

**THE COOPER COMPANIES, INC.**

**Business Review 2005**



## About the Company

**The Cooper Companies, Inc.** is a specialty medical products company serving the vision care and women's healthcare markets with high-quality products and services through its CooperVision and CooperSurgical units.

### CooperVision

CooperVision markets a broad range of contact lens products to treat both common and more complicated visual defects. On January 6, 2005, Cooper acquired contact lens manufacturer Ocular Sciences, Inc. and became the world's third largest contact lens manufacturer. CooperVision is headquartered in Lake Forest, California. It manufactures in Juana Diaz, Puerto Rico, Norfolk, Virginia, Rochester, New York, Adelaide, Australia, Hamble and Hampshire, England, Ligny-en-Barrios, France, Madrid, Spain and Toronto.

### CooperSurgical

CooperSurgical offers a broad range of medical devices, diagnostic products and surgical instruments and accessories used primarily by gynecologists and obstetricians in their offices, hospitals and surgicenters. CooperSurgical is headquartered and has manufacturing facilities in Trumbull, Connecticut. It also manufactures in Pasadena, California, North Normandy, Illinois, Fort Atkinson, Wisconsin, Montreal and Berlin.



## 2005 Business Review

**In 2005, The Cooper Companies** reported sales of \$806.6 million, a 65 percent increase over 2004 – 62 percent in constant currency.

**CooperVision's** revenue grew to \$697.9 million, up 80 percent – 77 percent in constant currency, primarily reflecting growth due to the Ocular acquisition.

**CooperSurgical's** revenue grew to \$108.7 million, a 7 percent increase that includes revenue from product lines added through acquisitions during the past 12 months (currency fluctuation has minimal impact on CSI revenue).

**A. Thomas Bender**

*Chairman of the Board,  
President and  
Chief Executive Officer*



## Management Review



**Robert S. Weiss**

*Executive Vice President and  
Chief Operating Officer*

**With the January 2005 acquisition of Ocular Sciences, Inc. (Ocular), a leading contact lens manufacturer, our CooperVision (CVI) unit became the world's third largest supplier of soft contact lenses.**

As Cooper and Ocular integrate, we expect that over the next three years new products and geographic expansion — especially in Asia and the Pacific Rim — will generate double-digit percentage organic revenue growth with improved global market share. We also expect that manufacturing efficiencies will improve our gross margin.

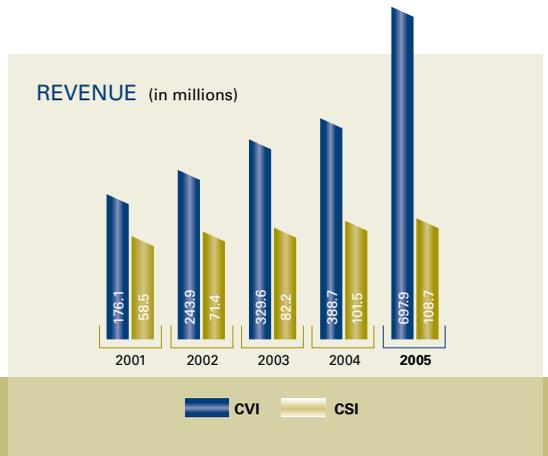
Since 2000, CVI revenue has grown at a compounded annual rate of 35 percent, making it the world's fastest growing contact lens manufacturer over the five-year period.

CooperSurgical (CSI), our women's healthcare business, has achieved significant scale during this period. With revenue growing at a compounded annual rate of 19 percent since 2000 and expected revenue in fiscal 2006 to range between \$123 million and \$126 million,

CSI has become one of the largest suppliers of products used in physicians' offices in the United States to diagnose and treat gynecologic disorders. In late 2005, CSI expanded its women's healthcare franchise by entering the gynecological surgical market with the acquisition of NeoSurg, Inc. and Inlet Medical, Inc. both manufacturers of instruments used in surgical procedures.

### **Contact Lens Market**

During 2005, the world market for soft contact lenses grew about 10 percent to an estimated \$4.6 billion. Young women represent about two-thirds of new contact lens wearers, and they continue to enter the market in growing numbers. In the United States, the world's largest market, these newer patients are members of the "baby echo" demographic group that emerged in the late 1990's.



In addition, studies of lens wear throughout the world report increasing cases of myopia, or near-sightedness, the most common visual defect of contact lens wearers, as well as a slow down in the number of wearers leaving the market.

Today's improved lens technology lets patients extend the time that they use contact lenses as their primary means of vision correction and brings new benefits for conditions such as presbyopia and dry eye. These trends support continuing near-term growth in the worldwide market.

### CooperVision and Ocular Sciences

With the addition of Ocular, CooperVision's revenue base has nearly doubled, and the combined businesses bring opportunities for significant operational synergies and cost savings. We estimate that these synergies and cost savings will reach about \$50 million by the end of fiscal 2007. CVI now has products in all major categories of the contact lens market, a broader customer base and an enhanced presence in major markets around the world. In addition, CVI has a promising pipeline of new products and more efficient manufacturing.

