

COOPER COMPANIES INC  
Form 10-K  
December 18, 2015

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2015  
COMMISSION FILE NO. 1-8597

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THE COOPER COMPANIES, INC.  
(Exact name of registrant as specified in its charter)

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|  |                                      |
|--|--------------------------------------|
| Delaware   | 94-2657368                           |
| (State or other jurisdiction of incorporation)       | (I.R.S. Employer Identification No.) |
| 6140 Stoneridge Mall Road, Suite 590                 | 94588                                |
| Pleasanton, California                               | (Zip Code)                           |
| (Address of principal executive offices)             |                                      |
| (925) 460-3600                                       |                                      |
| (Registrant's telephone number, including area code) |                                      |

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|   |   |
|---|---|
| Securities registered pursuant to Section 12(b) of the Act: | Name of each exchange on which registered |
| Title of each class   |   |
| Common Stock, \$.10 par value, and<br>associated rights     | New York Stock Exchange                   |
| Securities registered pursuant to Section 12(g) of the Act: |   |
| None  |   |

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

On November 30, 2015, there were 47,948,696 shares of the registrant's common stock held by non-affiliates with aggregate market value of \$8.6 billion on April 30, 2015, the last day of the registrant's most recently completed fiscal second quarter.

Number of shares outstanding of the registrant's common stock, as of November 30, 2015: 48,274,926

Documents Incorporated by Reference:

|   |                   |
|---|-------------------|
| Document  | Part of Form 10-K |
| Portions of the Proxy Statement for the Annual Meeting of Stockholders scheduled to be held in March 2016 | Part III          |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Annual Report on Form 10-K  
for the Fiscal Year Ended October 31, 2015

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PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1934 and Section 21E of the Securities Exchange Act of 1934. These include statements relating to plans, prospects, goals, strategies, future actions, events or performance and other statements which are other than statements of historical fact, including all statements regarding acquisitions including the acquired companies' financial position, market position, product development and business strategy, expected cost synergies, expected timing and benefits of the transaction, difficulties in integrating entities or operations, as well as estimates of our and the acquired entities' future expenses, sales and earnings per share are forward-looking. In addition, all statements regarding anticipated growth in our revenue, anticipated effects of any product recalls, anticipated market conditions, planned product launches and expected results of operations and integration of any acquisition are forward-looking. To identify these statements look for words like “believes,” “expects,” “may,” “will,” “should,” “could,” “seeks,” “intends,” “p,” “estimates” or “anticipates” and similar words or phrases. Forward-looking statements necessarily depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Among the factors that could cause our actual results and future actions to differ materially from those described in forward-looking statements are:

- Adverse changes in the global or regional general business, political and economic conditions, including the impact of continuing uncertainty and instability of certain countries that could adversely affect our global markets.

- Foreign currency exchange rate and interest rate fluctuations including the risk of fluctuations in the value of foreign currencies that would decrease our revenues and earnings.

- Acquisition-related adverse effects including the failure to successfully obtain the anticipated revenues, margins and earnings benefits of acquisitions, including the Sauflon acquisition; integration delays or costs and the requirement to record significant adjustments to the preliminary fair value of assets acquired and liabilities assumed within the measurement period, required regulatory approvals for an acquisition not being obtained or being delayed or subject to conditions that are not anticipated, adverse impacts of changes to accounting controls and reporting procedures, contingent liabilities or indemnification obligations, increased leverage and lack of access to available financing (including financing for the acquisition or refinancing of debt owed by us on a timely basis and on reasonable terms). A major disruption in the operations of our manufacturing, research and development or distribution facilities, due to technological problems, including any related to our information systems maintenance, enhancements or new system deployments and integrations, integration of acquisitions, natural disasters or other causes.

- Disruptions in supplies of raw materials, particularly components used to manufacture our silicone hydrogel lenses. New U.S. and foreign government laws and regulations, and changes in existing laws, regulations and enforcement guidance, which affect the contact lens industry, specifically, or the medical device and the healthcare industries generally.

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

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• Legal costs, insurance expenses, settlement costs and the risk of an adverse decision, prohibitive injunction or settlement related to product liability, patent infringement or other litigation.

• Changes in tax laws or their interpretation and changes in statutory tax rates.

• Limitations on sales following product introductions due to poor market acceptance.

• New competitors, product innovations or technologies.

• Reduced sales, loss of customers and costs and expenses related to recalls.

• Failure to receive, or delays in receiving, U.S. or foreign regulatory approvals for products.

• Failure to obtain adequate coverage and reimbursement from third party payors for our products.

• The requirement to provide for a significant liability or to write off, or accelerate depreciation on, a significant asset, including goodwill.

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

• Dilution to earnings per share from the Sauflon acquisition or other acquisitions or issuing stock.

• Changes in accounting principles or estimates.

• Environmental risks.

Other events described in our Securities and Exchange Commission filings, including the “Business” and “Risk Factors” sections in this Annual Report on Form 10-K for the fiscal year ended October 31, 2015, as such Risk Factors may be updated in quarterly filings.

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.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

### Item 1. Business.

The Cooper Companies, Inc. (Cooper, we or the Company), a Delaware corporation organized in 1980, is a global medical device company publicly traded on the NYSE Euronext (NYSE: COO). Cooper is dedicated to being A Quality of Life Company™ with a focus on shareholder value. Cooper operates through two business units, CooperVision, Inc. and CooperSurgical, Inc.

CooperVision is a global manufacturer providing products for contact lens wearers. CooperVision develops, manufactures and markets a broad range of single-use, two-week and monthly contact lenses, featuring advanced materials and optics. CooperVision's products are designed to solve vision challenges such as astigmatism, presbyopia and ocular dryness; with a broad collection of spherical, toric and multifocal contact lenses. CooperVision's products are primarily manufactured at its facilities located in Hampshire, United Kingdom, Juana Diaz, Puerto Rico, Budapest, Hungary and Scottsville, New York. CooperVision distributes products from West Henrietta, New York, Fareham, United Kingdom, Liege, Belgium, and various smaller international distribution facilities.

CooperSurgical focuses on supplying women's health clinicians with products and treatment options to improve the delivery of healthcare to women. CooperSurgical's primary objectives include internal growth and growth through acquisitions to expand its core businesses and the introduction of advanced technology-based products to aid clinicians in the management and treatment of commonly seen conditions. CooperSurgical customers are healthcare professionals and institutions providing care to and for women. CooperSurgical products support the point of healthcare delivery in the hospital, clinician's office and fertility clinics. CooperSurgical's major manufacturing and distribution facilities are located in Trumbull, Connecticut, Malov, Denmark, Pasadena, California, Stafford, Texas, and Berlin, Germany.

CooperVision and CooperSurgical each operate in highly competitive environments. Competition in the medical device industry involves the search for technological and therapeutic innovations. Both of Cooper's businesses compete primarily on the basis of product quality and differentiation, technological benefit, service and reliability.

### COOPERVISION

CooperVision competes in the worldwide soft contact lens market and services three primary regions: the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific. The contact lens market has two major product categories:

• Spherical lenses including lenses that correct near- and farsightedness uncomplicated by more complex visual defects.

• Toric and multifocal lenses including lenses that, in addition to correcting near- and farsightedness, address more complex visual defects such as astigmatism and presbyopia by adding optical properties of cylinder and axis, which correct for irregularities in the shape of the cornea.

In order to achieve comfortable and healthy contact lens wear, products are sold with recommended replacement schedules, often defined as modalities, with the primary modalities being single-use, two-week and monthly.

CooperVision offers spherical, aspherical, toric, multifocal and toric multifocal lens products in most modalities. We believe that in order to compete successfully in the numerous niches of the contact lens market, companies must offer differentiated products that are priced competitively and manufactured



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

efficiently. CooperVision believes that it is the only contact lens manufacturer to use three different manufacturing processes to produce its lenses: lathing, cast molding and FIPS™, a cost-effective combination of lathing and molding. The clariti® manufacturing platform may continue to add greater flexibility to the manufacture of our product offerings. We believe that this manufacturing flexibility allows CooperVision to compete in its markets by:

Producing high, medium and low volumes of lenses made with a variety of materials for a broader range of market niches: single-use, two-week, monthly and quarterly disposable sphere, toric and multifocal lenses and custom toric lenses for patients with a high degree of astigmatism.

Offering a wide range of lens parameters, leading to a higher rate of successful fitting for practitioners and better visual acuity for patients.

Sales of contact lenses utilizing silicone hydrogel materials continue to grow and this product material represents about half of the industry. Silicone hydrogel materials supply a higher level of oxygen to the cornea, as measured by the transmissibility of oxygen through a given thickness of material, or “dk/t,” than traditional hydrogel lenses. We believe our ability to compete successfully with a full range of silicone hydrogel products is an important factor to achieving success in our business. Silicone hydrogel lenses now represent a significant portion of CooperVision's contact lens sales and our Biofinity® brand is CooperVision's leading product line. Under the Biofinity brand, CooperVision markets monthly silicone hydrogel spherical, toric and multifocal lens products.

CooperVision markets single-use spherical, toric and multifocal lenses under our clariti 1day brand and a single-use silicone hydrogel spherical lens under MyDay®. We believe that the global market for single-use contact lenses will continue to grow and that competitive silicone hydrogel single-use lens products represent an opportunity for our business. We compete with clariti and MyDay, our single-use silicone hydrogel lenses, and our Proclear 1 Day products. Our clariti 1day brand provides the only single-use silicone hydrogel lenses in the marketplace with a complete line of spherical, toric and multifocal contact lenses.

CooperVision's Proclear line of spherical, toric and multifocal lenses are manufactured with omafilcon, a material that incorporates Phosphorylcholine (PC) Technology™ that helps enhance tissue-device compatibility. Mild discomfort relating to dryness during lens wear is a condition that often causes patients to discontinue contact lens wear and Proclear lenses are the only lenses with FDA clearance for the claim "... may provide improved comfort for contact lens wearers who experience mild discomfort or symptoms relating to dryness during lens wear."

In addition to its PC Technology™ and silicone hydrogel product offerings, CooperVision competes in the contact lens market with our traditional hydrogel products.

### Contact Lens Product Sales

**Spheres:** Net sales of CooperVision's spherical lenses represented 55 percent of CooperVision's net sales in fiscal 2015 including net sales of single-use spherical lens that represented 24 percent of net sales in the fiscal year.

**Toric and Multifocal:** Net sales of CooperVision's toric lenses represented 30 percent of CooperVision's net sales in fiscal 2015. Net sales of multifocal lenses represented 11 percent of net sales in the fiscal year.

**Proclear:** Net sales of CooperVision's PC Technology spherical, toric and multifocal products, including Proclear 1 Day sphere and multifocal products, represented 21 percent of CooperVision's net sales in fiscal 2015.





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Silicone Hydrogel: CooperVision's silicone hydrogel spherical, toric and multifocal lens products, including clariti and MyDay products, represented 55 percent of CooperVision's net sales in fiscal 2015.

### CooperVision Competition

The contact lens market is highly competitive. CooperVision's three largest competitors in the worldwide market and its primary competitors in the spherical, toric and multifocal lens categories of that market are Johnson & Johnson Vision Care, Inc., CIBA Vision owned by Novartis AG and Bausch & Lomb Incorporated owned by Valeant Pharmaceuticals International, Inc.

Over the past decade, the contact lens industry has experienced a global shift toward silicone hydrogel lenses that now represent approximately 50% of the global contact lens market. CooperVision competes in the silicone hydrogel segment of the market with our Biofinity monthly spherical, toric and multifocal lenses, Avaira® two-week spherical and toric lenses, clariti 1day brand of single-use sphere, toric and multifocal lenses, and MyDay single-use spherical lenses. The clariti 1day and MyDay brands of single-use contact lenses provides CooperVision with the broadest product portfolio in the single-use silicone hydrogel market.

In the toric lens market, a similar shift toward silicone hydrogel lenses has occurred, but we believe that lens manufacturers also continue to compete to provide the highest possible level of visual acuity and patient satisfaction by offering a wide range of lens parameters, superior wearing comfort and a high level of customer service, both for patients and contact lens practitioners. CooperVision competes based on the fact that its three manufacturing processes, including the clariti manufacturing platform recently acquired with Sauflon, allows a broad range of toric lens parameters, which we believe provides wide choices for patient and practitioner and a high level of visual acuity. We also compete based on our customer and professional services.

CooperVision's primary competitors in the contact lens business have greater financial resources, larger research and development budgets, larger sales forces, greater market penetration and/or larger manufacturing volumes. CooperVision seeks to offer a high level of customer service through its direct sales organizations around the world and through telephone sales and technical service representatives who consult with eye care professionals about the use of our lens products.

CooperVision also competes with manufacturers of eyeglasses and with refractive surgical procedures that correct visual defects. CooperVision believes that there are opportunities for contact lenses to gain market share, particularly in markets where the penetration of contact lenses in the vision correction market is low. CooperVision also believes that laser vision correction is not a significant threat to its sales of contact lenses based on the growth of the contact lens market over the past decade.

### COOPERSURGICAL

CooperSurgical offers a broad array of products used in the care and treatment of women. The Company participates in the women's healthcare market seeking to offer quality products, innovative technologies and superior service to clinicians worldwide. CooperSurgical collaborates with clinicians to identify products and new technologies from disposable products to sophisticated instruments and equipment. The result is a broad portfolio of products that are intended to aid in the delivery of improved clinical outcomes that healthcare professionals use routinely in the diagnosis and treatment of a wide spectrum of women's health issues.



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Since its inception in 1990, CooperSurgical has established its market presence and distribution system by developing products and acquiring products and companies that complement its business model.

CooperSurgical competes in the global in-vitro fertilization (IVF) market with a product portfolio of IVF media and assisted reproductive technology solutions designed to enhance the work of fertility professionals to the benefit of families. For the IVF market, CooperSurgical is focused on the objectives of internal growth and growth through acquisitions. In August 2015, CooperSurgical expanded its presence in the fertility market with the acquisition of Reprogenetics, a genetics laboratory specializing in preimplantation genetic screening (PGS) and preimplantation genetic diagnosis (PGD) used during the IVF process.

### Market for Women's Healthcare

CooperSurgical participates in the market for women's healthcare with its diversified product lines in three major categories based on the point of healthcare delivery: hospitals and surgical centers, obstetricians and gynecologists (ob/gyns) medical offices and fertility clinics.

CooperSurgical expects patient visits to ob/gyns in the United States to increase over the next decade. Driving this growth is a steady number of reproductive age women with increasing fertility issues, a large and stable middle-aged population and a growing population of women over the age of 65 according to United States Census estimates. CooperSurgical expects growth in fertility treatments as more women choose to delay childbearing to the mid-thirties and beyond. Office visit activity related to menopause, including abnormal bleeding, incontinence and osteoporosis, are also expected to increase slightly over the next decade. CooperSurgical believes that past trends reflected women visiting clinicians primarily during their reproductive years. With new treatment options now available and a more educated population, CooperSurgical expects the relationship between the patient and clinician will continue into the middle years and later.

Another trend in the market for women's healthcare includes the migration of ob/gyn clinicians away from private practice ownership and toward aligning with group practices or employment with hospitals and healthcare systems. This trend includes the increasing influence of supply chain controls, such as value analysis committees, on product evaluation and procurement. CooperSurgical believes that the market factors that are driving this trend will continue in the near term.

The response in the United States market to the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (Affordable Care Act or ACA) includes the development of new models of healthcare delivery. One goal of these new models is to deliver more cost-effective healthcare including a trend to move treatment out of hospitals and surgery centers and into the office setting without compromising care. We expect this trend to continue in the near term.

While general medical practitioners play an important role in women's primary care, the ob/gyn specialist is the primary market for our medical devices.

Some significant features of this market are:

Patient visits are for annual checkups, cancer screening, menstrual disorders, vaginitis (inflammation of vaginal tissue), treatment of abnormal Pap smears, osteoporosis (reduction in bone mass) and the management of menopause, pregnancy and reproductive management.

- We believe that approximately one-third of the office visits to ob/gyns are patients seeking diagnosis and treatment for the symptoms of abnormal uterine bleeding.

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Ob/gyns traditionally provide the initial evaluation for women and their partners who seek infertility assistance. Ovulatory drugs and intrauterine insemination (IUI) are common treatments in these cases.

IVF is performed by reproductive endocrinologists, a subgroup of ob/gyns, along with partner embryologists.

Osteoporosis 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 overall costs of treatment.

Sterilization is a frequently performed procedure.

Hysterectomy is one of the most commonly performed surgical procedures.

Hysteroscopy is commonly used in the evaluation of abnormal uterine bleeding.

The trend to move hospital-based procedures to an office or clinical setting is continuing as a method to reduce cost to the healthcare system while maintaining positive clinical outcomes.

### Women's Healthcare Product Sales

Net sales of CooperSurgical products used in office and surgical procedures represented 66% of CooperSurgical's net sales in fiscal 2015. Net sales of fertility products represented 34% of CooperSurgical's net sales in fiscal 2015.

### CooperSurgical Competition

CooperSurgical focuses on selected segments of the women's healthcare market, supplying diagnostic products and surgical instruments and accessories. In some instances, CooperSurgical offers all of the items needed for a complete procedure. CooperSurgical believes that opportunities exist for continued market consolidation of smaller technology-driven firms that generally offer only one or two product lines. Most are privately owned or divisions of public companies including some owned by companies with greater financial resources than Cooper.

Competitive factors in these segments include technological and scientific advances, product quality, price, customer service and effective communication of product information to physicians, fertility clinics and hospitals.

CooperSurgical competes based on our sales and marketing expertise and the technological advantages of our products. CooperSurgical's strategy includes developing and acquiring new products, including those used in new medical procedures. As CooperSurgical expands its product line, we also offer educational programs for medical professionals in the appropriate use of our products.

CooperSurgical is seeking to expand our presence in the significantly larger hospital and outpatient surgical procedure segment of the market that is at present dominated by bigger competitors such as Johnson & Johnson's Ethicon Endo-Surgery, Boston Scientific, Olympus and Covidien. These competitors have well-established positions within the operating room environment. CooperSurgical intends to leverage our relationship with gynecologic surgeons and focus on devices specific to gynecologic surgery to facilitate our expansion within the surgical segment of the market.

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CooperSurgical also competes in the fertility category of the women's healthcare market. We have broad product offerings for fertility evaluations and IVF procedures by ob/gyns, reproductive endocrinologists and embryologists. These include products for use by the ob/gyns in their offices for initial evaluations with office based hysteroscopy and first line treatments such as intrauterine insemination. For use in fertility clinics our products include media, micro tools and lab equipment; and to improve IVF outcomes we offer testing services intended to increase implantation rates and decrease miscarriages.

CooperSurgical intends to leverage our relationship with fertility clinics to expand our presence in the fertility market against competitors in the media and microtools categories that include Vitrolife, Cook, Irvine Scientific and Life Global and competitors in genetic testing that include Genesis Genetics, Good Start Genetics and Igenomix.

## RESEARCH AND DEVELOPMENT

Cooper employs approximately 215 people in our research and development and manufacturing engineering departments. CooperVision product development and clinical research is supported by internal and external specialists in lens design, formulation science, polymer chemistry, clinical trials, microbiology and biochemistry. CooperVision's research and development activities primarily include programs to develop new contact lens designs along with improving formulations and manufacturing processes.

CooperSurgical conducts research and development in-house and also has consulting agreements with external specialists. CooperSurgical's research and development activities include the design and improvement of surgical procedure devices, the advancement and expansion of CooperSurgical's portfolio of assisted reproductive technology products, as well as products within the general obstetrics and gynecology offerings.

Cooper-sponsored research and development expenditures represented 4% of net sales during fiscal 2015, 2014 and 2013, and were \$69.6 million, \$66.3 million and \$58.8 million, respectively. During fiscal 2015, CooperVision represented 79 percent and CooperSurgical represented 21 percent of the total research and development expenses, the same as fiscal 2014. We did not participate in any customer-sponsored research and development programs during fiscal 2013 - 2015.

## GOVERNMENT REGULATION

### Medical Device Regulation

Our products are medical devices subject to extensive regulation by the United States Food and Drug Administration (FDA) in the United States and other regulatory bodies abroad. The Federal Food, Drug, and Cosmetic Act (FDCA) and FDA regulations govern, among other things, medical device design and development, testing, manufacturing, labeling, storage, recordkeeping, premarket clearance or approval, advertising and promotion, and sales and distribution. Unless an exemption applies, each medical device we wish to distribute commercially in the United States will require either prior notice to the FDA requesting clearance for commercial distribution under Section 510(k) of the FDCA, or premarket approval (PMA) from the FDA. A majority of the medical devices we currently market have received FDA clearance through the 510(k) process or approval through the PMA process. Because we cannot be assured that any new products we develop, or any product enhancements, will be exempt from the premarket clearance or approval requirements or will be subject to the shorter 510(k) clearance process rather than the PMA process, significant delays in the introduction of any new products or product enhancements may occur.





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### Device Classification

The FDA classifies medical devices into one of three classes - Class I, II or III - depending on the degree of risk associated with each medical device and the extent of control needed to ensure its safety and effectiveness. Both CooperVision and CooperSurgical develop and market medical devices under different levels of FDA regulation depending on the classification of the device. Class III devices, such as flexible and extended wear contact lenses, require extensive premarket testing and approval, while Class I and II devices require lower levels of regulation. The majority of CooperSurgical's products are Class II devices.

Class I devices are those for which safety and effectiveness can be assured by adherence to the FDA's general regulatory controls for medical devices, which include compliance with the applicable portions of the FDA's Quality System Regulation, facility registration and product listing, reporting of adverse medical events, and appropriate, truthful and non-misleading labeling, advertising, and promotional materials (General Controls). Some Class I devices also require premarket clearance by the FDA through the 510(k) premarket notification process described below.

Class II devices are subject to the FDA's General Controls, and any other special controls as deemed necessary by the FDA to ensure the safety and effectiveness of the device, such as performance standards, post-market surveillance, FDA guidelines or particularized labeling requirements. Premarket review and clearance by the FDA for Class II devices is accomplished through the 510(k) premarket notification procedure. Pursuant to the Medical Device User Fee and Modernization Act of 2002 (MDUFMA), unless a specific exemption applies, 510(k) premarket notification submissions are subject to user fees. Certain Class II devices are exempt from this premarket review process.

Class III devices are those devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or certain implantable devices, or which have a new intended use, or use advanced technology that is not substantially equivalent to that of a legally marketed device. The safety and effectiveness of Class III devices cannot be assured solely by the General Controls and other special controls such as those listed above. These devices almost always require formal clinical studies to demonstrate safety and effectiveness and must be approved through the PMA process described below. PMA applications (and supplemental PMA applications) are subject to significantly higher user fees under MDUFMA than are 510(k) premarket notifications.

### 510(k) Clearance Pathway

When we are required to obtain a 510(k) clearance for a device that we wish to market, we must submit a premarket notification to the FDA demonstrating that the device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution in the United States before May 28, 1976, for which the FDA has not yet called for the submission of PMA applications. The FDA aims to respond to a 510(k) premarket notification within 90 days of submission of the notification, but as a practical matter, clearance can take significantly longer. If the FDA determines that the device is not substantially equivalent to a previously-cleared device, the FDA will not clear the device. Although many 510(k) pre-market notifications are cleared without clinical data, in some cases, the FDA requires significant clinical data to support substantial equivalence. In reviewing a pre-market notification, the FDA may request additional information, including clinical data, which may significantly prolong the review process.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that changes its intended use, will require a new 510(k) clearance or could require premarket approval. The FDA requires each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with a



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manufacturer's determination that a new clearance or approval is not required for a particular modification, the FDA can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or premarket approval is obtained. In these circumstances, a manufacturer also may be subject to significant regulatory fines or penalties. We have made and plan to continue to make additional product enhancements and modifications to our devices that we believe do not require new 510(k) clearances.

### Premarket Approval Pathway

A PMA application must be submitted if the device cannot be cleared through the 510(k) premarket notification procedures. The PMA process is much more demanding than the 510(k) premarket notification process. A PMA application must be supported by extensive data including, but not limited to, technical, preclinical, clinical trials, manufacturing and labeling to demonstrate to the FDA's satisfaction the safety and effectiveness of the device for its intended use.

After a PMA application is complete, the FDA begins an in-depth review of the submitted information. The FDA, by statute and regulation, has 180 days to review an accepted PMA application, although the review generally occurs over a significantly longer period of time, and can take up to several years. During this review period, the FDA may request additional information, including clinical data, or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will conduct a preapproval inspection of the manufacturing facility to ensure compliance with the Quality System Regulation (QSR), which requires manufacturers to implement and follow elaborate design, testing, control, documentation and other quality assurance procedures in the device design and manufacturing process.

The FDA may approve a PMA application with post-approval conditions intended to ensure the safety and effectiveness of the device including, among other things, restrictions on labeling, promotion, sale and distribution and collection of long-term follow-up data from patients in the clinical study that supported approval. Failure to comply with the conditions of approval can result in materially adverse enforcement action, including the loss or withdrawal of the approval. New PMA applications or PMA application supplements are required for significant modifications to the manufacturing process, labeling and design of a device that is approved through the premarket approval process. Premarket approval supplements often require submission of the same type of information as a premarket approval application, except that the supplement is limited to information needed to support any changes from the device covered by the original premarket approval application, and may not require as extensive clinical data or the convening of an advisory panel.

### Clinical Trials

A clinical trial is almost always required to support a PMA application and is sometimes required for a 510(k) premarket notification. These trials generally require submission of an application for an investigational device exemption (IDE) to the FDA. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that the potential benefits of testing the device in humans and the importance of the knowledge to be gained outweighs the risks to human subjects from the proposed investigation that the testing protocol is scientifically sound and there is reason to believe that the device as proposed for use will be effective. The IDE application must be approved in advance by the FDA for a specified number of patients, unless the product is deemed a non-significant risk device and eligible for more abbreviated investigational device exemption requirements. Clinical trials for a significant risk device may begin once the IDE application is approved by both the FDA and the appropriate institutional review boards at the clinical trial sites. There can be no assurance that submission of an IDE

will result in the ability to

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commence clinical trials. Additionally, after a trial begins, the FDA may place it on hold or terminate it if, among other reasons, it concludes that the clinical subjects are exposed to unacceptable health risks that outweigh the benefits of participation in the study. During a study, we are required to comply with the FDA's IDE requirements for investigator selection, trial monitoring, reporting, record keeping and prohibitions on the promotion of investigational devices or making safety or efficacy claims for them. We are also responsible for the appropriate labeling and distribution of investigational devices. All of Cooper's currently marketed products have been cleared by all appropriate regulatory agencies, and Cooper has no product currently being marketed under an IDE.

### Continuing FDA Regulation

After a device is placed on the market, numerous regulatory requirements apply. These include: establishment registration and device listing with the FDA; the QSR, which requires manufacturers to follow design, testing, production, control, complaint handling, documentation and other quality assurance procedures during the manufacturing process; labeling regulations, which prohibit the promotion of products for uncleared or unapproved or "off-label" uses and impose other restrictions on labeling, advertising and promotion; new FDA unique device identifier regulations that requires changes to labeling and packaging; the Physician Payments Sunshine Act, which requires the reporting of certain payments to health care practitioners; and medical device reporting regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur. The FDA has broad post-market and regulatory enforcement powers. We are subject to unannounced inspections by the FDA to determine our compliance with the QSR and other regulations.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include, but may not be limited to, any of the following sanctions or consequences: warning letters or untitled letters; fines, injunctions and civil penalties; recall, seizure or import holds of our products; operating restrictions, suspension or shutdown of production; refusing to issue certificates to foreign governments needed to export products for sale in other countries; refusing our request for 510(k) clearance or premarket approval of new or modified products; withdrawing 510(k) clearance or premarket approvals that are already granted; and criminal prosecution.

