1	(14%)
Corporate expenses	$ (6.3)	n/m	$ (7.0)	n/m
Total	$ 38.8	31%	$ 29.7	50%
As a percent of revenue	23%	——	20%	——
EARNINGS				
Net income	$ 25.1	(37%)	$ 39.8	27%
As a percent of revenue	15%	——	27%	——
From continuing operations	$ 22.0	(62%)	$ 57.8	32%
As a percent of revenue	13%	——	39%	——
DILUTED EARNINGS PER SHARE				
Continuing operations	$ 1.54	69%	$ .91[1]	18%
Discontinued operations	$ .21	n/m	$ (1.18)	n/m
Net income	$ 1.75	(33%)	$ 2.61	9%
OTHER FINANCIAL INFORMATION				
Depreciation and amortization	$ 8.4	——	$ 8.4	97%
Cash flow from operating activities	$ 27.7	144%	$ 11.4	(3%)
Cash flow[2] per diluted share	$ 2.82	46%	$ 1.93	28%
Cash and cash equivalents	$ 20.9	185%	$ 7.3	(60%)
Working capital	$ 58.6	(16%)	$ 69.4	(3%)
Total assets	$ 285.9	(3%)	$ 296.0	74%
Total liabilities	$ 121.7	(19%)	$ 150.8	155%
Stockholders' equity	$ 164.1	13%	$ 145.2	30%
Average shares used for EPS calculation	14.3	(6%)	15.3	16%

[1] Proforma, assuming 40% tax rate
[2] Pretax income from continuing operations plus depreciation and amortization

COOPERVISION AND COOPERSURGICAL REVENUE TRENDS

(IN MILLIONS)



To Our Shareholders:

IN ITS FIRST YEAR AS A "PURE PLAY" MEDICAL DEVICE COMPANY, THE COOPER COMPANIES REPORTED SOLID SALES, EARNINGS AND CASH FLOW GROWTH.

In April, we completed the divestiture of Hospital Group of America, our former mental health services business. We used some of the net proceeds to pay down debt to about $59 million — 27% of total capitalization.

Revenue from CooperVision (CVI), our specialty contact lens business, and CooperSurgical (CSI), our women's health care franchise, together grew 12%, with CooperVision up 14% and CooperSurgical rising 5%. Since 1994, Cooper's total medical device revenue has grown at a compounded rate of 27%.

Earnings per share from continuing operations in fiscal 1999 grew 69% to $1.54 versus the fully taxed proforma 91 cents for the previous year. Our global tax-planning strategy, begun in 1999, helped to reduce our effective tax rate to 32.7%. This strategy will extend the life of our $163 million in net operating loss carryforwards to approximately 2003. Reflecting improved operating results, cash flow per share (pretax income from continuing operations plus depreciation and amortization) grew 46% to $2.82 in 1999 from $1.93 per share in the previous year.

A share repurchase program that concluded during fiscal 1999 reduced our shares outstanding by 1 million to 14.1 million at fiscal year end. Cooper paid an average price of $15.34 for these shares. In May, we announced our intention to pay a regular quarterly dividend of 2 cents per share.

In fiscal 2000, we expect revenue and operating income from our combined medical device business to grow by 20% to 25%.

CooperVision

WE ESTIMATE THAT THE WORLD MARKET FOR SOFT CONTACT LENSES GREW APPROXIMATELY 6% TO $2.6 BILLION DURING 1999.

Specialty contact lenses, where CVI concentrates the majority of its marketing efforts, grew significantly faster than spherical lenses, continuing the trend of the past several years in the major markets around the world.

Specialty products include toric lenses for astigmatism, multifocal lenses for presbyopia, aspheric lenses that can improve visual acuity in selected near-sighted patients and opaque lenses that can modify the natural color of the eye. Our 1999 figures indicate that U.S. specialty lens revenue grew 15% compared with a decline of almost 2% in spherical lens sales. These products currently account for about $430 million of the $1.2 billion U.S. market, up from $375 million last year. Outside the U.S., we estimate that the specialty lens market is growing about four times faster than the spherical lens market. (Please see the insert in this report, "CooperVision: Competitive Advantage in an Increasingly Attractive Market" for more details about the contact lens market.)

CVI's worldwide core business—all revenue other than sales to other contact lens suppliers—grew 16% in

APRIL

1996

ACQUIRES UNIMAR,
manufacturer of women's
healthcare products

BOARD APPOINTS
Tom Bender CEO

1994

MARCH

DOUBLES CONTACT LENS
manufacturing capacity at
Scottsville, NY, facility

1996

AUGUST

fiscal 1999. Core revenue grew by 18% in the United States and 11% overseas. The U.S. accounted for 65% of our core revenue.

The U.S. market for toric lenses, CVI's leading product group, grew 4% in value through September 1999, while CVI's toric lens sales grew 25% during the same period. Improved toric technology and the continued popularity of more frequently replaced toric lenses drive this increased demand. Sales of disposable-planned replacement toric lenses, the market's fastest growing segment, grew 19% through September, and now represents 56% of the toric market. CVI's disposable-planned replacement toric brands, led by *Preference Toric* and the recently introduced *Frequency 55 Toric*, grew 38% during the nine months and 41% for the fiscal year. With this strong performance, we believe that we are now the leading manufacturer of toric contact lenses in the United States.

During 1999, CVI strengthened its market position around the world. Important new product launches included:

- The full range of parameters of *Frequency 55 Toric*, a planned replacement lens for two-week or monthly use. In the U.S., *Frequency 55 Toric* aims at the lower priced segment of the toric market offering practitioners more fitting choices at comparable prices than competitive products. Market acceptance has exceeded expectations.
- A new member of the Frequency family, *Frequency Aspheric*, a new optical design that has demonstrated enhanced visual acuity in selected patients.

APRIL

1997

REDEEMS
$9.3 MILLION
of convertible debt

ACQUIRES
NATURAL TOUCH
line of cosmetic lenses from Wesley Jessen Vision Care

1997

FEBRUARY

- *Preference Toric XR*, new parameters that extend the range of *Preference Toric*.
- A new low cost, cast-molded toric lens called *Frequency EXCEL* in Europe and *Encore* in the U.S. that is recommended for two-week (disposable) wear.

The toric lens segment of the worldwide contact lens market continues to grow and evolve with planned replacement toric lenses continuing to supplant conventional products. CVI has led these market changes. In fiscal 1999, toric lenses accounted for 43% of CVI's worldwide business, growing 28% over 1998. CVI has targeted the year 2000 to become the world's leading manufacturer of toric contact lenses.

In the U.S. spherical lens market, *Frequency 55 Sphere*, introduced in 1998 to take advantage of newly acquired manufacturing technology, enjoyed a successful first year. Disposable-planned replacement lenses—spheres and torics together—now comprise 75% of our total worldwide business.

In Japan, the world's second largest contact lens market, CVI's marketing

JULY

1997

COMPLETES
public offering of 2 million shares at $23.50 per share

ACQUIRES MARLOW, INC.
manufacturer of women's healthcare products

1997

APRIL

ACQUIRES ASPECT VISION CARE, LTD.,
British contact lens manufacturer

1997

DECEMBER

partner, Rohto Pharmaceuticals, Inc., received regulatory clearance to market CVI's spherical and toric products. Rohto has purchased initial product inventory from CVI and has introduced the products in Japan under the *Rohto i.Q.* brand name using national television advertising.

In Europe, CVI added *Frequency UV* to its spherical product line, continued the rollout of its toric products and acquired a Swedish contact lens distributor to service Scandinavia.

In other marketing initiatives, we formed a joint venture to market lenses in Australia and launched a major new marketing program by adding, beginning in 2000, consumer and practitioner e-commerce capabilities to CVI's Internet website, www.coopervision.com.

CVI's gross margins improved in each quarter during fiscal 1999 after a temporary decline during 1998's manufacturing transition. In the fourth quarter, gross margin reached 68%. Reduced capital spending contributed to the year's improved cash flow.

In the next several years, we expect CVI's revenue growth to continue in the "mid-teens." Areas of opportunity include sustained toric lens growth in both North America and markets abroad, especially Japan, and new value added products targeted to niche markets around the world, such as our *Frequency aspheric* products.

DECEMBER

1997

SIGNS MARKETING AGREEMENT

with Rohto Pharmaceuticals, Ltd. to enter Japanese market

COOPERSURGICAL: CONSOLIDATING THE IN-OFFICE WOMEN'S HEALTHCARE MARKET

In 1990, CSI acquired Frigitronics, a technology company with a range of gynecological and ophthalmic products, giving it a starting point in women's healthcare.

In 1991, it purchased Euro-Med, a direct mail-order business that sells premium gynecological instruments.

In 1992, CSI introduced a line of electrical instruments and disposable products to perform *LEEP* (Loop Electro-surgical Excision Procedure), a surgical intervention that allows physicians to diagnose and treat diseases of the cervix concurrently. Because of the procedure's dual role, managed care quickly adopted the product line, noting its economic benefits.

In 1996, the Company bought Unimar, a company with $6 million in annual sales and several well-established disposable diagnostic products. CSI moved much of its product manufacturing in-house and improved margins.

In 1997, CSI bought Marlow, which added an additional $6 million in annual revenue, and became the exclusive distributor of an embryonic transfer catheter used in fertility clinics in the U.S. The *in vitro* fertilization market is primarily private pay and growing rapidly.

In 1998, CSI developed and introduced *Cerveillance*, a digital colposcopy system with proprietary software, developed in house. *Cerveillance* allows a doctor to examine the cervix and then document, store and recall digital images of the findings, a valuable feature in today's cost conscious healthcare environment.

CSI also entered the diagnostic segment of the women's healthcare market in 1998 with the introduction of the first in a planned series of innovative tests: its *FemExam pH* and *Amines TestCard*, a rapid, economical, point of care product used in the diagnosis of vaginitis, the most common vaginal infection.

CooperSurgical

WOMEN'S HEALTHCARE IS A LARGE AND GROWING MARKET WITH THREE MAJOR SEGMENTS—PHARMACEUTICALS, CAPITAL EQUIPMENT FOR HOSPITALS AND LARGE CLINICS AND INSTRUMENTS AND DISPOSABLES DESIGNED FOR IN-OFFICE TREATMENT.

Each year, about 34,000 gynecologists in the United States record approximately 60 million office visits, assist in 4.6 million births and perform over two million surgical procedures. They treat conditions such as vaginitis, excessive menstrual bleeding, cancer and its precursors, non-malignant fibroid tumors and endometritis (an inflammation of the uterine lining). With the continuing emphasis on preventive care, many managed care organizations now routinely reimburse common screening services such as PAP smears, osteoporosis evaluations and mammography. The cost pressures of managed care continue to move procedures from the hospital to the physician's office, and many women now use their gynecologist as their general practitioner.

CooperSurgical primarily targets the in-office women's healthcare market where physicians screen, diagnose and treat commonly occurring gynecological conditions. CSI also provides products for hospitals and clinics (including products for minimally invasive procedures) and reproductive medicine. In each of these markets, CSI identifies high volume procedures and provides the products used to perform them. Historically, CSI's business approach has been to

MARCH

1999

REGULATORY
clearance to market lenses in Japan

ANNOUNCES PLAN
to buy back up to 1 million shares; completed in 1999

1998

SEPTEMBER

DIVESTS
Hospital Group of America psychiatric services business

1999

APRIL

consolidate the market for in-office gynecology products through acquisition. The market is highly fragmented, served by small manufacturers that generally offer limited product lines and lack the resources for expansion and acquisition. Since 1990, CSI has acquired nine companies or product lines, and the majority of its 1999 revenue came primarily from these acquisitions. CSI typically merges an acquired company's operations into its Connecticut facility within sixty days. This generates significant economies of scale, gradually improving margins.

During 1999, CSI's revenue increased 5% to $29.3 million. With lower new product marketing expenses than last year, operating income more than doubled to $4.3 million. CSI continues to consolidate the market by acquiring companies and product lines serving in-office women's healthcare while concurrently developing its own proprietary products.

Recently, CSI announced plans to acquire two additional lines of gynecological products. In December, it acquired a group of women's healthcare products with current annual revenue of about $8 million from BEI Medical Systems Company, Inc. The products include established brands of uterine manipulators and other products for the gynecological surgery market. Physicians use these products both in their offices and in hospitals, and the majority of them are disposable.

CSI has also agreed to acquire Leisegang Medical, Inc. from NetOptix Corporation. Founded in Germany in 1889, Leisegang is a well-known and highly regarded women's healthcare company. It markets diagnostic and surgical instruments for the women's healthcare market including colposcopes, instruments to perform loop electrosurgical excision procedures, hand held gynecological instruments, disposable specula and cryosurgical systems. This product group should add about $11 million in annual revenue and will expand CSI's global presence, as it plans to market its line of gynecological products in Europe through Leisegang's German subsidiary. The transaction is scheduled to close in January 2000.

