ANNUAL

REPORT

1995

The Cooper Companies, Inc.

The Cooper Companies, Inc.

develops, manufactures and markets proprietary specialty healthcare products in eyecare and gynecology, and operates psychiatric facilities. The Company employs approximately 1,000 people in the United States and Canada.

Contents

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The Cooper Companies, Inc.

WITH ITS FINANCIAL AND LEGAL POSITIONS STABILIZED, THE COOPER COMPANIES BEGAN TO EXECUTE ITS STRATEGY OF GROWTH AND RENEWAL IN ITS CORE CONTACT LENS AND GYNECOLOGY BUSINESSES DURING FISCAL 1995.

TO OUR SHAREHOLDERS

HIGHLIGHTS OF THE FISCAL YEAR ENDED OCTOBER 31, 1995

- Operating income grew to $8.0 million from $0.4 million in the previous year.
- We announced a charge to earnings to settle a dispute with the medical group staffing our Hospital Group of America's (HGA) Hampton Hospital. The agreement will allow HGA to operate Hampton more profitably and optimize Cooper's strategic options with HGA.
- Cash flow now covers our operating requirements.
- Selling, general and administrative expenses decreased 17 percent to $25.8 million. Our corporate headquarters are being consolidated in Pleasanton, California, with an attendant reduction in expenses.
- Several major legal actions were resolved satisfactorily during the year, further reducing legal expenses.
- Sales of CooperVision toric contact lenses in the United States grew 50 percent.
- In September, shareholders approved a 1-for-3 reverse stock split, allowing more potential investors access to the stock and to margin it.
- We discontinued further clinical trials of CalOptic™, our topical calcium channel blocker for glaucoma, and began a search for one or more partners to support its commercialization.

FINANCIAL HIGHLIGHTS

For fiscal years ended October 31
(In thousands, except per share amounts)

	1995	1994	1993
Sales of Products	$ 56,296	$ 51,034	$ 47,369
Service Revenue	41,794	44,611	45,283
Total Revenue	$ 97,090	$ 95,645	$ 92,652
Operating Income	$ 8,008	$ 423	$ (21,454)
Net Income-Common	$ 115	$ (4,786)	$ (47,125)
Earnings Per Share	$ 0.01	$ (0.47)	$ (4.70)
Average Shares Outstanding	11,576	10,193	10,035

LINE OF BUSINESS REVENUE

(Dollars in thousands)

	1995	1994	1993
CooperVision*	$ 42,472	$ 38,187	$ 32,690
CooperSurgical	12,824	12,847	14,679
Hospital Group of America	41,794	44,611	45,283
Total Revenue	$ 97,090	$ 95,645	$ 92,652

*Includes CooperVision Pharmaceuticals

CooperVision, Inc. develops, manufactures and markets a wide range of contact lenses. It specializes in soft toric contact lenses to correct astigmatism.

CooperSurgical, Inc. supplies proprietary gynecological diagnostic and surgical instruments, accessories and devices for the physician's office, the surgicenter and the hospital.

Hospital Group of America, Inc. owns and operates psychiatric hospitals and satellite facilities that provide inpatient, outpatient and ancillary treatment for children, adolescents and adults.

BUSINESS STRATEGY

Cooper is a specialty healthcare company currently operating in the eyecare, gynecology and mental health market segments.

The Company's strategy is to provide products to healthcare practitioners working in market niches that are underserved, are impacted less than other segments by third party reimbursement trends, require minimal research and development and are able to reduce healthcare costs and improve health outcomes.

Although profits in the healthcare products market in the United States have been negatively impacted by the growth of managed care plans and other healthcare reform initiatives, numerous opportunities exist for Cooper to offer profitable specialty products and services in carefully chosen markets where price sensitivity is not as acute, or where Cooper can capitalize on developing technological, social, and demographic trends.

Our three present businesses are good examples of this strategy. In the contact lens market, we use advanced manufacturing technology to provide high quality products for patients with astigmatism—a common eye disorder. These products are insulated from both price-based competition and the threat of recently introduced laser surgical treatments.