### Foreign Regulation

Health authorities in foreign countries regulate Cooper's clinical trials and medical device sales. The regulations vary widely from country to country. Even if the FDA has cleared or approved a product in the United States, the regulatory agencies in other countries must approve new products before they may be marketed there. The time required to obtain approval in another country may be longer or shorter than that required for FDA clearance or approval, and the requirements may differ. There is a trend towards harmonization of quality system standards among the European Union, United States, Canada and various other industrialized countries. Japan has one of the most rigorous regulatory systems in the world and requires in-country clinical trials. The Japanese quality and regulatory standards remain stringent even with the more recent harmonization efforts and updated Japanese regulations. China is also updating its regulations and is requiring rigorous in-country product testing.

These regulatory procedures require a considerable investment in time and resources and usually result in a substantial delay between new product development and marketing. If the Company does not maintain compliance with regulatory standards or if problems occur after marketing, product approval may be withdrawn.

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In addition to FDA regulatory requirements, Cooper also maintains ISO 13485 certification and CE mark approvals for its products. A CE mark is an international symbol of adherence to certain standards and compliance with applicable European medical device requirements. These quality programs and approvals are required by the European Medical Device Directive and must be maintained for all products intended to be sold in the European market. The ISO 13485 Quality Measurement System registration is now also required for registration of products in Asia Pacific and Latin American countries. In order to maintain these quality benchmarks, the Company is subjected to rigorous biannual reassessment audits of its quality systems and procedures.

### Other Health Care Regulation

We may be subject to various federal, state and foreign laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws, and laws pertaining to health information privacy and security. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, exclusion from participation in federal and state healthcare programs, including Medicare, Medicaid, Veterans Administration health programs and TRICARE. Similarly if the physicians or other providers or entities with whom we do business are found to be noncompliant with applicable laws, they may be subject to sanctions, which could indirectly have a negative impact on our business, financial conditions and results of operations. While we believe that our operations are in material compliance with such laws, as applicable to us, because of the complex and far-reaching nature of these laws, there can be no assurance that we would not be required to alter one or more of our practices to be in compliance with these laws.

The impact to our businesses of the Affordable Care Act (ACA) provisions related to coverage expansion, payment reforms and delivery system changes remains uncertain. The ACA imposes a 2.3 percent excise tax, with limited exceptions, on any entity that manufactures or imports Class I, II and III medical devices offered for sale in the United States that began on January 1, 2013. CooperVision's products are not subject to this tax because contact lenses are excluded from the tax. However, United States sales of CooperSurgical's products are subject to this tax which is recorded in selling, general and administrative expense on our Statement of Income.

In addition, the federal government, as part of the ACA, as well as certain state governments have enacted laws aimed at increasing transparency in relationships between medical device companies and healthcare professionals. We are now required by law to report annually many types of payments made and items of value provided to licensed healthcare professionals. In addition, certain foreign jurisdictions have adopted, or are currently acting to implement, similar laws. Failure to adhere to our policies, comply with required laws or implement adequate policies and practices to address changes to legal and regulatory requirements could result in sanctions such as fines, injunctions and civil penalties.

### RAW MATERIALS

CooperVision's raw materials primarily consist of various chemicals and packaging materials and are generally available from more than one source. However, CooperVision relies on sole suppliers for certain raw materials used to make our silicone hydrogel contact lens products. If current raw material suppliers fail to supply sufficient materials on a timely basis, or at all for any reason, we may suffer a disruption in the supply of our silicone hydrogel contact lens products.

Raw materials used by CooperSurgical are generally available from more than one source. However, because some products require specialized manufacturing procedures, we could experience inventory shortages if we were required to use an alternative supplier on short notice.



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### MARKETING AND DISTRIBUTION

CooperVision markets our products in the United States through our field sales representatives, who call on optometrists, ophthalmologists, opticians, optical chains and distributors. CooperVision augments our United States sales and marketing efforts with e-commerce, telemarketing, social media and advertising in professional journals. In the EMEA and Asia Pacific regions, CooperVision primarily markets our products through our field sales representatives. In other countries, CooperVision uses distributors and has given some of them the exclusive right to market our products within specific geographic areas.

CooperSurgical's products are marketed by a network of dedicated field sales representatives, independent agents and distributors. In the United States, CooperSurgical augments our sales and marketing activities by participating in national and regional industry tradeshows, professional educational programs and internet promotions including e-commerce, social media and collaborative efforts with professional organizations, telemarketing, direct mail and advertising in professional journals. Fertility products are marketed globally through our field sales representatives and distributors.

### PATENTS, TRADEMARKS AND LICENSING AGREEMENTS

Cooper owns or licenses a variety of domestic and foreign patents, which, in total, are material to our overall business. The names of certain of Cooper's products are protected by trademark registrations in the United States Patent and Trademark Office and, in some cases, also in foreign trademark offices. Applications are pending for additional trademark and patent registrations. Cooper intends to protect our intellectual property rights aggressively.

No individual patent or license is material to the Company or either of our principal business units other than our license agreement effective as of November 19, 2007, between CooperVision and CIBA Vision AG and CIBA Vision Corporation. This license relates to patents covering CooperVision's silicone hydrogel contact lens products. Our royalty obligations under this license agreement extend until the expiration of the applicable patent rights, which we believe occurred in September 2014 in the United States and, we believe will occur in March 2016 outside of the United States.

In addition to trademarks and patent licenses, we own certain trade secrets, copyrights, know-how and other intellectual property.

### DEPENDENCE ON CUSTOMERS

Neither of our business units depends to any material extent on any one customer or any one affiliated group of customers.

### GOVERNMENT CONTRACTS

Neither of our business units is materially subject to profit renegotiation or termination of contracts or subcontracts at the election of the United States government.

### BACKLOG

Backlog is not a material factor in either of Cooper's business units.





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### SEASONALITY

CooperVision's contact lens sales in its fiscal first quarter, which runs from November 1 through January 31, are typically lower than subsequent quarters, as patient traffic to practitioners' offices is relatively light during the holiday season.

### COMPLIANCE WITH ENVIRONMENTAL LAWS

Federal, state and local provisions that regulate the discharge of materials into the environment, or relate to the protection of the environment, do not currently materially affect Cooper's capital expenditures, earnings or competitive position.

### FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS, GEOGRAPHIC AREAS, FOREIGN OPERATIONS AND EXPORT SALES

The information required by this item is included in "Business Segment Information" of our notes to consolidated financial statements and "Risk Factors" as part of this Annual Report on Form 10-K for the fiscal year ended October 31, 2015.

### EMPLOYEES

On October 31, 2015, Cooper had approximately 10,200 employees. We believe that relations with our employees are good.

### NEW YORK STOCK EXCHANGE CERTIFICATION

We submitted our 2015 annual Section 12(a) CEO certification with the New York Stock Exchange. The certification was not qualified in any respect. Additionally, we filed with the Securities and Exchange Commission as exhibits to this Annual Report on Form 10-K for the year ended October 31, 2015, the CEO and CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

### AVAILABLE INFORMATION

The Cooper Companies, Inc. Internet address is <http://www.coopercos.com>. The information on the Company's Website is not part of this or any other report we file with, or furnish to, the Securities and Exchange Commission (SEC). Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with all other reports and amendments filed with or furnished to the SEC, are publicly available free of charge on our Website as soon as reasonably practicable. The public may read and copy these materials at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20002. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a Website that contains such reports, proxy and information statements and other information whose Internet address is <http://www.sec.gov>. The Company's Corporate Governance Principles, Ethics and Business Conduct Policy and charters of each standing committee of the Board of Directors are also posted on the Company's Website.

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Item 1A. Risk Factors.

Our business faces significant risks. These risks include those described below and may include additional risks and uncertainties not presently known to us or that we currently deem immaterial. Our business, financial condition and results of operations could be materially adversely affected by any of these risks, and the trading prices of our common stock could decline by virtue of these risks. These risks should be read in conjunction with the other information in this report.

Risks Relating to Our Business

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

Each of our businesses operates within a highly competitive environment. In our soft contact lens business, CooperVision faces intense competition from competitors' products, in particular silicone hydrogel contact lenses, and may face increasing competition as other new products enter the market. Our major competitors in the contact lens business, Johnson & Johnson Vision Care, Inc., CIBA Vision (owned by Novartis AG) and Bausch & Lomb, Inc. (owned by Valeant Pharmaceuticals International, Inc.), have substantially greater financial resources, larger research and development budgets, larger sales forces, greater market penetration and/or larger manufacturing volumes than CooperVision. They offer competitive products and differentiated materials, plus a variety of other eye care products including lens care products and ophthalmic pharmaceuticals, which may give them a competitive advantage in marketing their lenses. The market for contact lenses is intensely competitive and is characterized by declining sales volumes for older product lines and growing demand for silicone hydrogel based products. Our ability to respond to these competitive pressures will depend on our ability to decrease our costs and maintain gross margins and operating results and to introduce new products successfully, on a timely basis in the Americas, EMEA and Asia Pacific, and to achieve manufacturing efficiencies and sufficient manufacturing capacity and capabilities for such products. Any significant decrease in our costs per lens will depend, in part, on our ability to increase sales volume and production capabilities. Our failure to respond to competitive pressures in a timely manner could have a material adverse effect on our business, financial condition and results of operations.

To a lesser extent, CooperVision also competes with manufacturers of eyeglasses and providers of other forms of vision correction including ophthalmic surgery.

There can be no assurance that we will not encounter increased competition in the future, for example with increased product entries from Asia Pacific contact lens manufacturers, or that our competitors' newer contact lens products will not successfully erode CooperVision's contact lens business, which could have a material adverse effect on our business, financial condition and results of operations.

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

Acquisitions that we have made and may make in the future involve numerous risks.

We have a history of acquiring businesses and products that have significantly contributed to our growth in recent years. As part of our growth strategy, particularly at CooperSurgical and more recently at CooperVision, we intend to continue to consider acquiring complementary technologies, products and businesses. Future

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acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities and an increase in amortization and/or impairments of goodwill and other intangible assets, which could have a material adverse effect upon our business, financial condition and results of operations. CooperSurgical acquired Repronetics in fiscal 2015, CooperVision completed the acquisition of Sauflon Pharmaceuticals Limited in fiscal 2014, and CooperSurgical completed the acquisition of Origio a/s in fiscal 2012. These acquisitions added significant operations to CooperVision and CooperSurgical, respectively, and greatly expanded their international businesses. The acquisitions have, correspondingly, added risks we could face with respect to acquisitions and include:

- failure to successfully obtain the anticipated revenues, margins and earnings benefits;
- difficulties in, and expenses related to, the integration of the operations, technologies, products and personnel of the acquired company and establishment of appropriate accounting controls and reporting procedures and other regulatory compliance procedures;
- increased leverage and the risk of lack of access to available financing, including financing for the acquisition or refinancing of debt owed by us on a timely basis and on reasonable terms;
- risks of entering markets in which we have no or limited prior experience;
- potential loss of employees;
- an inability to identify and consummate future acquisitions on favorable terms or at all;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential liabilities, contingent liabilities or indemnification obligations of the acquired company;
- expenses, including restructuring expenses, to shut-down our own locations or terminate our employees;
- a dilution of earnings per share; and
- risks inherent in accounting allocations and the risk that we are required to record significant adjustments to the preliminary fair value of assets acquired and liabilities assumed within the measurement period.

Product innovations are important in the industry in which we operate, and we face the risk of product obsolescence if we are unable to develop new products or gain regulatory approvals or if our competitors introduce new products.

Product innovations are important in the contact lens market in which CooperVision competes and in the areas of the healthcare industry in which CooperSurgical competes. CooperSurgical has not allocated substantial resources to new product development, but rather it has historically purchased, leveraged or licensed the technology developments of others. CooperSurgical has recently invested in expanding the internal research and development function with the goal of organizational growth and to complement our acquisitions strategy. CooperVision invests in new product development, including the development of silicone hydrogel-based contact lenses. Research and development time commitments, higher feasibility risk with longer term projects, the cost of obtaining necessary regulatory approval and other costs related to product innovations can be substantial. There can be no assurance that we will successfully obtain necessary regulatory approvals or clearances for our new products or that our new products will successfully compete in the marketplace and, as a result, justify the expense involved in their development and regulatory approval. In addition, our competitors may have developed or may in the future develop new products or technologies, such as contact lenses with anti-microbial or anti-allergenic features, or “smart” contact lenses which incorporate electronics, that could lead to the obsolescence of one or more of our products. Competitors may also introduce new uses for contact lenses, such as for drug delivery or the control of myopia. Failure to

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develop new product offerings and technological changes and to offer products that provide performance that is at least comparable to competing products could have a material adverse effect on our business, financial condition, or results of operations.

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

Certain of our proposed products have not yet been clinically tested or commercially introduced, and we cannot assure that any of them, assuming they receive necessary regulatory approvals, will achieve market acceptance or generate operating profits. The development of a market for our products may be influenced by many factors, some of which are out of our control, including:

- acceptance of our products by eye care and women's healthcare practitioners;
- the cost competitiveness of our products;
- consumer reluctance to try and use a new product;
- regulatory and legislative requirements;
- inadequate coverage and reimbursement by third party payors;
- the earlier release of competitive products, such as new silicone hydrogel products, into the market by our competitors; and
- the emergence of newer and more competitive products.

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

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

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

A significant portion of our current operations are conducted and located outside the United States, and our growth strategy involves expanding our existing foreign operations and entering into new foreign jurisdictions. We have significant manufacturing and distribution sites in North America and Europe. Over half of our net sales for the fiscal years ended October 31, 2015 and 2014, were derived from the sale of products outside the United States. We believe that sales outside the United States will continue to account for a material portion of our total net sales for the foreseeable future. International operations and business expansion plans are subject to numerous additional risks, including:

- we may have difficulty enforcing intellectual property rights in some foreign countries;
- we may have difficulty gaining market share in countries such as Japan because of regulatory restrictions and customer preferences;
- we may find it difficult to grow in emerging markets such as China, India, Russia, Brazil and other developing nations due to, among other things, customer acceptance, undeveloped distribution channels, regulatory restrictions and changes, and business knowledge of these new markets;



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- tax rates in some foreign countries may exceed those of the United States, and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- we may find it difficult to comply with a variety of United States and foreign compliance and regulatory requirements such as the Foreign Corrupt Practices Act, the Dodd-Frank Act, the U.K. Bribery Act and international data security and privacy laws;
- we may find it difficult to manage a large organization spread throughout various countries;
- fluctuations in currency exchange rates could adversely affect our results;
- foreign customers may have longer payment cycles than customers in the United States;
- failure to comply with United States Department of Commerce and other nations import-export controls may result in fines and/or penalties;
- general economic and political conditions in the countries where we operate may have an adverse effect on our operations in those countries or not be favorable to our growth strategy;
- foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities, including but not limited to increased enforcement of potentially conflicting and ambiguous anti-bribery laws; and
- we may have difficulty enforcing agreements and collecting receivables through some foreign legal systems.

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

Current market conditions and recessionary pressures in one or more of our markets could impact our ability to grow our business.

Over the last few years in the United States and globally, market and economic conditions have been challenging with tighter credit conditions and slower economic growth. Foreign countries, in particular the Euro zone, have experienced recessionary pressures and face continued concerns about the systemic impacts of adverse economic conditions and geopolitical issues. Concerns about the Euro zone's sovereign debt in recent years have caused uncertainty and disruption in the financial markets globally. While the global financial markets have showed general signs of improvement, uncertainty remains. As a result, we may have lower than historical performance for market growth in fiscal 2016.

Any negative impact on economic conditions and international markets, continued volatility or deterioration in the debt and equity capital markets, inflation, deflation or other adverse economic conditions may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers. It may limit our ability, and the ability of our customers, to replace maturing liabilities and to access the capital markets to meet liquidity needs, which could have a material adverse effect on our financial condition and results of operations.



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

We manufacture a significant portion of the medical device products we sell. Any prolonged disruption in the operations of our existing manufacturing or distribution facilities, whether due to technical or labor difficulties, integration difficulties, destruction of or damage to any facility (as a result of natural disaster, use and storage of hazardous materials or other events), enforcement action by the FDA or other regulatory body if we are found to be in non-compliance with current Good Manufacturing Practices (cGMP) or other reasons, could have a material adverse effect on our business, financial condition and results of operations. In addition, materials such as silicone hydrogel require improvements to our manufacturing processes to make them cost effective. While we have improved our manufacturing capabilities for our silicone hydrogel products, our failure to continue to develop improvements to our manufacturing processes and reduce our cost of goods could significantly impact our ability to compete.

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

CooperVision distributes products out of West Henrietta, New York, Hampshire, United Kingdom, Liege, Belgium and various smaller international distribution facilities. CooperSurgical's products are primarily distributed out of its facilities in Trumbull, Connecticut, and Malov, Denmark. Any prolonged disruption in the operations of our existing distribution facilities, whether due to technical or labor difficulties, destruction of or damage to any facility (as a result of natural disaster, use and storage of hazardous materials or other events) or other reasons, could have a material adverse effect on our business, financial condition and results of operations.

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

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



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

We rely on independent suppliers for key raw materials, consisting primarily of various chemicals and packaging materials. Raw materials used in our operations are generally available from more than one source. However, because some products require specialized manufacturing procedures, we could experience inventory shortages if we were required to use an alternative manufacturer on short notice. For example, some of the primary material used to make our silicone hydrogel contact lens products, including MyDay, Biofinity, Avaira and clariti, are supplied by a sole supplier. We may suffer a disruption in the supply of our silicone hydrogel contact lens products if our suppliers, particularly those which are the sole source of any necessary material, fail to supply sufficient material on a timely basis or at all for any reason and/or we need to switch to an alternative supplier. A disruption in the supply of raw materials could disrupt production of our silicone hydrogel contact lens products, thereby adversely impacting our ability to market and sell such products and our ability to compete in this important segment of the contact lens market.

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

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

We also may seek to enforce our intellectual property rights on others through litigation. Our claims, even if meritorious, may be found invalid or inapplicable to a party we believe infringes or has misappropriated our intellectual property rights. In addition, litigation can:

- be expensive and time consuming to prosecute or defend;
- result in a finding that we do not have certain intellectual property rights or that such rights lack sufficient scope or strength;
- divert management's attention and resources; or
- require us to license our intellectual property.

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

Both CooperVision and CooperSurgical also rely on proprietary technology which is unpatented. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements and assignment agreements, which generally

provide that inventions conceived by the party in the course of rendering services to us will

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be our exclusive property. However, we cannot assure that these confidentiality agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable.

We rely on trademarks to establish a market identity for our products. To maintain the value of our trademarks, we might have to file lawsuits against third parties to prevent them from using trademarks confusingly similar to or dilutive of our registered or unregistered trademarks. We also might not obtain registrations for our pending or future trademark applications, and might have to defend our registered trademark and pending applications from challenge by third parties. Enforcing or defending our registered and unregistered trademarks might result in significant litigation costs and damages, including the inability to continue using certain trademarks.

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

Our products or processes could be subject to claims of infringement of the intellectual property of others.

Our competitors in both the United States and foreign countries, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for or obtained, or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make and sell our existing and planned products. In the contact lens industry, CooperVision and its competitors all hold patents covering contact lens designs, business methods, processes and materials. Claims that our products, business methods or processes infringe upon the proprietary rights of others often are not asserted until after commencement of commercial sales of products incorporating our technology.

Significant litigation regarding intellectual property rights exists in our industries. For example, CooperVision has faced significant patent litigation over its silicone hydrogel contact lens products. Third parties have made, and may make in the future, claims of infringement against us or our contract manufacturers in connection with the use of our technology. Any claims, even those without merit, could:

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

We cannot be certain of the outcome of any litigation. Any royalty or licensing agreement, if required, may not be available to us on acceptable terms or at all. Our failure to obtain the necessary licenses or other rights could prevent the sale, manufacture, or distribution of some of our products and, therefore, could have a material adverse effect on our business.



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A successful claim of infringement against us or our contract manufacturers in connection with the use of our technology, in particular if we are unable to manufacture or sell any of our planned products in any major market, could adversely affect our business.

We could experience losses from product liability claims or legal claims relating to our service offerings, including such claims and other losses resulting from sales of counterfeit and other infringing products.

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

We face risks related to environmental matters.

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

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

We have now and expect to continue to have a significant amount of indebtedness.

Our indebtedness could:

- increase our vulnerability to general adverse economic and industry conditions; require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;

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limit our ability to borrow additional funds; and  
make it more difficult for us to satisfy our obligations with respect to our debt, including our obligation to repay our credit facilities under certain circumstances, or refinance our indebtedness on favorable terms or at all.

Our credit facilities contain financial and other restrictive covenants that could limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt, which could adversely affect our business, earnings and financial condition.

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

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

Exchange rate fluctuations and our foreign currency hedges could adversely affect our financial results.

As a result of our international operations, currency exchange rate fluctuations may affect our results of operations and financial position. Our most significant currency exposures are the British pound sterling, euro and Japanese yen. We expect to generate an increasing portion of our revenue and incur a significant portion of our expenses in currencies other than U.S. dollars. To the extent we are unable to materially offset non-functional currency flows, exchange rate fluctuations could have a positive or negative impact on our financial condition and results of operations. Because our consolidated financial results are reported in U.S. dollars, if we generate sales or earnings in other currencies, the translation of those results into U.S. dollars can result in a significant increase or decrease in the amount of those sales or earnings and can make it more difficult for our shareholders to understand the relative strengths or weaknesses of the underlying business on a period-over-period comparative basis. Although from time to time we enter into foreign exchange agreements with financial institutions to reduce our net exposure to fluctuations in foreign currency values relative to our non-functional currency obligations or balances, these hedging transactions do not eliminate that risk entirely.

Increases in our effective tax rates or adverse outcomes resulting from examination of income tax returns could adversely affect our results.

Our future effective tax rates could be adversely affected by earnings being higher than anticipated in countries where the Company has higher statutory rates or lower than anticipated in countries where it has lower statutory rates, by changes in valuation of our deferred tax assets and liabilities, or by changes in tax laws or interpretations of those laws. We are also subject to the examination of our income tax returns by other tax authorities and the outcome of these examinations could have a material adverse effect on our operating results and financial condition.

We operate globally and changes in tax laws could adversely affect our results.

We operate globally and changes in tax laws could adversely affect our results. We have overseas manufacturing, administrative and sales offices and generate substantial revenues and profits in foreign jurisdictions. Recently, a number of countries, including the United States, have proposed changes to their





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tax laws, some of which affect taxation of earnings recognized in foreign jurisdictions. Such changes in tax laws or their interpretation, if adopted, could adversely affect our effective tax rates and our results.

Volatility in the securities markets, interest rates, and other factors could substantially increase our defined benefit pension costs.

We sponsor a defined benefit pension plan for employees in the United States. This defined benefit pension plan is funded with trust assets invested in a diversified portfolio of securities and other investments. Changes in interest rates, mortality rates, early retirement rates, investment returns, discount rates and the market value of plan assets can affect the funded status of our defined benefit pension plan and cause volatility in the net periodic benefit cost and future funding requirements of the plan. A significant increase in our obligations or future funding requirements could have a negative impact on our results of operations and cash flows from operations.

We manage our businesses utilizing complex computer systems that are regularly maintained and upgraded; an interruption to these systems could disrupt our business or force us to expend excessive costs.

We utilize complex computer systems, including enterprise resource planning and warehouse management systems, to support our business units and we have a continuous improvement strategy in place to keep our systems and overarching technology stable and in line with business needs and growth. Regular upgrades of our computer hardware and software revisions are typical and expected. We employ controlled change management methodologies to plan, test and execute all such system upgrades and improvements, and we believe that we assign adequate staffing and other resources to projects to ensure successful implementation. However, we cannot assure that our systems will meet our future business needs or that upgrades will operate as designed. We cannot assure that there will not be associated excessive costs or disruptions in portions of our business in the course of our maintenance, support and/or upgrade of these systems.

We are just beginning a six year or more process of implementing a new enterprise resource planning (ERP) system at CooperVision. Implementing a new ERP system is not only costly but complex and difficult. Implementing a new ERP system can negatively affect not only financial accounting and reporting processes but also external commercial activities such as order receipt and product delivery. We cannot assure you that we will successfully implement our new ERP system or that we will avoid these and other negative impacts from our implementation efforts.

We attempt to protect our computer and communications systems but may experience interruptions and breaches including computer viruses, malicious software, cyberattacks and "hacking," that could impair our ability to conduct business and communicate internally and with our customers, or result in the theft of trade secrets or other misappropriation of assets, or otherwise compromise privacy of our sensitive information, or that of our customers or other business partners.

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

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



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

Certain provisions of our Second Restated Certificate of Incorporation and Amended and Restated By-laws may inhibit changes in control of the Company not approved by our Board of Directors. These provisions include: (i) advance notice requirements for stockholder proposals and nominations and (ii) the authority of our board to issue without stockholder approval preferred stock with such terms as our board may determine. We also have the protections of Section 203 of the Delaware General Corporation Law, which could have similar effects. Our Board of Directors extended our preferred stock purchase rights plan, commonly known as a “poison pill,” pursuant to an amended rights agreement dated as of October 29, 2007, that expires on October 29, 2017. The rights agreement is intended to prevent abusive hostile takeover attempts by requiring a potential acquirer to negotiate the terms of an acquisition with our Board of Directors. However, it could have the effect of deterring or preventing an acquisition of our Company, even if a majority of our stockholders would be in favor of such acquisition, and could also have the effect of making it more difficult for a person or group to gain control of the Company or to change existing management.

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

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

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

Our medical devices require clearance or approval by the FDA before they can be commercially distributed in the United States and may require similar approvals by foreign regulatory agencies before distribution in foreign jurisdictions. Medical devices may only be marketed for the indications for which they are approved or cleared. The process of obtaining, renewing and maintaining regulatory clearances and approvals to market a medical device, particularly from the FDA, can be costly and time consuming. There can be no assurance that such clearances and approvals will be granted on a timely basis, if at all, and significant delays in the introduction of any new products or product enhancements may occur, which could adversely affect our competitive position and results of operations. In addition, the FDA and authorities in foreign jurisdictions may change their policies, adopt additional regulations or revise existing regulations, each of which could prevent or delay premarket approval or clearance of our products or could impact our ability to market our currently approved or cleared products. For example, the FDA recently has been reviewing the premarket clearance process in response to internal and external concerns regarding the 510(k) premarket clearance program. In January 2011, the FDA announced a plan of action that included twenty-five action items designed to make the process more rigorous and transparent. Since then the FDA has implemented some changes intended to improve its premarket programs. Some of the changes and proposals under consideration could impose additional regulatory requirements on us that could delay our ability to obtain new 510(k) clearances for our products, increase the cost of compliance, or restrict our ability to maintain our current clearances.



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

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

Increased regulatory scrutiny and negative opinion of genetic testing may adversely affect our business through increased costs and risks associated with gaining marketing approvals and potential decreased demand for our genetic testing services.

With our acquisition of Reprogenetics in August 2015, we now offer certain genetic testing services to help identify the likelihood of pregnancy as well as identify possible disorders or diseases of a child prior to birth. Legislative proposals addressing oversight of genetic testing have been introduced in the United States, and we expect that new legislative proposals will be introduced from time to time both in the United States and in foreign countries in the future. We cannot provide any assurance that FDA regulation or regulation by foreign regulatory authorities, including pre-market review, will not be required for our genetic tests in the future or that other increased regulatory burdens will not be imposed on our genetic tests or any new genetic tests we may develop. If pre-market review is required, our genetic test business will be negatively impacted until such review is completed and approval or clearance is obtained, and the FDA or other foreign regulatory authorities may require that we stop selling our genetic tests pending pre-market approval or clearance. In addition to these regulatory burdens, our ability to sell our genetic tests may be negatively impacted by public perception and social or cultural norms. The information obtained from our genetic tests could be used in a variety of applications, which may have underlying ethical, legal, and social concerns regarding privacy and the appropriate uses of the resulting information which in turn may result in increased regulation and/or decreased demand.

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

In many of the foreign countries in which we market our products, we are subject to regulations affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, the reporting of certain payments to health care practitioners in certain markets (for example, the French Sunshine Act of 2013), duties and tax requirements. Many of the regulations applicable to our devices and products in such countries are similar to those of the FDA.