With the addition of the BEI and Leisegang product lines, CSI expects

ANNOUNCES
marketing agreements for *FemExam* product line with 3M, Matria and BioStar

1999
JULY

annual revenue of approximately $50 million for calendar 2000. Cooper's objective is to grow CSI to the $100 million revenue level with operating income of 20% in the next three to five years through continued market consolidation, new product development and manufacturing efficiencies.

CSI's acquisitions over the years have given it the financial "critical mass" to allow the introduction of its own proprietary new products such as its advanced digital colposcope, *Cerveillance* and the *CooperSurgical Infrared Coagulator*. *Cerveillance* is the first device to combine digital imaging and proprietary software in a fully integrated compact colposcope, an instrument used in examining the cervix. It can track cervical lesions over time, documenting changes in tissue color within the cervix. The *Infrared Coagulator* is used in the practitioner's office to remove genital warts rapidly and safely.

Sales, marketing and business development programs for CSI's line of *FemExam* diagnostic testing cards, licensed from Litmus Concepts, Inc., was a major emphasis during 1999. These credit card sized tests are rapid, economical, point of care products used in the diagnosis of vaginitis, the most common vaginal infection. The bacterial form of vaginitis (BV) affects as many as 25% of women in the United States, accounts for 13 million physician office visits annually in the U.S. and represents half of all vaginal infections. It is associated with serious complications including premature and low birth weight babies, post-partum infections, pelvic inflammatory disease, post-gynecological surgery

DECEMBER

1999

ACQUIRES
women's healthcare products
from BEI Medical Systems, Inc.

ANNOUNCES PLANS
to acquire Leisegang women's
healthcare products from
NetOptix Corporation, Inc.

1999

DECEMBER

infections, abnormal PAP smears and increased risk of HIV.

In July, CSI announced that it had agreed with 3M Pharmaceuticals, which markets an anti-infective pharmaceutical to treat vaginitis, and separately with Matria Healthcare Inc., which manages high-risk pregnancy patients, to co-market its *FemExam pH* and *Amines Test Card* in the United States. Each partner will use the FemExam card to augment their own marketing activities.

Adding to improved prospects for the success of *FemExam*, The American Medical Association has awarded the *FemExam* card an additional third party reimbursement code. Both tests on the card will now be covered by third party insurance, allowing physicians to electronically bill for them. The Health Care Financing Administration (HCFA) has recently set a reimbursement fee that will range from $10 to $13 per test card. Third party insurers will benchmark their payments to the HCFA amount. In August, CSI and BioStar, Inc., a Thermo Electron Corporation subsidiary, agreed to co-market three additional in-office tests for vaginitis. With these developments, we hope to accelerate acceptance of the *FemExam* product line by gynecologists and family practitioners during 2000.

LOOKING AHEAD

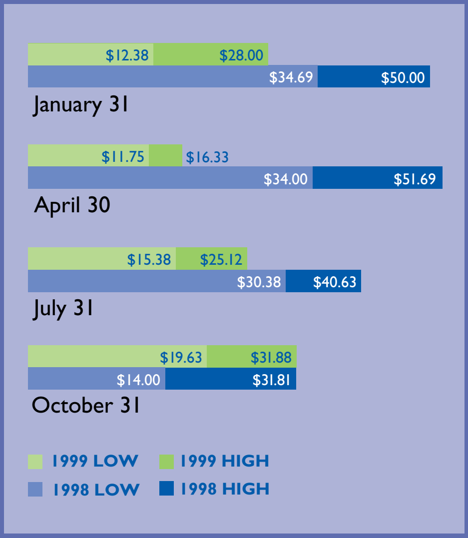
In the new century, we anticipate advances in treating eye and women's health disorders eclipsing those of the past hundred years. There is no more precious sense than sight. Women's healthcare has, until recently, been underserved. Cooper looks forward to continuing to develop and deliver high quality products for the patients who will benefit from them and caregivers who will administer them in the year 2000 and beyond.

Our deepest thanks, as always, to our employees, who made 1999's achievements possible.

Allan E. Rubenstein, M.D.
Chairman of the Board

A. Thomas Bender
President and Chief Executive Officer
January 24, 2000

QUARTERLY COMMON STOCK PRICE RANGE



At December 31, 1999 and 1998, there were 1,902 and 2,150 common stockholders of record, respectively. On May 20, 1999, the Company announced it intended to pay an annual dividend on its common stock of 8 cents per share, payable quarterly.

INDEX TO FINANCIAL INFORMATION

FIVE YEAR FINANCIAL HIGHLIGHTS

CONSOLIDATED OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEARS ENDED OCTOBER 31, 1999	1998	1997	1996	1995
Net sales	$ 165,328	$ 147,192	$ 88,769	$ 66,118	$ 55,296
Gross profit	$ 106,319	$ 91,428	$ 61,444	$ 46,207	$ 37,747
Income from continuing operations before income taxes	$ 32,712	$ 23,087	$ 16,936	$ 11,167	$ 6,121
Provision for (benefit of) income taxes	10,711	(34,723)	(26,735)	(4,438)	43
Income from continuing operations before extraordinary item	22,001	57,810	43,671	15,605	6,078
Discontinued operations, net of taxes:					
Income (loss) before extraordinary item	129	4,336	4,719	998	(5,963)
Gain (loss) from disposal	2,970	(22,300)	(18,000)	—	—
Extraordinary item	—	—	(469)	—	—
	3,099	(17,964)	(13,750)	998	(5,963)
Income before extraordinary item	25,100	39,846	29,921	16,603	115
Extraordinary item, net	—	—	1,461	—	—
Net income	$ 25,100	$ 39,846	$ 31,382	$ 16,603	$ 115
Diluted earnings (loss) per share:					
Continuing operations	$ 1.54	$ 3.79	$ 3.33	$ 1.32	$ 0.52
Discontinued operations	0.21	(1.18)	(1.05)	0.09	(0.51)
Extraordinary item, net	—	—	0.11	—	—
Earnings per share	$ 1.75	$ 2.61	$ 2.39	$ 1.41	$ 0.01
Average number of shares used to compute diluted earnings per share	14,312	15,269	13,120	11,794	11,667
Memo diluted earnings per share data:					
Income from continuing operations before income taxes	$ 2.29	$ 1.51	$ 1.29	$ 0.95	$ 0.52

CONSOLIDATED FINANCIAL POSITION

(IN THOUSANDS)	OCTOBER 31, 1999	1998	1997	1996	1995
Current assets*	$ 100,461	$ 116,077	$ 100,574	$ 58,712	$ 52,185
Property, plant and equipment, net	40,319	34,234	7,634	4,650	3,974
Intangible assets, net	80,518	84,308	32,274	16,864	9,901
Other assets	64,575	61,422	30,142	4,004	1,417
Total assets	$ 285,873	$ 296,041	$ 170,624	$ 84,230	$ 67,477
Current liabilities**	$ 41,896	$ 46,701	$ 29,118	$ 26,318	$ 27,321
Long-term debt	57,067	78,677	9,125	37,912	34,268
Other long-term liabilities	22,767	25,410	20,848	4,670	7,637
Total liabilities	121,730	150,788	59,091	68,900	69,226
Stockholders' equity (deficit)	164,143	145,253	111,533	15,330	(1,749)
Total liabilities and stockholders' equity	$ 285,873	$ 296,041	$ 170,624	$ 84,230	$ 67,477

* Includes net assets of discontinued operations in 1995-1998 ** Includes current installments of long-term debt

TWO YEAR QUARTERLY FINANCIAL DATA

1999

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 34,959	$ 41,743	$ 43,404	$ 45,222
Gross profit	$ 21,543	$ 26,569	$ 28,288	$ 29,919
Income from continuing operations before income taxes	$ 4,088	$ 7,898	$ 9,627	$ 11,099
Provision for income taxes	1,447	2,604	3,081	3,579
Income from continuing operations	2,641	5,294	6,546	7,520
Discontinued operations, net of taxes:				
Income (loss)	(21)	150	—	—
Gain on disposal	1,279	1,691	—	—
Income from discontinued operations	1,258	1,841	—	—
Net income	$ 3,899	$ 7,135	$ 6,546	$ 7,520
Diluted earnings per share*:				
Continuing operations	$ 0.18	$ 0.38	$ 0.46	$ 0.53
Discontinued operations	0.09	0.13	—	—
Net income	$ 0.27	$ 0.51	$ 0.46	$ 0.53
Number of shares used to compute diluted earnings per share	14,668	14,071	14,194	14,299
Memo diluted earnings per share data:				
Income from continuing operations, before income taxes	$ 0.28	$ 0.56	$ 0.68	$ 0.78

1998

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Net sales	$ 29,384	$ 37,450	$ 39,709	$ 40,649
Gross profit	$ 18,107	$ 24,423	$ 24,836	$ 24,062
Income from continuing operations before income taxes	$ 4,894	$ 6,873	$ 7,429	$ 3,891
Benefit of income taxes**	(449)	(505)	(910)	(32,859)
Income from continuing operations	5,343	7,378	8,339	36,750
Discontinued operations, net of taxes:				
Income	650	1,105	1,835	746
Loss from disposal	—	—	—	(22,300)
Loss from discontinued operations	650	1,105	1,835	(21,554)
Net income	$ 5,993	$ 8,483	$ 10,174	$ 15,196
Diluted earnings per share*:				
Continuing operations	$ 0.35	$ 0.48	$ 0.54	$ 2.45
Discontinued operations	0.04	0.07	0.12	(1.44)
Net income	$ 0.39	$ 0.55	$ 0.66	$ 1.01
Number of shares used to compute diluted earnings per share	15,354	15,443	15,342	14,978
Memo diluted earnings per share data:				
Income from continuing operations, before income taxes	$ 0.32	$ 0.45	$ 0.48	$ 0.26

* The sum of earnings per share for the four quarters is different from the full year amount as a result of computing the quarterly and full year amounts on the weighted average number of common shares outstanding in the respective periods.

** Includes a tax benefit of $33.3 million for the reduction of the valuation allowance against the deferred tax assets in the fourth quarter of fiscal 1998.

Note numbers refer to the "Notes to Consolidated Financial Statements" beginning on page 26 of this report.

RESULTS OF OPERATIONS

This section focuses on our income statement and compares our operating results from continuing operations over the three year period ended October 31, 1999. We discuss our cash flows and current financial condition beginning on page 19 in the "Capital Resources and Liquidity" section.

NET SALES

Our consolidated net sales grew by 12% in 1999 and 66% in 1998. Our CooperVision ("CVI") and CooperSurgical ("CSI") business units have generated consistent net sales growth over the three-year period.

	GROWTH			
($ IN MILLIONS)	1999 vs. 1998		1998 vs. 1997	
CVI	$16.8	14%	$55.2	86%
CSI	$ 1.3	5%	$ 3.2	13%

1999 vs. 1998

CVI

CVI's worldwide core business, defined as all revenue other than original equipment manufacturer ("OEM") sales to other contact lens suppliers, grew 16% in fiscal 1999:

($ IN MILLIONS)	1999	% TOTAL	1998	% TOTAL	% GROWTH
U.S.	$ 82.9	61%	$ 70.3	59%	18%
International	44.3	33%	39.8	33%	11%
Core Business	127.2	94%	110.1	92%	16%
OEM	8.8	6%	9.1	8%	(4 %)
Total	$136.0	100%	$ 119.2	100%	14%

CVI's core product sales grew 18% in the U.S. and 11% internationally (sales in countries outside the United States plus exports from the United States). The U.S. contact lens market grew 4% during the first nine months of the calendar year as indicated by a contact lens industry market research audit ("CLI" data) for the third calendar quarter. CVI believes that through fiscal 1999, it gained one market share point in the U.S. to 8%.

In the United States, sales of toric lenses to correct astigmatism continued to drive CVI's sales gains, growing 26% in a market segment growing about 4% annually. We believe that CVI is now the revenue leader in the U.S. toric lens market.

The disposable-planned replacement ("DPR") toric market grew about 20% through September 1999 and continues to be the fastest growing category in the U.S. contact lens market. It now accounts for 61% of the toric category's revenue, up from 52% at the same time last year. Of the $32 million total revenue growth in the U.S. contact lens market through September, DPR torics account for about $13 million, of which CVI's toric products account for about $8 million.

For the fiscal year, CVI's DPR torics sales grew 41% in the U.S. as *Preference Toric*, CVI's premium toric brand, and *Frequency 55 Toric* both showed strong results. CVI believes that it leads the U.S. DPR toric sector with about 34% of the revenue generated, up from 29% a year ago.