In gynecology, our long-standing marketing expertise supports a line of well-differentiated products serving the womens' healthcare market. We believe that gynecologists are becoming primary physicians for women— "gatekeepers" who control the referral of their patients to specialists. Many procedures formerly forwarded to specialists are now performed in the gynecologist's office. Our product development and acquisition activities are designed to capitalize on this trend.

In mental healthcare, we are focusing on developing outpatient treatment and lower cost ancillary services designed to meet the needs of managed care.

> ***"Effective utilization of our NOLs is one of our primary management objectives."***

We feel that our two core businesses, eyecare and gynecology, offer a solid platform from which to grow Cooper by acquisition and by capitalizing on the $240 million of net operating losses ("NOLs") that were generated during the earlier restructuring of the Company. Effective utilization of our NOLs is one of our primary management objectives. Our goal with these businesses is to grow their revenues and earnings 10 to 20 percent annually over the next five years.

MANAGEMENT IS FOCUSED ON GROWING COOPER'S EYECARE AND GYNECOLOGY BUSINESSES AND DEVELOPMENT OF ALTERNATIVE BEHAVIORAL HEALTH PROGRAMS IN ITS PSYCHIATRIC HOSPITAL BUSINESS.

BUSINESS UNIT RESULTS

CooperVision

CooperVision, Inc. develops, manufactures and markets a wide variety of contact lenses that correct visual disorders.

> *"Sales of toric lens products in the United States were very strong, growing by 50 percent over last year in a market that grew less than 10 percent."*

CooperVision's sales grew by 12 percent in the 1995 fiscal year. Sales of toric lens products were very strong, growing by 50 percent over last year in a market that grew by less than 10 percent. Toric and other specialty lenses now account for approximately two-thirds of CooperVision's total sales. The unit's margins will continue to improve as the percentage of specialty lenses in its sales mix continues to grow. In Canada, sales grew by more than 10 percent and we lead the market in total new contact lens fits.

Currently, CooperVision's products are marketed in the United States and Canada and, through distributors, in selected overseas markets. About 75 percent of its lenses are sold for conventional daily or flexible wear; the balance are planned replacement lenses worn for a period of time and then discarded and replaced with new lenses.

In 1993, through the acquisition of CoastVision, Inc., the Company entered the market to correct astigmatism, an irregularity in the shape of the cornea of the eye that causes distorted vision. Special lenses, called toric lenses, are required to correct astigmatism.

In North America, approximately 25 million people between 15 and 40 years of age are astigmatic and, thus, candidates for a CooperVision toric product. In addition, we expect that as toric technology improves, more patients who now wear spherical lenses will become candidates for toric lenses. We estimate that as many as 25 percent of existing contact lens wearers would enjoy improved vision if they switched to toric lenses.

Although the total number of contact lens wearers is expected to be flat or decline slightly into the next century due to shifting demographics and emerging surgical technologies, CooperVision is well positioned with high quality products in the currently underserved astigmatic market that is less vulnerable to both trends.

CooperVision produces lenses from a variety of materials, including Tetrafilcon A, a polymer highly resistant to naturally occurring deposits that cloud and distort vision. Our lens manufacturing technology features a state-of-the-art combination of molding and lathing to maximize production flexibility, efficiency and quality. This manufacturing process yields an extensive range of lens parameters, providing practitioners and their patients with a wide choice of lenses to maximize the potential of a successful fit.

To meet the clinical needs of eyecare professionals and for patient health and convenience, CooperVision has developed Preference®, a premium three-month planned replacement lens. Clinical studies have demonstrated that the Preference® lens resists vision-clouding lens deposits more effectively than competing planned replacement lenses. Consequently, the Preference® patient is not required to use an enzymatic cleaner over the lenses' three-month wearing cycle, eliminating the cost and inconvenience of an extra lens care step. For managed care practitioners operating in "capitated" payment environments where they are paid a flat fee to cover their patients' total annual eyecare needs, this means fewer patient visits and, therefore, lower cost per patient and higher practitioner income.