In the European Economic Area, a medical device can only be placed on the market if it is in conformity with the essential requirements set out in the European Directives and implementing regulations that govern

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medical devices. These Directives prescribe quality programs and standards which must be maintained in order to achieve required ISO certification and to approve the use of CE marking. In order to maintain ISO certification and CE marking quality benchmarks, firms' quality systems and procedures are subjected to rigorous periodic inspections and reassessment audits.

In many countries, the national health or social security organizations require our products to be qualified before they can be marketed with the benefit of reimbursement eligibility. To date, we have not experienced difficulty in complying with these regulations. However, our failure to receive, or delays in the receipt of, relevant foreign qualifications could have a material adverse effect on our business, financial condition and results of operations.

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

After a device is placed on the market, numerous regulatory requirements apply, including the FDA's QSR regulations, which require manufacturers to follow, among other things, design, testing, production, control, documentation and other quality assurance procedures during the manufacturing process; labeling regulations, which prohibit the promotion of products for unapproved or "off-label" uses and impose other restrictions on labeling; and medical device reporting regulations that require us to report to FDA or similar governmental bodies in other countries if our products may have caused or contributed to a death or serious injury or malfunction in a way that would be reasonably likely to contribute to death or serious injury if the malfunction were to recur. The FDA and similar governmental bodies in other countries have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture or in the event that a product poses an unacceptable risk to health. Medical device manufacturers, such as CooperVision and CooperSurgical, may under their own initiative recall a product if a reasonable possibility of serious injury or any material deficiency in a device is found or withdraw a product to improve device performance or for other reasons. The FDA requires that certain classifications of recalls be reported to the FDA within 10 working days after the recall is initiated. Recalls of any of our products may divert managerial and financial resources and have an adverse effect on our financial condition and results of operations. A recall could harm our reputation with customers and consumers which could reduce the sales of our products. In addition, the FDA or other foreign governmental agencies may implement enforcement actions in connection with a recall which could impair our product offerings and be harmful to our business and financial results.

Changes in legislation and government regulation of the healthcare industry as well as third-party payors' efforts to control the costs of healthcare could materially adversely affect our business.

In recent years, an increasing number of healthcare reform proposals have been formulated by the legislative and executive branches of the United States federal and state governments. In March 2010, the President signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (Affordable Care Act). The Affordable Care Act makes extensive changes to the delivery of health care in the United States. Among the provisions of the Affordable Care Act, of greatest importance to the medical device industry are the following:

- A 2.3 percent excise tax on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions, which exceptions include all contact lenses;
- Establishment of the Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- Reporting and disclosure requirements on medical device manufacturers for certain payments or other "transfer of value" made or distributed to prescribers and other healthcare providers, and any ownership





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and investment interests held by physicians or their immediate family members, and any payments or other “transfers of value” to such owners. Manufacturers are required to submit reports to the Centers for Medicare & Medicaid Services (CMS) by the 90<sup>th</sup> day of each calendar year;

Payment system reforms including a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models;

Creation of the Independent Payment Advisory Board which has authority to recommend certain changes to reduce Medicare spending and those recommendations could have the effect of law even if Congress doesn't act on the recommendations; and

Establishment of a Center for Medicare Innovation at CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending.

These measures could result in decreased net revenues or increased expenses from our medical device products and decrease potential returns from our development efforts. At this time, the full effect that the Affordable Care Act would have on our business remains unclear. For example, the Affordable Care Act imposes a new excise tax of 2.3 percent of the price for which certain medical devices are sold, which went into effect on January 1, 2013.

CooperVision is not affected by this tax because contact lenses are excluded from the tax. However, United States sales of a significant portion of CooperSurgical's products are subject to this tax.

Other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. On August 2, 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend proposals in spending reductions to Congress. The Joint Select Committee did not achieve its targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reductions to several government programs. These reductions include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect on April 1, 2013 and, due to the Bipartisan Budget Act of 2015, will remain in effect until 2025 unless additional action is taken by Congress. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers. In addition, on April 16, 2015, President Obama signed into law the Medicare Access and CHIP Reauthorization Act of 2015, or MACRA, which among other things, repealed the formula by which Medicare made annual payment adjustments to physicians and replaced the former formula with fixed annual updates and a new system of incentive payments scheduled to begin in 2019 that are based on various performance measures and physicians' participation in alternative payment models such as accountable care organizations.

We expect that additional state and federal healthcare reform measures will be adopted in the future, including those initiatives affecting coverage and reimbursement for our products, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could adversely affect the growth of the market for our products or demand for our products, or result in additional pricing pressures. Also, any adoption of healthcare reform proposals on a state-by-state basis could require us to develop state-specific marketing and sales approaches. We cannot predict the effect such reforms or the prospect of their enactment may have on our business.

In addition, third-party payors, whether governmental or commercial, whether inside the United States or abroad, increasingly attempt to contain or reduce the costs of healthcare. These cost-control methods include prospective payment systems, capitated rates, group purchasing, redesign of benefits, requiring pre-authorizations or second opinions prior to certain medical procedures, encouragement of healthier lifestyles and exploration of more cost-effective methods of delivering healthcare. Although cost controls or other



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requirements imposed by third-party payors have not historically had a significant effect on contact lens prices or distribution practices, this could change in the future and could adversely affect our business, financial condition and results of operations.

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

Other federal legislation affects the manner in which we use and disclose health information. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, mandates, among other things, the adoption of standards for the electronic exchange of health information that may require significant and costly changes to current practices. The United States Department of Health and Human Services (HHS) has released several rules mandating the use of specified standards with respect to certain healthcare transactions and health information. The electronic transactions rule requires the use of uniform standards for common healthcare transactions, including healthcare claims information, plan eligibility, referral certification and authorization, claims status, plan enrollment and disenrollment, payment and remittance advice, plan premium payments and coordination of benefits. The privacy rule imposes standards governing the use and disclosure of individually identifiable health information. The security rule released by HHS establishes minimum standards for the security of electronic health information, and requires the adoption of administrative, physical and technical safeguards.

Additionally, the Health Information Technology for Economic and Clinical Health (HITECH) Act of 2009 was signed into law as part of the America's Recovery and Reinvestment Act in February 2009. The Final Omnibus Privacy, Security, Breach Notification and Enforcement Rules (Omnibus Final Rule), implementing HIPAA and HITECH, became effective in September 2013. Previously, HIPAA directly regulated only certain covered entities, such as health care providers and health plans. Under the HITECH Act and the Omnibus Final Rule, certain of HIPAA's privacy and security standards are now also directly applicable to covered entities' business associates. As a result, business associates are now subject to civil and criminal penalties for failure to comply with applicable privacy and security rule requirements. Moreover, the HITECH Act and the Omnibus Final Rule set forth new notification requirements and standards for health data security breaches, increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorney's fees and costs associated with pursuing federal actions. While there is no private right of action under HIPAA that would allow individuals to sue in civil court for violations, HIPAA's standards have been used as the basis for the duty of care in state civil suits, such as those for negligence or recklessness in misusing individuals' health information. Further, varying state laws governing the use and disclosure of PII may be more restrictive than HIPAA, which means that entities subject to them must comply with the more restrictive state law in addition to complying with HIPAA. In some cases, a breach may be required to be reported under state law and affected individuals notified, even if the breach is not reportable or subject to breach notification requirements under HIPAA. State laws may impose separate fines and penalties upon violators, and some, unlike HIPAA, may afford a private right of action to state residents who believe their information has been misused.

With the possible exception of one our subsidiaries, Eye Care Prime LLC, which offers value-added software solutions for eye care professionals, which we believe has implemented adequate security measures, we do not believe that we are a covered entity or a business associate under HIPAA. However, many of our customers may be covered entities or business associates subject to HIPAA. Some customers as an expectation of transacting business with us may require us to enter into business associate agreements, which would obligate us to safeguard and restrict the manner in which we use certain protected health information (as defined by HIPAA) that we obtain in the course of

our commercial relationship with them, triggering potential liab

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ility on us for failure to meet our contractual obligations. Alternatively, some customers may limit the scope of our commercial relationship with them with regard to our access to certain protected health information. If the government determines that we are a covered entity or a business associate, we could be faced with additional costs related to HIPAA compliance and subject to governmental enforcement for failure to comply with HIPAA, which could have a material adverse effect on our business, financial condition and results of operations and reputation.

Laws pertaining to healthcare fraud and abuse could materially adversely affect our business, financial condition and results of operations.

We may be subject to various federal, state and foreign laws pertaining to healthcare fraud and abuse, including anti-kickback laws, physician self-referral laws and false claims laws. Violations of these laws are punishable by criminal and civil sanctions, including, in some instances, exclusion from participation in federal and state healthcare programs, including Medicare, Medicaid, Veterans Administration health programs and TRICARE. Similarly, if the physicians or other providers or entities with whom we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could indirectly have a negative impact on our business, financial condition and results of operations. While we believe that our operations are in material compliance with such laws, because of the complex and far-reaching nature of these laws, there can be no assurance that we would not be required to alter one or more of our practices to be in compliance with these laws.

Indeed, changes in state laws and model codes of ethics have required us to alter certain of our compliance efforts. For example, in April of 2009, Massachusetts issued regulations governing the conduct of pharmaceutical and medical device manufacturers with respect to healthcare practitioners. This regulation became effective on July 1, 2009 and sets forth what medical device manufacturers may and may not permissibly do with respect to providing meals, sponsoring continuing medical education and otherwise providing payments or items of economic benefit to healthcare practitioners located within the state. Additionally, the regulation requires medical device manufacturers to have in place robust fraud and abuse compliance programs. Other states (e.g., California, Vermont and Nevada) have adopted similar laws. These laws and regulations act to limit our marketing practices, require the dedication of resources to ensure compliance, and expose us to additional liabilities.

In addition, the recent Affordable Care Act, among other things, amends the intent requirement of the federal Anti-Kickback Statute and certain criminal healthcare fraud statutes so that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The Affordable Care Act also provides that the government may assert that a claim including items or services resulting from a violation of these statutes constitutes a false or fraudulent claim for purposes of the civil False Claims Act or the civil monetary penalties statute.

Any violations of these laws or regulations could result in a material adverse effect on our business, financial condition and results of operations. In addition, changes in these laws, regulations, or administrative or judicial interpretations, may require us to further change our business practices or subject our existing business practices to legal challenges, which could have a material adverse effect on our business, financial condition and results of operations.

### Item 1B. Unresolved Staff Comments.

None.



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## Item 2. Properties.

The following is a summary of Cooper's principal facilities as of October 31, 2015. We generally lease our office and operations facilities but own several manufacturing and research and development facilities, including 205,850 square feet in Hamble, United Kingdom, 49,500 square feet in Scottsville, New York, 63,787 square feet in Malov, Denmark, and 33,630 square feet in Stafford, Texas. Our lease agreements expire at various dates through the year 2045. We believe our properties are suitable and adequate for our businesses.

| Location            | Approximate Square Feet | Operations   |
|---------------------|-------------------------|--|
| <b>AMERICAS</b>     |                         |  |
| United States:      |                         |  |
| California          | 112,109                 | Executive offices; CooperVision research & development and administrative offices; CooperSurgical manufacturing and distribution |
| New York            | 377,507                 | CooperVision manufacturing, marketing, distribution and administrative offices   |
| Connecticut         | 291,237                 | CooperSurgical manufacturing, marketing, distribution, research & development and administrative offices                         |
| Puerto Rico         | 510,792                 | CooperVision manufacturing and distribution  |
| Brazil              | 16,576                  | CooperVision marketing and distribution  |
| Canada              | 11,647                  | CooperVision marketing   |
| Other Americas      | 69,295                  | CooperVision marketing and distribution; CooperSurgical manufacturing and marketing  |
| <b>EMEA</b>         |                         |  |
| United Kingdom      | 666,157                 | CooperVision manufacturing, marketing, distribution, research & development and administrative offices; CooperSurgical marketing |
| Belgium             | 171,400                 | CooperVision distribution  |
| Denmark             | 63,787                  | CooperSurgical manufacturing, marketing and administrative offices   |
| Germany             | 27,949                  | CooperVision marketing and distribution; CooperSurgical manufacturing, marketing and distribution                                |
| Hungary             | 150,302                 | CooperVision manufacturing and marketing   |
| Other EMEA          | 141,474                 | CooperVision and CooperSurgical marketing and distribution   |
| <b>ASIA PACIFIC</b> |                         |  |
| Japan               | 73,932                  | CooperVision manufacturing, marketing, distribution and administrative offices; CooperSurgical marketing                         |
| Australia           | 29,952                  | CooperVision manufacturing, marketing, distribution and administrative offices; CooperSurgical marketing                         |
| Other Asia Pacific  | 65,117                  | CooperVision and CooperSurgical marketing and distribution   |



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Item 3. Legal Proceedings.

On or about November 11, 2014, Johnson & Johnson Vision Care (JJVC) filed an action in the district court of Dusseldorf, Germany, against CooperVision GmbH and CooperVision, Inc. (collectively “CooperVision” or “we”) for patent infringement. In the action, JJVC alleged that certain CooperVision products infringe JJVC’s European Patent No. EP 1 754 728 B1, and was seeking damages and to enjoin these products from selling in Germany. We were challenging the validity of the patent before the European Patent Office.

In July 2015, CooperVision made a one-time lump sum payment to JJVC of \$17.0 million to settle our existing patent disputes. As a result of the settlement, we withdrew our opposition to the JJVC patent filed before the European Patent Office, and JJVC withdrew its complaint of infringement pending before the district court of Dusseldorf, Germany. The settlement included worldwide, non-exclusive, perpetual and royalty-free cross-licenses between the parties to certain patents including the JJVC patent referenced above. The settlement also included reciprocal covenants not to sue on those patents which were not licensed with respect to each party’s current, core commercialized product offerings, including all silicone hydrogel lenses. Neither party admitted any liability as part of the settlement.

Since March 2015, over 50 putative class action complaints were filed by contact lens consumers alleging that contact lens manufacturers, in conjunction with their respective Unilateral Pricing Policy (UPP), conspired to reach agreements between each other and certain distributors and retailers regarding the prices at which certain contact lenses could be sold to consumers. The plaintiffs are seeking damages against CooperVision, Inc., other contact lens manufacturers, distributors and retailers, in various courts around the United States. In June 2015, all of the class action cases were consolidated and transferred to the United States District Court for the Middle District of Florida. CooperVision denies the allegations and intends to defend the actions vigorously. We are not in a position to assess whether any loss or adverse effect on our financial condition is probable or remote or to estimate the range of potential loss, if any.

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Cooper's common stock, par value \$0.10 per share, is traded on the New York Stock Exchange under the symbol "COO." In the table that follows, we indicate the high and low selling prices of our common stock for each three-month period of 2015 and 2014:

| Quarterly Common Stock Price Range<br>Years Ended October 31,<br>Fiscal Quarter Ended | 2015     |          | 2014     |          |
|---|----------|----------|----------|----------|
|   | High     | Low      | High     | Low      |
| January 31  | \$171.54 | \$154.21 | \$135.00 | \$118.58 |
| April 30  | \$190.00 | \$154.80 | \$145.34 | \$116.95 |
| July 31   | \$186.37 | \$170.50 | \$163.24 | \$127.02 |
| October 31  | \$179.75 | \$136.75 | \$166.52 | \$143.62 |

At November 30, 2015, there were 454 common stockholders of record.

## Dividend Policy

Our current policy is to pay annual cash dividends on our common stock of \$0.06 per share, in two semiannual payments of \$0.03 per share each. In dollar terms, we paid cash for dividends of about \$2.9 million in fiscal 2015 and \$2.9 million in fiscal 2014. Dividends are paid when, as and if declared at the discretion of our Board of Directors from funds legally available for that purpose. Our Board of Directors periodically reviews our dividend policy and considers the Company's earnings, financial condition, liquidity needs, business plans and opportunities and other factors in making and setting dividend policy.

## Performance Graph

The following graph compares the cumulative total return on Cooper common stock with the cumulative total return of the Standard & Poor's Midcap 400 and the Standard & Poor's Health Care Equipment Index for the five-year period ended October 31, 2015. The graph also includes the cumulative total return of the Standard & Poor's Smallcap 600 Stock Index as we presented this information in prior years but now consider the comparison to the Standard & Poor's Midcap 400 as a more appropriate comparison to our size and position in the market. The graph assumes that the value of the investment in Cooper and in each index was \$100 on October 31, 2010, and assumes that all dividends were reinvested.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among The Cooper Companies, Inc., the S&P Smallcap 600 Index, the S&P Midcap 400 Index and the S&P Health Care Equipment Index

\*\$100 invested on 10/31/10 in stock or index, including reinvestment of dividends.

Fiscal year ending October 31.

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|                            | 10/10    | 10/11    | 10/12    | 10/13    | 10/14    | 10/15    |
|----------------------------|----------|----------|----------|----------|----------|----------|
| The Cooper Companies, Inc. | \$100.00 | \$140.58 | \$194.86 | \$262.47 | \$333.08 | \$309.74 |
| S&P Smallcap 600           | \$100.00 | \$110.54 | \$125.57 | \$174.65 | \$190.88 | \$196.32 |
| S&P Midcap 400             | \$100.00 | \$108.55 | \$121.69 | \$162.44 | \$181.37 | \$187.57 |
| S&P Health Care Equipment  | \$100.00 | \$106.59 | \$121.70 | \$152.79 | \$190.35 | \$207.56 |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Unregistered Sales of Equity Securities and Use of Proceeds

## Issuer Purchases of Equity Securities

During the three-month period ended October 31, 2015, we repurchased shares of our common stock as follows:

| Period             | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs |
|--------------------|----------------------------------|------------------------------|--|---|
| 8/1/15 – 8/31/15   | —                                | \$—                          | —  | \$ 169,700,000  |
| 9/1/15 – 9/30/15   | —                                | \$—                          | —  | \$ 169,700,000  |
| 10/1/15 – 10/31/15 | 367,539                          | \$ 139.60                    | 367,539  | \$ 118,400,000  |
| Total              | 367,539                          |                              | 367,539  |   |

The transactions described in the table above represent the repurchase of the Company's common stock on the New York Stock Exchange as part of the share repurchase program approved by the Company's Board of Directors in December 2011 (2012 Share Repurchase Program). The program as amended in December 2012 and December 2013 provides authorization for a total of \$500.0 million. Purchases under the 2012 Share Repurchase Program may be made from time-to-time on the open market at prevailing market prices or in privately negotiated transactions and are subject to a review of the circumstances in place at the time and will be made from time to time as permitted by securities laws and other legal requirements. This program has no expiration date and may be discontinued at any time. At October 31, 2015, the remaining repurchase authorization under the 2012 Share Repurchase Program was approximately \$118.4 million.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Equity Compensation Plan Information

| Plan Category   | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights <sup>(1)</sup> (A) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C) |
|---|--|---|---|
| Equity compensation plans approved by shareholders <sup>(2)</sup> | 1,866,494  | \$79.85   | 943,522   |
| Equity compensation plans not approved by shareholders            | —  | —   | —   |
| Total   | 1,866,494  | \$79.85   | 943,522   |

<sup>(1)</sup> The amount of total securities to be issued under Company equity plans shown in Column A includes 516,206 Restricted Stock Units granted pursuant to the Company's equity plans. These awards allow for the distribution of shares to the grant recipient upon the completion of time-based holding periods. The total also includes 29,850 shares to be issued pursuant to Performance Share Awards which previously vested and receipt of shares was deferred for a specified period of time and 229,907 shares representing the maximum number of share that may be issued subject to Performance Share Awards without a defined payout. Restricted Stock Units and Performance Share Awards do not have an associated exercise price. Accordingly, these awards are not reflected in the weighted-average exercise price disclosed in Column B.

<sup>(2)</sup> Includes information with respect to the Second Amended and Restated 2007 Long-Term Incentive Plan for Employees of the Cooper Companies, Inc. ("2007 Plan"), which was approved by stockholders on March 16, 2011, and provides for the issuance of up to 5,230,000 shares of Common Stock, and the Second Amended and Restated 2006 Long Term Incentive Plan for Non-Employee Directors of the Cooper Companies, Inc. (the "Directors' Plan"), which was approved by stockholders on March 16, 2011 and provides for the issuance of up to 950,000 shares of Common Stock. As of October 31, 2015, 757,747 shares remained available under the 2007 Plan and 185,775 shares remained available under the 2006 Directors' Plan.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Item 6. Selected Financial Data.

## Five Year Financial Highlights

| Years Ended October 31,<br>(In thousands, except per share<br>amounts) | 2015        | 2014        | 2013        | 2012        | 2011        |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Consolidated Operations</b>   |             |             |             |             |             |
| Net sales  | \$1,797,060 | \$1,717,776 | \$1,587,725 | \$1,445,136 | \$1,330,835 |
| Gross profit   | \$1,070,262 | \$1,091,570 | \$1,026,808 | \$924,010   | \$804,804   |
| Income before income taxes   | \$215,485   | \$296,534   | \$312,271   | \$275,452   | \$192,764   |
| Net income attributable to<br>Cooper stockholders                      | \$203,523   | \$269,856   | \$296,151   | \$248,339   | \$175,430   |
| Diluted earnings per share<br>attributable to Cooper stockholders      | \$4.14      | \$5.51      | \$5.96      | \$5.05      | \$3.63      |
| Number of shares used to compute<br>diluted earnings per share         | 49,179      | 48,960      | 49,685      | 49,152      | 48,309      |
| Dividends paid per share   | \$0.06      | \$0.06      | \$0.06      | \$0.06      | \$0.06      |
| <b>Consolidated Financial Position</b>                                 |             |             |             |             |             |
| Current assets   | \$841,818   | \$791,617   | \$747,241   | \$657,860   | \$540,347   |
| Property, plant and equipment, net                                     | 967,097     | 937,325     | 739,867     | 640,255     | 609,205     |
| Goodwill   | 2,197,077   | 2,220,921   | 1,387,611   | 1,370,247   | 1,276,567   |
| Other intangible assets, net   | 411,090     | 453,605     | 198,769     | 214,783     | 128,341     |
| Other assets   | 43,528      | 54,872      | 63,773      | 58,239      | 70,058      |
|  | \$4,460,610 | \$4,458,340 | \$3,137,261 | \$2,941,384 | \$2,624,518 |
| Short-term debt  | \$244,193   | \$101,518   | \$42,987    | \$25,284    | \$52,979    |
| Other current liabilities  | 324,979     | 340,664     | 278,266     | 237,268     | 214,227     |
| Long-term debt   | 1,105,764   | 1,280,833   | 301,670     | 348,422     | 327,453     |
| Other liabilities  | 111,770     | 146,885     | 90,844      | 117,252     | 92,371      |
| Total liabilities  | 1,786,706   | 1,869,900   | 713,767     | 728,226     | 687,030     |
| Stockholders' equity   | 2,673,904   | 2,588,440   | 2,423,494   | 2,213,158   | 1,937,488   |
|  | \$4,460,610 | \$4,458,340 | \$3,137,261 | \$2,941,384 | \$2,624,518 |

In our fiscal fourth quarter of 2014, Cooper acquired Saufion Pharmaceuticals Limited, as discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 2 of our notes to consolidated financial statements.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Note numbers refer to "Notes to Consolidated Financial Statements" in Item 8. Financial Statements and Supplementary Data.

RESULTS OF OPERATIONS

We discuss below the results of our operations for fiscal 2015 compared with fiscal 2014 and the results of our operations for fiscal 2014 compared with fiscal 2013. We discuss our cash flows and current financial condition under "Capital Resources and Liquidity." Certain prior period amounts have been reclassified to conform to the current period's presentation. Within the tables presented, percentages are calculated based on the underlying whole-dollar amounts and, therefore, may not recalculate from the rounded numbers used for disclosure purposes.

Outlook

Overall, we remain optimistic about the long-term prospects for the worldwide contact lens and women's healthcare markets. However, events affecting the economy as a whole, including the uncertainty and instability of global markets driven by foreign currency volatility, European debt concerns and the Affordable Care Act, including the trend of consolidation within the healthcare industry, impact our current performance and continue to represent a risk to our performance for fiscal year 2016.

CooperVision - We compete in the worldwide contact lens market with our spherical, toric and multifocal contact lenses offered in a variety of materials including using silicone hydrogel Aquaform® technology and phosphorylcholine (PC) Technology™. We believe that there will be lower contact lens wearer dropout rates as technology improves and enhances the wearing experience through a combination of improved designs and materials and the growth of preferred modalities such as single-use and monthly wearing options. CooperVision is focused on greater worldwide market penetration as we introduce new products and continue to expand our presence in existing and emerging markets, including through acquisitions.

On August 6, 2014, we acquired Sauflon Pharmaceuticals Limited (Sauflon), a privately-held European manufacturer and distributor of soft contact lenses and aftercare solutions. The acquisition of Sauflon expanded our contact lens product portfolio particularly with Sauflon's clariti® 1day brand of single-use silicone hydrogel spherical, toric and multifocal lenses.

Sales of contact lenses utilizing silicone hydrogel materials continue to grow and this product material represents about half of the industry. Our ability to compete successfully with a full range of silicone hydrogel products is an important factor to achieving our desired future levels of sales growth and profitability. CooperVision markets monthly and two-week silicone hydrogel spherical and toric lens products under our Biofinity®, clariti® and Avaira® brands and a monthly silicone hydrogel multifocal lens under Biofinity. CooperVision markets single-use spherical, toric and multifocal lenses under our clariti 1day brand and a single-use silicone hydrogel spherical lens under MyDay®.

We believe that the global market for single-use contact lenses will continue to grow and our single-use silicone hydrogel products represent an opportunity for our business. Our clariti 1day brand provides the only single-use silicone hydrogel lenses in the marketplace with a complete line of spherical, toric and multifocal contact lenses. We forecast increasing aggregate demand for clariti 1day, MyDay, and Proclear 1 Day products, as well as future single-use products. To meet this anticipated demand, we plan to continue the implementation of capital projects to invest in increased single-use manufacturing capacity.

CooperSurgical - Our CooperSurgical business competes in the highly fragmented medical device segment of the women's healthcare market. CooperSurgical has established its market presence and distribution system





THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

by developing products and acquiring companies and products that complement its business model. In August 2015, CooperSurgical acquired Reprogenetics, a genetics laboratory specializing in preimplantation genetic screening (PGS) and preimplantation genetic diagnosis (PGD) used during the in vitro fertilization (IVF) process. We paid \$46.8 million for Reprogenetics and expect the acquisition to be neutral to earnings per share excluding acquisition costs and related amortization through fiscal 2016. We intend to continue to invest in CooperSurgical's business through acquisitions of companies and product lines. CooperSurgical product sales are categorized based on the point of healthcare delivery including products used in medical office and surgical procedures by obstetricians and gynecologists (ob/gyns) that represented 66% of CooperSurgical's net sales in fiscal 2015. CooperSurgical's remaining sales are products used in fertility clinics that now represent 34% of CooperSurgical's net sales compared to 35% in fiscal 2014.

Capital Resources - At October 31, 2015, we had \$16.4 million in cash, primarily outside the United States, and \$890.8 million available under our revolving Credit Agreement. The \$700.0 million term loan entered into on August 4, 2014, and the \$300.0 million term loan entered into on September 12, 2013, remain outstanding as of October 31, 2015. On March 24, 2015, we entered into two new uncommitted revolving lines of credit with a termination date of March 24, 2016, and a maximum combined capacity of \$200.0 million. At October 31, 2015, all \$200.0 million was outstanding and the proceeds had been utilized to pay down higher interest rate debt on our revolving Credit Agreement.