U.S. sales of all DPR lenses — torics and spheres together — grew about 9% through the first nine calendar months, according to the latest market research audit. Sales of CVI's DPR lenses in the U.S. were 38% ahead for the fiscal year. DPR lenses represent 66% of CVI's U.S. revenue and 75% of its worldwide revenue.

Internationally, our Canadian and Italian businesses generated strong sales, and new product introductions continue in Europe, including toric and other specialty lenses. In Japan, CVI's partner, Rohto Pharmaceuticals, Inc., launched CVI spherical and toric lenses under the *Rohto i.Q* trade name. Except in the United Kingdom, where we have initiated new market strategies to offset competitive inroads, CVI believes that it is gaining market share in each of the world's top ten contact lens markets.

OEM sales decreased 4% in 1999, and we expect this trend to continue as our product mix shifts toward higher margin branded products.

We believe that CVI is well positioned to compete successfully in the worldwide contact lens market, particularly with its *Preference* and *Frequency 55* line of DRP lenses and its line of custom toric lenses.

CSI

CSI's revenue grew 5% in fiscal 1999. CSI's sales of gynecology ("GYN") products grew 6%, led by its *FemExam*, infrared coagulator, Marlow and *Cerveillance* Scope product lines. The growth in these product lines was partially offset by lower sales of more mature product lines. GYN product sales accounted for over 90% of CSI's sales in fiscal 1999. In July, CSI announced that it had agreed with 3M Pharmaceuticals (NYSE: MMM) and Matria Healthcare Inc. (NASDAQ: MATR) to co-market its *FemExam pH* and *Amines TestCard* in the United States, and that the American Medical Association had awarded the *FemExam* Card an additional third party reimbursement code. The *FemExam* Card is an accurate, convenient point of care diagnostic test used to help determine if a vaginal infec-tion is bacterial or fungal. In August, CSI and BioStar, Inc., a Thermo Electron Corporation (NYSE: TMO) subsidiary, agreed to co-market three additional in-office tests for vaginitis. All four tests are being developed under CSI's licensing agreement with Litmus Concepts, Inc. In the United States, vaginitis accounts for about 13 million physician office visits and about 10 million clinic visits, annually.

1998 vs. 1997

CVI

Net sales of CVI products increased primarily due to the acquisition of Aspect Vision Care Limited ("Aspect") (see Note 2) and sales growth achieved in planned replacement contact lenses in North America. The Aspect acquisition accounted for 63% of the sales growth and represented approximately 29% of CVI's 1998 sales. In North America, CVI's sales of DPR toric lenses grew approximately 74%, and sales of DPR spherical lenses grew approximately 79%. Sales of toric lenses grew 38% for the year and accounted for 38% of CVI's sales. In March 1997, we acquired *Natural Touch*, a line of opaque, cosmetic contact lenses that contributed $5.4 million to 1998 sales. These increases were partially offset by anticipated declines in sales of mature product lines.

In February 1998, CVI introduced the *Frequency 55* DPR spherical lens in the United States. The worldwide market for DPR spherical lenses represents about 60% of the total worldwide contact lens market.

In May 1998, CVI introduced two new toric products: *Hydrasoft* Toric Options, a custom planned replacement toric lens for astigmatic patients with complex corrections, and *Frequency 55 Toric*, a planned replacement lens designed for two-week or monthly replacement, positioned in the lower-priced segment of the DPR toric market.

CSI

CSI's net sales increased by 13% principally due to sales of Marlow Surgical Technologies, Inc. ("Marlow") products, acquired in April 1997 and Hyskon, a fluid used by gynecologists in certain surgical procedures, acquired in December 1997.

CSI introduced three new product lines in 1998.

- The *Cerveillance* Scope, an instrument that uses digital imaging and proprietary software to provide enhanced visualization and documentation in examinations of the cervix.
- The *CooperSurgical Infrared Coagulator*, an instrument to perform a nonsurgical, noninvasive procedure to treat genital lesions in the physician's office.
- The *FemExam pH* and *Amines TestCard*, the first in a planned series of patented diagnostic tests in the *FemExam TestCard System* that CSI licensed. These tests are used, primarily in the physician's office, to rapidly and economically screen and diagnose common vaginal infections such as bacterial vaginosis, yeast and trichomonasis.

COST OF SALES/GROSS PROFIT

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

	1999	1998	1997
CVI	66 %	64 %	76 %
CSI	56 %	55 %	52 %
Consolidated	64 %	62 %	69 %

In fiscal 1999, CVI's margin improved each quarter from the atypically low 60% reported in the fourth quarter of 1998, when it spent about $1.7 million to improve efficiency, rationalize manufacturing, expand capacity and fill back orders. The gross profit improvement reflects cost reduction projects begun last year at our U.K. and Rochester manufacturing sites. In addition, we have eliminated capacity constraints, improved production yields and customer service levels and normalized staffing levels. We believe that continued cost reductions will result in improving margins in the future, aside from any major changes in product mix.

Compared with 1997, CVI's margin declined in 1998 due to the acquisition of Aspect, whose spherical products have lower margins, and increased sales of lower margin *Natural Touch* products. Also, in the fourth quarter of 1998, CVI spent an estimated $1.7 million for rationalizing contact lens manufacturing, filling backorders and new product start-up inefficiencies. Despite the margin decrease and the additional fourth quarter costs, CVI's gross profit grew by 57% from additional 1998 revenue.

Successful programs to more efficiently manufacture acquired products have improved CSI's margins over the three-year period. In the absence of a material acquisition of lower margin products, Management expects that new and future proprietary products, after initial start-up, will command higher margins and that CSI's margins will continue to improve.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE ("SGA")

(IN MILLIONS)	1999	1998	1997
CVI	$ 45.8	$ 38.5	$ 23.7
CSI	9.6	10.7	8.8
Corporate/other	6.3	7.0	5.8
	$ 61.7	$ 56.2	$ 38.3

Consolidated SGA increased by 10% in 1999 and 47% in 1998. Over the same periods, consolidated revenue grew 12% and 66%, respectively, resulting in consistent improvement in the ratio of SGA to sales from 43% of sales in 1997 to 38% in 1998 and 37% in 1999.

SGA at CVI increased by 19% in 1999 and 62% in 1998. The increase in 1999 resulted primarily from ongoing spending in selling, promotion and distribution to launch new products. The increase in 1998 was primarily due to the Aspect acquisition. Also in the fourth quarter of 1998, CVI spent an estimated $1 million in SGA to launch products, some of which experienced delays. CVI's SGA was 34% of sales in 1999, 32% in 1998 and 37% in 1997.

CSI's 1999 SGA decreased vs. 1998 because its new product launches occurred primarily in 1998. The 1998 SGA increase at CSI was due primarily to the 1997 acquisition of Marlow (see Note 2) and new product launch costs.

Corporate/other SGA decreased in 1999 compared with 1998 primarily because we resolved legal issues in 1998. Additional legal costs incurred to settle certain litigations and higher headquarter's operating costs from expanded international responsibilities caused most of the 1998 increase.

RESEARCH AND DEVELOPMENT EXPENSE

Research and development expense was $2 million or 1% of net sales in 1999, $1.9 million or 1% in 1998 and $1.7 million or 2% in 1997.

We expect the current level of research and development spending to remain stable as a percentage of sales, as we focus on acquiring products that can be marketed immediately or in the short-term, rather than on longer-term, higher-risk research and development projects.

AMORTIZATION OF INTANGIBLES

Amortization of intangibles was $3.8 million in 1999, $3.6 million in 1998 and $1.6 million in 1997. The increase in each year reflects the effect of acquisition activity during the three-year period (see Note 2).

INCOME FROM OPERATIONS

As a result of the activities discussed above, income from operations has more than doubled since 1997.

(IN MILLIONS)	1999	1998	1997
CVI	$ 40.8	$ 34.6	$ 23.1
CSI	4.3	2.1	2.5
Corporate/other	(6.3)	(7.0)	(5.8)
	$ 38.8	$ 29.7	$ 19.8
Percent growth	31%	50%	

SETTLEMENT OF DISPUTES, NET

In 1998, we recorded a charge to income of $1.3 million ($1.1 million in the fourth quarter) to settle our dispute with GT Laboratories and for other smaller matters. In 1997, we reversed a $104,000 accrual no longer required.

OTHER INCOME, NET

(IN THOUSANDS)	1999	1998	1997
Interest income	$ 375	$ 311	$ 344
Foreign exchange gain (loss)	(325)	591[1]	(142)
Other	181	(12)	1
	$ 231	$ 890	$ 203

[1]The foreign exchange gain of $591,000 includes a one-time gain of $850,000 reflecting weakness in the Pound Sterling occurring before we implemented our hedging program, partially offset by losses over the period.

Interest income increased in 1999 because of higher investment balances primarily from cash received from our sale of HGA, net of debt repayments and positive cash flow from operations. Lower interest income in 1998 reflects cash spent to partially fund the Aspect acquisition.

INTEREST EXPENSE

Interest expense was $6.3 million in each of fiscal 1999 and 1998, and $3.2 million in 1997. The increase in interest expense in 1999 and 1998 compared with 1997 reflects debt used to finance a portion of the Aspect acquisition (see Note 2).

PROVISION FOR (BENEFIT OF) INCOME TAXES

In the fourth quarter of fiscal 1998, we recorded a large tax benefit, for the remaining anticipated value of our $184 million net operating loss carryforwards ("NOLs"). As a result, in fiscal 1999, we report our provision for income taxes as if we were a taxpayer with no NOLs, based on our estimate of the effective tax rate ("ETR") for the full fiscal year.

We implemented a global tax plan in 1999 to minimize both the taxes reported in our income statement and the actual taxes we will have to pay once we fully use the benefits of our NOLs. Our full year ETR was 32.7%, which includes the impact of the global tax plan and a reversal of $1.1 million of tax reserves no longer required.

Based on a preliminary assessment, we expect to reduce our ETR to approximately 30% over the next several years. This plan could also extend the cash flow benefits of our NOLs through 2003, assuming no major acquisitions or large stock issuance. We expect that actual payments for taxes will be about 10% of pretax profits throughout this period.

Details of our income tax provision/benefit for each year in the three-year period ended October 31, 1999 appear in Note 5.

INCOME FROM DISCONTINUED OPERATIONS

Income from discontinued operations is income derived from our Hospital Group of America, Inc. ("HGA") business unit, which we declared a discontinued operation in October 1998 (see Note 3). The reported income of $129,000, $4.3 million and $4.7 million for fiscal years ended 1999, 1998 and 1997, respectively, is net of income tax expense of $66,000, $130,000 and $129,000, respectively.

LOSS FROM DISPOSAL OF DISCONTINUED OPERATIONS

In 1998, we wrote down the net assets of HGA by $22.3 million to the then estimated fair market value in anticipation of the sale of the business. In 1999, we revised our estimated loss by $3 million to $19.3 million (see Note 3).

In 1997, we charged $18 million to discontinued operations for a 1993 settlement with Medical Engineering Corporation (see Note 11).

EXTRAORDINARY ITEM, NET

Continuing Operations

In 1997, we recorded a net extraordinary gain of $1.5 million on the early extinguishment of a portion of our long-term debt.

Discontinued Operations

The $500,000 charge in 1997 reflected early extinguishment of HGA debt.

CAPITAL RESOURCES & LIQUIDITY

We continue to grow our business and strengthen our balance sheet:

- Cash and cash equivalents have increased 185% to $20.9 million since the end of fiscal 1998.
- Our ratio of debt to equity has decreased to 0.4 to 1 from 0.6 to 1 at the end of fiscal 1998.
- Debt now represents 27% of our total capitalization, down from 38% at October 31, 1998.
- Our "Net Debt" (debt minus cash and cash equivalents), at $41 million, is less than half the $82.9 million at October 31, 1998.
- Our diluted cash flow per share, which is pretax income from continuing operations plus depreciation and amortization, increased by 89 cents or 46% to $2.82.
- Operating cash flows improved to 45% of debt in 1999 from 13% in 1998.

In fiscal 1998 and in the first half of 1999, we expanded our U.K. and U.S. manufacturing capacity. This spending slowed in the second half of 1999, and as a result, 1999 capital expenditures of $10.1 million declined sharply from $19.6 million in 1998. In both 1998 and 1999, we invested heavily in sales and marketing to launch new products. We expect sales to grow and the rate of new product inventory build to level and then decrease. We also anticipate a continued lower level of investment in manufacturing capacity during 2000.