With Ocular, CVI's share of the 2005 global soft contact lens market approaches 17 percent. A broadened product line now includes additional brands of spherical lenses that correct common visual defects such as near- and farsightedness — including Ocular's *Biomedics* and *UltraFlex* brands. During 2006, CVI plans to expand its spherical lens offerings with the rollout of its silicone hydrogel product *Biofinity* in both Europe and the United States. *Biofinity* lenses offer exceptional comfort due to the unmatched combination of high oxygen transmission, low modulus (a measure of lens stiffness) and higher water content.

CVI's product line also includes its expanding *PC Technology* brand of lenses, currently comprised of monthly *Proclear* sphere, *Proclear* toric, *Proclear* multifocal and *Biomedics XC*, a two-week disposable lens. These lenses are all manufactured using a polymer that enhances tissue-device compatibility and offers relief for many patients with dry eye symptoms who might otherwise drop out of lens wear.

## Management Review

CVI is also a global leader in the market for toric lenses, which correct for astigmatism, the blurring of vision due to an irregularity in the shape of the cornea. We estimate that CVI holds about 33 percent of the global toric lens segment – about a \$700 million worldwide market.

The CVI product line also includes *Frequency Colors* and *Frequency Expressions*, cosmetic lenses that alter the appearance of the color of the eye, and *Frequency Multifocal* and *Proclear* and *UltraVue Multifocal*, disposable lenses for patients with presbyopia, a visual defect associated with aging.

Combined with Ocular, CVI now offers patients and practitioners different brands of spherical and specialty lenses for all replacement regimens including daily, weekly, monthly, quarterly and annual replacement products and extended wear lenses that may be worn continuously night and day for up to seven days. CVI also offers made-to-order lenses for patients with complex prescriptions. Many are disposable lenses.

Ocular's strong presence in Asia, particularly Japan, provides CVI with faster access to significant market share growth in the world's second largest contact lens market. Ocular's European operations, especially their strong position in Germany, complement CVI's strong businesses in Britain, France, Italy and Spain. In North America, Ocular's strength in large retail optometric chains complements Cooper's strength with independent professional optometry and ophthalmology.

Other new lenses scheduled for introduction in 2006 include three new single use products – an improved *Biomedics* single-use spherical lens, a single-use toric lens in Japan, where more than 60 percent of the total market is single-use, and a *Proclear* single-use sphere with PC technology; three new toric products – a second base curve of *Proclear* toric in the U.S., which effectively doubles the number of *Proclear* parameters available for astigmatic patients, *Proclear XR* disposable toric and *Proclear* disposable toric multifocal – and a two-week multifocal lens – *Biomedics EP Multifocal*, a lens designed specifically for patients whose presbyopia is just beginning.

With the acquisition, Cooper is incorporating Ocular's Gen II cast molding process into its spherical lens manufacturing. This process yields consistently reproduced lenses that offer enhanced shape retention and superior handling characteristics at a lower cost that results from the automation of several previously labor-intensive handling and inspection steps in the lens manufacturing process.

Manufacturing capacity for CVI's line of single-use lenses is expected to increase by more than 40 percent during 2006 allowing improved access to this rapidly growing specialty lens category, and total molding capacity is expected to grow by 40 percent.

#### **Women's Healthcare**

Like CooperVision, CooperSurgical is also supported by favorable demographic trends. Many women of the "baby boomer" generation have reached the age when gynecological disorders occur more frequently, and physicians use CSI products to diagnose and treat many of these. Obstetricians and gynecologists

use CSI products in many common in-office and surgical gynecological procedures, as well as for infertility assessment and treatment and in obstetric and neonatal environments.

Since its inception in 1990, CSI has established a leading position among companies providing medical device products to the obstetrics and gynecology medical specialty especially within the physician office segment. Since then, CSI has grown its revenue to over \$100 million through a series of more than 20 acquisitions. During the past five years, CSI's revenue grew at a compounded rate of 19 percent.

During 2005, CSI continued to consolidate the medical device segment of the women's healthcare market by completing two acquisitions that bring it access to the rapidly growing gynecologic surgery market. In November 2005, after the close of the fiscal year, CSI acquired NeoSurg Technologies, Inc., a manufacturer of reusable and disposable trocar access systems used in laparoscopic surgery, and Inlet Medical, Inc., a manufacturer of trocar closure systems.

## Management Review

**“Today’s improved lens technology lets patients extend the time that they use contact lenses as their primary means of vision correction and brings new benefits for conditions such as presbyopia and dry eye. These trends support continuing near-term growth in the worldwide market.”**

Over the next five years, CSI expects that this expanded women’s healthcare strategy, which now serves the gynecologist both in the office and surgical market segments, will generate gross margins in the low to mid 60 percents, operating margins in the mid to upper upper 20 percents and a return on invested capital exceeding 30 percent.