On July 14, 2015, CooperVision made a one-time lump sum payment to JJVC of \$17.0 million to settle our existing patent disputes. As discussed in Note 12 of the notes to consolidated financial statements, the settlement was royalty-free and neither party admitted any liability. On April 7, 2015, we paid all of the outstanding loan notes issued to previous holders of Sauflon shares for the Sauflon acquisition in the amount of \$51.2 million that had been recorded in short-term debt. Our current cash balance and availability under existing credit facilities reflects the use of cash outside the United States and the use of existing credit facilities to fund the \$1.1 billion acquisition of Sauflon in August 2014. We believe that our cash and cash equivalents, cash flow from operating activities and borrowing capacity under existing credit facilities will fund operations both in the next 12 months and in the longer term as well as current and long-term cash requirements for capital expenditures, acquisitions, share repurchases and cash dividends. However, depending on the size or timing of these business activities, we may seek to raise additional debt financing.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

2015 Compared with 2014

Highlights: 2015 vs. 2014

Net sales up 5% to \$1.80 billion from \$1.72 billion in fiscal year 2014

Gross margin 60% of net sales down from 64%

Operating income down 23% to \$236.7 million from \$306.5 million

Interest expense increased to \$18.1 million from \$8.0 million

Diluted earnings per share down 25% to \$4.14 from \$5.51

Operating cash flow \$391.0 million down 14% from \$454.8 million

Fiscal 2015 pre-tax results include \$51.5 million for amortization of intangible assets and \$126.4 million of acquisition, integration and restructuring costs primarily related to the acquisition of Sauflon as well as certain legal costs. Acquisition related and integration expenses include items such as personnel costs for transitional employees, other acquired employee related costs and integration related professional services. Restructuring expenses consist of employee severance, product rationalization, facility and other exit costs. We expect amortization of intangible assets will recur in future periods; however, the amounts are affected by the timing and size of our acquisitions. Expenses such as the acquisition related and integration expenses generally diminish over time with respect to past acquisitions. However, we generally will incur similar expenses in connection with any future acquisitions.

The fiscal 2015 results include \$57.8 million of expenses primarily due to product and equipment rationalization related to recent acquisitions, \$8.0 million of costs associated with the start-up of new manufacturing facilities, and \$4.5 million of severance costs, all recorded in cost of sales. Included in our selling, general and administrative expense is \$31.7 million in costs for CooperVision's acquisition of Sauflon and the related integration and restructuring activities, severance costs in our CooperSurgical fertility business along with other acquisition costs; and \$19.8 million of legal costs. The legal costs include a \$17.0 million settlement related to intellectual property claims by Johnson & Johnson Vision Care (JJVC) as well as litigation costs relating to the class action complaints filed against CooperVision and other contact lens manufacturers, distributors and retailers relating to Unilateral Pricing Policy (UPP). Research and development expense includes \$4.6 million of integration and restructuring activities primarily for equipment rationalization along with severance costs.

The fiscal 2014 integration and restructuring costs include \$16.5 million in charges to cost of sales primarily for product rationalization arising from the acquisition of Sauflon. The charge for product rationalization was based on our review of products, materials and manufacturing processes of Sauflon. Included in our selling, general and administrative expense is \$44.5 million in costs for CooperVision's acquisition of Sauflon and the related integration and restructuring activities, severance costs in our CooperSurgical fertility business along with other acquisition costs. Research and development expense includes \$0.6 million of severance costs related to integration and restructuring activities.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis of Financial Condition and Results of Operations

## Selected Statistical Information – Percentage of Net Sales

| Years Ended October 31,                     | 2015 | 2015 vs. 2014<br>% Change | 2014  | 2014 vs.<br>2013<br>% Change | 2013  |   |
|---|------|---------------------------|-------|------------------------------|-------|---|
| Net sales                                   | 100  | % 5                       | % 100 | % 8                          | % 100 | % |
| Cost of sales                               | 40   | % 16                      | % 36  | % 12                         | % 35  | % |
| Gross profit                                | 60   | % (2)                     | )% 64 | % 6                          | % 65  | % |
| Selling, general and administrative expense | 40   | % 4                       | % 40  | % 12                         | % 38  | % |
| Research and development expense            | 4    | % 5                       | % 4   | % 13                         | % 4   | % |
| Amortization of intangibles                 | 3    | % 44                      | % 2   | % 18                         | % 2   | % |
| Loss on divestiture of Aime                 | —    | —                         | —     | —                            | 2     | % |
| Operating income                            | 13   | % (23)                    | )% 18 | % 0.2                        | % 19  | % |

## Net Sales

Our two business units, CooperVision and CooperSurgical, generate all of our sales.

CooperVision develops, manufactures and markets a broad range of soft contact lenses for the worldwide vision correction market.

CooperSurgical develops, manufactures and markets medical devices and procedure solutions to improve healthcare delivery to women.

## Net Sales Growth by Business Unit

Our consolidated net sales grew by \$79.3 million or 5% in fiscal 2015 and \$130.0 million or 8% in fiscal 2014:

| (\$ in millions) | 2015 vs.<br>2014 | % Change | 2014 vs.<br>2013 | % Change |   |
|------------------|------------------|----------|------------------|----------|---|
| CooperVision     | \$95.1           | 7        | % \$124.3        | 10       | % |
| CooperSurgical   | (15.8)           | ) (5     | )% 5.7           | 2        | % |
|                  | \$79.3           | 5        | % \$130.0        | 8        | % |

## CooperVision Net Sales

The contact lens market has two major product categories:

Spherical lenses including lenses that correct near- and farsightedness uncomplicated by more complex visual defects. Toric and multifocal lenses including lenses that, in addition to correcting near- and farsightedness, address more complex visual defects such as astigmatism and presbyopia by adding optical properties of cylinder and axis, which correct for irregularities in the shape of the cornea.

In order to achieve comfortable and healthy contact lens wear, products are sold with recommended replacement schedules, often defined as modalities, with the primary modalities being single-use, two-week and monthly.

CooperVision offers spherical, aspherical, toric, multifocal and toric multifocal lens products in most modalities. Single-use lenses are designed for daily replacement and frequently replaced lenses are designed for two-week or monthly replacement. Significantly, the market for spherical lenses is growing with value-added

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis of Financial Condition and Results of Operations

spherical lenses to alleviate dry eye symptoms, to add aspherical optical properties and/or higher oxygen permeable lenses such as silicone hydrogels.

CooperVision's Proclear brand aspheric, toric and multifocal contact lenses, manufactured using PC Technology, help enhance tissue/device compatibility and offer improved lens comfort.

CooperVision's silicone hydrogel Biofinity brand spherical, toric and multifocal contact lenses, Avaira brand spherical and toric products and MyDay brand spherical lenses are manufactured using proprietary Aquaform technology to increase oxygen transmissibility for longer wear. Our silicone hydrogel clariti brand spherical, toric and multifocal contact lenses are available in monthly and single-use modalities. We believe the clariti single-use silicone hydrogel lens products provide a competitive advantage in approved markets as clariti is the only single-use silicone hydrogel lens available in all vision correction categories - spherical, toric and multifocal.

CooperVision fiscal 2015 net sales increased 7% from fiscal 2014 to \$1.49 billion. Net sales growth included increases in total sphere lenses up 5%, representing 55% of net sales, compared to 56% in the prior year, primarily on sales of Biofinity, clariti and MyDay lenses. Total toric lenses grew 3%, representing 30% of net sales, compared to 31% in the prior year on sales of Biofinity, clariti and Avaira lenses. Total multifocal lenses grew 10%, representing 11% of net sales, the same as in the prior year, on sales of Biofinity, clariti and Proclear lenses. Total silicone hydrogel products, including Biofinity, clariti, MyDay and Avaira, grew 19%, representing 55% of net sales up from 49% in the prior year. CooperVision's older conventional lens products declined 21% and represent 2% of net sales, the same as in the prior year.

CooperVision competes in the worldwide soft contact lens market and services three primary regions: the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific.

## CooperVision Net Sales by Geography

| (\$ in millions) | 2015      | 2014      | 2015 vs. 2014<br>% Change |    |
|------------------|-----------|-----------|---------------------------|----|
| Americas         | \$624.3   | \$585.6   | 7                         | %  |
| EMEA             | 602.1     | 533.5     | 13                        | %  |
| Asia Pacific     | 261.4     | 273.5     | (4)                       | )% |
|                  | \$1,487.8 | \$1,392.6 | 7                         | %  |

CooperVision fiscal 2015 net sales growth was partially offset by foreign exchange rate fluctuations, which decreased net sales by \$138.4 million. Americas net sales growth was primarily due to market gains of silicone hydrogel contact lenses including Biofinity, clariti and MyDay partially offset by a decrease in sales of older hydrogel lens products. EMEA net sales growth was primarily driven by sales of clariti and MyDay silicone hydrogel lenses. The increase in EMEA net sales was partially offset by the negative impact from the weakening of foreign currencies as compared to the United States dollar. Net sales to the Asia Pacific region decreased due to the negative impact from the weakening of foreign currencies, primarily the Japanese yen, compared to the United States dollar. Excluding the impact of currency, sales in the Asia Pacific region grew on market gains of silicone hydrogel lenses, including Biofinity, clariti and MyDay, along with growth in sales of Proclear 1 Day lenses.

CooperVision's net sales growth was driven primarily by increases in the volume of lenses sold, including recently introduced silicone hydrogel products and products from the acquisition of Sauflon. While unit growth and product mix have influenced CooperVision's sales growth, average realized prices by product have not materially influenced sales growth.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis of Financial Condition and Results of Operations

## CooperSurgical Net Sales

CooperSurgical supplies the market for women's healthcare with a diversified portfolio of products for use in surgical and other medical procedures that are performed primarily by obstetricians and gynecologists in hospitals, surgical centers, fertility clinics and in the medical office. Fertility products include highly specialized products and services that target in vitro fertilization (IVF) treatment with a goal to make fertility treatment safer, more efficient and convenient.

| Year Ended October 31,<br>(\$ in millions) | 2015    | % Net<br>Sales | 2014      | % Net<br>Sales | 2015 vs. 2014<br>% Change |
|--|---------|----------------|-----------|----------------|---------------------------|
| Office and surgical procedures             | \$204.1 | 66             | % \$211.9 | 65             | % (4) )%                  |
| Fertility                                  | 105.2   | 34             | % 113.2   | 35             | % (7) )%                  |
|  | \$309.3 | 100            | % \$325.1 | 100            | % (5) )%                  |

CooperSurgical's net sales of medical office and surgical procedures decreased compared to the prior year due to declines in sales of medical equipment partially offset by growth in sales of disposable products. The net sales decline in fertility products was primarily due to the negative impact from the weakening of foreign currencies as compared to the United States dollar. Excluding the impact of currency, sales grew on market gains of products and services recently acquired with Reprogenetics and sales of our existing fertility products were flat compared to the prior year. CooperSurgical's sales primarily include women's healthcare products used in fertility procedures and by gynecologists and obstetricians in office and surgical procedures. The balance consists of sales of medical devices outside of women's healthcare which CooperSurgical does not actively market. CooperSurgical's sales growth was driven primarily by products from recent acquisitions. Unit growth and product mix, primarily sales of fertility products, along with increased average realized prices on disposable products also influenced sales growth.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

2014 Compared with 2013

Highlights: 2014 vs. 2013

Net sales up 8% to \$1.72 billion from \$1.59 billion in fiscal year 2013

Gross margin 64% of net sales down from 65%

Operating income up 0.2% to \$306.5 million from \$305.9 million

Interest expense down 13% to \$8.0 million from \$9.2 million

Diluted earnings per share down 8% to \$5.51 from \$5.96

Operating cash flow \$454.8 million up 9% from \$415.9 million

Fiscal 2014 pre-tax results include \$35.7 million for amortization of intangible assets and \$62.8 million of acquisition, integration and restructuring costs primarily related to the acquisition of Sauflon. We expect amortization of intangible assets will recur in future periods; however, the amounts are affected by the timing and size of our acquisitions. Expenses such as the acquisition related and integration expenses generally diminish over time with respect to past acquisitions. However, we generally will incur similar expenses in connection with any future acquisitions. We incurred significant expenses in connection with our acquisitions and also incurred certain other operating expenses or income, which we generally would not have otherwise incurred in the periods presented as a part of our continuing operations. Many of these costs relate to our acquisition of Sauflon in our fiscal fourth quarter of 2014. Acquisition related and integration expenses consist of personnel related costs for transitional employees, other acquired employee related costs and integration related professional services. Restructuring expenses consist of employee severance, product rationalization, facility and other exit costs.

The fiscal 2014 integration and restructuring costs include \$16.5 million in charges to cost of sales primarily for product rationalization arising from the acquisition of Sauflon. The charge for product rationalization is based on our review of products, materials and manufacturing processes of Sauflon. Included in our selling, general and administrative expense (SGA) is \$44.5 million in costs for CooperVision's acquisition of Sauflon and the related integration and restructuring activities, severance costs in our CooperSurgical fertility business along with other acquisition costs. Research and development expense includes \$0.6 million of severance costs related to integration and restructuring activities.

Fiscal 2013 pre-tax results include \$30.2 million for amortization of intangible assets, a \$21.1 million loss on divestiture of Aime, \$14.1 million of insurance proceeds related to a business interruption claim and \$0.6 million of costs, included in SGA expense, related to the acquisition of Origio.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis of Financial Condition and Results of Operations

## Selected Statistical Information – Percentage of Net Sales

| Years Ended October 31,                     | 2014 | 2014 vs.<br>2013<br>% Change | 2013  | 2013 vs.<br>2012<br>% Change | 2012  | 2012 |   |
|---|------|------------------------------|-------|------------------------------|-------|------|---|
| Net sales                                   | 100  | % 8                          | % 100 | % 10                         | % 100 |      | % |
| Cost of sales                               | 36   | % 12                         | % 35  | % 8                          | % 36  |      | % |
| Gross profit                                | 64   | % 6                          | % 65  | % 11                         | % 64  |      | % |
| Selling, general and administrative expense | 40   | % 12                         | % 38  | % 8                          | % 39  |      | % |
| Research and development expense            | 4    | % 13                         | % 4   | % 14                         | % 4   |      | % |
| Amortization of intangibles                 | 2    | % 18                         | % 2   | % 26                         | % 1   |      | % |
| Loss on divestiture of Aime                 | —    | —                            | 2     | % —                          | —     |      |   |
| Operating income                            | 18   | % 0.2                        | % 19  | % 8                          | % 20  |      | % |

## Net Sales

Our two business units, CooperVision and CooperSurgical, generate all of our sales.

CooperVision develops, manufactures and markets a broad range of soft contact lenses for the worldwide vision correction market.

CooperSurgical develops, manufactures and markets medical devices and procedure solutions to improve healthcare delivery to women.

## Net Sales Growth by Business Unit

Our consolidated net sales grew by \$130.0 million or 8% in fiscal 2014 and \$142.6 million or 10% in fiscal 2013:

| (\$ in millions) | 2014 vs.<br>2013 | % Change | 2013 vs.<br>2012 | % Change |   |
|------------------|------------------|----------|------------------|----------|---|
| CooperVision     | \$124.3          | 10       | % \$79.1         | 7        | % |
| CooperSurgical   | 5.7              | 2        | % 63.5           | 25       | % |
|                  | \$130.0          | 8        | % \$142.6        | 10       | % |

## CooperVision Net Sales

CooperVision fiscal 2014 net sales increased 10% from fiscal 2013 to \$1.4 billion including Sauflon's net sales, subsequent to the acquisition, of \$49.7 million. CooperVision net sales growth included increases in total sphere lenses up 9%, representing 56% of net sales, the same as the prior year, and total toric lenses up 11%, representing 31% of net sales, the same as in the prior year. Total multifocal lenses grew 21% to 11% of net sales up from 10% in the prior year on increased sales of Biofinity monthly and Proclear single-use multifocal products. Total silicone hydrogel products, including MyDay, our single-use silicone hydrogel lens, and Sauflon's silicone hydrogel products, including clariti, grew 27%, representing 49% of net sales up from 43% in the prior year. Excluding Sauflon, silicone hydrogel products grew 21%. Proclear product sales grew 6% and represented 24% of net sales compared to 25% in the prior year. CooperVision's older conventional lens products, including cosmetic lenses, declined 12% and now represent 2% of net sales compared to 3% in the prior year. The year over year comparison of net sales also reflects no sales in fiscal 2014 of Aime products, divested on October 31, 2013, as compared to \$25.8 million of net sales in fiscal 2013.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Management's Discussion and Analysis of Financial Condition and Results of Operations

CooperVision competes in the worldwide soft contact lens market and services three primary regions: the Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific.

## CooperVision Net Sales by Geography

| (\$ in millions) | 2014      | 2013      | 2014 vs. 2013<br>% Change |    |
|------------------|-----------|-----------|---------------------------|----|
| Americas         | \$585.6   | \$546.2   | 7                         | %  |
| EMEA             | 533.5     | 439.4     | 22                        | %  |
| Asia Pacific     | 273.5     | 282.7     | (3                        | )% |
|                  | \$1,392.6 | \$1,268.3 | 10                        | %  |

CooperVision's worldwide net sales grew 10% in the year-to-year comparison, including Sauflon as discussed above. Americas net sales growth was primarily due to market gains of silicone hydrogel contact lenses along with single-use sphere and multifocal products. EMEA net sales growth was primarily driven by increased sales of silicone hydrogel lenses including Sauflon's silicone hydrogel single-use products. Net sales to the Asia Pacific region decreased due to the negative impact of the weakening of the Japanese yen compared to the United States dollar. Excluding the impact of currency, sales in the Asia Pacific region grew on market gains of silicone hydrogel lenses and single-use products, including Proclear multifocal single-use lenses.

CooperVision's net sales growth was driven primarily by increases in the volume of lenses sold, including recently introduced silicone hydrogel products and products from the August 2014 acquisition of Sauflon. While unit growth and product mix have influenced CooperVision's sales growth, average realized prices by product have not materially influenced sales growth.

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## CooperSurgical Net Sales

CooperSurgical supplies the market for women's healthcare with its diversified portfolio of products for use in surgical and other medical procedures that are performed by obstetricians and gynecologists in hospitals, surgical centers, fertility clinics and in the medical office. With the July 2012 acquisition of Origio a/s, a global in-vitro fertilization (IVF) medical device company, CooperSurgical develops, manufactures and distributes highly specialized products that target IVF treatment with a goal to make fertility treatment safer, more efficient and convenient.

| Year Ended October 31,<br>(\$ in millions) | 2014    | % Net<br>Sales | 2013      | % Net<br>Sales | 2014 vs. 2013<br>% Change |    |
|--|---------|----------------|-----------|----------------|---------------------------|----|
| Office and surgical procedures             | \$211.9 | 65             | % \$213.4 | 67             | % (1                      | )% |
| Fertility                                  | 113.2   | 35             | % 106.0   | 33             | % 7                       | %  |
|  | \$325.1 | 100            | % \$319.4 | 100            | % 2                       | %  |

CooperSurgical's net sales of fertility products increased primarily due to market gains of disposable products partially offset by slower growth in sales of medical equipment. The decline in net sales of medical office and surgical procedures was primarily due to declines in sales of medical equipment offset in part by growth in sales of disposable products.

CooperSurgical's sales primarily comprise women's healthcare products used in fertility procedures and by gynecologists and obstetricians in surgical procedures and in the medical office. The balance consists of sales of medical devices outside of women's healthcare which CooperSurgical does not actively market. Unit growth and product mix, primarily sales of fertility products, along with increased average realized prices on disposable products influenced sales growth.

## 2015 Compared to 2014 and 2014 Compared to 2013

## Cost of Sales/Gross Profit

| Gross Profit Percentage of Net Sales | 2015 | 2014 | 2013 |   |
|--------------------------------------|------|------|------|---|
| CooperVision                         | 59   | % 63 | % 65 | % |
| CooperSurgical                       | 64   | % 64 | % 64 | % |
| Consolidated                         | 60   | % 64 | % 65 | % |

The decrease in CooperVision's gross margin in the three year period ending October 31, 2015, was primarily attributable to negative effects of foreign currency changes, product and equipment rationalization costs and facility start-up costs. Foreign currency unfavorably impacted gross margin as we reported lower net sales due to the weakening of the foreign currencies as compared to the United States dollar. Gross margin was negatively impacted by product and equipment charges and the related severance costs to rationalize products, arising from our review of Sauflon's products, materials and manufacturing processes. In addition, gross margin was negatively impacted by costs associated with the start-up of new manufacturing facilities. The decrease in gross margin was partially offset by the increase in sales of higher margin products including Biofinity.

CooperSurgical's gross margin remained flat primarily due to an improved mix of higher margin products offset by the unfavorable impact of foreign currency as we reported lower net sales partially due to the weakening of foreign currencies as compared to the United States dollar.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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## Selling, General and Administrative Expense (SGA)

| (\$ in millions) | 2015    | % Net Sales | 2015 vs. 2014 % Change | 2014    | % Net Sales | 2014 vs. 2013 % Change | 2013    | % Net Sales |
|------------------|---------|-------------|------------------------|---------|-------------|------------------------|---------|-------------|
| CooperVision     | \$552.1 | 37          | % 7                    | \$518.2 | 37          | % 16                   | \$448.2 | 35          |
| CooperSurgical   | 111.2   | 36          | %(2)                   | 113.4   | 35          | %(4)                   | 118.5   | 37          |
| Corporate        | 49.2    | —           | (4)                    | 51.5    | —           | 17                     | 44.0    | —           |
|                  | \$712.5 | 40          | % 4                    | \$683.1 | 40          | % 12                   | \$610.7 | 38          |

The increase in CooperVision's SGA in fiscal 2015 compared to fiscal 2014 in absolute dollars is primarily due to operating expenses of Sauflon. CooperVision's SGA also included approximately \$24.5 million primarily for restructuring and integration costs, largely made up of professional fees and personnel related costs for transitional employees related to Sauflon restructuring and integration activities. Fiscal 2015 SGA expenses also include \$19.8 million of litigation settlement and legal costs, of which \$17.0 million relates to the settlement to intellectual property claims by JJVC, as well as litigation costs relating to the class action complaints filed against CooperVision and other contact lens manufacturers, distributors and retailers relating to UPP. In addition to the restructuring and integration activities related to Sauflon, CooperVision continues to invest in sales and marketing to promote our silicone hydrogel products, including MyDay, to reach new customers and support geographic expansion.

The increase in CooperVision's SGA in fiscal 2014 compared to fiscal 2013 in absolute dollars and as a percentage of net sales is primarily due to operating expenses of Sauflon, acquired in our fiscal fourth quarter of 2014, and approximately \$42.3 million of acquisition, restructuring and integration costs, largely made up of legal fees, professional fees and severance costs expensed in fiscal 2014.

The decrease in CooperSurgical's SGA in fiscal 2015 compared to fiscal 2014 in absolute dollars is primarily due to efficiencies as a result of cost control measures partially offset by approximately \$4.9 million primarily for integration costs in our fertility business and costs related to the acquisition of Reprogenetics in our fiscal fourth quarter of 2015. The increase in CooperSurgical's SGA in fiscal 2015 compared to fiscal 2014 as a percentage of net sales reflects the acquisition and acquisition costs along with lower net sales in the current year. CooperSurgical continues to invest in sales activities to promote our products and to reach new customers.

The decrease in CooperSurgical's SGA in fiscal 2014 compared to fiscal 2013 in absolute dollars and as a percentage of net sales is primarily due to efficiencies as a result of cost control measures in fiscal 2014 and costs included in fiscal 2013 for acquisition and integration activities related to Origio.

The decrease in Corporate SGA in absolute dollars in fiscal 2015 as compared to fiscal 2014 is due to lower share-based compensation costs, primarily attributable to the timing of grants. The growth in absolute dollars in fiscal 2014 as compared to 2013 was primarily due to increased share-based compensation costs and acquisition-related professional service costs.

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## Research and Development Expense (R&amp;D)

| (\$ in millions) | 2015   | % Net Sales | 2015 vs. 2014 % Change | 2014     | % Net Sales | 2014 vs. 2013 % Change | 2013     | % Net Sales |
|------------------|--------|-------------|------------------------|----------|-------------|------------------------|----------|-------------|
| CooperVision     | \$55.2 | 4           | % 5                    | % \$52.3 | 4           | % 13                   | % \$46.4 | 4           |
| CooperSurgical   | 14.4   | 5           | % 3                    | % 14.0   | 4           | % 12                   | % 12.4   | 4           |
|                  | \$69.6 | 4           | % 5                    | % \$66.3 | 4           | % 13                   | % \$58.8 | 4           |

The sequential increases in CooperVision's R&D in absolute dollars over the fiscal years presented are primarily due to investments in new technologies, clinical trials and increased headcount. The increase in fiscal 2015 compared to fiscal 2014 is primarily due to the inclusion of Sauflon R&D activities and \$4.6 million in charges primarily for equipment rationalization and severance costs related to integration activities. CooperVision's R&D activities are primarily focused on the development of contact lenses and manufacturing improvements.

The sequential increases in CooperSurgical's R&D in absolute dollars and as a percentage of sales over the fiscal years presented are primarily due to increased activity to bring newly acquired products to market, increased investment in projects to develop new products and the upgrade of existing products. CooperSurgical's research and development activities include in vitro fertilization product development and the design and upgrade of surgical procedure devices.

## Amortization of Intangibles

| (\$ in millions) | 2015   | % Net Sales | 2015 vs. 2014 % Change | 2014     | % Net Sales | 2014 vs. 2013 % Change | 2013     | % Net Sales |
|------------------|--------|-------------|------------------------|----------|-------------|------------------------|----------|-------------|
| CooperVision     | \$36.6 | 3           | % 61                   | % \$22.7 | 2           | % 36                   | % \$16.7 | 1           |
| CooperSurgical   | 14.9   | 5           | % 14                   | % 13.0   | 4           | % (4)                  | % 13.5   | 4           |
|                  | \$51.5 | 3           | % 44                   | % \$35.7 | 2           | % 18                   | % \$30.2 | 2           |

The sequential increases in amortization are due to acquired intangible assets related to acquisitions, primarily the acquisitions of Reprogenetics in August 2015 and Sauflon in August 2014. We expect amortization in fiscal 2016 to be approximately \$12.9 million in each of the fiscal first through third quarters and \$12.0 million in the fiscal fourth quarter primarily due to intangible assets acquired with Reprogenetics and Sauflon, offset by intangible assets which we forecast to become fully amortized.

## Divested Operation

On October 31, 2013, we completed a transaction to sell Aime, our rigid gas-permeable contact lens and solutions business in Japan, to Nippon Contact Lens Inc. The business was originally obtained as part of the December 1, 2010, acquisition which included obtaining the rights to market Biofinity in Japan. The divestiture was consistent with CooperVision's strategy to focus on its core soft contact lens business. Additionally, Aime revenue had declined in recent periods, and the products had lower than average company margins.

We recorded a pre-tax loss of approximately \$21.1 million in our Consolidated Statement of Income for fiscal 2013. Results from operations of Aime are included in our Consolidated Statements of Income for fiscal 2013, and we have not segregated the results of operations or net assets of Aime on our financial statements for any period presented. The disposition of the assets and liabilities of Aime did not qualify for classification as discontinued operations as CooperVision maintains continuing involvement through a distribution arrangement with Aime for a minimum of three years post divestiture.

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## Restructuring Costs

During the fiscal fourth quarter of 2014, in connection with the Sauflon acquisition, our CooperVision business unit initiated restructuring and integration activities to optimize operational synergies of the combined companies. The 2014 Sauflon Integration Plan activities include workforce reductions, consolidation of duplicative facilities and product rationalization. We estimate the total restructuring costs under this plan to be \$112.0 million. The increase over our prior estimates relates to additional product rationalization and related equipment disposals and accelerated depreciation, primarily related to our hydrogel contact lenses, based on our review of products, materials and manufacturing processes of Sauflon. We expect to be substantially complete with activities related to operating expenses in our fiscal first quarter of 2016, and to incur costs related to manufacturing activities through the end of fiscal 2016.

Pursuant to the 2014 Sauflon Integration Plan, in fiscal 2015, we recorded expenses in cost of sales of \$57.7 million arising from production-related asset disposals and accelerated depreciation on equipment, primarily related to our hydrogel lenses, based on our review of products, materials and manufacturing processes of Sauflon. We also recorded in cost of sales \$4.0 million of employee termination costs. We reduced the accrued employee termination costs in selling, general and administrative expense by \$7.2 million based on current estimates of the expected costs and the results of voluntary terminations. We recorded in research and development expense \$0.7 million of employee termination costs in fiscal 2015. We also recorded in selling, general and administrative expense \$0.4 million for lease termination costs. We may, from time to time, decide to pursue additional restructuring activities that involve charges in future periods. See the notes to consolidated financial statements for additional information.