OPERATING CASH FLOWS

Operating activities generated cash of $27.7 million in 1999, 144% over 1998. Each quarter was solidly ahead of last year's:

(IN MILLIONS)	1999	1998
Q1	$ (3.4)	$ (7.0)
Q2	9.2	3.2
Q3	9.5	6.3
Q4	12.4	8.9
Fiscal year	$ 27.7	$ 11.4

The increase primarily reflects improved operating results, slower growth in inventory and receivables and lower payments for taxes and other liabilities. Unless a large acquisition or similar transaction temporarily skews our results, we expect positive cash flow from operations each quarter of 2000 except, perhaps, the first quarter. Historically, we have had negative operating cash flow in the first quarter when we have built inventory, paid bonuses and made an annual payment on a settled dispute.

INVESTING CASH FLOWS

From an outflow of $59.3 million in 1998, our investing cash flows swung dramatically to an inflow of $20.2 million in 1999. Approximately $9.5 million of this reflects lower capital spending, as we are no longer capacity constrained. One-time transactions account for the rest of the difference: In 1998, we spent $34.3 million to acquire Aspect and two smaller businesses. This year, we received cash of $25.3 million, net of costs, from the disposition of HGA.

FINANCING CASH FLOWS

In 1998, we used debt to fund the Aspect acquisition. In 1999 we repaid a large portion of debt when we disposed of HGA. Cash flows from financing activities, therefore, were negative by $34.6 million this year and positive by $37.3 million last year. In 1998 and 1999, we spent $8 million and $7.3 million, respectively, to purchase shares of Cooper common stock on the open market. We completed this program in 1999 (see Note 8) and currently have no plans to acquire additional shares.

RISK MANAGEMENT (SEE NOTE 7)

We are exposed to risks caused by changes in foreign exchange, principally debt denominated in Pounds Sterling. We have hedged most of this risk by entering into contracts to buy Sterling forward. We are also exposed to risk associated with changes in interest rates, as the interest rate on certain of our debt varies with the London Interbank Offered Rate. We have offset this risk by entering into agreements to swap most of our variable rate debt for fixed rate debt.

OUTLOOK

We believe that cash on hand of $20.9 million plus cash from operating activities will fund future operations, capital expenditures, cash dividends (see Note 8) and smaller acquisitions. We may need additional funds for larger acquisitions and other strategic alliances. At October 31, 1999, we had over $25 million available under the KeyBank line of credit and anticipate that additional financing would be available as required.

YEAR 2000 ("Y2K")

We have completed an in-depth year 2000 review of the financial and operational systems at each of our business units and have implemented a Y2K compliance program to confirm that all critical business systems, software and equipment that consider and process date-related information will continue to function properly after December 31, 1999. We have worked to ensure Y2K compliance of all business systems and have not experienced any material Y2K problems. We also have communicated with vendors to determine their Y2K compliance, and to date, are not aware of any third-party Y2K issues that could materially affect operations. We spent approximately $450,000 to become Y2K compliant.

We cannot assure that systems and products do not contain undetected Y2K problems or that we will not experience operating difficulties because of Y2K issues. Further, we cannot assure that our assessment of suppliers and vendors will be accurate or that all suppliers and vendors will provide sufficient information to allow this assessment. To date, we have experienced no difficulties related to Y2K.

IMPACT OF STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS ISSUED BUT NOT ADOPTED (SEE NOTE 1)

MANAGEMENT'S STATEMENT

We prepared the financial statements in this report according to generally accepted accounting principles and we are responsible for them. They include estimates based on our informed judgment. The other financial information in the report is consistent with that in the financial statements.

Our accounting systems include controls to reasonably assure the safeguarding of Cooper's assets and the production of financial statements that conform to generally accepted accounting principles. We supplement these with qualified personnel and provide for appropriate separation of duties.

The Board of Directors, through its Audit and Finance Committee of three outside directors, determines that we fulfill our responsibilities to prepare financial statements and maintain financial controls. The Audit and Finance Committee recommends to the Board of Directors appointment of the Company's independent certified public accountants, subject to ratification by the stockholders. It meets regularly with Management and the independent accountants. The independent accountants have access to the Audit and Finance Committee without Management present, to discuss auditing and financial reporting.

KPMG LLP has been the Company's independent certified public accountants since 1980, when the Company incorporated. KPMG provides an objective, independent review of the fairness of reported operating results and financial position.

A. Thomas Bender
President and Chief Executive Officer

Robert S. Weiss
Executive Vice President,
Treasurer and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
The Cooper Companies, Inc:

We have audited the accompanying consolidated balance sheets of The Cooper Companies, Inc. and subsidiaries as of October 31, 1999 and 1998 and the related consolidated statements of income, comprehensive income and cash flows for each of the years in the three-year period ended October 31, 1999. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Cooper Companies, Inc. and subsidiaries as of October 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

San Francisco, California
December 9, 1999

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEARS ENDED OCTOBER 31, 1999	1998	1997
Net sales	$ 165,328	$ 147,192	$ 88,769
Cost of sales	59,009	55,764	27,325
Gross profit	106,319	91,428	61,444
Selling, general and administrative expense	61,734	56,226	38,337
Research and development expense	1,977	1,944	1,739
Amortization of intangibles	3,797	3,558	1,565
Income from operations	38,811	29,700	19,803
Settlement of disputes, net	—	1,250	(104)
Other income, net	231	890	203
Interest expense	6,330	6,253	3,174
Income from continuing operations before income taxes	32,712	23,087	16,936
Provision for (benefit of) income taxes	10,711	(34,723)	(26,735)
Income from continuing operations before extraordinary item	22,001	57,810	43,671
Discontinued operations, net of taxes:			
Income before extraordinary item	129	4,336	4,719
Gain (loss) from disposal	2,970	(22,300)	(18,000)
Extraordinary item	—	—	(469)
	3,099	(17,964)	(13,750)
Income before extraordinary item	25,100	39,846	29,921
Extraordinary item, net	—	—	1,461
Net income	$ 25,100	$ 39,846	$ 31,382
Basic earnings per share:			
Continuing operations before extraordinary item	$ 1.56	$ 3.90	$ 3.42
Discontinued operations	0.22	(1.21)	(1.07)
Extraordinary item, net	—	—	0.11
Earnings per share	$ 1.78	$ 2.69	$ 2.46
Diluted earnings per share:			
Continuing operations before extraordinary item	$ 1.54	$ 3.79	$ 3.33
Discontinued operations	0.21	(1.18)	(1.05)
Extraordinary item, net	—	—	0.11
Earnings per share	$ 1.75	$ 2.61	$ 2.39
Number of shares used to compute earnings per share:			
Basic	14,098	14,828	12,759
Diluted	14,312	15,269	13,120

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)	October 31, 1999	October 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,922	$ 7,333
Accounts receivable, less allowances of $1,136 in 1999 and $1,087 in 1998	26,792	24,426
Inventories	33,430	30,349
Deferred tax asset	11,638	15,057
Net assets of discontinued operations	—	29,206
Prepaid expenses and other current assets	7,679	9,706
Total current assets	100,461	116,077
Property, plant and equipment at cost	54,211	45,079
Less accumulated depreciation and amortization	13,892	10,845
	40,319	34,234
Goodwill and other intangibles, net	80,518	84,308
Deferred tax asset	56,519	52,754
Other assets	8,056	8,668
	$ 285,873	$ 296,041
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 2,583	$ 4,612
Current installments of long-term debt	2,305	6,958
Accounts payable	6,263	8,393
Employee compensation and benefits	5,885	5,087
Accrued divestiture costs	3,231	—
Other accrued liabilities	10,278	12,664
Accrued income taxes	11,351	8,987
Total current liabilities	41,896	46,701
Long-term debt	57,067	78,677
Other noncurrent liabilities	22,767	25,410
Total liabilities	121,730	150,788
Commitments and contingencies (see Note 11)		
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: 40,000: issued: 14,975 and 14,912 at October 31, 1999 and 1998, respectively	1,497	1,491
Additional paid-in capital	251,345	251,167
Accumulated other comprehensive loss	(595)	(666)
Deferred compensation	—	(163)
Accumulated deficit	(74,044)	(98,583)
Less, treasury stock at cost: 917 and 486 shares at October 31, 1999 and 1998, respectively	(14,060)	(7,993)
Stockholders' equity	164,143	145,253
	$ 285,873	$ 296,041

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEARS ENDED OCTOBER 31, 1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 25,100	$ 39,846	$ 31,382
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	6,790	(35,787)	(27,065)
Depreciation expense	4,561	4,678	2,922
Provision for doubtful accounts	1,273	1,813	2,336
Amortization expense	3,879	3,738	1,345
(Gain) loss from disposal of discontinued operations	(2,970)	22,300	18,000
Extraordinary item	—	—	(992)
Change in operating assets and liabilities excluding effects from acquisitions:			
Receivables	(3,086)	(3,910)	(7,521)
Inventories	(3,116)	(6,933)	(3,855)
Other assets	1,703	(952)	(356)
Accounts payable	(2,657)	1,130	2,916
Accrued liabilities	(864)	(5,949)	(4,021)
Income taxes payable	(619)	(5,104)	(423)
Other long-term liabilities	(2,500)	(3,973)	(3,044)
Other	204	471	107
Cash provided by operating activities	27,698	11,368	11,731
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of assets and businesses	—	(34,298)	(7,145)
Disposition of discontinued operations	28,685	—	—
Disposition costs paid	(3,412)	—	—
Purchases of property, plant and equipment	(10,121)	(19,573)	(7,735)
Investment in escrow fund	—	—	(2,216)
Sale of (investment in) marketable securities	5,419	(5,419)	—
Other	(415)	—	(357)
Cash provided (used) by investing activities	20,156	(59,290)	(17,453)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS — CONCLUDED

(IN THOUSANDS)	1999	1998	1997
	YEARS ENDED OCTOBER 31,		
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term line of credit	$ 8,568	$ 36,500	$ —
Repayment of long-term line of credit	(30,368)	(14,700)	—
Principal payments on long-term obligations	(7,145)	(7,603)	—
Proceeds from long-term borrowings	2,965	29,682	3,000
Net borrowings under short-term agreements	—	1,011	—
Purchase of Treasury Stock	(7,345)	(7,993)	—
Exercise of warrant	948	—	—
Dividends on common stock	(561)	—	—
Short-term debt payment	(2,142)	—	—
Net proceeds from follow-on offering	—	—	50,388
Early retirement of debt	—	—	(35,740)
Other	514	430	(514)
Cash provided (used) by financing activities	(34,566)	37,327	17,134
Effect of exchange rate changes on cash and cash equivalents	301	(321)	—
Net increase (decrease) in cash and cash equivalents	13,589	(10,916)	11,412
Cash and cash equivalents at beginning of year	7,333	18,249	6,837
Cash and cash equivalents at end of year	$ 20,922	$ 7,333	$ 18,249
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest (net of amounts capitalized)	$ 7,248	$ 4,536	$ 4,783
Income taxes	$ 2,116	$ 5,846	$ 742

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

	1998	1997
Acquisitions (see Note 2):		
Fair value of assets acquired	$ 93,406	$ 18,574
Less:		
Cash acquired	—	(45)
Cash paid	(34,298)	(7,145)
Company stock issued	(1,492)	(4,662)
Notes issued	(28,009)	(4,500)
Liabilities assumed and acquisition costs accrued	$ 29,607	$ 2,222

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(IN THOUSANDS)	1999	1998	1997
	YEARS ENDED OCTOBER 31,		
Net income	$ 25,100	$ 39,846	$ 31,382
Other comprehensive income (loss):			
Foreign currency translation adjustment	71	(311)	(29)
Comprehensive income	$ 25,171	$ 39,535	$ 31,353

See accompanying notes to consolidated financial statements.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Cooper Companies, Inc. (the "Company," "Cooper" or "we" and similar pronouns), through its principal subsidiaries, develops, manufactures and markets healthcare products. CooperVision ("CVI") markets a range of contact lenses to correct visual defects, specializing in toric lenses to correct astigmatism. Its leading products are disposable-planned replacement toric and spherical lenses. CVI also markets conventional toric and spherical lenses and lenses for patients with more complex vision disorders. CooperSurgical ("CSI") markets diagnostic products, surgical instruments and accessories to the women's healthcare market.

Consolidation

The financial statements in this report include the accounts of the Company and its consolidated subsidiaries. Inter-company transactions and balances are eliminated in consolidation.

Foreign Currency Translation

We translate assets and liabilities of our operations located outside the United States into U.S. dollars at prevailing year-end exchange rates. We translate income and expense accounts at weighted average rates for each year. We record gains and losses from the translation of financial statements in foreign currencies into U. S. dollars in the equity section of the consolidated balance sheet. We record gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting locations' functional currency in net income for each period. Net foreign exchange income (loss) included in net income for the years ended October 31, 1999, 1998 and 1997 was ($325,000), $591,000 and ($142,000), respectively.