It’s important to note that we run the CooperSurgical business independently. CSI acquisitions have no impact on CVI’s day-to-day operations including the integration of Ocular into CVI.

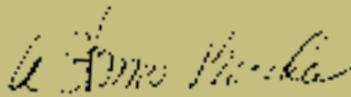
CSI’s operating income is enhanced by its utilization of Cooper’s U.S. net operating loss carryforwards, and because of this and its low capital investment requirements, CSI generates significant cash flows, more than \$76 million in the past five years. We continually evaluate our strategic alternatives for CSI, and our current plan is to continue to build value in this franchise through a balance of organic growth and acquisition.

### Looking Ahead

We expect Cooper’s momentum to continue in fiscal 2006.

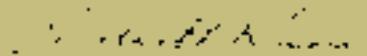
At CooperVision, we expect synergies and manufacturing efficiencies from the Ocular acquisition plus recently introduced contact lens products and geographic expansion in Europe and Japan to drive our incremental growth. At CooperSurgical, we will continue to pursue our strategy to consolidate the medical device segment of the women’s healthcare market.

**Thank you for your continued support.**



A. Thomas Bender

*Chairman of the Board, President and Chief Executive Officer*



Robert S. Weiss

*Executive Vice President and Chief Operating Officer*

May 2006



## COOPERVISION

### Trends in Worldwide Shipments of Soft Contact Lenses in 2005

Contact Lens Market Segment	Share of Market	Share of CVI Revenue	Percent Market Growth*	Percent CVI 2005 Soft Lens Growth**
Single-use	29	10	+13	+35
Sphere	46	50	+9	(3)
Toric	15	33	+15	+13
Multifocal	3	5	+19	+48
Cosmetic	7	2	(3)	—
Total	100	100	+10	+7
All disposable	95	87	+14	+13

\*Independent market audit.

\*\*Organic growth including Ocular revenue for the previous year periods where we did not own them.

## CooperVision

**We estimate that in 2005 the worldwide soft contact lens market grew about 10 percent to about \$4.6 billion, and we expect annual growth in the 8 percent to 10 percent range over the next five years.**



In the Americas, about 40 percent of the worldwide market, revenue grew about 9 percent to an estimated \$1.8 billion, while revenue in countries outside the United States grew about 11 percent to approximately \$2.8 billion.

Japan and the Pacific Rim countries, an estimated \$1.5 billion or 31 percent of the world market, grew about 17 percent. Europe, about \$1.3 billion or about 29 percent of the market, grew about 5 percent.

Lenses manufactured from silicone hydrogel materials accounted for about 14 percent of worldwide contact lens revenue in 2005, nearly twice their 2004 sales.

Favorable demographics, an increase in the reported incidence of myopia, fewer patients leaving the market as contact lens technology improves and a continuing shift in practitioner preferences from low-featured "commodity" lenses to higher-value specialty lenses support a favorable global market outlook.

While Ocular brings CVI an enhanced presence in lenses that correct routine visual defects, the combined company also maintains a strong presence in these rapidly growing sectors of the market: toric lenses that correct astigmatism, cosmetic lenses that change or enhance the appearance of the color of the eye, lenses for patients who experience dry eye, long-term extended wear lenses and multifocal lenses for presbyopia – the blurring of near vision that occurs with aging.

These product lines offer contact lens practitioners the opportunity to expand their practices beyond spherical lenses that correct only near- and farsightedness into more profitable and faster growing market segments. With its broad product line and newly expanded geographic presence, CVI has an exceptional opportunity to increase their acceptance.

With the acquisition of Ocular, CVI now has offices, manufacturing or distribution facilities in the United States, Puerto Rico, Australia, Brazil, Canada, France, Germany, Great Britain, Hungary, Italy, Japan, Korea, The Netherlands, Portugal, Singapore, South Africa, Spain, Sweden, and Switzerland.

## BIOFINITY

*Biofinity* offers exceptional comfort due to the unmatched combination of high oxygen transmission, low modulus and higher water content.



### CooperVision's 2005 Revenue Growth

Including Ocular's revenue from the previous year's periods when Cooper did not own them (organic growth), CVI's revenue grew 6 percent in 2005 – about 4 percent in constant currency.

CVI's organic revenue grew 1 percent in the Americas region, 10 percent in the European region and 29 percent in the Asia Pacific region. CVI now holds about 20 percent of the United States market and about 17 percent of the worldwide market.

While our two-week spherical lens business performed poorly primarily in the United States in the face of silicone hydrogel competition, CVI's core business – its specialty products (toric lenses, multifocal lenses, cosmetic lenses and *Proclear* spherical lenses for dry eye) plus single-use lenses, grew 19 percent worldwide for the fiscal year. These products represent about 63 percent of CVI's soft lens business in the U.S. and 62 percent worldwide.

The *Proclear* franchise continues to perform well, up 39 percent for the year. Clinical results indicate that *Proclear* sphere continues to perform well against the first generation silicone hydrogel spherical lenses in terms of patient preference.