## Operating Income

| (\$ in millions) | 2015    | % Net Sales | 2015 vs. |          | 2014    | % Net Sales | 2014 vs. |          | 2013    | % Net Sales |   |
|------------------|---------|-------------|----------|----------|---------|-------------|----------|----------|---------|-------------|---|
|                  |         |             | 2014     | % Change |         |             | 2013     | % Change |         |             |   |
| CooperVision     | \$229.8 | 15          | (20)     | %        | \$289.0 | 21          | —        | %        | \$289.3 | 23          | % |
| CooperSurgical   | 56.1    | 18          | (19)     | %        | 69.0    | 21          | 14       | %        | 60.6    | 19          | % |
| Corporate        | (49.2)  | —           | 4        | %        | (51.5)  | —           | (17)     | %        | (44.0)  | —           |   |
|                  | \$236.7 | 13          | (23)     | %        | \$306.5 | 18          | 0.2      | %        | \$305.9 | 19          | % |

The decrease in consolidated operating income in fiscal 2015 as compared to 2014 in absolute dollars and as a percentage of net sales is primarily due to the decrease in gross profit of 2% and the increase in operating expenses of 6%. The decreases in consolidated and CooperVision operating income in fiscal 2015 as compared to fiscal 2014 in absolute dollars and as a percentage of sales was primarily due to the intellectual property settlement with JJVC along with restructuring, integration and amortization costs primarily related to Sauflon, as discussed above, recorded in cost of sales and operating expenses. CooperSurgical's operating income in fiscal 2015 decreased in absolute dollars and as a percentage of net sales primarily due to the decrease in net sales of 5%.

The consolidated operating income in fiscal 2014 remained flat as compared to fiscal 2013 in absolute dollars primarily due to the increase in gross profit of 6%, offset by the increase in operating expenses of 9%. The decreases in consolidated and CooperVision operating income as a percentage of sales in fiscal 2014 as compared to fiscal 2013 was due to the acquisition, restructuring and integration costs primarily related to Sauflon, as discussed above, recorded in cost of sales and operating expenses. CooperSurgical's operating income in fiscal 2014 increased in absolute dollars and as a percentage of net sales due to the increase of gross profit of 2% and decrease of total operating expense of 3%.

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## Management's Discussion and Analysis of Financial Condition and Results of Operations

## Interest Expense

| (\$ in millions) | 2015   | % Net Sales | 2015 vs. 2014 % Change | 2014    | % Net Sales | 2014 vs. 2013 % Change | 2013    | % Net Sales |
|------------------|--------|-------------|------------------------|---------|-------------|------------------------|---------|-------------|
| Interest expense | \$18.1 | 1           | % 127                  | % \$8.0 | 0.5         | % (13)                 | % \$9.2 | 0.6         |

Interest expense increased in absolute dollars and as a percentage of net sales in fiscal 2015 compared to fiscal 2014 reflecting higher average debt as a result of debt incurred in connection with the August 2014 acquisition of Sauflon as well as a higher interest rates on our revolving Credit Agreement as such interest rates vary based on leverage. The decrease in interest expense in absolute dollars in fiscal 2014 compared to fiscal 2013 reflects lower average debt and lower average interest rates during the year. Total debt was \$1.35 billion, \$1.38 billion and \$0.3 billion at October 31, 2015, 2014 and 2013, respectively. Current period debt outstanding includes \$200.0 million on two uncommitted revolving lines of credit, entered into on March 24, 2015, the \$700.0 million term loan, entered into on August 4, 2014, the \$300.0 million term loan, entered into on September 12, 2013, as well as about \$109.2 million drawn on our revolving Credit Agreement.

## Insurance Proceeds

On October 28, 2011, a manufacturing building in the United Kingdom experienced an incident in which a pipe broke in our fire suppression system, causing water and fire retardant foam damage to the facility. While this incident did not substantially impact our existing customers, the repairs to the facility and resultant decrease in manufacturing capacity impacted the timing of marketing initiatives to generate additional sales. In January 2013, we resolved our business interruption claim with our insurer for a total of \$19.1 million. We received payments of \$5.0 million in our fiscal fourth quarter of 2012. In our fiscal first quarter of 2013, we recorded the remaining \$14.1 million in our Consolidated Statement of Income of which we received payment of \$2.9 million during the fiscal first quarter of 2013 and payment of the remaining \$11.2 million in the fiscal second quarter of 2013.

## Other Expense (Income), Net

Years Ended October 31,

(In millions)

|                              | 2015  | 2014  | 2013    |
|------------------------------|-------|-------|---------|
| Foreign exchange loss (gain) | \$3.5 | \$2.9 | \$(0.1) |
| Other income, net            | (0.4) | (0.9) | (1.3)   |
|                              | \$3.1 | \$2.0 | \$(1.4) |

## Provision for Income Taxes

We recorded income tax expense of \$10.3 million in fiscal 2015 compared to \$24.7 million in fiscal 2014. Our effective tax rate (ETR) (provision for income taxes divided by pretax income) was 4.8% for fiscal 2015, 8.3% for fiscal 2014 and 4.9% for fiscal 2013. The ETR in fiscal 2015 decreased in comparison to fiscal 2014 partially due to discrete items and integration activities. The ETR in fiscal 2014 increased in comparison to fiscal 2013 to reflect the inclusion in the fiscal 2013 ETR of several discrete items causing a reduction in that year. These items related primarily to the statutory income tax rate reduction in the United Kingdom and the renewal of the R&D tax credit in the United States.

The ETR is below the United States statutory rate as a majority of our taxable income is earned in foreign jurisdictions with lower tax rates. The ratio of domestic taxable income to worldwide taxable income has decreased over recent fiscal years effectively lowering the overall tax rate due to the fact that the tax rates in the majority of foreign jurisdictions where we operate are significantly lower than the statutory rate in the United States.

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The impact on our provision for income taxes of income earned in foreign jurisdictions being taxed at rates different than the United States federal statutory rate was a benefit of approximately \$72.6 million and a foreign effective tax rate of approximately 5.6% in our fiscal year 2015 compared to \$85.5 million and a foreign effective tax rate of approximately 2.6% in our fiscal year 2014. The foreign jurisdictions with lower tax rates as compared to the United States federal statutory rate that had the most significant impact on our provision for foreign income taxes in the fiscal years presented include the United Kingdom, Barbados and Puerto Rico. See the notes to consolidated financial statements for additional information.

Share Repurchases

In December 2011, our Board of Directors authorized a share repurchase program and subsequently amended the total repurchase authorization to \$500.0 million. The program has no expiration date and may be discontinued at any time. During fiscal 2015, we repurchased 468 thousand shares of our common stock for \$67.3 million at an average purchase price of \$139.60 per share. During fiscal 2014, we repurchased 572 thousand shares of our common stock for \$75.8 million at an average purchase price of \$132.49 per share. At October 31, 2015, we had remaining authorization to repurchase about \$118.4 million of our common stock. See the notes to consolidated financial statements for additional information.

Share-Based Compensation Plans

We grant various share-based compensation awards, including stock options, performance shares, restricted stock and restricted stock units. The share-based compensation and related income tax benefit recognized in the consolidated financial statements in fiscal 2015 was \$32.9 million and \$10.2 million, respectively, compared to \$36.5 million and \$11.7 million, respectively, in fiscal 2014. As of October 31, 2015, there was \$62.2 million of total unrecognized share-based compensation cost related to non-vested awards: \$5.0 million for stock options; \$48.8 million for restricted stock units; and \$8.4 million for performance shares. The unrecognized compensation is expected to be recognized over weighted average remaining vesting periods of 2.9 years for nonvested stock options, 3.4 years for restricted stock units and 1.7 years for performance shares. Net (payments) proceeds related to share-based compensation awards for the fiscal years ended October 31, 2015, 2014 and 2013 were approximately \$(4.8) million, \$8.6 million and \$19.3 million, respectively.

We estimate the fair value of each stock option award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. The use of different assumptions could lead to a different estimate of fair value. The expected life of the stock option is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. If our assumption for the expected life increased by one year, the fair value of an individual option granted in fiscal 2015 would have increased by approximately \$4.50. To determine the stock price volatility, management considers implied volatility from publicly-traded options on the Company's stock at the date of grant, historical volatility and other factors. If our assumption for stock price volatility increased by one percentage point, the fair value of an individual option granted in fiscal 2015 would have increased by approximately \$1.30.

We estimate stock option forfeitures based on historical data for each employee grouping and adjust the rate of expected forfeitures periodically. The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in the period the forfeiture estimate is changed.

We grant performance units that provide for the issuance of common stock to certain executive officers and other key employees if the Company achieves specified long-term performance goals over a three-year period. We estimate the fair value of each award on the date of grant based on the current market price of



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our common stock. The total amount of compensation expense recognized reflects our initial assumptions of the achievement of the performance goals and the estimated forfeiture rates. We review our assessment of the probability of the achievement of the performance goals each fiscal quarter. If the goals are not achieved or it is determined that achievement of the goals is not probable, previously recognized compensation expense is adjusted to reflect the expected achievement. If we determine that achievement of the goals will exceed the original assessment, additional compensation expense is recognized.

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## CAPITAL RESOURCES AND LIQUIDITY

## 2015 Highlights

• Operating cash flow \$391.0 million down from \$454.8 million in fiscal 2014

• Expenditures for purchases of property, plant and equipment \$243.0 million up from \$238.1 million in fiscal 2014

• Cash payments for acquisitions, \$44.9 million, primarily for Reprogenetics, compared to \$1.1 billion in fiscal 2014, primarily for Sauflon

• Total debt at \$1.35 billion at the end of fiscal 2015 compared to \$1.38 billion at the end of fiscal 2014

## Comparative Statistics

Years Ended October 31,  
(\$ in millions)

|  | 2015       | 2014       |   |
|--|------------|------------|---|
| Cash and cash equivalents                    | \$ 16.4    | \$ 25.2    |   |
| Total assets                                 | \$ 4,460.6 | \$ 4,458.3 |   |
| Working capital                              | \$ 272.6   | \$ 349.4   |   |
| Total debt                                   | \$ 1,350.0 | \$ 1,382.4 |   |
| Stockholders' equity                         | \$ 2,673.9 | \$ 2,588.4 |   |
| Ratio of debt to equity                      | 0.50:1     | 0.53:1     |   |
| Debt as a percentage of total capitalization | 34         | % 35       | % |

## Working Capital

The decrease in working capital at the end of fiscal 2015 from the end of fiscal 2014 was primarily due to the increase in short term debt from the \$200.0 million in new revolving lines of credit, borrowed in the fiscal second quarter of 2015, and utilized to pay down higher interest rate debt on our long term revolving Credit Agreement. Working capital at the end of fiscal 2014 includes \$55.1 million of loan notes issued related to the acquisition of Sauflon which was paid in fiscal 2015. The decrease in working capital was also due to the decrease in cash offset by the increases in inventories, accounts receivable and other current assets along with the decrease in accounts payable.

The \$38.2 million increase in inventories was primarily related to increased production to support product launches of single-use lenses including clariti and MyDay, our single-use silicone hydrogel contact lenses. Our inventory months on hand (MOH) were 7.5 at October 31, 2015, after adjusting for product rationalization costs related to the acquisition of Sauflon and facility start-up costs. This represents an increase from MOH at October 31, 2014 of 6.6 that were adjusted for product rationalization costs related to the acquisition of Sauflon. Our unadjusted inventory MOH was 6.2 and 6.1 at October 31, 2015 and 2014, respectively. Our days sales outstanding (DSO) increased to 57 days at October 31, 2015, compared to 53 days at October 31, 2014 as trade accounts receivable increased by \$6.6 million, primarily due to timing of collections.

We have reviewed our needs in the United States for possible repatriation of undistributed earnings or cash of our foreign subsidiaries. We presently intend to continue to indefinitely invest all earnings and cash outside of the United States of all foreign subsidiaries to fund foreign investments or meet foreign working capital and property, plant and equipment requirements.

## Operating Cash Flow

Cash flow provided by operating activities in fiscal 2015 continued to be our major source of liquidity, at \$391.0 million compared to \$454.8 million in fiscal 2014 and \$415.9 million in fiscal 2013. Fiscal 2015

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results include \$205.1 million of net income and non-cash items primarily made up of \$191.4 million related to depreciation and amortization, \$32.9 million of expense and \$17.3 million of excess tax benefits both related to share-based compensation, \$10.3 million related to net gains in currency translation, \$42.4 million related to loss on retirement of property, plant and equipment. Results also include changes in operating assets and liabilities, which primarily reflect the increases in inventories and other assets of \$46.8 million, the increases in trade and other receivables of \$7.3 million, and the increase of \$1.2 million relating to taxes. The \$63.9 million decrease in cash flows provided by operating activities in fiscal 2015 as compared to fiscal 2014 is primarily due to the decrease in net income, the \$17.0 million settlement with JJVC in the fiscal third quarter of 2015, and unfavorable changes in working capital.

For fiscal 2015, our primary source of cash flows provided by operating activities was cash collections from our customers for purchase of our products. Our primary uses of cash flows from operating activities were for personnel and material costs along with cash payments of \$14.0 million for interest, and \$17.0 million settlement with JJVC. For fiscal 2014, our primary source of cash flows provided by operating activities was cash collections from our customers for purchase of our products. Our primary uses of cash flows from operating activities were for personnel and material costs along with cash payments of \$4.1 million for interest.

**Investing Cash Flow**

Cash used in investing activities of \$287.9 million in fiscal 2015 was for capital expenditures of \$243.0 million primarily to increase manufacturing capacity and payments of \$44.9 million related to acquisitions, primarily the acquisition of Reprogenetics in the fiscal fourth quarter of 2015. We forecast increasing aggregate demand for existing and future single-use products. To meet this anticipated demand, in fiscal 2016 we plan to continue the implementation of capital projects to invest in increased single-use manufacturing capacity.

Cash used in investing activities of \$1,346.4 million in fiscal 2014 was for payments of \$1,109.7 million related to acquisitions, primarily the acquisition of Sauflon, and capital expenditures of \$238.1 million, primarily to increase manufacturing capacity, partially offset by the \$1.4 million insurance recovery related to facility repairs.

**Financing Cash Flow**

The changes in cash flows from financing activities primarily relate to borrowings and payments of debt as well as share repurchases and share-based compensation awards. Cash used in financing activities of \$106.7 million in fiscal 2015 was driven by \$67.3 million in payments for share repurchases under our existing share repurchase plan, \$37.3 million from net repayments of debt, \$8.1 million for purchases of noncontrolling interests, net payments of \$4.8 million related to vested share-based compensation awards, a \$3.2 million payment for contingent consideration, \$2.9 million for dividends, and distributions of \$1.1 million to noncontrolling interests. Cash used in financing activities was partially offset by \$17.3 million in excess tax benefits from share-based compensation awards and \$0.7 million of proceeds from a construction allowance. Net repayment of debt in the period includes the payment of \$51.2 million to settle all the outstanding loan notes issued for the Sauflon acquisition.

In fiscal 2014, the changes in cash flows from financing activities primarily related to borrowings and payments of debt as well as share repurchases and share-based compensation awards. Cash provided by financing activities of \$842.2 million in fiscal 2014 was driven by \$887.9 million from net borrowings of debt, \$19.3 million in excess tax benefits from share-based compensation awards, \$12.2 million of proceeds from a construction allowance and \$8.6 million of proceeds from exercise of share-based compensation awards. Cash provided by financing activities was partially offset by \$75.8 million in payments for share repurchases under our share repurchase plan, a \$3.8 million payment for contingent consideration, \$2.9

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million for dividends, \$2.4 million of distributions to noncontrolling interests, and \$0.9 million of debt acquisition costs associated with obtaining the term loan.

At October 31, 2015, we had \$16.4 million in cash, primarily outside the United States, and \$890.8 million available under our existing revolving Credit Agreement. The \$200.0 million borrowed on the new revolving lines of credit, the \$700.0 million term loan entered into on August 4, 2014, and the \$300.0 million term loan entered into on September 12, 2013, were outstanding as of October 31, 2015. We are in compliance with our financial covenants including the Interest Coverage Ratio at 31.34 to 1.00 and the Total Leverage Ratio at 2.38 to 1.00. As defined, in both the Credit Agreement and term loans, the Interest Coverage Ratio is the ratio of Consolidated Proforma EBITDA to Consolidated Interest Expense with the requirement to be at least 3.00 to 1.00 and the Total Leverage Ratio is the ratio of Consolidated Funded Indebtedness to Consolidated Proforma EBITDA with the requirement to be no higher than 3.75 to 1.00.

## OFF BALANCE SHEET ARRANGEMENTS

None.

## CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As of October 31, 2015, we had the following contractual obligations and commercial commitments:

| Payments Due by Period<br>(In millions) | Total     | 2016   | 2017<br>& 2018 | 2019<br>& 2020 | 2021<br>& Beyond |
|---|-----------|--------|----------------|----------------|------------------|
| Contractual obligations:                |           |        |                |                |                  |
| Long-term debt                          | \$1,109.6 | \$3.8  | \$1,105.5      | \$—            | \$0.3            |
| Interest payments                       | 29.5      | 15.0   | 14.5           | —              | —                |
| Operating leases                        | 238.8     | 27.8   | 45.6           | 36.3           | 129.1            |
| Contingent consideration                | 1.0       | 0.5    | 0.5            | —              | —                |
| Total contractual obligations           | 1,378.9   | 47.1   | 1,166.1        | 36.3           | 129.4            |
| Commercial commitments:                 |           |        |                |                |                  |
| Stand-by letters of credit              | 2.5       | 2.5    | —              | —              | —                |
| Total                                   | \$1,381.4 | \$49.6 | \$1,166.1      | \$36.3         | \$129.4          |

The expected future benefit payments for pension plans through 2025 are disclosed in Note 10. Employee Benefits.

We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, about \$28.4 million of our long-term income taxes payable have been excluded from the table above. However, other long-term liabilities, included in our consolidated balance sheet, include these uncertain tax positions. See Note 6 for additional information.

## Inflation and Changing Prices

Inflation has had no appreciable effect on our operations in the last three fiscal years.

## Accounting Pronouncements Issued and Not Yet Adopted

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. The amendments in this

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update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We do not anticipate the adoption of these amendments, which are effective for the Company for the fiscal year beginning on November 1, 2016, will have a material impact on our consolidated results of operations, financial condition or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 sets forth a new revenue recognition model that requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. We are currently evaluating the impact of ASU 2014-09, which is effective for the Company in our fiscal year beginning on November 1, 2018.

Accounting Pronouncements Recently Adopted

On November 1, 2014, we adopted ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. When a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available, or the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The adoption of ASU 2013-11 did not have a significant impact on our consolidated financial statements.

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Estimates and Critical Accounting Policies

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

**Revenue recognition** - We recognize product net sales, net of discounts, returns and rebates in accordance with related accounting standards and SEC Staff Accounting Bulletins. As required by these standards, we recognize revenue when it is realized or realizable and earned, based on terms of sale with the customer, where persuasive evidence of an agreement exists, delivery has occurred, the seller's price is fixed and determinable and collectability is reasonably assured. For contact lenses as well as CooperSurgical medical devices, diagnostic products and surgical instruments and accessories, this primarily occurs when title and risk of ownership transfers to our customers. We believe our revenue recognition policies are appropriate in all circumstances, and that our policies are reflective of our customer arrangements. We record, based on historical statistics, estimated reductions to revenue for customer incentive programs offered including cash discounts, promotional and advertising allowances, volume discounts, contractual pricing allowances, rebates and specifically established customer product return programs. We record taxes collected from customers on a net basis, as these taxes are not included in net sales.

**Net realizable value of inventory** - In assessing the value of inventories, we make estimates and judgments regarding aging of inventories and other relevant issues potentially affecting the saleable condition of products and estimated prices at which those products will sell. On an ongoing basis, we review the carrying value of our inventory, measuring number of months on hand and other indications of saleability. We reduce the value of inventory if there are indications that the carrying value is greater than market, resulting in a new, lower-cost basis for that inventory. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. While estimates are involved, historically, obsolescence has not been a significant factor due to long product dating and lengthy product life cycles. We target to keep, on average, five to seven months of inventory on hand to maintain high customer service levels given the complexity of our contact lens and women's healthcare product portfolios.

**Valuation of goodwill** - We account for goodwill and evaluate our goodwill balances and test them for impairment annually during the fiscal third quarter and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist in accordance with related accounting standards. We performed our annual impairment test in our fiscal third quarter of 2015, and our analysis indicated that we had no impairment of goodwill. We performed our annual impairment test in our fiscal third quarter of 2014 and concluded that we had no impairment of goodwill in that year.

In fiscal 2015 and 2014, we performed qualitative assessments to test each reporting unit's goodwill for impairment. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events and factors affecting each reporting unit. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not to be less than its carrying amount, the two-step impairment test will be performed.





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Initially, we compare the book value of net assets to the fair value of each reporting unit that has goodwill assigned to it. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of the impairment. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are the same as our business segments - CooperVision and CooperSurgical - reflecting the way that we manage our business.

Goodwill impairment analysis and measurement is a process that requires significant judgment. If our common stock price trades below book value per share, there are changes in market conditions or a future downturn in our business, or a future annual goodwill impairment test indicates an impairment of our goodwill, we may have to recognize a non-cash impairment of our goodwill that could be material, and could adversely affect our results of operations in the period recognized and also adversely affect our total assets, stockholders' equity and financial condition.

Business combinations - We routinely consummate business combinations. Results of operations for acquired companies are included in our consolidated results of operations from the date of acquisition. We recognize separately from goodwill, the identifiable assets acquired, including acquired in-process research and development, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date fair values as defined by accounting standards related to fair value measurements. As of the acquisition date, goodwill is measured as the excess of consideration given, generally measured at fair value, and the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. Direct acquisition costs are expensed as incurred.

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

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

Regarding accounting for uncertainty in income taxes, we recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. We measure the income tax benefits from the tax positions that are recognized, assess the timing of the derecognition of previously recognized tax benefits and classify and disclose the liabilities within the consolidated financial statements for any unrecognized



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Management's Discussion and Analysis of Financial Condition and Results of Operations

tax benefits based on the guidance in the interpretation of related accounting guidance for income taxes. The interpretation also provides guidance on how the interest and penalties related to tax positions may be recorded and classified within our Consolidated Statement of Income and presented in the Consolidated Balance Sheet. We classify interest and penalties related to uncertain tax positions as additional income tax expense.

**Share-Based Compensation** - We grant various share-based compensation awards, including stock options, performance unit shares, restricted stock and restricted stock units. Under fair value recognition provisions, share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating Cooper's stock price volatility, employee exercise behaviors and related employee forfeiture rates.

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

As share-based compensation expense recognized in our Consolidated Statement of Income is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant, based on historical experience, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

If factors change and we employ different assumptions in the application of the fair value recognition provisions, the compensation expense that we record in future periods may differ significantly from what we have recorded in the current period.

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Trademarks

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Item 7A. Quantitative and Qualitative Disclosure about Market Risk.

We are exposed to market risks that relate principally to changes in interest rates and foreign currency fluctuations. To the extent reasonable and practical, we may decide to reduce the risk of changing interest rates and foreign currency fluctuations on the underlying exposure by entering into interest rate swaps and foreign currency forward exchange contracts, respectively. We do not emphasize such transactions to the same degree as some other companies with international operations. We do not enter into derivative financial instrument transactions for speculative purposes.

We operate multiple foreign subsidiaries that manufacture and market our products worldwide. As a result, our earnings, cash flow and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables, sales transactions, capital expenditures and net investment in certain foreign operations. We are exposed to risks caused by changes in foreign exchange, primarily to the British pound sterling, euro, Japanese yen, Danish krone, Swedish krona, Australian dollar and Canadian dollar. Our policy is to minimize, to the extent reasonable and practical, transaction, remeasurement and specified economic exposures with derivatives instruments. Although we may enter into foreign exchange agreements with financial institutions to reduce our nonfunctional currency exposure, these hedging transactions do not eliminate that risk entirely. A hypothetical 5% increase or decrease in the foreign currency exchange rates in comparison to the United States dollar would not have a material adverse impact on our financial condition or results of operations. For additional information, see Item 1A. Risk Factors and Note 1 to the consolidated financial statements.

We are also exposed to risks associated with changes in interest rates, as the interest rate on our senior unsecured syndicated credit facilities, including the revolving Credit Agreement and term loans, may vary with the London Interbank Offered Rate (LIBOR). We may decrease this interest rate risk by hedging a portion of variable rate debt effectively converting it to fixed rate debt.

On March 24, 2015, we entered into two uncommitted line of credit agreements that have termination dates of March 24, 2016, and provide revolving loan amounts of up to \$100.0 million each with maturity dates of up to ninety days from the loan origination date. At October 31, 2015, \$200.0 million was outstanding under these facilities.

On August 4, 2014, we entered into a three-year, \$700.0 million, senior unsecured term loan agreement that will mature on August 4, 2017. There is no amortization of the principal, and we may prepay the loan balances from time to time, in whole or in part, without premium or penalty. At October 31, 2015, \$700.0 million remained outstanding on this term loan.

On September 12, 2013, we entered into a five-year, \$300.0 million, senior unsecured term loan agreement that will mature on September 12, 2018, and will be subject to amortization of principal of 5% per year payable quarterly beginning October 31, 2016, with the balance payable at maturity. At October 31, 2015, \$300.0 million remained outstanding on this term loan.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

On May 31, 2012, we entered into an amendment to our Credit Agreement, originally entered into on January 12, 2011. The aggregate revolving commitment is \$1.0 billion with a maturity date of May 31, 2017, and we have the ability to increase the facility by up to an additional \$500.0 million. At October 31, 2015, we had \$890.8 million available under the revolving Credit Agreement.