Derivatives

We use derivatives to reduce market risk from changes in foreign exchange and interest rates. We generally do not use derivative financial instruments for trading or speculative purposes. We believe that each of the counterparties with whom we enter into forward exchange contracts and interest rate swap agreements is financially sound and that the credit risk of these contracts is low. We continually monitor our underlying market risk exposure and believe that we can modify or adapt our hedging strategies if necessary (see Note 7).

Estimates in the Preparation of Financial Statements

We prepare our financial statements in conformity with generally accepted accounting principles, which requires us to make informed estimates and judgments about certain amounts appearing in them. The actual results could differ from the estimated figures included in our financial statements.

Revenue Recognition

We recognize revenue net of appropriate provisions for returns when risk of ownership has transferred to the buyer.

Cash and Cash Equivalents

Cash and cash equivalents include commercial paper and other short-term income producing securities with maturity dates of three months or less. These investments are readily convertible to cash and are carried at cost, which approximates market value.

Inventories, at the Lower of Average Cost or Market

	OCTOBER 31,	
(IN THOUSANDS)	1999	1998
Raw materials	$ 8,151	$ 7,038
Work-in-process	3,786	2,964
Finished goods	21,493	20,347
	$ 33,430	$ 30,349

Property, Plant and Equipment, at Cost

	OCTOBER 31,	
(IN THOUSANDS)	1999	1998
Land and improvements	$ 1,500	$ 1,508
Buildings and improvements	11,036	10,662
Machinery and equipment	41,675	32,909
	$ 54,211	$ 45,079

We compute depreciation using the straight-line method in amounts sufficient to write off depreciable assets over their estimated useful lives. We amortize leasehold improvements over the estimated useful life or the period of the related lease, whichever is shorter. We depreciate buildings over 35 to 40 years, machinery and equipment over 3 to 15 years, and software over 3 years.

We expense costs for maintenance and repairs, and we capitalize major replacements, renewals and betterments. We eliminate the cost and accumulated depreciation of depreciable assets retired or otherwise disposed of from the asset and accumulated depreciation accounts and reflect any gains or losses in operations for the period.

Amortization of Intangibles

We amortize all intangible assets (primarily goodwill of $65.4 million and $68.2 million at October 31, 1999 and 1998, which represents the excess of purchase price over fair value of net assets acquired) on a straight-line basis over periods of up to 40 years. Accumulated amortization at October 31, 1999 and 1998 was $12.7 million and $8.6 million, respectively. We assess the recoverability of goodwill and other long-lived assets by determining whether the amortization of the related balance over its remaining life can be recovered through reasonably expected undiscounted future cash flows. We also evaluate amortization periods of intangibles to determine whether later events and circumstances warrant revised estimates of useful lives. To date, no such adjustments have been required.

Earnings Per Share ("EPS")

We determine basic EPS by using the weighted average number of shares outstanding and then add outstanding dilutive stock warrants and options to determine diluted EPS.

Stock-Based Compensation

We account for stock-based compensation in accordance with Statement of Financial Accounting Standards ("SFAS") 123, Accounting for Stock-Based Compensation. This statement establishes financial accounting and reporting standards for stock-based compensation, including employee stock option plans. As allowed by SFAS 123, we continue to measure compensation expense under Accounting Principles Board ("APB") No. 25, Accounting For Stock Issued to Employees, and related interpretations (see Note 9).

Statements of Financial Accounting Standards Adopted or Issued and to be Adopted

In June 1998 and June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS 133 and 137, both titled "Accounting for Derivative Instruments and Hedging Activities." SFAS 137 amended the effective date of SFAS 133 to the first quarter of fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities on its balance sheet and measure those instruments at fair value. SFAS 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met, in which case gains and losses on the hedging instrument can offset related results on the hedged item in the income statement. We will adopt SFAS 133 as amended by SFAS 137 in the first quarter of fiscal 2001. Under SFAS 133, forward exchange contracts will not qualify for hedge accounting. We will be required, beginning in fiscal 2001, to include both the receivable and the payable on our balance sheet, possibly increasing our assets and liabilities materially.

In April 1998, The American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities." The SOP broadly defines start-up activities and requires that they be expensed as incurred. It is effective for financial statements for fiscal years beginning after December 15, 1998. Any deferred start-up activities on the balance sheet when we adopt the SOP must be expensed as a cumulative effect of a change in accounting principle. We will adopt the SOP as required in the first quarter of fiscal year 2000. We expect to record a one-time charge against net income of about $400,000. Our current policy is to defer start-up activities as appropriate and amortize them over 12 months on a straight-line basis.

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," effective for fiscal years beginning after December 15, 1998. We will adopt the SOP as required in the first quarter of fiscal year 2000. We do not expect it to materially effect results of operations.

We adopted the following in 1999:

- SFAS 130 "Reporting Comprehensive Income."
- SFAS 131 "Disclosure About Segments of an Enterprise and Related Information."
- SFAS 132 "Employers' Disclosures About Pension and Other Post Retirement Benefits."

Where required, we have restated prior period financial statements to conform with the current year's presentation.

NOTE 2
ACQUISITIONS

Investment in Litmus

In February 1998, we purchased, for approximately $10 million cash, a 10% equity position in Litmus Concepts Inc. and received an exclusive license to distribute Litmus' *FemExam TestCard System* of diagnostic tests in North America in the women's professional healthcare market. Of the $10 million purchase price, we allocated $5 million to the equity investment and $5 million to the exclusive license. We are accounting for our investment in Litmus on the cost basis and amortizing the license over 17 years. We agreed to annual minimum purchases, which end when we have purchased 10 million units of the products or on the sixth anniversary of the agreement, whichever occurs first. If we do not meet the required minimum purchases, Litmus' only remedy is to cancel the exclusivity of the license.

Aspect Acquisition

In December 1997, we acquired Aspect Vision Care Ltd. ("Aspect"), a privately held manufacturer of high quality contact lenses sold primarily in the United Kingdom and other European countries. Aspect is an English company with the Pound Sterling as its functional currency. We include Aspect in CVI's results from the date of its acquisition.

We paid approximately $51 million at closing ($20 million in cash, 38,000 shares of Cooper's common stock with a value of $1.5 million and $28 million in 8% five-year notes to the selling shareholders) and will pay an additional amount after approximately three years based on Aspect's performance over that period. The minimum amount of the additional payment of £5 million (approximately $8 million at acquisition) has been discounted at a rate of 8% and will accrete over approximately three years (included in other long-term liabilities). The $20 million cash paid at acquisition was partially financed under our $50 million line of credit (see "Midland Bank" Note 6) and cash then on hand. The acquisition has been accounted for as a purchase. Based on an independent valuation report, the excess of purchase price over net assets acquired has been recorded at $44.9 million and is being amortized over 40 years, and other intangibles of $3.5 million are being amortized over periods of from 10 to 30 years.

Following the acquisition, certain of the selling shareholders became employees of Cooper. As of October 31, 1999 and 1998 approximately $23.4 million and $27.6 million, respectively, of the five-year notes and minimum contingent payments owed by Cooper in connection with the acquisition are payable to these employees or members of their immediate family. None of these employees are an officer of Cooper. For the years ended October 31, 1999 and 1998, our consolidated income statement included $1.9 million and $2 million of interest expense and $2.4 million and $2.3 million of royalty expense paid or payable to these individuals.

In connection with the Aspect acquisition, Cooper agreed to make quarterly royalty payments of from 5% to $7\frac{1}{2}$% on sales of certain Aspect-manufactured products, with a minimum royalty for five years of £1 million a year. The balance of royalties payable under the agreement was $586,000 and $656,000 at October 31, 1999 and 1998, respectively.

The following unaudited pro forma statements present consolidated condensed results of operations for the years ended October 31, 1998, and 1997, as if Aspect had been acquired at the beginning of each period. The unaudited pro forma information is not indicative of either the results of operations that would have occurred if Aspect had been purchased during the periods presented or of future results of the combined operations.

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEARS ENDED OCTOBER 31, 1998 PRO FORMA	1997 PRO FORMA
Net operating revenue	$ 150,493	$ 126,637
Net income	$ 40,114	$ 31,278
EPS:		
Basic	$ 2.70	$ 2.44
Diluted	$ 2.62	$ 2.38
Shares outstanding for:		
Basic EPS	14,845	12,797
Diluted EPS	15,286	13,158

Natural Touch Acquisition

In March 1997, we acquired the United States rights to *Natural Touch*, a line of opaque, cosmetic contact lenses, from Wesley-Jessen Corporation ("W-J") for $7.5 million ($3 million in cash and a $4.5 million promissory note, $4.4 million of which was repaid) plus an ongoing royalty ranging from 3% to 8% per annum on sales of *Natural Touch* products other than those supplied by W-J. Cooper recorded intangible assets of $8 million for the patents, trademarks and distribution rights, which we are amortizing over 7 to 15 years.

A subsidiary of W-J currently manufactures and supplies us with *Natural Touch* products. A divestiture order issued by the Federal Trade Commission (the "FTC") in connection with the *Natural Touch* acquisition requires us either to develop our own manufacturing capabilities or to find a suitable third-party manufacturer. The FTC could require Cooper to divest the *Natural Touch* line if it has not either developed manufacturing capabilities that meet United States Food and Drug Administration ("FDA") approval or found a suitable third-party manufacturer meeting FDA approval within 42 months from the acquisition date.

Marlow Acquisition

In April 1997, Cooper acquired Marlow Surgical Technologies, Inc. ("Marlow"), a women's healthcare products company, for approximately $3.2 million in cash, liquidation of $900,000 of Marlow debt and 144,800 shares of Cooper's common stock valued at $2.9 million at closing. As part of the acquisition, we agreed to issue an additional $500,000 of our common stock (valued as of the closing) on the third anniversary of the closing, subject to reduction by the amount of any obligations of the seller to indemnify Cooper in connection with the acquisition. Also, we guaranteed that the total value of the shares issued in the acquisition (valued at $3.4 million in total at closing) would appreciate by $1.3 million by the third anniversary of the acquisition. The guaranteed appreciation in stock took place. This guarantee has been included in the purchase price, with a corresponding credit to additional paid-in capital. We accounted for the acquisition as a purchase, with $8.4 million of goodwill, which is being amortized over 20 years.

NOTE 3
DISCONTINUED OPERATIONS

In the fourth quarter of 1998, Cooper declared Hospital Group of America ("HGA"), its psychiatric services business, a discontinued operation and recorded a charge of $22.3 million reflecting Management's initial estimate of the ultimate loss on disposition. We restated prior period financial statements.

In January 1999, Cooper completed the sale of a portion of HGA for $5 million in cash and trade receivables. On April 15, 1999, Cooper sold the remainder of HGA to Universal Health Services, Inc. for $27 million. Cooper recorded gains on disposal of $1.3 million in the first quarter and $1.7 million in the second quarter, reflecting adjustments to the loss estimated in 1998.

HGA's patient revenues were $20.8 million, $55.5 million and $52.7 million for fiscal years ended October 31, 1999, 1998 and 1997, respectively. Net assets of discontinued operations at October 31, 1998 consisted primarily of patient receivables, net property, plant and equipment, net of accounts payable and accrued liabilities, including a $22.3 million reserve for the estimate of the divestiture loss.

NOTE 4
EARNINGS PER SHARE

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	YEARS ENDED OCTOBER 31, 1999	1998	1997
Income from continuing operations before extraordinary item	$ 22,001	$ 57,810	$ 43,671
Discontinued operations, net of income taxes	3,099	(17,964)	(13,750)
Income before extraordinary item	25,100	39,846	29,921
Extraordinary item, net of income taxes	—	—	1,461
Net income	$ 25,100	$ 39,846	$ 31,382
Basic:			
Weighted average common shares	14,098	14,828	12,759
Basic earnings per common share:			
Continuing operations before extraordinary item	$ 1.56	$ 3.90	$ 3.42
Discontinued operations	0.22	(1.21)	(1.07)
Extraordinary item	—	—	0.11
Basic earnings per share:	$ 1.78	$ 2.69	$ 2.46
Diluted:			
Weighted average common shares	14,098	14,828	12,759
Add:			
Dilutive warrants	23	56	62
Dilutive options	191	385	299
Effect of dilutive securities	214	441	361
Diluted weighted average common shares	14,312	15,269	13,120
Diluted earnings per share:			
Continuing operations before extraordinary item	$ 1.54	$ 3.79	$ 3.33
Discontinued operations	0.21	(1.18)	(1.05)
Extraordinary item	—	—	0.11
Diluted earnings per share:	$ 1.75	$ 2.61	$ 2.39

We excluded the following options to purchase Cooper's common stock from the computation of diluted EPS because their exercise prices were above the average market price.