In the United States, *Proclear* sphere grew 27 percent and now represents 26 percent of CVI's disposable sphere business.

CVI continues to show strength in the toric market throughout the world in the face of new silicone hydrogel competition. Our disposable toric products, which account for 78 percent of our toric business, grew 26 percent during fiscal 2005 as the disposable toric market grew an estimated 23 percent.

Growth in the cosmetic lens market has flattened worldwide. We estimate sales of approximately \$285 million in this market category – about \$175 million in the United States.

### Anticipated New Contact Lens Products

In 2006, CVI will introduce *Biofinity*, its first silicone hydrogel product in the United States. Introduced in Europe in late 2005, *Biofinity* offers exceptional comfort due to the unmatched combination of high oxygen transmission, low modulus and higher water content. Manufactured from the unique naturally wettable material, comfilcon A, the lens is inherently wettable requiring no surface treatment or wetting agents. The homogeneous material provides a high level of oxygen

## CooperVision



transmissibility while the relatively high water content ensures the modulus remains low, giving a soft, flexible, naturally wettable, comfortable lens.

The CooperVision *Biofinity* lens benefits from CVI's lens design performance heritage. A patented, molded and rounded edge means less conjunctival interaction that contributes to wearing comfort and enhanced ocular health. The aspheric front surface design reduces spherical aberration, thereby improving visual acuity, and the smooth and physiologically friendly back surface design distributes pressure forces across the surface for additional wearing comfort.

In addition, the introduction of *Biofinity* lenses enhances our ability to offer eyecare practitioners more lens options that provide consistent comfort throughout the day, regardless of the wearing schedule.

Clinical research demonstrates the ability of *Biofinity* lenses to offer excellent comfort and physiological performance. The lens is extremely well accepted by wearers, and many express a clear preference for *Biofinity* lenses over the older silicone hydrogel lens materials and designs.

CVI will also continue to advance its silicone hydrogel portfolio with the introduction of a silicone hydrogel toric lens in 2007.

In addition to the launch of *Biofinity* in the United States, CVI's anticipated new product introductions in 2006 include:

- An improved *Biomedics* single-use spherical lens.
- A single-use toric lens in Japan, where more than 60 percent of the total market is single-use products, and a second base curve of *Proclear* toric in the United States, effectively doubling the number of *Proclear* parameters available for astigmatic patients.
- A two-week multifocal lens, *Biomedics* Multifocal EP specifically designed for the emerging presbyopic patient.
- *Proclear* disposable toric multifocal, *Proclear* single-use sphere with PC technology and *Proclear* disposable toric XR.

CVI expects about \$46 million of its revenue during 2006 to come from new products.

**“CVI’s near-term business goals are to grow its revenue at a double-digit percentage and to become the world’s largest specialty contact lens provider”.**

**CVI Scheduled New Product Introduction 2006-2008**

<b>2006</b>	<b>Market</b>	<b>Comments</b>
<i>Biomedics</i> mid-water aspheric single-use	Worldwide	Improved lens packaging
<i>Biomedics</i> XC: 2 week disposable sphere with PC technology	United States	Favorable clinical profile vs. competitive silicone hydrogels
<i>Biomedics</i> Multifocal EP (Emerging Presbyope)	United States	Disposable 2 week product
Second base curve of <i>Proclear</i> toric	United States then worldwide	Allows more patients to wear the <i>Proclear</i> toric lens
Single-use toric	Japan	First single-use toric in Japan with wide range of parameters
Silicone Hydrogel sphere	United States	Second generation monthly product
<i>Proclear</i> disposable toric multifocal	United States	First disposable product in its class
Single-use sphere with <i>Proclear</i> technology	United States	Premium single-use lens enhances wearer comfort
<i>Proclear</i> disposable toric XR	United States	Expands parameters of <i>Proclear</i> toric
<b>2007</b>		
Single-use sphere with <i>Proclear</i> technology	Europe	Premium single-use lens enhances wearer comfort
Silicone Hydrogel plus PC sphere	United States	CVI’s third generation silicone hydrogel using PC technology
Single-use multifocal with <i>Proclear</i>	United States	First premium single-use technology multifocal
Silicone Hydrogel toric	United States Europe	CVI’s third generation silicone hydrogel using PC technology
<b>2008</b>		
Single-use sphere with <i>Proclear</i> technology	Japan	Premium single-use lens enhances wearer comfort

## CooperVision

### CVI Growth in Markets Outside the United States

In 2005, CVI's organic soft lens revenue in markets outside the United States grew 13 percent and now represents about 58 percent of its sales.

#### Europe

CVI's organic European soft lens revenue grew about 10 percent over 2004 with strength in sales of toric lenses, which grew 23 percent. CVI estimates that it is now the second largest contact lens supplier in Europe. With the Ocular acquisition, CVI has business units in France, Germany, Great Britain, Hungary, Italy, The Netherlands, Portugal, Spain, Sweden and Switzerland.