Our direct customer, the eyecare practitioner, also benefits financially when prescribing Preference® compared with lenses recommended for shorter replacement cycles. CooperVision supports the practitioner's need to maximize productive time through a computerized customer service system that selects the correct toric lens to fit up to 1.5 million parameters. This system results in next day delivery 85 percent of the time. Lens exchanges are covered under a comprehensive warranty program that protects the practitioner from out-of-pocket costs in the rare case of a fitting failure.

Regarding the new laser therapies... "we feel that the contact lens market will benefit."

Improving customer service continues as a major marketing initiative to differentiate us from our competitors. During 1995 we installed a universal order entry system linking our California and New York locations. This allows our customers to place a single order for all of their CooperVision requirements and provides a back up capability in the case of a disaster at either facility. Also, we provided seminars to all employees on enhancing customer satisfaction. This has resulted in a greater focus on every element of servicing our customers.

Encouraged by current growth and anticipated future demand, we expanded our Scottsville, New York, manufacturing facility to nearly double its size to 38,000 square feet and began production in the new area of the plant in August. To facilitate our future entry into the European market, we are obtaining ISO 9001 technical certifications for both our California and New York manufacturing sites. We plan to introduce two new toric lens products in North America in 1996.

The recent introduction of laser treatments to improve visual acuity has been well publicized. While these treatments will benefit many patients seeking a convenient alternative to spectacles, they do not compete, at present, for the patients who are CooperVision's primary market—the astigmatic patient. Most patients' astigmatism cannot be successfully corrected with currently approved laser therapy.

The commercial success of these procedures, we feel, will be limited by their cost, which is not usually reimbursed by third party insurance, by patient fear of ocular surgery and by the number of patients whose vision can be successfully corrected by laser therapy.

In the near-term, we believe that the approval of laser surgical procedures will have a positive impact on the contact lens market. In Canada and Europe, the lens market expanded after laser correction was introduced as contact lens dropouts went back to their practitioner hoping to be treated. Not all patients are laser therapy candidates, but they still want a convenient alternative to their spectacles, so many are refitted with contact lenses that are now technologically superior and more comfortable than the lenses they first wore, especially patients with astigmatism who are candidates for CooperVision toric lenses.

At CooperVision Pharmaceuticals, exploratory discussions continue with prospective partners regarding ways to maximize the value of CalOptic™, our proprietary calcium channel blocker compound being developed for the topical treatment of glaucoma. We adopted this partnering strategy after clinical data for the product from a 200-patient study demonstrated safety and efficacy, but indicated that further research would be required to establish the product's full potential and to obtain FDA approval to market the product in the United States. We decided that we should not continue to invest in this product by ourselves and that we should share future risk—and potential reward—with others.

Looking forward, we expect our CooperVision business to grow more than 10 percent per annum over the next five years as we capitalize on our well-respected eyecare franchise in both the domestic and overseas markets.

CooperSurgical

"More than 70 percent of CooperSurgical's sales now relate to women's healthcare."

CooperSurgical's sales results continued to reflect the shift to our strategic focus on gynecology. Sales were essentially flat compared to 1994 as the Company exited from its non-gynecological business. More importantly, however, nearly 75 percent of CooperSurgical's sales now relate to women's healthcare. The unit's operating margin improved, as the last phase of its restructuring plan was completed. Without restructuring charges, CooperSurgical generated positive operating income during fiscal 1995.

CooperSurgical competes in the worldwide gynecological market for diagnostic and surgical instruments, accessories and surgical devices used in the physician's office, the surgicenter and the hospital. Its products are well-differentiated through its line of electrosurgical and cryosurgical products and uniquely designed instruments which offer improved patient and practitioner benefits.

The number of outpatient gynecological surgical procedures performed by physicians is second only to ophthalmic procedures and they continue to grow, driven by the 45-64 age group—the fastest growing segment of the U. S. population. Cooper's approach to this market is similar to eyecare and other markets that we might approach in the future: in a small healthcare niche, concentrate on acquiring or licensing specialty products, rather than funding high-risk research and development. Also, we will capitalize on the trend to control medical costs by marketing products for the in-office and outpatient surgery markets, rather than for hospitals.