	OCTOBER 31, 1999	1998	1997
Number of shares excluded	1,321,083	571,250	340,000
Range of exercise prices	$ 21 - $ 62.21	$ 36 - $ 62.21	$ 26 - $ 35.09

NOTE 5
INCOME TAXES

The income tax provision (benefit) related to income from all operations in the consolidated statements of income consists of:

(IN THOUSANDS)	YEARS ENDED OCTOBER 31, 1999	1998	1997
From continuing operations	$ 10,711	$ (34,723)	$ (26,735)
From discontinued operations	(6,425)	130	129
	$ 4,286	$ (34,593)	$ (26,606)

The income tax provision (benefit) related to income from continuing operations in the consolidated statements of income consists of:

(IN THOUSANDS)	YEARS ENDED OCTOBER 31, 1999	1998	1997
Current			
Federal	$ 445	$ 462	$ 309
State	(641)	471	21
Outside the United States	2,222	131	—
	2,026	1,064	330
Deferred			
Federal	8,730	(35,955)	(27,065)
State	(45)	—	—
Outside the United States	—	168	—
	8,685	(35,787)	(27,065)
	$ 10,711	$ (34,723)	$ (26,735)

We reconcile the provision for (benefit of) income taxes attributable to income from continuing operations and the amount computed by applying the statutory federal income tax rate of 35% to income from continuing operations before income taxes as follows:

	YEARS ENDED OCTOBER 31,		
(IN THOUSANDS)	1999	1998	1997
Computed expected provision for taxes from continuing operations	$ 11,449	$ 8,080	$ 7,407
Increase (decrease) in taxes resulting from:			
Income (loss) outside the United States subject to different tax rates	(325)	431	193
Amortization of intangibles	392	477	394
State taxes, net of federal income tax benefit	312	306	229
Reversal of prior years' estimated state tax liabilities no longer required	(1,121)	—	(215)
Utilization of net operating loss carryforwards	—	(10,359)	(7,102)
Change in valuation allowance	331	(35,787)	(27,065)
Other, net	(327)	2,129	(576)
Actual provision (benefit) of income taxes	$ 10,711	$ (34,723)	$ (26,735)

The tax effects of temporary differences that give rise to most of the deferred tax assets and liabilities are:

	OCTOBER 31,	
(IN THOUSANDS)	1999	1998
Deferred tax assets:		
Accounts receivable, principally due to allowances for doubtful accounts	$ 559	$ 1,492
Inventories, principally due to obsolescence reserves	1,329	1,215
Accrued liabilities, principally due to litigation settlements and reserves, and compensation accruals	8,896	9,327
Net operating loss carryforwards	56,957	64,355
Capital loss carryforwards	2,991	—
Tax credit carryforwards	4,138	3,715
Other	1,933	1,225
Total gross deferred tax assets	76,803	81,329
Less valuation allowance	(7,996)	(7,073)
Deferred tax assets	68,807	74,256
Deferred tax liabilities:		
Plant and equipment	(650)	(6,445)
Net deferred tax assets	$ 68,157	$ 67,811

The net (increase)/decrease in the total valuation allowance for the years ended October 31, 1999, 1998 and 1997 was ($923,000), $45.4 million and $27.6 million, respectively. In 1998 and 1997, we recognized an income tax benefit of $35.8 million and $27.1 million, respectively, ($23.3 million and $25 million in the fourth quarters of fiscal 1998 and 1997, respectively) from reducing the valuation allowance based primarily on the continued improvement in Cooper's operating results and future prospects. The recognition of the net deferred tax assets is based upon the expected utilization of net operating loss carryforwards that we believe are more likely than not to be realized.

Tax benefits relating to the valuation allowance as of October 31, 1999 are allocated as follows:

(IN THOUSANDS)	
Consolidated statements of income	$ 6,462
Goodwill and other intangible assets	1,534
	$ 7,996

At October 31, 1999 Cooper had net operating loss and tax credit carryforwards for federal tax purposes that expire as follows:

YEAR OF EXPIRATION (IN THOUSANDS)	NET OPERATING LOSSES	TAX CREDITS
1999	$ —	$ 847
2000	—	1,132
2001	—	202
2002	26,380	29
2003	1,378	330
2004	22,241	—
2005	11,006	—
2006	22,265	—
2007	22,058	—
2008	49,535	—
2009	6,553	—
2010	1,318	—
Indefinite life	—	1,598
	$ 162,734	$ 4,138

NOTE 6
LONG-TERM DEBT

(IN THOUSANDS)	OCTOBER 31, 1999	1998
Aspect promissory notes due December 2, 2002 (see Note 2)	$ 23,439	$ 27,563
KeyBank line of credit	—	21,800
Midland Bank Debt	17,445	17,444
Aspect Vision bank loans	6,292	6,754
County of Monroe Industrial Development Agency ("COMIDA") Bond	2,695	2,880
Capitalized leases, interest rates from 8% to 15% maturing 1999 to 2007	9,401	8,620
Wesley-Jessen Corporation ("W-J") promissory note	100	574
	59,372	85,635
Less current installments	2,305	6,958
	$ 57,067	$ 78,677

Annual maturities of long-term debt, including capital leases, for each of the five years subsequent to October 31, 1999:

(IN THOUSANDS)	LONG-TERM DEBT
2000	$ 2,305
2001	$ 2,181
2002	$ 1,835
2003	$ 46,842
2004	$ 1,666

KeyBank Line of Credit

We have a $50 million senior secured revolving credit facility with KeyBank National Association ("KeyBank"). KeyBank syndicated a portion of the facility to other lenders and acts as agent for the lenders. The facility matures September 11, 2002, with interest rates ranging from 50 to 200 basis points over the London Interbank Offered Rate ("LIBOR") depending on certain financial ratios. The interest rate may be floating or fixed at our option. On October 31, 1999, we had no borrowings from the credit facility. On October 31, 1998, the effective rates ranged from 6.5% to 6.7%. Cooper pays an annual commitment fee of 0.375% on the unused portion of the revolving credit facility. We pay interest monthly.

Terms include a first security interest in all Cooper assets. During the term of the facility, Cooper may borrow, repay and re-borrow up to the $50 million, subject to voluntary reductions. Cooper has used the KeyBank line of credit to guarantee other foreign borrowings by issuing $24.6 million of letters of credit against the line of credit, which reduced its unused portion. At October 31, 1999, Cooper had $25.4 million available. Cooper subsidiaries guarantee this line of credit.

Under certain circumstances when we obtain additional debt or equity, mandatory prepayments will be required to repay outstanding amounts and permanently reduce the total commitment amount available.

The KeyBank Line of Credit contains various covenants, including maintenance of certain ratios and transaction limitations requiring approval of the lenders. Certain prepayments are subject to penalties. One covenant requires us to achieve the following ratios of EBITDA (as defined) to interest expense, capital expenditures and certain other fixed charges. Cooper achieved this covenant for all periods except the 12 months ended October 31, 1998. We received a waiver for this period from KeyBank. In addition, KeyBank amended the Credit Agreement by reducing the required ratio and the method of calculating it:

FOR THE 12 MONTHS ENDED	RATIO
April 30, 1999	1.1:1
July 31, 1999	1.2:1
Thereafter	1.3:1

We have achieved the amended covenants in fiscal 1999 and anticipate that we will continue to achieve them going forward.

Midland Bank

We partially funded the Aspect acquisition by a £10.5 million loan from Midland Bank plc, due November 27, 2002. In March 1998, Cooper converted the denomination of the loan to U.S. dollars and entered into an interest rate swap to fix the interest rate at 6.19% per annum (see Note 7). KeyBank issued a letter of credit to secure the Midland loan. Interest on the Midland loan is 20 basis points (0.2%) over Sterling LIBOR, adjusted monthly, and Cooper pays an annual letter of credit fee of 1% of the balance to KeyBank.

Aspect Bank Loans

The balance of the loans at October 31, 1999, was $6.3 million and is secured by certain assets of Aspect and a $4.2 million letter of credit in favor of National Westminster Bank (“NWB”) from KeyBank National Association. Loan maturity dates range from February 1, 2000, to September 1, 2006. The interest rate on £2.5 million borrowed March 30, 1998 is 0.2625% above Sterling LIBOR. Sterling LIBOR ranged between 4.9% and 6.3% for the period of the loan. The interest rate on other NWB loans is 1.5% above the Base Rate. The Base Rate ranged between 5.0% and 7.5% for the reporting period. In 1998, the proceeds were used to repay a loan of £827,000 ($1.4 million), included in acquired debt, and to fund capital expenditures.

Capitalized Leases

The capitalized lease balance at October 31, 1999, was $9.4 million. The leases primarily relate to purchases of manufacturing equipment in the U.S. and the United Kingdom. The amount of our capitalized leases increased for the period because we expanded our manufacturing capacity.

COMIDA Bond

The COMIDA bond is a $3 million Industrial Revenue Bond (“IRB”) to finance the cost of plant expansion, building improvements and the purchase of equipment related to CVI’s Scottsville, New York, facility. The interest rate has been fixed at 4.88%, per a Rate Swap Transaction (see Note 7). Principal is repaid quarterly, from July 1997 to October 2012. The IRB is secured by substantially all of CVI’s rights to the facility.

KeyBank issued a letter of credit to support certain obligations under the COMIDA bond. CVI is obligated to repay KeyBank for draws under and expenses incurred in connection with the letter of credit, under a reimbursement agreement, which Cooper guarantees. The agreement contains customary provisions and covenants, including certain required ratios and levels of net worth. CVI and COMIDA have granted a mortgage lien on the building and real estate located in Scottsville and a first lien security interest on the equipment purchased under the bond proceeds to KeyBank to secure payment under the reimbursement agreement.

W-J

The W-J promissory note was issued for $4.5 million, due March 17, 2001, in connection with the acquisition of the *Natural Touch* product line. The $100,000 balance at October 31, 1999 was repaid in early fiscal 2000.

NOTE 7
FINANCIAL INSTRUMENTS

The fair values of our financial instruments, including cash and cash equivalents, trade receivables, lines of credit, accounts payable and accrued liabilities, approximated their carrying values as of October 31, 1999 and 1998 because of the short maturity of these instruments. We believe that there are no significant concentrations of credit risk in trade receivables.

The fair value of our other long-term debt approximated the carrying value at October 31, 1999 and 1998 because we believe that we could obtain similar financing with similar terms.

Derivatives
Foreign Exchange Instruments

Cooper enters into forward exchange contracts to hedge the currency exposure of liabilities and firm commitments denominated in foreign currencies. We defer gains and losses on hedged commitments and recognize them in our results of operations in the same period as the gain or loss from the underlying transactions. As of October 31, 1999 and 1998, we had outstanding forward exchange contracts of $37 million and $44.6 million to purchase 22.8 million and 27.4 million British Pounds Sterling which are to be purchased from time to time from November 1998 through November 2002. We obtained the fair value of the forward exchange contracts through KeyBank's foreign exchange department. The fair value indicated that termination of the forward exchange contracts at October 31, 1999 and 1998 would have resulted in a $72,000 loss and a $740,000 loss, respectively.

We also enter into forward exchange contracts to minimize the net currency exposure of intercompany liabilities and commitments denominated in foreign currencies. We record gains and losses on these forward contracts in our results, and they offset the gains and losses from the remeasurement of our intercompany accounts. At October 31, 1999, we had outstanding forward exchange contracts against our intercompany accounts of $2.6 million primarily to sell 1.1 million British Pounds Sterling and 1.3 million Canadian Dollars. We obtained the fair value of the forward exchange contracts through KeyBank's Foreign Exchange department. The fair value indicated that termination of these forward exchange contracts at October 31, 1999 would have resulted in an $11,000 loss.

Interest Rate and Other Derivative Instruments

On a selective basis, Cooper enters into interest rate swap agreements to reduce the potential negative impact of increases in interest rates on our outstanding variable-rate debt under the Midland Bank Loan and the Industrial Revenue Bond. We recognize in our results of operations over the life of the contract, as interest expense, the amortization of contract premiums incurred from buying interest rate swaps. We record net payments or receipts resulting from these agreements as adjustments to interest expense. The effect of interest rate instruments on our results of operations in fiscal years ended October 31, 1999 and 1998 was not significant. As of October 31, 1999 and 1998, Cooper had interest rate swap agreements with notional amounts totaling $24.3 million and $20.5 million, respectively. As of October 31, 1999, we had a $17.4 million interest rate swap that matures on November 27, 2002, a $2.7 million interest rate swap that matures on January 1, 2012 and a $4.2 million interest rate swap that matures on April 1, 2003. We obtain the fair value of the swap agreements through KeyBank's derivative department. The fair value indicated that termination of the swap agreements at October 31, 1999 and 1998 would have resulted in an $84,000 gain and a $914,000 loss, respectively.