#### Asia Pacific

With approximately 10 million contact lens wearers, Japan is the second largest contact lens market in the world after the United States, and soft lens popularity continues to grow. CVI estimates that the total market for soft contact lenses in Japan and the Pacific Rim today is about \$1.5 billion, compared to about \$1.7 billion in the United States. The Japanese market, growing at about 16 percent per year, is currently dominated by daily and two-week disposable lenses, which together account for about 75 percent of the soft contact lens market.

The incidence of near-sightedness in Japan is one of the highest in the world. About 80 percent of the nearsighted population has some degree of astigmatism, significantly greater than the 50 percent rate reported in the United States.

About half of those with astigmatism are potential candidates for toric lenses. The Japanese toric segment, currently a smaller percentage of the total market than it is in the U.S., is expected to grow rapidly as newer generations of toric lenses are introduced.

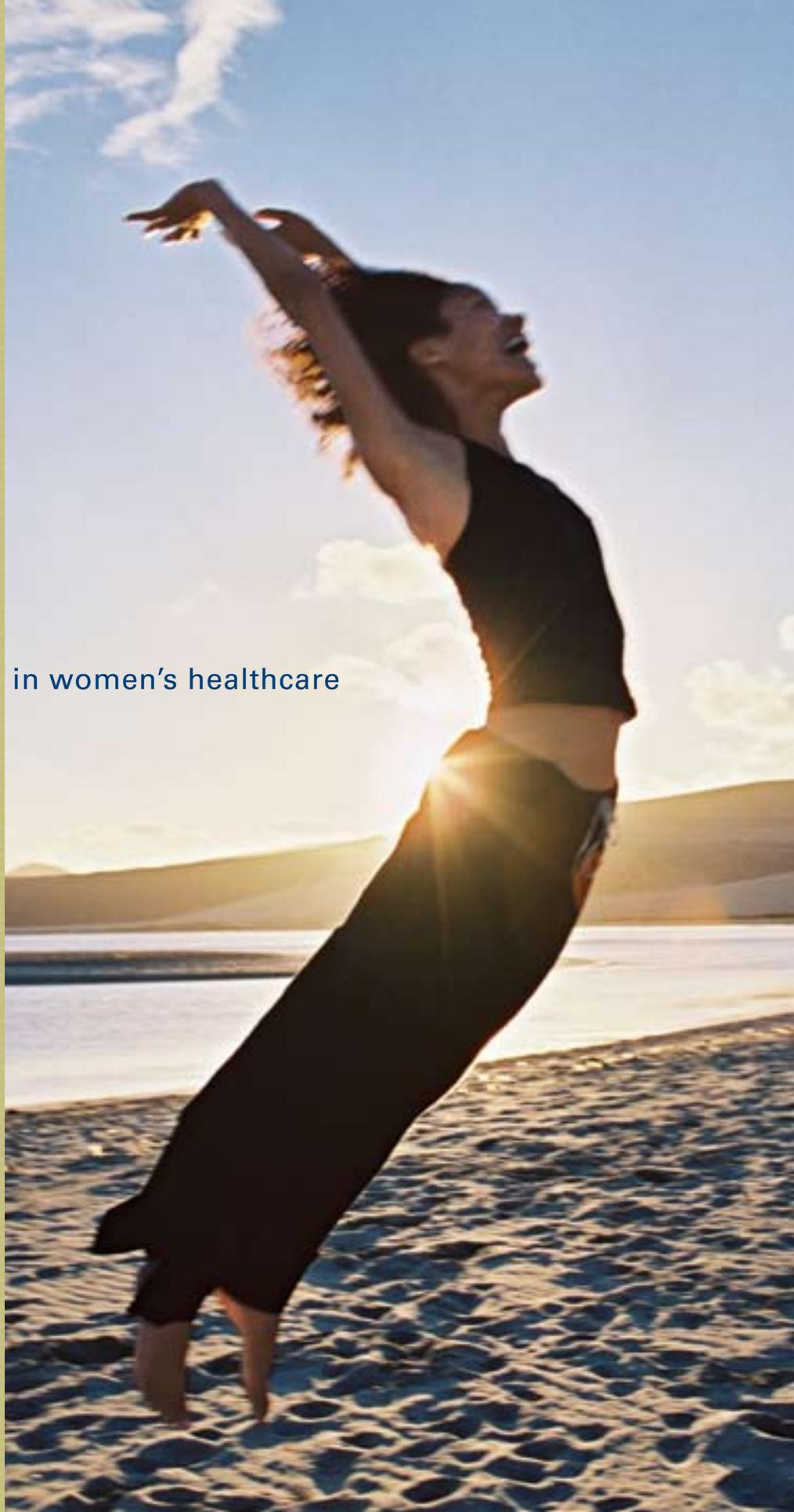
Over the past several years, CVI has established a number of distribution and marketing arrangements in the Far East. In addition to its relationship with Rohto Pharmaceuticals, Inc., the acquisitions of Aspect Vision, Ltd. in 1998, and the contact lens business of Biocompatibles, plc in 2002 included distribution arrangements for products in Japan. In 2004, CVI entered into an agreement for Advanced Medical Optics (NYSE:EYE) to distribute a lens manufactured by CVI in the Japanese market.