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| October 31,<br>(In millions)      | 2015      | 2014      |
| Short-term debt                   | \$240.4   | \$101.5   |
| Current portion of long-term debt | 3.8       | —         |
| Long-term debt                    | 1,105.8   | 1,280.8   |
| Total                             | \$1,350.0 | \$1,382.3 |

At October 31, 2015, the scheduled maturities of our fixed and variable rate long-term debt obligations, their weighted average interest rates and their estimated fair values were as follows:

| Expected Maturity Date |       |         |         |      |      |            |           | Fair      |
|------------------------|-------|---------|---------|------|------|------------|-----------|-----------|
| Fiscal Year            | 2016  | 2017    | 2018    | 2019 | 2020 | Thereafter | Total     | Value     |
| (\$ in millions)       |       |         |         |      |      |            |           |           |
| Long-term debt:        |       |         |         |      |      |            |           |           |
| Fixed interest rate    | \$—   | \$0.1   | \$0.1   | \$—  | \$—  | \$0.3      | \$0.5     | \$0.5     |
| Average interest rate  | 2.9   | % 3.4   | % 4.3   | % —  | —    | 6.0        | %         |           |
| Variable interest rate | \$3.8 | \$824.0 | \$281.3 | \$—  | \$—  | \$—        | \$1,109.1 | \$1,109.1 |
| Average interest rate  | 1.3   | % 1.3   | % 1.3   | % —  | —    | —          |           |           |

As the table incorporates only those exposures that existed as of October 31, 2015, it does not consider those exposures or positions which could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on interest rates, the exposures that arise during the period and our hedging strategies at that time. As of October 31, 2015, we had no interest rate swap outstanding. If interest rates were to increase or decrease by 1% or 100 basis points, annual interest expense would increase or decrease by about \$11.1 million. For further information about our debt, see Item 1A. Risk Factors and Note 1 and Note 5 to the consolidated financial statements.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

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 (the Company) as of October 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. We also have audited the Company's internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting appearing under item 9A. Our responsibility is to express an opinion on these consolidated financial statements, financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

San Francisco, California  
December 18, 2015



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Income

Years Ended October 31,

(In thousands, except per share amounts)

|  | 2015        | 2014        | 2013        |
|--|-------------|-------------|-------------|
| Net sales  | \$1,797,060 | \$1,717,776 | \$1,587,725 |
| Cost of sales  | 726,798     | 626,206     | 560,917     |
| Gross profit   | 1,070,262   | 1,091,570   | 1,026,808   |
| Selling, general and administrative expense  | 712,543     | 683,115     | 610,735     |
| Research and development expense   | 69,589      | 66,259      | 58,827      |
| Amortization of intangibles  | 51,459      | 35,710      | 30,239      |
| Loss on divestiture of Aime  | —           | —           | 21,062      |
| Operating income   | 236,671     | 306,486     | 305,945     |
| Interest expense   | 18,103      | 7,965       | 9,168       |
| Gain on insurance proceeds   | —           | —           | 14,084      |
| Other expense (income), net  | 3,083       | 1,987       | (1,410)     |
| Income before income taxes   | 215,485     | 296,534     | 312,271     |
| Provision for income taxes   | 10,341      | 24,705      | 15,365      |
| Net income   | 205,144     | 271,829     | 296,906     |
| Less: Income attributable to noncontrolling interests                                    | 1,621       | 1,973       | 755         |
| Net income attributable to Cooper stockholders   | \$203,523   | \$269,856   | \$296,151   |
| Earnings per share attributable to Cooper stockholders - basic                           | \$4.20      | \$5.61      | \$6.09      |
| Earnings per share attributable to Cooper stockholders - diluted                         | \$4.14      | \$5.51      | \$5.96      |
| Number of shares used to compute earnings per share attributable to Cooper stockholders: |             |             |             |
| Basic  | 48,452      | 48,061      | 48,615      |
| Diluted  | 49,179      | 48,960      | 49,685      |

See accompanying notes to consolidated financial statements.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

Years Ended October 31,

(In thousands)

|   | 2015      | 2014      | 2013      |
|---|-----------|-----------|-----------|
| Net income  | \$205,144 | \$271,829 | \$296,906 |
| Other comprehensive (loss) income:  |           |           |           |
| Foreign currency translation adjustment   | (79,424 ) | (87,763 ) | 2,607     |
| Change in value of derivative instruments, net of tax provision of \$30, \$630 and \$857, respectively                | 47        | 986       | 1,341     |
| Change in minimum pension liability, net of tax (benefit) provision of \$(3,908), \$(2,348) and \$7,399, respectively | (6,084 )  | (3,643 )  | 11,601    |
| Reclassification of realized gain on marketable securities to net income, net of tax provision of \$27 in fiscal 2013 | —         | —         | (50 )     |
| Other comprehensive (loss) income   | (85,461 ) | (90,420 ) | 15,499    |
| Comprehensive income  | 119,683   | 181,409   | 312,405   |
| Comprehensive (income) loss attributable to noncontrolling interests  | (533 )    | (733 )    | 717       |
| Comprehensive income attributable to Cooper stockholders  | \$119,150 | \$180,676 | \$313,122 |

See accompanying notes to consolidated financial statements.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

October 31,  
(In thousands)

## ASSETS

## Current assets:

|  | 2015        | 2014        |
|--|-------------|-------------|
| Cash and cash equivalents  | \$ 16,426   | \$ 25,222   |
| Trade accounts receivable, net of allowance for doubtful accounts of \$5,956 at October 31, 2015 and \$6,025 at October 31, 2014 | 282,918     | 276,280     |
| Inventories  | 419,692     | 381,474     |
| Deferred tax assets  | 41,731      | 40,224      |
| Prepaid expense and other current assets   | 81,051      | 68,417      |
| Total current assets   | 841,818     | 791,617     |
| Property, plant and equipment, at cost   | 1,650,730   | 1,525,917   |
| Less: accumulated depreciation and amortization  | 683,633     | 588,592     |
|  | 967,097     | 937,325     |
| Goodwill   | 2,197,077   | 2,220,921   |
| Other intangibles, net   | 411,090     | 453,605     |
| Deferred tax assets  | 4,510       | 15,732      |
| Other assets   | 39,018      | 39,140      |
|  | \$4,460,610 | \$4,458,340 |

## LIABILITIES AND STOCKHOLDERS' EQUITY

## Current liabilities:

|                                     |            |            |
|-------------------------------------|------------|------------|
| Short-term debt                     | \$ 244,193 | \$ 101,518 |
| Accounts payable                    | 116,912    | 116,353    |
| Employee compensation and benefits  | 67,373     | 67,904     |
| Accrued income taxes                | 14,740     | 4,034      |
| Other current liabilities           | 125,954    | 152,373    |
| Total current liabilities           | 569,172    | 442,182    |
| Long-term debt                      | 1,105,764  | 1,280,833  |
| Deferred tax liabilities            | 31,016     | 69,525     |
| Accrued pension liability and other | 80,754     | 77,360     |
| Total liabilities                   | 1,786,706  | 1,869,900  |

## Commitments and contingencies (see Note 12)

## Stockholders' equity:

|  |             |             |
|--|-------------|-------------|
| Preferred stock, 10 cents par value, shares authorized: 1,000; zero shares issued or outstanding                               | —           | —           |
| Common stock, 10 cents par value, shares authorized: 120,000; issued 51,558 at October 31, 2015 and 50,983 at October 31, 2014 | 5,156       | 5,099       |
| Additional paid-in capital   | 1,434,705   | 1,386,800   |
| Accumulated other comprehensive loss   | (191,643)   | (106,182)   |
| Retained earnings  | 1,779,440   | 1,578,823   |
| Treasury stock at cost: 3,290 shares at October 31, 2015 and 2,840 shares at October 31, 2014                                  | (360,149)   | (294,662)   |
| Total Cooper stockholders' equity  | 2,667,509   | 2,569,878   |
| Noncontrolling interests   | 6,395       | 18,562      |
| Stockholders' equity   | 2,673,904   | 2,588,440   |
|  | \$4,460,610 | \$4,458,340 |

See accompanying notes to consolidated financial statements.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Stockholders' Equity

| (In thousands)                                   | Common Shares |         | Treasury Stock |        | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Treasury Stock | Noncontrolling Interests | Total Stockholders' Equity |
|--|---------------|---------|----------------|--------|----------------------------|---|-------------------|----------------|--------------------------|----------------------------|
|  | Shares        | Amount  | Shares         | Amount |                            |   |                   |                |                          |                            |
| Balance at October 31, 2012                      | 48,440        | \$4,844 | 1,007          | \$101  | \$1,265,202                | \$(31,261)                                    | \$1,018,618       | \$(64,753)     | \$20,407                 | \$2,213,158                |
| Net income attributable to Cooper stockholders   | —             | —       | —              | —      | —                          | —   | 296,151           | —              | —                        | 296,151                    |
| Other comprehensive income, net of tax           | —             | —       | —              | —      | —                          | 15,499  | —                 | —              | —                        | 15,499                     |
| Issuance of common stock for stock plans         | 976           | 98      | (88)           | (9)    | 13,028                     | —   | —                 | 6,170          | —                        | 19,287                     |
| Treasury stock repurchase                        | (1,421)       | (142)   | 1,421          | 142    | —                          | —   | —                 | (167,334)      | —                        | (167,334)                  |
| Tax benefit from exercise of stock options       | —             | —       | —              | —      | 21,799                     | —   | —                 | —              | —                        | 21,799                     |
| Dividends on common stock                        | —             | —       | —              | —      | —                          | —   | (2,918)           | —              | —                        | (2,918)                    |
| Share-based compensation expense                 | —             | —       | —              | —      | 28,538                     | —   | —                 | —              | —                        | 28,538                     |
| Purchase of shares from noncontrolling interests | —             | —       | —              | —      | 762                        | —   | —                 | —              | (1,062)                  | (300)                      |
| Distributions to noncontrolling interests        | —             | —       | —              | —      | —                          | —   | —                 | —              | (1,141)                  | (1,141)                    |
| Noncontrolling interests                         | —             | —       | —              | —      | —                          | —   | —                 | —              | 755                      | 755                        |
| Balance at October 31, 2013                      | 47,995        | \$4,800 | 2,340          | \$234  | \$1,329,329                | \$(15,762)                                    | \$1,311,851       | \$(225,917)    | \$18,959                 | \$2,423,494                |
| Net income attributable to Cooper stockholders   | —             | —       | —              | —      | —                          | —   | 269,856           | —              | —                        | 269,856                    |
| Other comprehensive loss, net of tax             | —             | —       | —              | —      | —                          | (90,420)                                      | —                 | —              | —                        | (90,420)                   |

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|  |        |         |       |       |             |             |             |             |           |             |
|--|--------|---------|-------|-------|-------------|-------------|-------------|-------------|-----------|-------------|
| Issuance of common stock for stock plans         | 720    | 72      | (72 ) | (7 )  | 1,487       | —           | —           | 7,033       | —         | 8,585       |
| Treasury stock repurchase                        | (572 ) | (57 )   | 572   | 57    | —           | —           | —           | (75,778 )   | —         | (75,778 )   |
| Tax benefit from exercise of stock options       | —      | —       | —     | —     | 19,469      | —           | —           | —           | —         | 19,469      |
| Dividends on common stock                        | —      | —       | —     | —     | —           | —           | (2,884 )    | —           | —         | (2,884 )    |
| Share-based compensation expense                 | —      | —       | —     | —     | 36,515      | —           | —           | —           | —         | 36,515      |
| Distributions to noncontrolling interests        | —      | —       | —     | —     | —           | —           | —           | —           | (2,370 )  | (2,370 )    |
| Noncontrolling interests                         | —      | —       | —     | —     | —           | —           | —           | —           | 1,973     | 1,973       |
| Balance at October 31, 2014                      | 48,143 | \$4,815 | 2,840 | \$284 | \$1,386,800 | \$(106,182) | \$1,578,823 | \$(294,662) | \$18,562  | \$2,588,440 |
| Net income attributable to Cooper stockholders   | —      | —       | —     | —     | —           | —           | 203,523     | —           | —         | 203,523     |
| Other comprehensive loss, net of tax             | —      | —       | —     | —     | —           | (85,461 )   | —           | —           | —         | (85,461 )   |
| Issuance of common stock for stock plans         | 593    | 59      | (18 ) | (2 )  | (6,690 )    | —           | —           | 1,817       | —         | (4,816 )    |
| Treasury stock repurchase                        | (468 ) | (47 )   | 468   | 47    | —           | —           | —           | (67,304 )   | —         | (67,304 )   |
| Tax benefit from exercise of stock options       | —      | —       | —     | —     | 18,268      | —           | —           | —           | —         | 18,268      |
| Dividends on common stock                        | —      | —       | —     | —     | —           | —           | (2,906 )    | —           | —         | (2,906 )    |
| Share-based compensation expense                 | —      | —       | —     | —     | 32,879      | —           | —           | —           | —         | 32,879      |
| Purchase of shares from noncontrolling interests | —      | —       | —     | —     | 3,448       | —           | —           | —           | (11,518 ) | (8,070 )    |
| Distributions to noncontrolling interests        | —      | —       | —     | —     | —           | —           | —           | —           | (714 )    | (714 )      |
| Noncontrolling interests                         | —      | —       | —     | —     | —           | —           | —           | —           | 65        | 65          |
|  | 48,268 | \$4,827 | 3,290 | \$329 | \$1,434,705 | \$(191,643) | \$1,779,440 | \$(360,149) | \$6,395   | \$2,673,904 |

Balance at  
October 31,  
2015

See accompanying notes to consolidated financial statements.

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## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

Years Ended October 31,

(In thousands)

## Cash flows from operating activities:

|   | 2015        | 2014          | 2013          |
|---|-------------|---------------|---------------|
| Net income  | \$205,144   | \$271,829     | \$296,906     |
| Adjustments to reconcile net income to net cash provided by operating activities: |             |               |               |
| Depreciation and amortization expense   | 191,403     | 138,201       | 125,349       |
| Share-based compensation expense  | 32,879      | 36,515        | 28,538        |
| Loss on divestiture of Aime   | —           | —             | 21,062        |
| Loss on disposal of property, plant and equipment                                 | 42,415      | 9,814         | 6,711         |
| Deferred income taxes   | 5,582       | (16,005)      | (17,188)      |
| Excess tax benefit from share-based compensation awards                           | (17,300)    | (19,300)      | (18,081)      |
| Provision for doubtful accounts   | (69)        | ) 764         | 890           |
| Change in assets and liabilities:   |             |               |               |
| Accounts receivable   | (4,528)     | ) (5,167)     | ) 55          |
| Inventories   | (37,357)    | ) (7,582)     | ) (22,574)    |
| Other assets  | (22,595)    | ) (13,468)    | ) (22,870)    |
| Accounts payable  | 10,108      | 1,288         | (6,294)       |
| Accrued liabilities   | (10,658)    | ) 34,017      | (983)         |
| Accrued income taxes  | (4,342)     | ) 18,098      | 27,717        |
| Other long-term liabilities   | 288         | 5,819         | (3,313)       |
| Cash provided by operating activities   | 390,970     | 454,823       | 415,925       |
| Cash flows from investing activities:   |             |               |               |
| Purchases of property, plant and equipment  | (243,023)   | ) (238,065)   | ) (178,127)   |
| Acquisitions of businesses, net of cash acquired, and other                       | (44,924)    | ) (1,109,702) | ) (13,045)    |
| Insurance proceeds received   | —           | 1,359         | 1,254         |
| Cash used in investing activities   | (287,947)   | ) (1,346,408) | ) (189,918)   |
| Cash flows from financing activities:   |             |               |               |
| Proceeds from long-term debt  | 1,201,300   | 2,561,700     | 1,767,000     |
| Repayments of long-term debt  | (1,372,129) | ) (1,666,441) | ) (1,813,663) |
| Net proceeds from (repayments of) short-term debt                                 | 184,787     | (7,331)       | ) 21,036      |
| Payment of loan notes issued for Sauflon acquisition                              | (51,208)    | ) —           | —             |
| Repurchase of common stock  | (67,304)    | ) (75,778)    | ) (167,334)   |
| Net (payments) proceeds related to share-based compensation awards                | (4,816)     | ) 8,585       | 19,287        |
| Excess tax benefit from share-based compensation awards                           | 17,300      | 19,300        | 18,081        |
| Purchase of Origio shares from noncontrolling interests                           | (8,070)     | ) —           | (4,199)       |
| Dividends on common stock   | (2,906)     | ) (2,884)     | ) (2,918)     |
| Debt issuance costs   | —           | (925)         | ) (210)       |
| Distributions to noncontrolling interests   | (1,110)     | ) (2,438)     | ) (1,007)     |
| Payment of contingent consideration   | (3,231)     | ) (3,819)     | ) (3,600)     |
| Proceeds from construction allowance  | 710         | 12,196        | 5,930         |
| Cash (used in) provided by financing activities                                   | (106,677)   | ) 842,165     | (161,597)     |
| Effect of exchange rate changes on cash and cash equivalents                      | (5,142)     | ) (2,751)     | ) 143         |
| Net (decrease) increase in cash and cash equivalents                              | (8,796)     | ) (52,171)    | ) 64,553      |
| Cash and cash equivalents at beginning of year                                    | 25,222      | 77,393        | 12,840        |
| Cash and cash equivalents at end of year  | \$16,426    | \$25,222      | \$77,393      |
| Supplemental disclosures of cash flow information:                                |             |               |               |



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Cash paid for:

|                                      |           |           |           |
|--------------------------------------|-----------|-----------|-----------|
| Interest, net of amounts capitalized | \$ 14,035 | \$ 4,149  | \$ 5,428  |
| Income taxes                         | \$ 12,167 | \$ 15,918 | \$ 13,971 |
| Litigation settlement charges        | \$ 17,000 | \$ —      | \$ —      |

See accompanying notes to consolidated financial statements.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

Year Ended October 31,

2014

(In thousands)

On August 6, 2014, The Cooper Companies, Inc. acquired all of the issued share capital of Sauflon Pharmaceuticals Limited for total consideration of approximately \$1.13 billion. Liabilities were assumed as follows:

Supplemental disclosures of non-cash investing activities:

Fair value of assets acquired

\$1,305,828

Less:

Cash paid, net of cash acquired

1,063,077

Loan notes issued

57,954

Liabilities assumed

\$184,797

See accompanying notes to consolidated financial statements.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### Note 1. Summary of Significant Accounting Policies

##### General

The Cooper Companies, Inc. (Cooper, we or the Company) is a global medical device company publicly traded on the NYSE Euronext (NYSE:COO). Cooper is dedicated to being A Quality of Life Company™ with a focus on delivering shareholder value. Cooper operates through our business units, CooperVision and CooperSurgical.

CooperVision develops, manufactures and markets a broad range of soft contact lenses for the worldwide vision correction market.

CooperSurgical develops, manufactures and markets medical devices and procedure solutions to improve healthcare delivery to women.

##### Estimates and Critical Accounting Policies

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

**Revenue recognition** - We recognize product net sales, net of discounts, returns and rebates in accordance with related accounting standards and SEC Staff Accounting Bulletins. As required by these standards, we recognize revenue when it is realized or realizable and earned, based on terms of sale with the customer, where persuasive evidence of an agreement exists, delivery has occurred, the seller's price is fixed and determinable and collectability is reasonably assured. For contact lenses as well as CooperSurgical medical devices, diagnostic products and surgical instruments and accessories, this primarily occurs when title and risk of ownership transfers to our customers. We believe our revenue recognition policies are appropriate in all circumstances, and that our policies are reflective of our customer arrangements. We record, based on historical statistics, estimated reductions to revenue for customer incentive programs offered including cash discounts, promotional and advertising allowances, volume discounts, contractual pricing allowances, rebates and specifically established customer product return programs. We record taxes collected from customers on a net basis, as these taxes are not included in net sales.

**Net realizable value of inventory** - In assessing the value of inventories, we make estimates and judgments regarding aging of inventories and other relevant issues potentially affecting the saleable condition of products and estimated prices at which those products will sell. On an ongoing basis, we review the carrying value of our inventory, measuring number of months on hand and other indications of saleability. We reduce the value of inventory if there are indications that the carrying value is greater than market, resulting in a new, lower-cost basis for that inventory. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. While estimates are involved, historically, obsolescence has not been a significant factor due to long product dating and lengthy product life cycles.

**Valuation of goodwill** - We account for goodwill and evaluate our goodwill balances and test them for impairment annually during the fiscal third quarter and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist in accordance with related accounting standards. We performed our annual impairment test in our fiscal third quarter of 2015, and our analysis



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

indicated that we had no impairment of goodwill. We performed our annual impairment test in our fiscal third quarter of 2014 and concluded that we had no impairment of goodwill in that year.

In fiscal 2015 and 2014, we performed qualitative assessments to test each reporting unit's goodwill for impairment. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events and factors affecting each reporting unit. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not to be less than its carrying amount, the two-step impairment test will be performed.

Initially, we compare the book value of net assets to the fair value of each reporting unit that has goodwill assigned to it. If the fair value is determined to be less than the book value, a second step is performed to compute the amount of the impairment. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are the same as our business segments - CooperVision and CooperSurgical - reflecting the way that we manage our business.

Goodwill impairment analysis and measurement is a process that requires significant judgment. If our common stock price trades below book value per share, there are changes in market conditions or a future downturn in our business, or a future annual goodwill impairment test indicates an impairment of our goodwill, we may have to recognize a non-cash impairment of our goodwill that could be material, and could adversely affect our results of operations in the period recognized and also adversely affect our total assets, stockholders' equity and financial condition.

Business combinations - We routinely consummate business combinations. Results of operations for acquired companies are included in our consolidated results of operations from the date of acquisition. We recognize separately from goodwill, the identifiable assets acquired, including acquired in-process research and development, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date fair values as defined by accounting standards related to fair value measurements. As of the acquisition date, goodwill is measured as the excess of consideration given, generally measured at fair value, and the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed. Direct acquisition costs are expensed as incurred.

Income taxes - We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Regarding accounting for uncertainty in income taxes, we recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. We measure the income tax benefits from the tax positions that are recognized, assess the timing of the derecognition of previously recognized tax benefits and classify and disclose the liabilities within the consolidated financial statements for any unrecognized tax benefits based on the guidance in the interpretation of related accounting guidance for income taxes. The interpretation also provides guidance on how the interest and penalties related to tax positions may be recorded and classified within our Consolidated Statement of Income and presented in the Consolidated Balance Sheet. We classify interest and penalties related to uncertain tax positions as additional income tax expense.

Share-Based Compensation - We grant various share-based compensation awards, including stock options, performance unit shares, restricted stock and restricted stock units. Under fair value recognition provisions, share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating Cooper's stock price volatility, employee exercise behaviors and related employee forfeiture rates.

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

As share-based compensation expense recognized in our Consolidated Statement of Income is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant, based on historical experience, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

If factors change and we employ different assumptions in the application of the fair value recognition provisions, the compensation expense that we record in future periods may differ significantly from what we have recorded in the current period.

Accounting Pronouncements Issued and Not Yet Adopted

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We do not anticipate the adoption of these amendments, which are effective for the Company for the fiscal year beginning on November 1, 2016, will have a material impact on our consolidated results of operations, financial condition or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 sets forth a new revenue recognition model that requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. We are currently

evaluating the impact of ASU 2014-09, which is effective for the Company in our fiscal year beginning on November 1, 2018.

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## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### Accounting Pronouncements Recently Adopted

On November 1, 2014, we adopted ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. When a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available, or the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The adoption of ASU 2013-11 did not have a significant impact on our consolidated financial statements.

#### Consolidation

The financial statements in this report include the accounts of all of Cooper's consolidated entities. All significant intercompany transactions and balances are eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation.

#### Foreign Currency Translation

Most of our operations outside the United States use their local currency as their functional currency. We translate these assets and liabilities into United States dollars at 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 United States dollars in other comprehensive income. We record gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting location's functional currency in net income for each period. We recorded in other expense and income a net foreign exchange loss of \$3.5 million for fiscal 2015, a net foreign exchange loss of \$2.9 million for fiscal 2014 and a net foreign exchange gain of \$0.1 million for fiscal 2013.

#### Divested Operation

**Aime Divestiture** - On October 31, 2013, we completed a transaction to sell Aime, our rigid gas-permeable contact lens and solutions business in Japan, to Nippon Contact Lens Inc. The business was originally obtained as part of the December 1, 2010 acquisition which included obtaining the rights to market Biofinity in Japan. The divestiture was consistent with CooperVision's strategy to focus on its core soft contact lens business.

The Aime divestiture was originally announced on May 31, 2013 and met the criteria for classification as held for sale during the fiscal fourth quarter of 2013. During the fourth quarter of 2013, we completed several conditions to closing and facilitated the transfer of manufacturing technology. We recorded a pre-tax loss of approximately \$21.1 million in our Consolidated Statement of Income for fiscal 2013. Results from operations of Aime are included in our Consolidated Statements of Income for fiscal 2013 and we have not segregated the results of operations or net assets of Aime on our financial statements for any period presented. The disposition of the assets and liabilities of Aime did not qualify for classification as discontinued operations as CooperVision shall maintain continuing involvement through a distribution arrangement with Aime for a minimum of three years. The financial statement impact of the Aime product line was not material for any of the fiscal years presented.

#### Financial Instruments



We may use derivatives to reduce market risks associated with changes in foreign exchange and interest rates. We do not use derivatives for trading or speculative purposes. We believe that the counterparties with which we

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

enter into forward exchange contracts and interest rate swap agreements are financially sound and that the credit risk of these contracts is not significant.

We operate multiple foreign subsidiaries that manufacture and/or sell our products worldwide. As a result, our earnings, cash flow and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables, sales transactions, capital expenditures and net investment in certain foreign operations. Our policy is to minimize, to the extent reasonable and practical, transaction, remeasurement and specified economic exposures with derivatives instruments such as foreign exchange forward contracts and cross currency swaps. The gains and losses on these derivatives are intended to at least partially offset the transaction gains and losses recognized in earnings.

Exposures are reduced whenever possible by taking advantage of offsetting payable and receivable balances and netting net sales against expenses, also referred to as natural hedges. We may employ the use of foreign currency derivative instruments to manage a portion of the remaining foreign exchange risk. Our risk management objectives and the strategies for achieving those objectives depend on the type of exposure being hedged.

We are also exposed to risks associated with changes in interest rates, as the interest rate on our credit agreements vary. To mitigate this risk, we may hedge portions of our variable rate debt by swapping those portions to fixed rates. We only enter into derivative financial instruments with institutions with which we have an International Swap Dealers Association (ISDA) agreement in place. When applicable, we record interest rate derivatives as net on our Consolidated Balance Sheet, in accordance with derivative accounting. When we net or set-off our interest rate derivative obligations, only the net asset or liability position will be credit affected. For the years ending October 31, 2014 and 2013, all of our interest rate derivatives were in a liability position and, therefore, were not set-off in the Consolidated Balance Sheet. We had no outstanding interest rate swaps at October 31, 2015. Since ISDA agreements are signed between the Company and each respective financial institution, netting is permitted on a per institution basis only. On an ongoing basis, we monitor counterparty credit ratings. We consider our credit non-performance risk to be minimal because we award and disperse derivatives business between multiple commercial institutions that have at least an investment grade credit rating.

On March 10, 2011, we entered into five floating-to-fixed interest rate swaps to fix the floating rate debt under our revolving Credit Agreement or any future credit facility whose variable debt is tied to the London Interbank Offered Rate (LIBOR). These interest rate swaps with notional values totaling \$200.0 million, served to fix the floating rate debt for remaining terms between 2 and 14 months with fixed rates between 1.27% and 1.78%. We qualified and designated these swaps as cash flow hedges and recorded the offset of the cumulative fair market value (net of tax effect) to accumulated other comprehensive income in our Consolidated Balance Sheet. At October 31, 2015, we had no outstanding interest rate swaps.

Effectiveness testing of the hedge relationship and measurement to quantify ineffectiveness is performed at a minimum each fiscal quarter using the hypothetical derivative method. Effective amounts are reclassified to interest expense as the related hedged expense is incurred.

#### Litigation

We are subject to various legal proceedings, claims, litigation, investigations and contingencies arising out of the ordinary course of business. If we believe the likelihood of an adverse legal outcome is probable and the amount is estimable, we accrue a liability in accordance with accounting guidance for contingencies. We consult with legal

counsel on matters related to litigation and seek input both within and outside the Company.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Insurance Proceeds

On October 28, 2011, a manufacturing building in the United Kingdom experienced an incident in which a pipe broke in our fire suppression system, causing water and fire retardant foam damage to the facility. While this incident did not substantially impact our existing customers, the repairs to the facility and resultant decrease in manufacturing capacity impacted the timing of marketing initiatives to generate additional sales. In January 2013, we resolved our business interruption claim with our insurer for a total of \$19.1 million. We received payments of \$5.0 million in our fiscal fourth quarter of 2012. In our fiscal first quarter of 2013, we recorded the remaining \$14.1 million in our Consolidated Statement of Income of which we received payment of \$2.9 million during the fiscal first quarter of 2013 and the remaining \$11.2 million in the fiscal second quarter of 2013.

Long-lived Assets

We review long-lived assets held and used, intangible assets with finite useful lives and assets held for sale for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation of recoverability is required, the estimated undiscounted future cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down is required. If the undiscounted cash flows are less than the carrying amount, an impairment loss is recorded to the extent that the carrying amount exceeds the fair value. If management has committed to a plan to dispose of long-lived assets, the assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

CooperVision provides optometric practices with in-office lenses used in marketing programs to facilitate efficient and convenient fitting of contact lenses by practitioners. Such lens fitting sets generally consist of a physical binder or rack to store contact lenses and an array of lenses. We record the costs associated with the original fitting set to other long-term assets on our Consolidated Balance Sheet. We amortize such costs over their estimated useful lives to selling, general and administrative expense on our Consolidated Statements of Income. We also expense the cost for lenses provided to practitioners as replenishment for fitting sets in the period shipped to selling, general and administrative expense on our Consolidated Statements of Income.