In May, we decided to terminate our agreement with InnerDyne, Inc. to develop their endometrial ablation technology to control excessive uterine bleeding. While we believe that the market potential is large, we concluded that InnerDyne's technology was falling behind at a time when newer technologies were emerging. We will redirect the capital to pursue more promising opportunities in this high potential market segment.

In July, we licensed a proprietary line of products that facilitate the performance of gynecological procedures where uterine manipulation is required. We estimate that these products can be used in approximately 1.2 million less-invasive gynecological procedures performed in the United States annually. This market is estimated at about $25 million annually, growing at more than 15 percent per year. Compared to competing products, the new CooperSurgical products offer the gynecologist substantially improved pelvic exposure, access and traction during laparoscopic surgery, and facilitate dye injection during fertility studies. Since acquiring this product line, CooperSurgical has completed development of a proprietary line extension designed to enable gynecologists to perform minimally invasive hysterectomies, which will be launched after market clearance by the FDA.

Outside the U.S., we received regulatory approval for our operating room laparoscopy products in Japan.

Hospital Group of America ("HGA")

HGA owns three psychiatric facilities that provide intensive and structured treatment for children, adolescents and adults suffering from a variety of mental illnesses. Services include comprehensive psychiatric and chemical dependency evaluations, academic services, inpatient and outpatient treatment and partial hospitalization.

Although HGA's revenue declined by 6 percent, Hartgrove Hospital and MeadowWood Hospital performed well during the year with an aggregate occupancy rate of 77 percent, complemented by our expanding outpatient and ancillary services.

HGA's third hospital, Hampton Hospital, showed weaker results. Until recently, Hampton had been the subject of a dispute between Cooper and the medical group providing psychiatrists to the hospital. In December, we announced the settlement of the dispute which, we feel, will greatly benefit both Hampton and HGA going forward.

> ***"We estimate that the Company will be able to recoup its initial cash outlays of approximately $3 million in 12 to 18 months and that the settlement will be cumulatively cash positive after 24 months through increased revenue and reduced costs."***

The settlement will be paid over several years and resulted in a one-time charge of $5.6 million or 48 cents per share to the Company's fourth quarter fiscal 1995 earnings. The charge was partially offset by the favorable impact of other settlements, resulting in a net charge for Settlement of Disputes of $3.5 million or 31 cents per share in fiscal 1995.

We estimate that the Company will be able to recoup its initial cash outlays of approximately $3 million in 12 to 18 months and that the settlement will be cumulatively cash positive after 24 months through increased revenue and reduced costs.

Revenue at Hampton is expected to increase through the addition of inpatient geriatric and adolescent programs as well as new ancillary outpatient, partial and day treatment programs. The outpatient and partial programs will be modeled after the programs at HGA's MeadowWood Hospital in Delaware and its Hartgrove Hospital in Illinois. Both of these facilities have excellent outpatient and partial treatment programs and have consistently had inpatient census levels in the 70 to 80 percent range. Hampton, on the other hand, has recently experienced inpatient census levels in the 20 percent range.

In addition, the settlement will lower HGA's ongoing costs by eliminating legal fees associated with the dispute, by reducing medical staff fees and by allowing HGA to share resources between the Hampton and MeadowWood facilities. HGA estimates that it will save nearly $2 million annually when Hampton is operated with a medical staff selected by HGA.

With this settlement, HGA is now positioned to be a more productive asset for the Company both through enhanced operating results and through additional flexibility to maximize the value of our psychiatric business for our shareholders.

In response to market demands for an expanded continuum of care, HGA is offering more outpatient and partial hospitalization services. It provides partial care programs, inpatient treatment to chronically ill adults and outpatient counseling. During 1995, the number of day-treatment sites was increased to eight at Hartgrove Hospital and to four at MeadowWood Hospital. The day program at Hampton Hospital was relocated, providing enhanced patient convenience and clinical efficiency.

In May, HGA successfully negotiated a settlement of a long-standing purchase price adjustment and other disputes with the successor of its former owner.

Corporate Activities

Several major legal actions were resolved satisfactorily during 1995, significantly reducing legal expenses.