With the Ocular acquisition, CVI's position in the Far East has been significantly enhanced. In 2002, Ocular acquired the contact lens business of Seiko, Inc., giving Ocular a direct sales channel in Japan for its line of disposable lenses, adding to its direct sales force and established relationships with a number of soft lens distributors throughout Asia. In 2004, Ocular's sales in the Far East were an estimated \$80 million adding substantially to CVI's standalone sales of about \$12 million. Ocular's daily disposable lenses make an important contribution to this revenue.

#### Looking Ahead

CVI's near-term business goals are to grow its revenue at a double-digit percentage and to become the world's largest specialty contact lens provider.

A leader in women's healthcare



## COOPERSURGICAL



Historically, many small medical device companies have supplied the women's healthcare market with a wide range of products through a fragmented distribution system. CSI's strategy is to identify and acquire selected smaller companies and product lines that improve its existing market position or serve new clinical areas, particularly opportunities in aging and infertility. Cooper's strong cash flow allows CSI to readily compete for these opportunities, and CSI is now a leader in women's healthcare, having added more than 20 major products or product lines since 1994.

### Women's Health Background

Market studies indicate that many major women's health markets will increase over the coming decades as the global population grows and ages. Demographic projections by the United Nations indicate that the size of the global female population will increase nearly 50 percent between 2000 and 2050, compared with a 45 percent increase for the male population. Between 2000 and 2010, the number of women over 65 years of age is projected to rise by nearly 25 percent in the United States and nearly 12 percent in Europe.

Medical economists expect patient visits to obstetricians and gynecologists (Ob/Gyns) to increase by 13 percent over the next decade. Driving this growth is a large group of women of childbearing age and a rapidly growing middle-aged population with emerging gynecologic concerns. Consistent with an aging population, menopausal problems — abnormal bleeding, incontinence and osteoporosis — are expected to increase. Pregnancy, contraceptive management and general examinations are expected to remain stable. The trend toward delaying the age of child-bearing to the mid-thirties and beyond will drive increasing treatment for infertility.

Women between the ages of 18 and 44 generate the highest number of office visits and hospital admissions of both sexes and all age groups. While general medical practitioners play an important role in women's primary care, about one-third of all office visits for this age group are to the Ob/Gyn who are, therefore, the primary market target for associated medical devices. There are nearly 30,000 Ob/Gyn's under the age of 65 practicing at nearly 13,700 locations in the United States. Women account for nearly 60 percent of all U.S. inpatient hospital stays.

## NEOSURG ACQUISITION

NeoSurg is a manufacturer of reusable and disposable trocar access systems used in laparoscopic surgery such as those pictured here.



Some significant features of this market are:

- Two-thirds of patient visits are for annual checkups, cancer screening, menstrual disorders, vaginitis (inflammation of vaginal tissue), osteoporosis and the management of menopause; the remainder are for pregnancy.
- Osteoporosis (reduction in bone mass) and incontinence have become frequent diagnoses as the female population ages. Early identification and treatment of these conditions will both improve women's health and help reduce costs. Each of these conditions costs the U.S. healthcare system about \$15 billion annually according to government estimates.
- Sterilization is the most frequently performed surgical procedure – about 700,000 annually. Each year, an estimated 4.5 million patients visit physicians for monitoring and treatment of abnormal Pap smears.
- About 1.2 million women and their partners consult medical practitioners for infertility annually, with the Ob/Gyn usually providing the initial evaluation. Ovulatory drugs and intrauterine insemination (IUI) are used to treat the majority of these cases. In addition, about 400 assisted reproductive technology clinics in the U.S. perform nearly 100,000 embryo transfer procedures each year that result in nearly 35,000 infants.

## CooperSurgical



The T2000 trocar system features both reusable and disposable components.

### CooperSurgical's 2005 Revenue Growth

During 2005, CSI revenue grew 7 percent to \$108.7 million representing 13 percent of Cooper's revenue. CSI increased its sales and marketing activities following a decision to expand its direct sales force to accelerate incremental organic revenue growth.

### CSI Acquisitions

CSI's acquisitions in 2005 of NeoSurg Technologies, Inc. (NeoSurg), a manufacturer of reusable and disposable trocar access systems used in laparoscopic surgery, and Inlet Medical, Inc. (Inlet), a manufacturer of trocar closure systems and pelvic floor reconstruction procedure kits, have advanced its expansion within the rapidly developing hospital segment of women's healthcare.