In the fourth quarter of fiscal 1998, we simultaneously purchased and sold call options in the Semiconductor Index which expired in December 1998. The index options were purchased with temporary surplus funds of approximately $5.4 million for trading purposes. Before the end of fiscal 1998, we traded substantially all of the purchase option position and a small portion of the sell option position and entered into a similar purchase option position and a similar sell option position having the same December 1998 expiration date. As of October 31, 1998, the investments in the purchased and sold call option contracts are netted because the terms of the index option contracts provide for a right of offset. The net investments as of October 31, 1998 in the amount of $5.4 million are recorded at fair market value as represented by the net cash proceeds realized when the option contracts expired in December 1998 and included in other current assets. The transaction did not result in any material gain or loss on our financial statements.

NOTE 8
STOCKHOLDERS' EQUITY

(IN THOUSANDS)	COMMON SHARES		COMMON STOCK		PAID-IN CAPITAL		ACCUMULATED DEFICIT		TREASURY STOCK
Balance at October 31, 1996	11,671	$	1,167	$	184,300	$	(169,811)	$	—
Exercise of stock options	36		4		260		—		—
Exercise of warrant	27		3		147		—		—
Restricted stock amortization and share issuance	3		—		483		—		—
Stock issued for acquisition (see Note 2)	145		14		4,648		—		—
Stock issued for 10⅝% debenture redemption	616		62		9,217		—		—
Follow-on offering	2,300		230		50,158		—		—
Net income	—		—		—		31,382		—
Balance at October 31, 1997	14,798		1,480		249,213		(138,429)		—
Exercise of stock options	75		7		419		—		—
Treasury stock purchased	—		—		—		—		(7,993)
Restricted stock amortization and share issuance	1		—		47		—		—
Stock issued for acquisition (see Note 2)	38		4		1,488		—		—
Net income	—		—		—		39,846		—
Balance at October 31, 1998	14,912		1,491		251,167		(98,583)		(7,993)
Exercise of stock options	61		6		461		—		—
Treasury stock purchased	—		—		—		—		(7,345)
Exercise of warrants and treasury stock used	—		—		(330)		—		1,278
Restricted stock amortization and share issuance	2		—		47		—		—
Dividends on common stock	—		—		—		(561)		—
Net income	—		—		—		25,100		—
Balance at October 31, 1999	14,975	$	1,497	$	251,345	$	(74,044)	$	(14,060)

Cash Dividends

On May 20, 1999, Cooper announced an annual cash dividend on its common stock of 8 cents per share, payable in quarterly installments of 2 cents per share. We made two payments in fiscal 1999 and one in January 2000.

Treasury Stock

In September 1998, our Board of Directors authorized us to purchase up to one million shares of our common stock. All of these shares have been purchased.

(IN THOUSANDS)	SHARES	PURCHASE PRICE
Purchased and paid for in fiscal 1998	486	$ 7,993
Purchased and paid for in fiscal 1999	514	7,345
	1,000	15,338
Reissued in fiscal 1999*	(83)	(1,278)
	917	$ 14,060

* Cooper issued 83,333 shares of treasury stock for the exercise of a warrant related to a prior acquisition. We received $948,000 cash upon the exercise of the warrant, crediting treasury stock for $1.3 million for the average cost of the treasury stock and charging the balance of $330,000 against additional paid in capital.

Common Stock Offering

In 1997, in an underwritten follow-on stock offering, we sold 2.3 million shares of our common stock at $23.50 per share. The proceeds from the offering of $50.4 million, net of underwriters discount and transaction costs of $3.7 million, were primarily used to repay outstanding debt.

Stockholders' Rights Plan

Under our stockholders' rights plan, each outstanding share of our common stock carries one preferred share purchase right (a "Right"). The Rights will become exercisable only under certain circumstances involving acquisition of beneficial ownership of 20% or more of the our common stock by a person or group (an "Acquiring Person") without the prior consent of Cooper's Board of Directors. If a person or group becomes an Acquiring Person, each Right would then entitle the holder (other than an Acquiring Person) to purchase, for the then purchase price of the Right (currently $145, subject to adjustment), shares of Cooper's common stock, or shares of common stock of any person into which we are thereafter merged or to which 50% or more of our assets or earning power is sold, with a market value of twice the purchase price. The Rights will expire in October 2007 unless earlier exercised or redeemed. The Board of Directors may redeem the Rights for $.01 per Right prior to any person or group becoming an Acquiring Person.

NOTE 9
EMPLOYEE STOCK PLANS

At October 31, 1999 Cooper had two stock-based compensation plans:

1998 Long-Term Incentive Plans ("1998 LTIP")

We designed the 1998 LTIP to increase Cooper's stockholder value by attracting, retaining and motivating key employees and consultants who directly influence our profitability. Stockholders approved the 1998 LTIP in April 1998.

The 1998 LTIP authorized either a committee of three or more individuals not eligible to participate in the 1998 LTIP or Cooper's Board of Directors to grant to eligible individuals during a five-year period, stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights, phantom stock units and long-term performance awards for up to 1 million shares of common stock, subject to adjustment for future stock splits, stock dividends, expirations, forfeitures and similar events. Options generally vest based on Cooper's stock price, however, in some cases, both stock price and time are the criteria. As of October 31, 1999, 260,000 shares remained available under the 1998 LTIP for future grants. No restricted shares have been granted under the 1998 LTIP. Approximately 2 million shares of restricted stock and stock options were granted under a predecessor plan.

1996 Long-Term Incentive Plan for Non-Employee Directors ("1996 NEDRSP")

The 1996 NEDRSP provides for annual grants of restricted stock and options to non-employee directors at the start of each fiscal year. Specifically, each non-employee director will be awarded the right to purchase restricted stock worth $7,500 for $0.10 per share (or $9,375 in the case of the Chairman of the Board who is a non-employee director) by January 15 of the year following the date of the grant. Grants of restricted stock not exercised by then will expire. The restrictions on the restricted stock will lapse when the stock reaches certain target values or by the fifth anniversary of the date of grants. In addition, each non-employee director was granted an option to purchase 10,000 shares of Cooper's common stock in fiscal 1999 (or, in the case of the Chairman of the Board who is a non-employee director, 11,250 shares). In fiscal

1998 and 1997, each non-employee director was granted 5,000 shares (or, in the case of the Chairman of the Board who is a non-employee director, 6,250). 215,000 shares of Cooper's authorized but unissued common stock have been reserved for this. As of October 31, 1999, 83,996 shares remained available under the 1996 NEDRSP for future grants. Restricted shares of 1,994, 1,312 and 3,501 were granted under the 1996 NEDRSP in fiscal 1999, 1998 and 1997, respectively, and there were no restricted shares with restrictions in place outstanding at October 31, 1999.

Common stock activity under these plans was:

	YEARS ENDED OCTOBER 31,					
	1999		1998		1997	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	1,660,797	$ 29.12	929,564	$ 19.39	459,662	$ 8.90
Granted	231,250	27.29	806,250	38.16	514,165	27.69
Exercised	(60,269)	7.76	(75,017)	5.68	(36,454)	7.25
Forfeited	(35,000)	39.85	—	—	(7,809)	5.74
Outstanding at end of year	1,796,778	$ 29.39	1,660,797	$ 29.12	929,564	$ 19.39
Options exercisable at year end	1,080,478	23.17	605,797	$ 19.99	449,564	$ 9.71
Weighted-avg. fair value of options granted during the year		$ 11.33		$ 8.57		$ 12.32

The options outstanding at October 31, 1999 for the stock option plans are:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICES	NUMBER OUTSTANDING AT 10/31/99	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING AT 10/31/99	WEIGHTED AVERAGE EXERCISE PRICE
$ 5.91-8.75	153,613	5.71	$ 7.08	153,613	$ 7.08
$14.31-16.00	200,832	6.45	14.86	200,832	14.86
$20.00-21.00	103,333	6.78	20.13	103,333	20.13
$23.44-25.53	230,250	8.99	23.74	197,325	23.45
$26.00-30.69	322,500	8.95	27.44	100,075	26.47
$34.00-35.09	250,000	7.13	34.87	250,000	34.87
$36.00-40.38	298,250	8.36	37.93	75,300	38.32
$43.20-62.21	238,000	8.91	51.72	—	—
$ 5.91-62.21	1,796,778	7.92	$ 29.39	1,080,478	$ 23.17

The excess of market value over $.10 per share of restricted shares on respective dates of grant is initially recorded as deferred compensation and charged to operations as earned. Restricted shares and other stock compensation charged against income from operations for the years ended October 31, 1999, 1998 and 1997 was $210,000, $260,000 and $107,000, respectively.

Pro Forma Information

As permitted by FASB 123, Cooper applies APB Opinion No. 25 and related interpretations to account for its plans for stock options issued to employees. Accordingly, no compensation cost has been recognized for its employee stock option plans. Had compensation cost for our stock-based compensation plans been determined under the fair value method included in SFAS 123, our net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		1999	1998	1997
Net Income	As reported	$ 25,100	$ 39,846	$ 31,382
	Pro forma	$ 21,721	$ 34,512	$ 29,704
Basic earnings per share	As reported	$ 1.78	$ 2.69	$ 2.46
	Pro forma	$ 1.54	$ 2.33	$ 2.33
Diluted earnings per share	As reported	$ 1.75	$ 2.61	$ 2.39
	Pro forma	$ 1.54	$ 2.28	$ 2.29

The above pro forma amounts include compensation expense for options granted since November 1, 1995, and may not represent that expected in future years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in fiscal 1999, 1998, and 1997: dividend yield: 0.382%, 0% and 0%; expected volatility: 50%, 48% and 48%; expected option lives of 3.5 years for all three years and risk-free interest rates of 5.8%, 4.8% and 6.5%, respectively.

NOTE 10
EMPLOYEE BENEFITS

Cooper's Retirement Income Plan

Cooper's Retirement Income Plan (the "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 (15 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 participation in equity and fixed income funds.

Financial data with regard to the Plan follow:

(IN THOUSANDS)	1999	1998	1997
CHANGE IN BENEFIT OBLIGATION NOVEMBER 1 TO OCTOBER 31			
Projected benefit obligation at beginning of year	$ 10,465	$ 8,957	$ 7,958
Service cost	649	398	236
Interest cost	763	664	622
Benefits paid	(410)	(381)	(369)
Actuarial (gain)/loss	(186)	827	510
Projected benefit obligation at end of year	$ 11,281	$ 10,465	$ 8,957
CHANGE IN PLAN ASSETS NOVEMBER 1 TO OCTOBER 31			
Fair value of plan assets at beginning of year	$ 8,824	$ 9,012	$ 7,710
Actual return on plan assets	1,214	142	1,558
Employer contributions	—	51	113
Benefits paid	(410)	(381)	(369)
Fair value of plan assets at end of year	$ 9,628	$ 8,824	$ 9,012
Funded status	$ (1,653)	$ (1,641)	$ 55
Unrecognized transition amount	336	362	387
Unrecognized prior service cost	458	(26)	19
Unrecognized net (gain)/loss	(675)	401	(1,124)
Accrued pension liability	$ (1,534)	$ (904)	$ (663)
RECONCILIATION OF ACCRUED PENSION LIABILITY			
Accrued cost at beginning of year	$ (904)	$ (663)	$ (577)
Net periodic pension cost for year	630	292	198
Contributions made during year	—	51	112
Accrued cost at end of year	$ (1,534)	$ (904)	$ (663)
ACTUARIAL ASSUMPTIONS			
Discount rate	7.5%	7.0%	7.5%
Expected return on assets	9.0%	9.0%	9.0%
Average compensation increase	4.0%	4.0%	4.0%
Cost of living	3.5%	3.5%	3.5%
NET PERIODIC PENSION COSTS			
Service cost	$ 649	$ 398	$ 236
Interest cost	763	664	622
Asset return	(1,214)	(142)	(1,558)
Amortization			
Net transition obligations	26	26	26
Prior service cost	30	(3)	(3)
Gain/(loss)	376	(651)	875
Net periodic pension cost total	$ 630	$ 292	$ 198

Cooper's 401(k) Savings Plan

Cooper's 401(k) Savings Plan provides for the deferral of compensation as described in the Internal Revenue Code and is available to substantially all full-time United States employees of Cooper. Employees who participate in the 401(k) Plan may elect to have from 1% to 16% of their pre-tax salary or wages deferred and contributed to the trust established under the Plan. Cooper's contribution on account of participating employees, net of forfeiture credits, was $333,000, $396,000 and $218,000 for the years ended October 31, 1999, 1998 and 1997, respectively.

Cooper's Incentive Payment Plan

Cooper's Incentive Payment Plan is available to officers and other key executives. Participants may, in certain years, receive bonuses based on performance. Total payments earned for the years ended October 31, 1999, 1998 and 1997, were approximately $1.4 million, $851,000 and $1.8 million, respectively. The 1997 payment included payments made to HGA executives of $414,000.