Cash and Cash Equivalents

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

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Inventories

| October 31,<br>(In millions) | 2015    | 2014    |
|------------------------------|---------|---------|
| Raw materials                | \$80.9  | \$76.9  |
| Work-in-process              | 14.5    | 14.3    |
| Finished goods               | 324.3   | 290.3   |
|                              | \$419.7 | \$381.5 |

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

## Property, Plant and Equipment

| October 31,<br>(In millions)   | 2015    | 2014    |
|--------------------------------|---------|---------|
| Land and improvements          | \$19.8  | \$20.6  |
| Buildings and improvements     | 226.1   | 205.5   |
| Machinery and equipment        | 1,085.1 | 980.8   |
| Construction in progress       | 319.7   | 319.0   |
| Less: Accumulated depreciation | 683.6   | 588.6   |
|                                | \$967.1 | \$937.3 |

Property, plant and equipment are stated at cost. 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 their estimated useful lives or the period of the related lease, whichever is shorter. We depreciate buildings over 35 to 40 years and machinery and equipment over 3 to 15 years.

We expense costs for maintenance and repairs and 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. We had capitalized interest included in construction in progress of \$6.2 million and \$5.6 million for the years ended October 31, 2015 and 2014, respectively.

## Earnings Per Share

We determine basic earnings per share (EPS) by using the weighted average number of shares outstanding. We determine diluted EPS by increasing the weighted average number of shares outstanding in the denominator by the number of outstanding dilutive equity awards using the treasury stock method.

## Treasury Stock

We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. At October 31, 2015 and 2014, the number of shares in treasury was 3,290,318 and 2,840,279, respectively. A total of 467,539 shares were purchased during the year ended October 31, 2015, and 571,939 shares were purchased during the year ended October 31, 2014. See Note 8 for additional information on the share repurchase program.



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Notes to Consolidated Financial Statements

Note 2. Acquisitions

Sauflon Acquisition

On August 6, 2014, which we refer to as the Sauflon acquisition date, we completed the acquisition of the entire issued share capital of Sauflon Pharmaceuticals Limited (Sauflon), a privately-owned European manufacturer and distributor of soft contact lenses and solutions, that was based in Twickenham, United Kingdom. The fair value of the consideration transferred for Sauflon was approximately \$1,073.2 million in cash, \$1,063.1 million net of cash acquired, and approximately \$58.0 million in the form of loan notes issued by Cooper. The loan notes were denominated in British pounds and redeemed and paid in our fiscal second quarter of 2015.

We acquired Sauflon to accelerate the growth in sales of our single-use products by enabling a multi-tier, single-use strategy with a full suite of hydrogel and silicone hydrogel product offerings in the major product categories of sphere, toric and multifocal lenses. This acquisition was also intended to provide for enhanced relationships with key European retailers and opportunities for operational synergies.

The acquisition was accounted for under the acquisition method of accounting, and the related assets acquired and liabilities assumed were recorded at fair value. While the acquisition was completed on August 6, 2014, we accounted for the acquisition as of August 1, 2014, and have included the operating results of Sauflon in our CooperVision business segment from that date. The impact of Sauflon's results of operations for the period August 1, 2014 through August 5, 2014 on our CooperVision business segment results of operations was de minimis. Similarly, we have determined that any difference in the fair value of assets acquired and liabilities assumed with respect to Sauflon between August 1, 2014 and August 6, 2014 was de minimis.

The following table summarizes our consideration paid for Sauflon and the allocation of the purchase price to assets acquired and liabilities assumed. We repaid substantially all of the acquired debt concurrently with the acquisition with our available funds.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

| (In millions)                             | Useful Lives of<br>Intangible Assets | Fair Value |
|---|--------------------------------------|------------|
| Goodwill                                  |                                      | \$856.2    |
| Trademarks                                | 10 years                             | \$7.2      |
| Technology                                | 10 years                             | 138.2      |
| Customer relationships                    | 15 years                             | 39.3       |
| License and distribution rights and other | 2 to 5 years                         | 51.6       |
| In-process research and development       | N/A                                  | 43.1       |
| Purchased intangible assets               |                                      | \$279.4    |
| Cash and cash equivalents                 |                                      | \$10.1     |
| Property, plant and equipment             |                                      | 83.9       |
| Inventories                               |                                      | 36.2       |
| Trade accounts receivable                 |                                      | 42.3       |
| Other current assets                      |                                      | 6.9        |
| Debt                                      |                                      | (85.1 )    |
| Accounts payable                          |                                      | (23.6 )    |
| Long term deferred tax liabilities        |                                      | (56.7 )    |
| Other creditors and current liabilities   |                                      | (18.5 )    |
| Net tangible liabilities                  |                                      | \$(4.5 )   |
| Total purchase consideration              |                                      | \$1,131.1  |

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from the other assets acquired that could not be individually identified and separately recognized. The goodwill recorded as part of the acquisition of Sauflon was ascribed to our CooperVision business segment and is not amortized. This goodwill includes the following:

The expected synergies and other benefits that we believe will result from combining the operations of Sauflon with the operations of CooperVision;

Any intangible assets that did not qualify for separate recognition, as well as future, yet unidentified projects and products; and

The value of the going-concern element of Sauflon's existing businesses (the higher rate of return on the assembled collection of net assets versus if CooperVision had acquired all of the net assets separately).

Management determined fair values of the identifiable intangible assets through a combination of income approaches including relief from royalty, with-and-without, multi-period excess earnings and disaggregated methods. The valuation models were based on estimates of future operating projections of the acquired business and rights to sell products as well as judgments on the discount rates used and other variables. We determined the forecasts based on a number of factors, including our best estimate of near-term net sales expectations and long-term projections, which include review of internal and independent market analyses. The discount rate used was representative of the weighted average cost of capital.

The unaudited pro forma financial results presented below for the fiscal years ended October 31, 2014 and 2013, include the effects of pro forma adjustments as if the acquisition occurred on November 1, 2012. The pro forma results were prepared using the acquisition method of accounting and combine the historical results of Cooper and Sauflon for the fiscal years ended October 31, 2014 and 2013, including the effects of the business combination,



primarily amortization expense related to the fair value of identifiable intangible assets

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## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

acquired, interest expense associated with the financing obtained by Cooper in connection with the acquisition, and the elimination of incurred acquisition-related costs.

The fiscal 2014 unaudited pro forma financial information is not adjusted to exclude \$36.1 million of restructuring costs and costs incurred in the fiscal year to integrate the operations of Cooper with Sauflon. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the earliest period presented, nor is it intended to be a projection of future results.

| Years Ended October 31,<br>(In millions, except per share amounts, pro forma, unaudited) | 2014      | 2013      |
|--|-----------|-----------|
| Revenue  | \$1,858.2 | \$1,746.3 |
| Net income attributable to Cooper stockholders   | \$276.0   | \$284.9   |
| Diluted earnings per share   | \$5.64    | \$5.73    |

The pro forma results for fiscal 2014 were adjusted to include pre-tax amortization of intangible assets totaling \$22.2 million, and an additional \$6.4 million of interest expense. The pro forma results were adjusted to exclude pre-tax acquisition-related costs totaling \$20.4 million.

The pro forma results for fiscal 2013 were adjusted to include pre-tax amortization of intangible assets totaling \$29.7 million and an additional \$9.3 million of interest expense.

## Origio Acquisition

On July 11, 2012, the acquisition date, we completed a voluntary tender offer for the outstanding shares of Origio a/s at a purchase price of NOK 28 per share in cash and acquired 97% of the outstanding shares. As a result, the fair value of the consideration transferred for Origio was approximately \$147.4 million in cash, \$143.6 million net of cash acquired. During our fiscal fourth quarter of 2012 and our fiscal first quarter of 2013, we completed a mandatory redemption to obtain the remaining shares in accordance with the Danish Companies Act.

Origio, based in Malov, Denmark, is a leading global in-vitro fertilization (IVF) medical device company that develops, manufactures and distributes highly specialized products that target IVF treatment with a goal to make fertility treatment safer, more efficient and convenient.

The acquisition was accounted for under the acquisition method of accounting, and the related assets acquired and liabilities assumed were recorded at fair value. During the fiscal second quarter of 2013, we received the remaining information necessary to complete the fair value measurements of assets acquired and liabilities assumed for fixed assets, income taxes and commitments and contingencies resulting in a net increase to goodwill of \$12.4 million.

While we closed the acquisition of shares on July 11, 2012, we accounted for the acquisition as of July 1, 2012, and included the operating results of Origio in our CooperSurgical business segment from that date. The impact of Origio's results of operations for the period July 1, 2012 through July 10, 2012 on our CooperSurgical business segment results of operations was de minimis. Similarly, we have determined that any difference in the fair value of assets acquired and liabilities assumed with respect to Origio between July 1, 2012 and July 11, 2012 was de minimis.

We allocated the fair value of the purchase price as follows: \$8.5 million for working capital, including \$3.8 million of cash, \$22.4 million for property, plant and equipment, \$1.9 million for net other liabilities, \$25.6 million for net deferred tax liabilities, \$22.1 million for noncontrolling interests and \$45.4 million of debt. We repaid substantially all of the acquired debt concurrent with the acquisition with available funds. Additionally, the allocation of the purchase price includes amortizable intangible assets of \$107.7 million and goodwill of \$103.7 million. The intangible assets include \$82.1 million for customer relationships with

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an estimated useful life of 15 years; \$17.4 million for technology with an estimated useful life of 10 years; and \$8.2 million for trade names with estimated useful lives of 17 years. We incurred \$4.9 million of acquisition costs that were expensed in operations in fiscal 2012.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from the other assets acquired that could not be individually identified and separately recognized. The goodwill recorded as part of the acquisition of Origio, of which \$13.1 million is deductible for tax purposes, is ascribed to our CooperSurgical business segment and is not amortized. This goodwill includes the following:

The expected synergies and other benefits that we believed will result from combining the operations of Origio with the operations of CooperSurgical;

Any intangible assets that did not qualify for separate recognition, as well as future, yet unidentified projects and products; and

The value of the going-concern element of Origio's existing businesses (the higher rate of return on the assembled collection of net assets versus if CooperSurgical had acquired all of the net assets separately).

Management assigned fair values to the identifiable intangible assets through a combination of the discounted cash flow, multi-period excess earnings and relief from royalty methods. The valuation models were based on estimates of future operating projections of the acquired business and rights to sell products as well as judgments on the discount rates used and other variables. We determined the forecasts based on a number of factors including our best estimate of near-term net sales expectations and long-term projections, which include review of internal and independent market analyses. The discount rate used was representative of the weighted average cost of capital.

In fiscal 2012, the year we acquired Origio, the pro forma results of operations were not presented because the effects of the business combination described above was not material to our consolidated results of operations.

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## Notes to Consolidated Financial Statements

## Note 3. Restructuring and Integration Costs

## 2014 Sauflon Integration Plan

During the fiscal fourth quarter of 2014, in connection with the Sauflon acquisition, our CooperVision business unit initiated restructuring and integration activities to optimize operational synergies of the combined companies. These activities include workforce reductions, consolidation of duplicative facilities and product rationalization. We estimate the total restructuring costs under this plan to be \$112.0 million. The \$8.0 million increase over our fiscal third quarter estimate relates to additional product rationalization and related equipment disposals and accelerated depreciation, primarily related to our hydrogel contact lenses, based on our review of products, materials and manufacturing processes of Sauflon. We expect to be substantially complete with activities related to operating expenses in our fiscal first quarter of 2016, and to incur costs related to manufacturing activities through the end of fiscal 2016.

These estimated costs include approximately \$89.0 million associated with assets, including product rationalization and related equipment disposals and accelerated depreciation, about \$19.0 million associated with employee termination costs and about \$4.0 million associated with facility lease termination costs.

In fiscal 2015, we recorded in cost of sales \$57.7 million of expense, arising from production-related asset disposals and accelerated depreciation on equipment, primarily related to our hydrogel lenses, based on our review of products, materials and manufacturing processes of Sauflon. We recorded in cost of sales \$4.0 million of employee termination costs. We reduced in selling, general and administrative expense, the accrued employee termination costs by \$7.2 million, based on current estimates of the expected costs and the results of voluntary terminations; and we recorded \$0.4 million of expense for lease termination costs. We recorded in research and development expense \$0.7 million of employee termination costs. In addition, CooperVision incurred \$35.2 million of integration costs in fiscal 2015, included in operating expenses.

In fiscal 2014, we recorded restructuring charges of \$20.3 million for employee termination costs; \$15.3 million for product rationalization, including inventory write-offs and production-related asset impairments, primarily related to our Avaira toric contact lenses, based on our review of products, materials and manufacturing processes of Sauflon; and \$0.5 million of lease termination costs for facility closures. In addition, CooperVision incurred \$2.8 million of integration costs recorded in selling, general and administrative expense. Of the employee termination costs, \$19.7 million are recorded in selling, general and administrative expense and \$0.6 million in research and development expense. The product rationalization costs are recorded in cost of sales. The lease termination costs and other related costs are recorded in selling, general and administrative expense.

A summary of the total restructuring costs by major component recognized for the fiscal years ended October 31, 2015, and October 31, 2014, is as follows:

| (In millions)                                      | Employee-related | Facilities-related | Product Rationalization | Total  |
|--|------------------|--------------------|-------------------------|--------|
| Amounts incurred in:                               |                  |                    |                         |        |
| Year ended October 31, 2014                        | \$20.3           | \$0.5              | \$15.3                  | \$36.1 |
| Year ended October 31, 2015                        | (2.5             | ) 0.4              | 57.7                    | 55.6   |
| Cumulative amounts incurred as of October 31, 2015 | \$17.8           | \$0.9              | \$73.0                  | \$91.7 |



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## Notes to Consolidated Financial Statements

The following table summarizes the restructuring activities by major component:

| (In millions)                             | Employee-related | Facilities-related | Product Rationalization | Total     |
|---|------------------|--------------------|-------------------------|-----------|
| Additions during fiscal 2014              | \$20.3           | \$0.5              | \$15.3                  | \$36.1    |
| Payments during the fiscal year           | (0.4             | ) —                | —                       | (0.4 )    |
| Non-cash adjustments (b)                  | —                | —                  | (15.3                   | ) (15.3 ) |
| Balance at October 31, 2014               | \$19.9           | \$0.5              | \$—                     | \$20.4    |
| (Reductions) additions during fiscal 2015 | (2.5             | ) 0.4              | 57.7                    | 55.6      |
| Payments during the fiscal year           | (9.0             | ) (0.4             | ) —                     | (9.4 )    |
| Non-cash adjustments (a) (b)              | 0.2              | (0.2               | ) (57.7                 | ) (57.7 ) |
| Balance as of October 31, 2015            | \$8.6            | \$0.3              | \$—                     | \$8.9     |

(a) Non-cash adjustments for employee-related and facilities-related costs represent currency translation adjustment.

(b) Non-cash adjustments for product rationalization represent equipment disposals, inventory write-offs and accelerated depreciation.

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## Notes to Consolidated Financial Statements

## Note 4. Intangible Assets

## Goodwill

| (In millions)   | CooperVision | CooperSurgical | Total     |
|---|--------------|----------------|-----------|
| Balance as of October 31, 2013                                    | \$1,048.5    | \$339.1        | \$1,387.6 |
| Net additions during the year ended October 31, 2014              | 857.1        | 25.5           | 882.6     |
| Translation   | (44.1        | ) (5.2         | ) (49.3   |
| Balance as of October 31, 2014                                    | \$1,861.5    | \$359.4        | \$2,220.9 |
| Net (reductions) additions during the year ended October 31, 2015 | (1.2         | ) 17.4         | 16.2      |
| Translation   | (32.7        | ) (7.3         | ) (40.0   |
| Balance as of October 31, 2015                                    | \$1,827.6    | \$369.5        | \$2,197.1 |

Of the October 31, 2015 goodwill balance, \$93.5 million for CooperSurgical and \$19.7 million for CooperVision is expected to be deductible for tax purposes.

## Other Intangible Assets

| (In millions)                                 | As of October 31, 2015 |  | As of October 31, 2014 |  | Weighted Average Amortization Period (In years) |
|---|------------------------|--|------------------------|--|---|
|   | Gross Carrying Amount  | Accumulated Amortization & Translation | Gross Carrying Amount  | Accumulated Amortization & Translation |   |
| Trademarks                                    | \$23.7                 | \$4.4                                  | \$21.3                 | \$2.9                                  | 13  |
| Technology                                    | 318.9                  | 114.7                                  | 326.6                  | 93.8                                   | 11  |
| Customer relationships                        | 247.0                  | 104.5                                  | 233.2                  | 90.7                                   | 14  |
| License and distribution rights and other     | 71.7                   | 26.6                                   | 73.5                   | 13.6                                   | 8   |
|   | 661.3                  | \$250.2                                | 654.6                  | \$201.0                                | 12  |
| Less accumulated amortization and translation | 250.2                  |  | 201.0                  |  |   |
| Other intangible assets, net                  | \$411.1                |  | \$453.6                |  |   |

Included in Technology at October 31, 2015 is \$39.5 million of acquired in-process research and development from Sauflon that is not amortized. See Note 2 for additional information on acquired intangible assets from Sauflon.

We estimate that amortization expense for our existing other intangible assets will be \$50.6 million in fiscal 2016, \$47.4 million in fiscal 2017, \$45.5 million in fiscal 2018, \$42.7 million in fiscal 2019 and \$31.9 million in fiscal 2020.

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## Notes to Consolidated Financial Statements

## Note 5. Debt

| October 31,<br>(In millions)              | 2015      | 2014      |
|---|-----------|-----------|
| Short-term:                               |           |           |
| Loan notes issued for Sauflon acquisition | \$—       | \$55.1    |
| Overdraft and other credit facilities     | 240.4     | 46.4      |
| Current portion of long-term debt         | 3.8       | —         |
|   | \$244.2   | \$101.5   |
| Long-term:                                |           |           |
| Credit Agreement                          | \$109.0   | \$279.5   |
| Term loans                                | 996.3     | 1,000.0   |
| Other                                     | 0.5       | 1.3       |
|   | \$1,105.8 | \$1,280.8 |

Annual maturities of long-term debt as of October 31, 2015, are as follows:

| Year<br>(In millions) |         |
|-----------------------|---------|
| 2016                  | \$3.8   |
| 2017                  | \$824.1 |
| 2018                  | \$281.4 |
| 2019                  | \$—     |
| 2020                  | \$—     |
| Thereafter            | \$0.3   |
| Credit Agreement      |         |

On May 31, 2012, we entered into an amendment to our Credit Agreement, dated as of January 12, 2011, by and among the Company, CooperVision International Holding Company, LP, the lenders party thereto and KeyBank National Association, as administrative agent. The Credit Agreement, as amended, provides for a multicurrency revolving credit facility in an aggregate commitment amount of \$1.0 billion and the aggregate commitment amount under the revolving facility may be increased, upon our written request, by \$500.0 million. The amended Credit Agreement has a termination date of May 31, 2017.

In connection with the Sauflon acquisition, on June 30, 2014, we entered into an amendment (Credit Agreement Amendment) to the Credit Agreement, dated as of January 12, 2011, as amended, by and among (i) the Company, (ii) CooperVision International Holding Company, LP, an indirect subsidiary of the Company, (iii) the lenders from time to time party thereto and (iv) Keybank National Association, as administrative agent. The Credit Agreement Amendment modifies certain provisions of the Credit Agreement to, among other things, amend certain restrictive covenants and related definitions to allow for certain indebtedness, investments, guaranty obligations, acquisitions, intercompany loans, capital distributions and dispositions of assets made or to be made in connection with the acquisition.

The commitment fee rate ranges between 0.100% and 0.275% of the unused portion of the revolving facility based on a pricing grid tied to the Total Leverage Ratio (as defined below and in the Credit Agreement). The applicable margin rates on loans outstanding under the Credit Agreement will bear interest based, at our option, on either the base rate or the adjusted Eurodollar rate (currently referred to as LIBOR) or adjusted foreign currency rate (each as defined in the amended Credit Agreement), plus an applicable margin of





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between 0.00% and 0.75% in respect of base rate loans and between 1.00% and 1.75% in respect of adjusted Eurodollar rate or adjusted foreign currency rate loans, in each case in accordance with a pricing grid tied to the Total Leverage Ratio, as defined in the Credit Agreement. In addition to the annual commitment fee, we are also required to pay certain letter of credit and related fronting fees and other administrative fees pursuant to the terms of the Credit Agreement.

The Credit Agreement is not secured by any of the Company's, or any of its subsidiaries', assets. All obligations under the Credit Agreement will be guaranteed by each of our existing and future direct and indirect material domestic subsidiaries.

Pursuant to the terms of the Credit Agreement and the term loans discussed below, we are also required to maintain specified financial ratios:

The ratio of Consolidated Proforma EBITDA to Consolidated Interest Expense (as defined, Interest Coverage Ratio) be at least 3.00 to 1.00 at all times.

The ratio of Consolidated Funded Indebtedness to Consolidated Proforma EBITDA (as defined, Total Leverage Ratio) be no higher than 3.75 to 1.00.

At October 31, 2015, we were in compliance with the Interest Coverage Ratio at 31.34 to 1.00 and the Total Leverage Ratio at 2.38 to 1.00.

At October 31, 2015, we had \$890.8 million available under the Credit Agreement.

Uncommitted Revolving Lines of Credit on March 24, 2015

On March 24, 2015, we entered into uncommitted line of credit agreements with TD Bank, N.A. and Santander Bank, N.A. These lines of credit have a termination date of March 24, 2016, and each provide revolving loan amounts of up to \$100.0 million, at the lender's option, with maturity dates of up to ninety days from the loan origination date.

Amounts outstanding under these agreements will bear interest at a rate equal to LIBOR for the period plus, 0.9%, payable in arrears on the last day of the period, as defined in the agreements.

At October 31, 2015, we had \$200.0 million outstanding under these agreements.

\$300.0 million Term Loan on September 12, 2013

On September 12, 2013, we entered into a five-year, \$300.0 million, senior unsecured term loan agreement by and among the Company; the lenders party thereto and KeyBank National Association, as administrative agent. This syndicated credit facility, as subsequently amended, will mature on September 12, 2018, and will be subject to amortization of principal of 5.0% per annum payable quarterly beginning October 31, 2016, with the balance payable at maturity.

Amounts outstanding under this term loan agreement will bear interest, at our option, at either the base rate, which is a rate per annum equal to the greatest of (a) KeyBank's prime rate, (b) 0.5% in excess of the federal funds effective rate and (c) 1% in excess of the adjusted Eurodollar rate (currently referred to as LIBOR) for a one-month interest period on such day, or the adjusted Eurodollar rate, plus, in each case, an applicable margin. The applicable margins will be determined quarterly by reference to a grid based upon the Total Leverage Ratio, as defined in the term loan agreement, and consistent with the revolving Credit Agreement discussed above.

This term loan agreement contains customary restrictive covenants, as well as financial covenants that require us to maintain a certain Total Leverage Ratio and Interest Coverage Ratio, each as defined in the agreement, consistent with the revolving Credit Agreement discussed above. The agreement also contains customary

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Notes to Consolidated Financial Statements

events of default, the occurrence of which would permit the Administrative Agent to declare the principal, accrued interest and other obligations under the agreement to be immediately due and payable.

In connection with the Sauflon acquisition, on June 30, 2014, we entered into an amendment to this term loan agreement, dated as of September 12, 2013, by and among (i) the Company, (ii) the lenders from time to time party thereto and (iii) KeyBank National Association, as administrative agent. This term loan amendment modifies certain provisions of the term loan agreement to, among other things, amend certain restrictive covenants and related definitions to allow for certain indebtedness, investments, guaranty obligations, acquisitions, intercompany loans, capital distributions and dispositions of assets made or to be made in connection with the acquisition.

On August 4, 2014, we entered into Amendment No. 2 to this term loan agreement, dated as of September 12, 2013, as amended by Amendment No. 1 dated as of June 30, 2014, by and among the Company, the lenders party thereto and KeyBank National Association, as administrative agent. The term loan amendment modifies certain provisions of the term loan agreement to remove the call premium related to prepayments and/or refinancing of the term loan agreement, effective August 4, 2014.

At October 31, 2015, we had \$300.0 million outstanding under the Term Loan.

\$700.0 million Term Loan on August 4, 2014

On August 4, 2014, we entered into a three-year, \$700.0 million, senior unsecured term loan agreement by and among the Company, the lenders party thereto and KeyBank National Association as administrative agent. This syndicated credit facility will mature and the balance is payable on August 4, 2017. There is no amortization of principal and we may prepay loan balances from time to time, in whole or in part, without premium or penalty.

Amounts outstanding under this term loan agreement will bear interest, at our option, at either the base rate, which is a rate per annum equal to the greatest of (a) KeyBank's prime rate, (b) 0.5% in excess of the federal funds effective rate and (c) 1% in excess of the adjusted Eurodollar rate (currently referred to as LIBOR) for a one-month interest period on such day, or the adjusted Eurodollar rate, plus, in each case, an applicable margin. The applicable margins will be determined quarterly by reference to a grid based upon the Total Leverage Ratio, as defined in the term loan agreement and consistent with the revolving Credit Agreement discussed above.

This term loan agreement contains customary restrictive covenants, as well as financial covenants that require us to maintain a certain Total Leverage Ratio and Interest Coverage Ratio, each as defined in the agreement, and consistent with the revolving Credit Agreement as discussed above. This term loan agreement also contains customary events of default, the occurrence of which would permit the Administrative Agent to declare the principal, accrued interest and other obligations under the agreement to be immediately due and payable.

In August 2014, we utilized this facility to fund the acquisition of Sauflon, as well as to provide working capital and for general corporate purposes.

At October 31, 2015, we had \$700.0 million outstanding under this term loan.

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European Credit Facilities

We maintain European credit facilities in the form of continuing and unconditional guarantees. The aggregate facility limit was \$33.2 million and \$37.6 million at October 31, 2015 and 2014, respectively. We will pay all forms of indebtedness in the currency in which it is denominated for those certain subsidiaries. Interest expense is calculated on all outstanding balances based on an applicable base rate for each country plus a fixed spread common across most subsidiaries covered under the guaranty. At October 31, 2015, \$8.6 million of the facility was utilized. The weighted average interest rate on the outstanding balances was 1.5%.

In addition to these European credit facilities, we also have available certain non-guaranteed Euro-denominated overdraft facilities. The aggregate facility limit was \$0.7 million and \$0.8 million at October 31, 2015 and 2014, respectively. At October 31, 2015, none of this facility was utilized.

Asian Pacific Credit Facilities

We maintain Yen-denominated credit facilities in Japan supported by continuing and unconditional guarantees. The aggregate facility limit was \$49.7 million and \$53.5 million at October 31, 2015 and 2014, respectively. We will pay all forms of indebtedness in Yen upon demand. Interest expense is calculated on the outstanding balance based on the base rate or TIBOR plus a fixed spread. At October 31, 2015, \$29.2 million of the combined facilities was utilized. The weighted average interest rate on the outstanding balances was 0.5%.

We maintain credit facilities for certain of our Asia Pacific subsidiaries. Each facility is supported by a continuing and unconditional guaranty. The aggregate facility limit was \$10.9 million and \$11.9 million at October 31, 2015 and 2014, respectively. We will pay all forms of indebtedness, for each facility, in the currency in which it is denominated for those certain subsidiaries. Interest expense is calculated on all outstanding balances based on an applicable base rate for each country plus a fixed spread common across all subsidiaries covered under each guaranty. At October 31, 2015, \$0.3 million of the facility was utilized. The weighted average interest rate on the outstanding balances was 3.3%.

Letters of Credit

We maintain letters of credit throughout the world with various financial institutions that primarily serve as guarantee notes on certain debt obligations. The aggregate outstanding amount of letters of credit at October 31, 2015 was \$2.5 million.

Note 6. Income Taxes

Cooper's effective tax rate (ETR) (provision for income taxes divided by pretax income) for fiscal 2015 was 4.8% and fiscal 2014 was 8.3%. The decrease in the ETR in fiscal 2015 reflects integration activities and discrete items including the renewal of the R&D tax credit in the United States. The ETR is below the United States statutory rate as a majority of our taxable income is earned in foreign jurisdictions with lower tax rates. The ratio of domestic income to worldwide income has decreased over recent fiscal years effectively lowering the overall tax rate due to the fact that the tax rates in the majority of foreign jurisdictions where we operate are significantly lower than the statutory rate in the United States.