General and administrative expenses at headquarters, net of non-recurring credits, declined to $4.3 million compared to $10.9 million last year. As a part of our effort to control those costs, we are consolidating the Company's corporate headquarters into an existing facility in Pleasanton, California and will close our office in Fort Lee, New Jersey. This restructuring will be completed early in 1996 with an anticipated cost savings of between $500,000 and $750,000 annually.

"Now our challenge is to grow the core businesses of the new Cooper Companies to enhance shareholder value."

At the annual shareholders meeting in September, shareholders approved a 1-for-3 reverse stock split effective September 21, 1995 with a consequent reduction in the number of shares outstanding to 11,442,626 immediately after the split. This allows more access to the Company's shares by those institutions with minimum price purchase limitations and enables investors to buy the stock on margin.

Fiscal 1995 resulted in very strong operating income growth and continuing positive developments for the Company. Now our challenge is to grow the core businesses of the new Cooper Companies to enhance shareholder value. As we begin 1996, we are in a stronger position to do so.

Respectfully,

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

A. Thomas Bender
President and Chief Executive Officer

Robert S. Weiss
Executive Vice President and Chief Financial Officer

January 16, 1996

Management's Statement Regarding Financial Reporting

Management of The Cooper Companies, Inc. is responsible for the information and representations contained in this report. The financial statements have been prepared in accordance with generally accepted accounting principles considered appropriate in the circumstances and include some amounts based on management's best estimates and judgments. Other financial information contained in this report is consistent with these financial statements.

The Company's accounting systems include controls designed to reasonably assure that assets are safeguarded from unauthorized use or disposition and which provide for the preparation of financial statements in conformity with generally accepted accounting principles. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

The Company's Audit and Finance Committee advises and makes recommendations to the Board of Directors concerning (a) the appointment of independent auditors for the Company, (b) matters relating to the activities of the independent auditors and (c) the financial, investment and accounting procedures and practices followed by the Company. The independent auditors have full access to the Audit and Finance Committee to discuss any appropriate matters.

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of The Cooper Companies, Inc. and subsidiaries as of October 31, 1995 and 1994 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years in the three-year period ended October 31, 1995. 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 at October 31, 1995 and 1994 and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 1995, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

San Francisco, California
December 11, 1995

Board of Directors:

Allan E. Rubenstein, M.D.
President MTC
Imaging Services, Inc.
Chairman

A. Thomas Bender
President and Chief Executive
Officer

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

Steven Rosenberg
Acting Chairman, Vice President
and Chief Financial Officer
Cooper Life Sciences, Inc.

Committees of the Board:

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Mark A. Filler
Donald Press

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Michael H. Kalkstein (Chairman)
Mark A. Filler
Donald Press

Management Committee

Allan E. Rubenstein (Chairman)
Mark A. Filler
Donald Press

Nominating Committee

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Michael H. Kalkstein

Corporate Officers:

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President and Chief Executive Officer

Robert S. Weiss
Executive Vice President and Chief Financial Officer

Robert S. Holcombe
Senior Vice President and General Counsel

Gregory A. Fryling
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Secretary and Associate General Counsel

Carol R. Kaufman
Vice President and Chief Administrative Officer

Audrey A. Murray
Vice President Risk Management and Employee Benefits

Stephen C. Whiteford
Vice President and Corporate Controller

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A copy of the Company's annual report on Form 10-K without exhibits is available free of charge on request to the Investor Relations department.

The Cooper Companies, Inc. press releases and selected financial data are available at no charge through NewsOnDemand™ service and on Business Wire's Personal Web Box service. For a menu of available information on the Company or to retrieve specific information call 1-800-356-0742 or http://www.hnt.com/bizwire on the Internet.

Annual Meeting:

The next annual meeting of The Cooper Companies, Inc. will be held on March 27, 1996 at the New York Marriott East Side Hotel, New York, NY at 10:00 A.M.

Transfer Agent

American Stock Transfer & Trust Company
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Certified Public Accountants

KPMG Peat Marwick LLP

Stock Exchange Listings

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