NOTE 11
COMMITMENTS AND CONTINGENCIES

Lease Commitments

Total minimum annual rental obligations (net of sublease revenue of approximately $306,000 in fiscal 2000 and $195,000 per year thereafter through March 2005) under noncancelable operating leases (substantially all real property or equipment) in force at October 31, 1999 are payable in subsequent years as follows:

(IN THOUSANDS)	
2000	$ 3,773
2001	3,171
2002	2,536
2003	2,127
2004	1,929
2005 and thereafter	9,523
	$ 23,059

Aggregate rental expense for both cancelable and noncancelable contracts amounted to $5.7 million, $3.2 million and $3 million in 1999, 1998 and 1997, respectively.

MEC

An agreement was reached in September 1993 with Medical Engineering Corporation ("MEC"), a subsidiary of Bristol-Myers Squibb Company, which limited our contingent liabilities associated with breast implant litigation involving a former division of ours (the "MEC Agreement"). The remaining liability recorded for payments to be made to MEC under the MEC Agreement is due on:

DECEMBER 31, (IN THOUSANDS)	OTHER ACCRUED LIABILITIES	OTHER NONCURRENT LIABILITIES
1999	$ 3,000	$ —
2000	—	3,500
2001	—	4,000
2002	—	4,500
2003	—	3,000
	$ 3,000	$ 15,000

Payments to MEC of $15 million beginning December 31, 2000 are contingent upon our earning net income before taxes in each fiscal year. They were recorded in Cooper's financial statements in fiscal 1997 as loss from sale of discontinued operations as Management concluded that the maximum payments would be required. They are reflected on the balance sheet in "Other accrued liabilities" for the amount due within one year and "Other noncurrent liabilities" for the amounts due in two or more years. These payments are limited to the lesser of 50% of our net income before taxes in each fiscal year on a noncumulative basis, or the amounts shown above.

Environmental

In 1997, environmental consultants engaged by Cooper identified a contained area of groundwater contamination consisting of industrial solvents including trichloroethane (also known as TCA) at one of CVI's sites. In the opinion of counsel, the solvents were released into the ground before we acquired the business at that site, and the area containing these chemicals is limited. On April 6, 1999, Cooper and the New York Department of Environmental Conservation entered into a voluntary agreement covering the environmental investigation of the site. The investigation is currently underway and will ultimately result in a state-approved mediation. We have accrued approximately $500,000 for that purpose. In our opinion, the cost of remediation will not be material when considering amounts previously accrued.

GT Labs

On October 1, 1992, GT Laboratories, Inc. filed a complaint against Cooper in the United States District Court for the Northern District of Illinois alleging that we had breached a supply agreement by failing to purchase the requisite number of contact lens blanks used in the manufacture of rigid gas permeable contact lenses. We denied that we had breached the contract and asserted our right to terminate the agreement. In the interest of avoiding further litigation costs, the parties have agreed to resolve their dispute by way of settlement. On December 22, 1998, the parties entered into a Settlement Agreement and Release whereby Cooper agreed to pay GT Laboratories $1.3 million, $1.1 million of which was accrued in the fourth quarter of 1998, in return for the plaintiff's release of all claims against us. In January 1999, the litigation was dismissed with prejudice.

NOTE 12
BUSINESS SEGMENT INFORMATION

Cooper is organized by product line for management reporting with operating income, as presented in our financial reports, being the primary measure of the segment profitability. No costs from the corporate functions are allocated to the segments' operating income. Items below operating income are not considered when measuring the profitability of a segment. The accounting policies used to generate segment results are the same as our overall accounting policies.

Our operations are attributable to two product line business segments:

- CVI, which develops, manufactures and markets a range of contact lenses, and

- CSI, which develops, manufactures and distributes diagnostic products and surgical equipment, instruments and disposables, primarily for obstetrics and women's healthcare.

Total net sales include sales to customers as reported in our consolidated statements of income and sales between geographic areas which are priced at terms that allow for a reasonable profit for the seller. Operating income (loss) is total net sales less cost of sales, research and development expenses, selling, general and administrative expenses and amortization of intangible assets. Corporate operating loss is principally corporate headquarters expense. Investment income, net, settlement of disputes, net, other income (expense), net, and interest expense were not allocated to individual businesses. Our business segments do not rely on any one major customer.

Identifiable assets are those assets used in continuing operations exclusive of cash and cash equivalents, which are included as corporate assets.

Information by business segment for each of the years in the three-year period ended October 31, 1999 follows:

(IN THOUSANDS)	CVI	CSI	CORPORATE & ELIMINATIONS	CONSOLIDATED
1999				
Net revenue from non-affiliates	$ 135,978	$ 29,350	$ —	$ 165,328
Operating income (loss)	$ 40,802	$ 4,336	$ (6,327)	$ 38,811
Investment income, net				419
Other income (expense), net				(188)
Interest expense				(6,330)
Income before income taxes				$ 32,712
Identifiable assets	$ 153,759	$ 41,491	$ 90,623	$ 285,873
Depreciation expense	$ 3,224	$ 515	$ 75	$ 3,814
Amortization expense	$ 2,209	$ 1,588	$ —	$ 3,797
Capital expenditures	$ 9,837	$ 290	$ 15	$ 10,142
1998				
Net revenue from non-affiliates	$ 119,210	$ 27,982	$ —	$ 147,192
Operating income (loss)	$ 34,574	$ 2,136	$ (7,010)	$ 29,700
Investment income, net				329
Settlement of disputes, net				(1,250)
Other income (expense), net				561
Interest expense				(6,253)
Income before income taxes				$ 23,087
Identifiable assets	$ 143,888	$ 41,887	$ 110,266	$ 296,041
Depreciation expense	$ 2,307	$ 484	$ 81	$ 2,872
Amortization expense	$ 2,090	$ 1,468	$ —	$ 3,558
Capital expenditures	$ 16,941	$ 746	$ 45	$ 17,732
1997				
Net revenue from non-affiliates	$ 64,007	$ 24,762	$ —	$ 88,769
Operating income (loss)	$ 23,101	$ 2,476	$ (5,774)	$ 19,803
Investment income, net				344
Other income (expense), net				(37)
Interest expense				(3,174)
Income before income taxes				$ 16,936
Identifiable assets	$ 43,380	$ 29,543	$ 97,701	$ 170,624
Depreciation expense	$ 803	$ 349	$ 79	$ 1,231
Amortization expense	$ 674	$ 891	$ —	$ 1,565
Capital expenditures	$ 3,551	$ 507	$ 74	$ 4,132

Supplemental CVI product line revenue:

(IN THOUSANDS)	1999	1998	1997
Torics:			
Planned replacement	$ 41,640	$ 28,893	$ 16,664
Conventional	16,813	16,749	16,535
Total torics	58,453	45,642	33,199
Spherical:			
Planned replacement	59,791	52,811	8,859
Conventional & Other	17,734	20,757	21,949
Total spherical	77,525	73,568	30,808
Net revenue from non-affiliates	$ 135,978	$ 119,210	$ 64,007

Information by geographical area attributed to our country of domicile for each of the years in the three-year period ended October 31, 1999 follows:

(IN THOUSANDS)	UNITED STATES	EUROPE	CANADA	OTHER, ELIMINATIONS & CORPORATE	CONSOLIDATED
1999					
Sales to unaffiliated customers	$ 115,754	$ 37,648	$ 11,441	$ 485	$ 165,328
Sales between geographic areas	3,410	19,232	—	(22,642)	—
Net sales	$ 119,164	$ 56,880	$ 11,441	$ (22,157)	$ 165,328
Operating income (loss)	$ 32,215	$ 11,829	$ (366)	$ (4,867)	$ 38,811
Identifiable assets	$ 86,367	$ 92,025	$ 4,434	$ 103,047	$ 285,873
1998					
Sales to unaffiliated customers	$ 102,181	$ 34,952	$ 10,059	$ —	$ 147,192
Sales between geographic areas	3,403	5,858	—	(9,261)	—
Net sales	$ 105,584	$ 40,810	$ 10,059	$ (9,261)	$ 147,192
Operating income (loss)	$ 34,134	$ 2,081	$ 495	$ (7,010)	$ 29,700
Identifiable assets	$ 105,095	$ 78,042	$ 2,638	$ 110,266	$ 296,041
1997					
Sales to unaffiliated customers	$ 79,620	$ —	$ 9,149	$ —	$ 88,769
Sales between geographic areas	3,866	—	—	(3,866)	—
Net sales	$ 83,486	$ —	$ 9,149	$ (3,866)	$ 88,769
Operating income (loss)	$ 25,981	$ —	$ (404)	$ (5,774)	$ 19,803
Identifiable assets	$ 69,909	$ —	$ 3,014	$ 97,701	$ 170,624

NOTE 13
SUBSEQUENT EVENTS (UNAUDITED)

On December 8, 1999, our CSI unit completed the purchase of a group of women's healthcare products from BEI Medical Systems Company, Inc. for approximately $10.5 million. Goodwill has initially been recorded at $8 million and is being amortized over 20 years. The acquired products include well-known brands of uterine manipulators and other products for the gynecological surgery market. Physicians use these products both in their offices and in hospitals. The majority of them are disposable.

On December 14, 1999, we agreed to purchase certain assets of Leisegang Medical, Inc. for approximately $10 million in cash. Leisegang is a manufacturer of precision instrumentation for the women's healthcare market. We expect to close this transaction by the end of January 2000.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Allan E. Rubenstein, M.D.
(Chairman)
Chairman of the Board of Directors
University Heart Scan

A. Thomas Bender
President and Chief Executive Officer

Michael H. Kalkstein
Partner, Oppenheimer, Wolff & Donnelly, LLP

Moses Marx
General Partner, United Equities

Donald Press
Executive Vice President
Broadway Management Co., Inc.

Steven Rosenberg
President and Chief Executive Officer
Berkshire Bankcorp Inc.

Robert S. Weiss
Executive Vice President,
Treasurer and Chief Financial Officer

Stanley Zinberg, M.D.
Director of Practice Activities American
College of Obstetricians and Gynecologists

COMMITTEES OF THE BOARD:

Management Committee
Allan E. Rubenstein, M.D. (Chairman)
Donald Press

Audit and Finance Committee
Steven Rosenberg (Chairman)
Michael H. Kalkstein
Stanley Zinberg, M.D.

Compensation Committee
Michael H. Kalkstein (Chairman)
Donald Press
Allan E. Rubenstein, M.D.

Nominating Committee
Allan E. Rubenstein, M.D. (Chairman)
Moses Marx
A. Thomas Bender
Stanley Zinberg, M.D.

OFFICERS:

A. Thomas Bender
President and Chief Executive Officer
and President CooperVision, Inc.

Robert S. Weiss
Executive Vice President,
Treasurer and Chief Financial Officer

B. Norris Battin
Vice President Investor Relations
and Communications

Gregory A. Fryling
Vice President Corporate Development

Carol R. Kaufman
Vice President of Legal Affairs, Secretary
and Chief Administrative Officer

Nicholas J. Pichotta
President CooperSurgical, Inc.

Stephen C. Whiteford
Vice President and Corporate Controller

PRINCIPAL SUBSIDIARIES:

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CORPORATE OFFICES:

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21062 Bake Parkway, Suite 200
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The Cooper Companies, Inc.
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Pleasanton, CA 94588
Voice: (925) 460-3600
Fax: (925) 460-3648

INVESTOR INFORMATION:

Corporate information, including the current share price, recent news releases and the Company's annual report on Securities and Exchange Commission Form 10-K without exhibits, is available free of charge through the Company's interactive stockholder communication system. Call 1-800-334-1986, seven days a week, 24 hours a day. Visit The Cooper Companies, Inc. on the World Wide Web at www.coopercos.com.

INVESTOR RELATIONS CONTACT:

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Fax: (949) 768-3688
email: ir@coopercompanies.com

ANNUAL MEETING:

The Cooper Companies, Inc. will hold its annual shareholder's meeting on March 28, 2000 at the New York Marriott East Side, New York, NY at 10:00 A.M.

TRANSFER AGENT:

American Stock Transfer & Trust Company
40 Wall Street
New York, NY 10005

TRADEMARKS:

The Cooper Companies, Inc., its subsidiaries or affiliates owns, licenses or distributes the following trademarks and they are italicized in this report: Cerveillance®, CooperSurgical Infrared Coagulator™, Encore™, Excel™, FemExam® pH and Amines Test Card™, Frequency®, Hydrasoft®, Preference®, Unimar®, Natural Touch® and CooperVision Total Toric®.

CERTIFIED PUBLIC ACCOUNTANT:

KPMG LLP

STOCK EXCHANGE LISTINGS:

The New York Stock Exchange
The Pacific Exchange
Ticker Symbol "COO"

THE
COOPER COMPANIES, INC.

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