Cooper paid about \$50 million for the two companies. Together they are expected to add about \$10 million in revenue in fiscal 2006 and achieve annualized revenue of about \$50 million in 2010. Cooper plans to develop a separate surgical sales force beginning in 2006; and primarily because of

these expenses and interest costs attributed to these transactions, Cooper expects that the acquisitions together will dilute earnings per share by up to 20 cents in fiscal 2006 and by up to 15 cents in fiscal 2007 and add about 30 cents to earnings per share in fiscal 2010.

The new businesses are expected to leverage CSI's position as a medical device company focused on gynecology and obstetrics by increasing its presence in the \$1.5 billion gynecologic surgery market with high margin, cost effective products providing significant revenue growth potential.

Operating margins in the new surgical business unit are expected to reach 20 percent over the next three years, and by then the acquisitions are expected to have reached CSI's 20 percent return on investment hurdle rate.

NeoSurg has developed a patented combination reusable and disposable trocar access system to compete in the \$285 million market for trocars within the \$2.9 billion market for laparoscopic surgical devices.

## INLET MEDICAL ACQUISITION

Inlet manufactures trocar closure systems and pelvic floor reconstruction procedure kits.



CSI believes that the *NeoSurg* technology will offer surgeons a superior product to existing disposable trocars while giving hospital and surgery centers the opportunity to realize significant cost reduction. The small disposable tips used in the *NeoSurg* system can cut hospital costs up to 60 percent compared to existing systems offered by competitors.

The outpatient market for gynecologic surgical procedures is a particularly appropriate setting for the *NeoSurg* system. CSI expects to achieve 10 percent market share by 2010. NeoSurg has a strong patent portfolio with 15 allowed patents and 10 pending patents.

Inlet offers a cost-effective trocar wound closure system and supplies procedure kits for the treatment of pelvic support problems. It has an established seven-year track record of marketing products for laparoscopic wound closure and more recently for pelvic reconstructive surgery for women.

Inlet's *Carter-Thomason CloseSure System* is recognized as the premiere trocar wound closure device on the market and is utilized in approximately 75,000 laparoscopic procedures annually and has grown over 125 percent over the past three years. This product is an excellent complement to the NeoSurg trocar access products.

## CooperSurgical



The *Carter-Thomason CloseSure System* shown here offers successful, economic and complication-free wound closure.

In addition to its trocar wound closure system, Inlet has developed several surgical procedure kits for pelvic floor reconstructive products, including the *ELEVEST* kit for the laparoscopy treatment of uterine prolapse, the *AVESTA* kit, a minimally invasive technique to restore vaginal support and the *METRA PS* kit, designed to correct retroverted uterus.

These procedures give women effective and less invasive treatment options, and in some cases, an alternative to a hysterectomy. CSI expects revenues from Inlet products to exceed \$20 million within five years.

CSI has an existing base of gynecological surgical products totaling \$16 million that are not actively promoted, such as uterine manipulation instruments and disposables, the *Filshie Clip* female sterilization system and various other surgical specialty products used by the gynecological surgeon.

Over the next three years, CSI plans to merge the acquired companies, its existing surgical products and the new surgical sales force into a gynecologic surgical business unit and to acquire additional gynecological surgical products that it expects will be accretive to earnings per share within the first 12 months that they are owned by CSI.

Important target markets for the new unit are general laparoscopic surgery that is performed by gynecologists and specific gynecologic operations such as mid-urethral sling procedures to treat stress urinary incontinence and global endometrial ablation to treat dysfunctional uterine bleeding. Both are large markets with 2010 market potential over \$1 billion each.

## Forward-Looking Statements

This business review contains “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995. These include certain statements about the integration of the Ocular business, our capital resources, performance and results of operations. In addition, all statements regarding anticipated growth in our revenue, anticipated market conditions, planned product launches and results of operations are forward-looking. To identify these statements look for words like “believes,” “expects,” “may,” “will,” “should,” “could,” “seeks,” “intends,” “plans,” “estimates” or “anticipates” and similar words or phrases. Discussions of strategy, plans or intentions often contain forward-looking statements. Forward-looking statements necessarily depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. These include the risk that acquired businesses will not be integrated successfully into CVI and CSI, including the risk that the Company may not continue to realize anticipated benefits from its cost-cutting measures and inherent in accounting assumptions made in the acquisitions; the risks that CVI’s new products will be delayed or not occur at all, or that sales will be limited following introduction due to manufacturing constraints; risks related to implementation of information technology systems covering the Company’s businesses and any delays in such implementation or other events, which could result in management having to report a significant deficiency or material weakness in the effectiveness of the Company’s internal control over financial reporting in its 2006 annual report on Form 10-K; and risks with respect to the ultimate validity and enforceability of the Company’s patent applications and patents and the possible infringement of the intellectual property of others; and the impact of the NeoSurg and Inlet acquisitions on CSI’s and the Company’s revenue, earnings and margins.

Events, among others, that could cause our actual results and future actions of the Company to differ materially from those described in forward-looking statements include major changes in business conditions, a major disruption in the operations of our manufacturing or distribution facilities, new competitors or technologies, significant delays in new product introductions, the impact of an undetected virus on our computer systems, acquisition integration delays or costs, increases in interest rates, foreign currency exchange exposure, investments in research and development and other start-up projects, variations in stock option expenses caused by stock price movement or other assumptions inherent in accounting for stock options, dilution to earnings per share from acquisitions or issuing stock, worldwide regulatory issues, including product recalls and the effect of healthcare reform legislation, cost of complying with corporate governance requirements, changes in tax laws or their interpretation, changes in geographic profit mix effecting tax rates, significant environmental cleanup costs above those already accrued, litigation costs including any related settlements or judgments, the adverse effects on patients, practitioners and product distribution of natural disasters, cost of business divestitures, the requirement to provide for a significant liability or to write off a significant asset, including impaired goodwill, changes in accounting principles or estimates and other events described in our Securities and Exchange Commission filings, including the “Business” and “Risk Factors” sections in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2005. We caution investors that forward-looking statements reflect our analysis only on their stated date. We disclaim any intent to update them except as required by law.

# Management and Board of Directors

## BOARD OF DIRECTORS

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### Michael H. Kalkstein

Managing Partner, Palo Alto Office,  
Dechert LLP

### Moses Marx

General Partner, United Equities

### Donald Press

Executive Vice President,  
Broadway Management Co., Inc.

### Steven Rosenberg

President, Chief Executive Officer  
and Chief Financial Officer,  
Berkshire Bancorp Inc.

### Robert S. Weiss

Executive Vice President and  
Chief Operating Officer

### Stanley Zinberg, M.D.

Vice President  
Practice Activities, American College  
of Obstetricians and Gynecologists

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Michael H. Kalkstein  
Jody S. Lindell

### Organization and Compensation Committee

Michael H. Kalkstein (Chairman)  
Donald Press  
Allan E. Rubenstein, M.D.  
John D. Fruth

### Nominating Committee

Moses Marx (Chairman)  
Allan E. Rubenstein, M.D.  
Stanley Zinberg, M.D.

### Corporate Governance Committee

Donald Press (Chairman)  
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Allan E. Rubenstein, M.D.  
Stanley Zinberg, M.D.

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### Robert S. Weiss

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### B. Norris Battin

Vice President,  
Investor Relations and Communications

### Rodney E. Folden

Corporate Controller

### Gregory A. Fryling

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### Carol R. Kaufman

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### Eugene J. Midlock

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### Steven M. Neil

Vice President, Chief Financial Officer

### Nicholas J. Pichotta

Chief Executive Officer, CooperSurgical, Inc.

### Paul L. Rimmell

President and Chief Operating Officer,  
CooperSurgical, Inc.

### Albert G. White, III

Vice President and Treasurer

## PRINCIPAL SUBSIDIARIES

### CooperVision, Inc.

21062 Bake Parkway  
Lake Forest, California 92630  
Voice: (949) 597-8130 Fax: (949) 597-0663  
www.coopervision.com

### CooperSurgical, Inc.

95 Corporate Drive  
Trumbull, Connecticut 06611  
Voice: (203) 601-5200 Fax: (203) 601-1007  
www.coopersurgical.com

## CORPORATE OFFICES

### The Cooper Companies, Inc.

21062 Bake Parkway  
Lake Forest, California 92630  
Voice: (949) 597-4700 or Toll Free (888) 822-2660  
Fax: (949) 597-0662

### The Cooper Companies, Inc.

6140 Stoneridge Mall Road, Suite 590  
Pleasanton, California 94588  
Voice: (925) 460-3600 Fax: (925) 460-3648  
www.coopercos.com

## INVESTOR INFORMATION

The Company's World Wide Web site at [www.coopercos.com](http://www.coopercos.com) provides links to the Company's Form 10-K without exhibits, proxy statement, SEC filings, press releases and other documents as well as information about the corporate governance program, recent investor presentations, replays of quarterly conference calls, historical stock quotes and descriptions of CooperVision and CooperSurgical and links to their Web sites.

Call 1-800-334-1986 without charge at any time to access Cooper's current share price, recent news releases and Form 10-K without exhibits.

## INVESTOR RELATIONS CONTACT

### B. Norris Battin

Vice President,  
Investor Relations and Communications

21062 Bake Parkway  
Lake Forest, California 92630  
Voice: (949) 597-4700 Fax: (949) 768-3688  
E-mail: [ir@coopercompanies.com](mailto:ir@coopercompanies.com)

## TRANSFER AGENT

### American Stock Transfer & Trust Company

40 Wall Street  
New York, New York 10005  
(800) 937-5449

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## INDEPENDENT AUDITORS

### KPMG LLP

## STOCK EXCHANGE LISTING

The New York Stock Exchange  
Ticker Symbol "COO"

**THE COOPER COMPANIES, INC.**

21062 Bake Parkway  
Lake Forest, CA 92630

Telephone: 949-597-4700  
Facsimile: 949-597-0662  
Website: [www.coopercos.com](http://www.coopercos.com)