The components of income from continuing operations before income taxes and extraordinary items and the income tax provision related to income from all operations in our Consolidated Statements of Income consist of:

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## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

| Years Ended October 31,<br>(In millions) | 2015    | 2014    | 2013    |
|--|---------|---------|---------|
| Income before income taxes:              |         |         |         |
| United States                            | \$31.9  | \$32.5  | \$38.9  |
| Foreign                                  | 183.6   | 264.0   | 273.4   |
|  | \$215.5 | \$296.5 | \$312.3 |
| Income tax provision                     | \$10.3  | \$24.7  | \$15.4  |

The income tax provision (benefit) related to income from continuing operations in our Consolidated Statements of Income consists of:

| Years Ended October 31,<br>(In millions) | 2015   | 2014   | 2013    |   |
|--|--------|--------|---------|---|
| Current:                                 |        |        |         |   |
| Federal                                  | \$0.2  | \$23.0 | \$21.6  |   |
| State                                    | 1.2    | 1.1    | 1.1     |   |
| Foreign                                  | 3.3    | 16.6   | 9.9     |   |
|  | 4.7    | 40.7   | 32.6    |   |
| Deferred:                                |        |        |         |   |
| Federal                                  | 12.0   | (5.3   | ) (8.1  | ) |
| State                                    | (0.5   | ) (0.9 | ) (0.8  | ) |
| Foreign                                  | (5.9   | ) (9.8 | ) (8.3  | ) |
|  | 5.6    | (16.0  | ) (17.2 | ) |
| Income tax provision                     | \$10.3 | \$24.7 | \$15.4  |   |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

| Years Ended October 31,<br>(In millions)                                     | 2015   | 2014    | 2013    |
|--|--------|---------|---------|
| Computed expected provision for taxes  | \$75.4 | \$103.8 | \$109.3 |
| (Decrease) increase in taxes resulting from:                                 |        |         |         |
| Income earned outside the United States subject to different tax rates       | (72.6  | ) (85.5 | ) (97.0 |
| State taxes, net of federal income tax benefit                               | —      | 0.5     | 0.5     |
| Foreign source income subject to United States tax                           | 1.4    | 0.8     | 0.3     |
| Research and development credit  | (0.7   | ) (0.1  | ) (2.1  |
| Incentive stock option compensation and non-deductible employee compensation | 0.4    | 0.4     | 0.4     |
| Tax accrual adjustment   | 3.8    | 3.8     | 2.9     |
| Other, net   | 2.6    | 1.0     | 1.1     |
| Actual provision for income taxes  | \$10.3 | \$24.7  | \$15.4  |

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

| October 31,<br>(In millions)   | 2015   | 2014     |
|--|--------|----------|
| Deferred tax assets:   |        |          |
| Accounts receivable, principally due to allowances for doubtful accounts | \$1.3  | \$1.4    |
| Inventories  | 4.9    | 4.4      |
| Litigation settlements   | 0.2    | 0.1      |
| Accrued liabilities, reserves and compensation accruals                  | 43.1   | 38.1     |
| Restricted stock   | 26.4   | 24.7     |
| Net operating loss carryforwards   | 2.8    | 6.2      |
| Plant and equipment  | 4.4    | 5.7      |
| Research and experimental expenses - Section 59(e)                       | 2.6    | 3.8      |
| Tax credit carryforwards   | 1.1    | 11.7     |
| Total gross deferred tax assets  | 86.8   | 96.1     |
| Less valuation allowance   | (13.4  | ) (14.5  |
| Deferred tax assets  | 73.4   | 81.6     |
| Deferred tax liabilities:  |        |          |
| Tax deductible goodwill  | (26.5  | ) (24.2  |
| Transaction cost   | (1.1   | ) (1.1   |
| Foreign deferred tax liabilities   | (6.6   | ) (42.0  |
| Other intangible assets  | (24.0  | ) (27.9  |
| Bonus adjustments under new accounting method                            | —      | —        |
| Total gross deferred tax liabilities                                     | (58.2  | ) (95.2  |
| Net deferred tax assets (liabilities)                                    | \$15.2 | \$(13.6) |

Current deferred tax liabilities of \$4 thousand at October 31, 2015, and \$20 thousand at October 31, 2014, are included in other accrued liabilities on the balance sheet.





THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at October 31, 2015. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. During the year ended October 31, 2012, we recorded in purchase accounting deferred tax assets in connection with our acquisition of Origio a/s and subsidiaries. A valuation allowance of \$1.1 million was recorded in the process for Origio's capital loss arising from a building write-down expense related to the former headquarters location in Jyllig, Denmark. During the fiscal third quarter of 2013, we revalued the deferred tax assets and liabilities residing in Denmark, along with the related valuation allowance, to reflect the newly enacted tax rate change that incrementally decreased the corporate tax rate. As a result, the valuation allowance was reduced to \$1.0 million.

For the year ended October 31, 2014, we recorded in purchase accounting deferred tax assets in connection with its acquisition of Saufion Pharmaceuticals, Ltd., and subsidiaries. A valuation allowance of \$13.5 million was set up against Saufion Hungary's development tax credits.

A valuation allowance of \$13.4 million and \$14.5 million was recorded against its gross deferred tax asset balance as of October 31, 2015, and October 31, 2014, respectively.

We have not provided for federal income tax on approximately \$1.8 billion of undistributed earnings of our foreign subsidiaries since we intend to reinvest this amount outside the United States indefinitely.

At October 31, 2015, we had federal net operating loss carryforwards of \$10.1 million and state net operating loss carryforwards of \$40.1 million. We also had federal net operating loss carryforwards of \$3.2 million related to share option exercises as of October 31, 2015. A tax benefit and a credit to additional paid-in capital for the excess deduction would not be recognized until such deduction reduces taxes payable. Additionally, we had \$6.7 million of federal alternative minimum tax credits, \$5.4 million of federal research credits and \$1.1 million of California research credits. The federal net operating loss and federal research credits carryforwards expire on various dates between 2026 through 2035, and the federal alternative minimum tax credits carry forward indefinitely. The state net operating loss carryforwards expire on various dates between 2019 through 2035, and the California research credits carry forward indefinitely. The net operating loss and other tax credits may be subject to certain limitations upon utilization under Section 382 of the Internal Revenue Code.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The aggregated changes in the balance of gross unrecognized tax benefits were as follows:

(In millions)

|  |        |   |
|--|--------|---|
| Balance at October 31, 2013                              | \$26.4 |   |
| Increase from prior year's UTB's                         | 2.5    |   |
| Increase from current year's UTB's                       | 6.0    |   |
| UTB (decrease) from expiration of statute of limitations | (3.5   | ) |
| Balance at October 31, 2014                              | 31.4   |   |
| Increase from prior year's UTB's                         | —      |   |
| Increase from current year's UTB's                       | 18.7   |   |
| UTB (decrease) from expiration of statute of limitations | (9.8   | ) |
| Balance at October 31, 2015                              | \$40.3 |   |

As of October 31, 2015, we had unrecognized tax benefits of \$29.4 million, including \$3.7 million of related accrued interest and penalties that, if recognized, would affect our effective tax rate. It is our policy to recognize interest and penalties directly related to incomes taxes as additional income tax expense.

Included in the balance of unrecognized tax benefits at October 31, 2015, is \$3.0 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits related to expiring statutes in various jurisdictions worldwide and is comprised of transfer pricing and other items.

We are required to file income tax returns in the United States federal jurisdiction, various state and local jurisdictions, and many foreign jurisdictions. As of October 31, 2015, the tax years for which we remain subject to United States federal income tax assessment upon examination are 2012 through 2014, as well as other major tax jurisdictions including the United Kingdom, Japan and France. We remain subject to income tax examinations in Australia for the tax years 2011 through 2014.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 7. Earnings Per Share

Years Ended October 31,

(In millions, except per share amounts)

|  | 2015    | 2014    | 2013    |
|--|---------|---------|---------|
| Net income attributable to Cooper stockholders                 | \$203.5 | \$269.9 | \$296.2 |
| Basic:   |         |         |         |
| Weighted average common shares                                 | 48.5    | 48.1    | 48.6    |
| Basic earnings per share attributable to Cooper stockholders   | \$4.20  | \$5.61  | \$6.09  |
| Diluted:   |         |         |         |
| Weighted average common shares                                 | 48.5    | 48.1    | 48.6    |
| Effect of dilutive stock options                               | 0.7     | 0.9     | 1.1     |
| Diluted weighted average common shares                         | 49.2    | 49.0    | 49.7    |
| Diluted earnings per share attributable to Cooper stockholders | \$4.14  | \$5.51  | \$5.96  |

The following table sets forth stock options to purchase our common stock and restricted stock units that were not included in the diluted earnings per share calculation because their effect would have been antidilutive for the periods presented:

Years Ended October 31,

(In thousands, except exercise prices)

|                                 | 2015     | 2014     | 2013 |
|---------------------------------|----------|----------|------|
| Stock option shares excluded    | 123      | 138      | —    |
| Range of exercise prices        | \$162.28 | \$119.89 | —    |
| Restricted stock units excluded | 1        | 1        | —    |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 8. Stockholders' Equity

## Analysis of changes in accumulated other comprehensive income (loss):

| (In millions)   | Foreign<br>Currency<br>Translation<br>Adjustment | Unrealized<br>Gain (Loss) on<br>Marketable<br>Securities | Change in<br>Value<br>of Derivative<br>Instruments | Minimum<br>Pension<br>Liability | Total      |
|---|--|--|--|---------------------------------|------------|
| Balance at October 31, 2012                                     | \$(7.2 )   | \$ —   | \$(2.4 )   | \$(21.7 )                       | \$(31.3 )  |
| Gross change in value for the period                            | 2.6  | —  | (0.7 )   | 19.0                            | 20.9       |
| Reclassification adjustments for (gain) loss realized in income | —  | (0.1 )   | 2.9  | —                               | 2.8        |
| Tax effect for the period                                       | —  | 0.1  | (0.9 )   | (7.4 )                          | (8.2 )     |
| Balance at October 31, 2013                                     | \$(4.6 )   | \$ —   | \$(1.1 )   | \$(10.1 )                       | \$(15.8 )  |
| Gross change in value for the period                            | \$(87.8 )  | \$ —   | \$(0.1 )   | \$(5.9 )                        | \$(93.8 )  |
| Reclassification adjustments for loss realized in income        | —  | —  | 1.7  | —                               | 1.7        |
| Tax effect for the period                                       | —  | —  | (0.6 )   | 2.3                             | 1.7        |
| Balance at October 31, 2014                                     | \$(92.4 )  | \$ —   | \$(0.1 )   | \$(13.7 )                       | \$(106.2 ) |
| Gross change in value for the period                            | \$(79.4 )  | \$ —   | \$ —   | \$(10.0 )                       | \$(89.4 )  |
| Reclassification adjustments for loss realized in income        | —  | —  | 0.1  | —                               | 0.1        |
| Tax effect for the period                                       | —  | —  | —  | 3.9                             | 3.9        |
| Balance at October 31, 2015                                     | \$(171.8 )                                       | \$ —   | \$ —   | \$(19.8 )                       | \$(191.6 ) |

## Share Repurchases

In December 2011, our Board of Directors authorized the 2012 Share Repurchase Program and subsequently amended the total repurchase authorization to \$500.0 million of the Company's common stock. With the amendment, this program has no expiration date and may be discontinued at any time. Purchases under the 2012 Share Repurchase Program are subject to a review of the circumstances in place at the time and may be made from time to time as permitted by securities laws and other legal requirements.

During the fiscal year ended October 31, 2015, we repurchased 468 thousand shares of our common stock for \$67.3 million and approximately \$118.4 million remained authorized for repurchase under the program. During the three months ended October 31, 2015, we repurchased 368 thousand shares of our common stock for \$51.3 million at an average purchase price of \$139.60 per share. For the three months ended January 31, 2015, we repurchased 100 thousand shares of our common stock for \$16.0 million at an average purchase price of \$159.96 per share. We did not repurchase shares during the three-month periods ended July 31, 2015 and April 30, 2015.

During the fiscal year ended October 31, 2014, we repurchased 572 thousand shares of our common stock for \$75.8 million. During the fiscal year ended October 31, 2013, we repurchased 1.4 million shares of our common stock for \$167.3 million.

## Cash Dividends

In fiscal 2015 and 2014, we paid semiannual dividends of 3 cents per share: an aggregate of \$1.4 million or 3 cents per share on February 9, 2015, to stockholders of record on January 23, 2015; \$1.5 million or 3 cents per share on August 6, 2015, to stockholders of record on July 24, 2015; \$1.4 million or 3 cents per share

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

on February 7, 2014, to stockholders of record on January 24, 2014; \$1.5 million or 3 cents per share on August 6, 2014, to stockholders of record on July 24, 2014.

Stockholders' Rights Plan

Under our stockholders' rights plan, each outstanding share of our common stock carries one-half of one preferred share purchase right (Right). The Rights will become exercisable only under certain circumstances involving acquisition of beneficial ownership of 20% or more of our common stock by a person or group (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 \$450, 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 2017 unless earlier exercised or redeemed. The Board of Directors may redeem the Rights for \$0.01 per Right prior to any person or group becoming an Acquiring Person.

Note 9. Stock Plans

At October 31, 2015, Cooper had the following share-based compensation plans:

2006 Long-Term Incentive Plan for Non-Employee Directors (2006 Directors Plan)

In March 2006, we received stockholder approval of the 2006 Directors Plan, and it was amended by the Board of Directors in March 2007, October 2007, October 2008 and December 2008. We received stockholder approval of an amendment and restatement of the 2006 Directors Plan in March 2009 and the Board of Directors amended the Amended and Restated 2006 Directors Plan in October 2009 and October 2010. We received stockholder approval of a further amendment and restatement of the 2006 Directors Plan in March 2011 and the Board of Directors amended the Second Amended and Restated 2006 Directors Plan in October 2011, October 2012 and October 2013.

The Second Amended and Restated 2006 Directors Plan, as amended, authorizes either Cooper's Board of Directors or a designated committee thereof composed of two or more Non-Employee Directors to grant to Non-Employee Directors during the period ending March 21, 2019, equity awards for up to 950,000 shares of common stock, subject to adjustment for future stock splits, stock dividends, expirations, forfeitures and similar events.

As amended, the Second Amended and Restated 2006 Directors Plan provides for annual grants of stock options and restricted stock to Non-Employee Directors on November 1 and November 15, respectively, of each fiscal year. Specifically, each Non-Employee Director may be awarded on each November 15 the right to purchase for \$0.10 per share, a number of shares of restricted stock with a total value of \$135,000 or \$148,500 in the case of the Non-Executive Chairman of the Board on the date of grant. The restrictions on the restricted stock will lapse on the first anniversary of the date of grant. Each Non-Employee Director may also be awarded on each November 1, a grant of options to purchase common stock with an approximate accounting value of \$135,000, or in the case of the Lead Director and/or any non-executive Chairman of the Board, as the case may be, of \$148,500. These options vest on the first anniversary of the date of grant. Options expire no more than 10 years after the grant date. In December 2008, the 2006 Directors' Plan was also amended to allow discretionary granting of stock options and/or restricted stock with similar terms to the annual grant other than the specific share requirements. As of October 31, 2015, 185,775 shares remained available under the 2006 Directors' Plan for future grants.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## 2007 Long-Term Incentive Plan (2007 LTIP)

In March 2007, we received stockholder approval of the 2007 LTIP and in October 2007, the Board of Directors amended the 2007 LTIP. In March 2009, we received stockholder approval of an amendment and restatement of the 2007 LTIP and in March 2011, we received stockholder approval of a further amendment and restatement of the 2007 LTIP.

The Second Amended and Restated 2007 LTIP is designed to increase our stockholder value by attracting, retaining and motivating key employees and consultants who directly influence our profitability. The Second Amended and Restated 2007 LTIP authorizes either our Board of Directors, or a designated committee thereof composed of two or more Non-Employee Directors, to grant to eligible individuals during the period ending December 31, 2017, up to 5,230,000 shares in the form of specified equity awards including stock option, restricted stock unit and performance share awards, subject to adjustment for future stock splits, stock dividends, expirations, forfeitures and similar events.

During fiscal 2015, we granted stock options, restricted stock units (RSUs) and performance share awards to employees under the Second Amended and Restated 2007 LTIP. All equity awards are granted at 100% of fair market value on the date of grant and stock options expire no more than 10 years after the grant date. Stock options may become exercisable based on our common stock achieving certain price targets, specified time periods elapsing or other criteria designated by the Board of Directors or its authorized committee at their discretion. RSUs are nontransferable awards entitling the recipient to receive shares of common stock, without any payment in cash or property, in one or more installments at a future date or dates as determined by the Board of Directors or its authorized committee. For RSUs, legal ownership of the shares is not transferred to the employee until the unit vests, which is generally over a specified time period. Performance share awards are nontransferable awards entitling the recipient to receive a variable number of shares of common stock, without any payment in cash or property, in one or more installments at a future date or dates as determined by the Board of Directors or its authorized committee. Legal ownership of the shares is not transferred to the recipient until the award vests, and the number of shares distributed is dependent upon the achievement of certain performance targets over a specified period of time. As of October 31, 2015, 757,747 shares remained available under the Second Amended and Restated 2007 LTIP for future grants. The amount of available shares includes shares which may be distributed under performance share awards.

## Share-Based Compensation

The compensation cost and related tax benefit recognized in our consolidated financial statements for share-based awards were as follows:

October 31,

| (In millions)                               | 2015   | 2014   | 2013   |
|---|--------|--------|--------|
| Selling, general and administrative expense | \$29.2 | \$32.4 | \$25.3 |
| Cost of sales                               | 2.8    | 2.2    | 1.9    |
| Research and development expense            | 0.9    | 1.9    | 1.3    |
| Total compensation expense                  | \$32.9 | \$36.5 | \$28.5 |
| Related income tax benefit                  | \$10.2 | \$11.7 | \$8.8  |

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$2.8 million, \$2.2 million, \$1.9 million during the fiscal years ended October 31, 2015, 2014 and 2013, respectively. Net (payments) proceeds related to share-based compensation awards for the fiscal years ended October 31, 2015, 2014 and 2013 were approximately \$(4.8) million, \$8.6 million and \$19.3 million, respectively.





## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Details regarding the valuation and accounting for share-based awards follow.

## Stock Options

The fair value of each stock option award granted is estimated on the date of grant using the Black-Scholes option valuation model and assumptions noted in the following table. The expected life of the awards is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. In determining the expected volatility, management considers implied volatility from publicly-traded options on our common stock at the date of grant, historical volatility and other factors. The risk-free interest rate is based on the continuous rates provided by the United States Treasury with a term equal to the expected life of the option. The dividend yield is based on the projected annual dividend payment per share, divided by the stock price at the date of grant.

| Years Ended October 31, | 2015            | 2014            | 2013            |
|-------------------------|-----------------|-----------------|-----------------|
| Expected life           | 4.8 - 5.5 years | 4.8 - 5.5 years | 4.7 - 5.5 years |
| Expected volatility     | 29.0% - 29.5%   | 31.5% - 35.3%   | 34.8% - 35.9%   |
| Risk-free interest rate | 1.3% - 1.5%     | 1.4% - 1.6%     | 0.6% - 0.8%     |
| Dividend yield          | 0.04            | % 0.05          | % 0.06          |

The activity and status of our stock option plans are summarized below:

|  | Number of<br>Shares | Weighted-<br>Average<br>Exercise Price<br>Per Share | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term<br>(in years) | Aggregate<br>Intrinsic Value |
|--|---------------------|---|--|------------------------------|
| Outstanding at October 31, 2014            | 1,323,936           | \$63.32   |  |                              |
| Granted                                    | 143,434             | \$162.34  |  |                              |
| Exercised                                  | 367,553             | \$52.20   |  |                              |
| Forfeited or expired                       | 9,286               | \$91.67   |  |                              |
| Outstanding at October 31, 2015            | 1,090,531           | \$79.85   | 5.80   |                              |
| Vested and exercisable at October 31, 2015 | 693,968             | \$55.21   | 4.59   | \$67,417,316                 |

The weighted-average fair value of each option granted during fiscal 2015, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was \$48.70. The weighted-average fair value of each option granted during fiscal 2014, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was \$41.73. For the 2006 Directors Plan, the weighted-average fair values of options granted for fiscal 2015 and 2014 were \$48.53 and \$44.20, respectively. The expected requisite service period for options granted to employees in fiscal 2015 was 60 months. The total intrinsic value of options exercised during the year ended October 31, 2015 was \$45.7 million.

Stock awards outstanding under our current plans have been granted at prices which are either equal to or above the market value of the common stock on the date of grant. Options granted under the 2007 LTIP generally vest over four to five years based on market and service conditions and expire no later than ten years after the grant date. Options granted under the 2006 Directors Plan generally vest in one year or upon achievement of a market condition and

expire no later than ten years after the grant date. We generally recognize compensation expense ratably over the vesting period. Directors' options and restricted stock grants

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

are expensed on the date of grant as the 2006 Directors Plan does not contain a substantive future requisite service period. As of October 31, 2015, there was \$5.0 million of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 2.9 years.

## Restricted Stock Units

RSUs granted under the 2007 LTIP have been granted at prices which are either equal to or above the market value of the stock on the date of grant and generally vest over four to five years. The fair value of restricted stock units is estimated on the date of grant based on the market price of our common stock. We recognize compensation expense ratably over the vesting period. As of October 31, 2015, there was \$48.8 million of total unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a remaining weighted-average vesting period of 3.4 years.

The status of our non-vested RSUs is summarized below:

|                                     | Number of<br>Shares | Weighted-<br>Average<br>Grant Date Fair<br>Value Per Share |
|-------------------------------------|---------------------|--|
| Non-vested RSUs at October 31, 2014 | 598,667             | \$93.09  |
| Granted                             | 169,820             | \$162.54   |
| Vested and issued                   | 229,349             | \$78.73  |
| Forfeited or expired                | 22,932              | \$101.16   |
| Non-vested RSUs at October 31, 2015 | 516,206             | \$121.96   |

## Performance Units

Performance units are granted to selected executives and other key employees with vesting contingent upon meeting future reported earnings per share goals over a defined performance cycle, usually three years. Performance units, if earned, may be paid in cash or shares of common stock. The performance shares actually earned will range from zero to 150% of the target number of performance shares for performance periods ending in fiscal 2015 through fiscal 2017. Subject to limited exceptions set forth in the performance share plan, any shares earned will be distributed in the subsequent fiscal year after the performance period. The fair value of performance unit awards is estimated on the date of grant based on the current market price of our common stock and the estimate of probability of award achievement. This estimate is reviewed each fiscal quarter and adjustments are recorded if it is determined that the estimate of probability of award achievement has changed.

We recognize compensation expense ratably over the vesting period. As of October 31, 2015, there was \$8.4 million of total unrecognized compensation cost related to non-vested performance units, which is expected to be recognized over a remaining weighted-average vesting period of 1.7 years.

Performance units granted on December 12, 2012 vested on October 31, 2015 and met 50% of the target and, subject to the provisions of the plan, we expect to grant a similar performance award in our fiscal first quarter of 2016. We also granted performance unit awards on December 11, 2013 and February 2, 2015 with specific performance goals for each period ending on October 31, 2016 and October 31, 2017, respectively.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 10. Employee Benefits

## Cooper's Retirement Income Plan

Cooper's Retirement Income Plan (Plan), a defined benefit 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 the estimated prior service cost of benefit improvements. 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 equities and participation in equity and fixed income funds.

The following table sets forth the Plan's benefit obligations and fair value of the Plan assets at October 31, 2015, and the funded status of the Plan and net periodic pension costs for each of the years in the three-year period ended October 31, 2015.

| Retirement Income Plan<br>Years Ended October 31,<br>(In millions)    | 2015    | 2014      | 2013      |
|---|---------|-----------|-----------|
| Change in benefit obligation  |         |           |           |
| Benefit obligation, beginning of year                                 | \$101.1 | \$84.2    | \$88.6    |
| Service cost  | 8.8     | 7.1       | 7.4       |
| Interest cost   | 4.6     | 4.0       | 3.3       |
| Benefits paid   | (4.7    | ) (1.8    | ) (3.5    |
| Actuarial loss (gain)   | 7.5     | 7.6       | (11.6     |
| Benefit obligation, end of year                                       | \$117.3 | \$101.1   | \$84.2    |
| Change in plan assets   |         |           |           |
| Fair value of plan assets, beginning of year                          | \$72.2  | \$59.3    | \$47.4    |
| Actual return on plan assets  | 2.0     | 5.9       | 9.2       |
| Employer contributions  | 10.0    | 8.8       | 6.2       |
| Benefits paid   | (4.7    | ) (1.8    | ) (3.5    |
| Fair value of plan assets, end of year                                | \$79.5  | \$72.2    | \$59.3    |
| Funded status at end of year  | \$(37.8 | ) \$(28.9 | ) \$(24.9 |
| Years Ended October 31,<br>(In millions)                              | 2015    | 2014      | 2013      |
| Amounts recognized in the statement of financial position consist of: |         |           |           |
| Noncurrent asset  | \$—     | \$—       | \$—       |
| Current liability   | —       | —         | —         |
| Noncurrent liabilities  | (37.8   | ) (28.9   | ) (24.9   |
| Net amount recognized at year end                                     | \$(37.8 | ) \$(28.9 | ) \$(24.9 |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

|  |         |         |         |
|--|---------|---------|---------|
| Years Ended October 31,<br>(In millions)   | 2015    | 2014    | 2013    |
| Amounts recognized in accumulated other comprehensive income consist of:                           |         |         |         |
| Net transition obligation  | \$—     | \$—     | \$—     |
| Prior service cost   | —       | —       | —       |
| Net loss   | 32.1    | 22.1    | 16.0    |
| Accumulated other comprehensive income   | \$32.1  | \$22.1  | \$16.0  |
| Years Ended October 31,<br>(In millions)   | 2015    | 2014    | 2013    |
| Information for pension plans with accumulated benefit obligations in excess of plan assets        |         |         |         |
| Projected benefit obligation   | \$117.3 | \$101.1 | \$84.2  |
| Accumulated benefit obligation   | \$102.6 | \$88.6  | \$73.6  |
| Fair value of plan assets  | \$79.5  | \$72.2  | \$59.3  |
| Years Ended October 31,<br>(In millions)   | 2015    | 2014    | 2013    |
| Reconciliation of prepaid (accrued) pension cost   |         |         |         |
| Accrued pension cost at prior fiscal year end  | \$(6.8) | \$(8.9) | \$(6.2) |
| Net periodic benefit cost  | 8.9     | 6.7     | 8.9     |
| Contributions made during the year   | 10.0    | 8.8     | 6.2     |
| Accrued pension cost at fiscal year end  | \$(5.7) | \$(6.8) | \$(8.9) |
| Years Ended October 31,<br>(In millions)   | 2015    | 2014    | 2013    |
| Components of net periodic benefit cost and other amounts recognized in other comprehensive income |         |         |         |
| Net periodic benefit cost:   |         |         |         |
| Service cost   | \$8.8   | \$7.1   | \$7.4   |
| Interest cost  | 4.6     | 4.0     | 3.3     |
| Expected return on plan assets   | (6.0)   | (5.0)   | (3.9)   |
| Amortization of transitional (asset) or obligation   | —       | —       | —       |
| Amortization of prior service cost   | —       | —       | —       |
| Recognized actuarial loss  | 1.5     | 0.6     | 2.1     |
| Net periodic pension cost  | \$8.9   | \$6.7   | \$8.9   |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

| Years Ended October 31,<br>(In millions)  | 2015   | 2014   | 2013      |
|---|--------|--------|-----------|
| Other changes in plan assets and benefit obligations recognized in other comprehensive income |        |        |           |
| Net transition obligation   | \$—    | \$—    | \$—       |
| Prior service cost  | —      | —      | —         |
| Net loss (gain)   | 11.5   | 6.7    | (16.8 )   |
| Amortizations of net transition obligation  | —      | —      | —         |
| Amortizations of prior service cost   | —      | —      | —         |
| Amortizations of net gain   | (1.5 ) | (0.6 ) | (2.2 )    |
| Total recognized in other comprehensive income  | \$10.0 | \$6.1  | \$(19.0 ) |
| Total recognized in net periodic benefit cost and other comprehensive income                  | \$18.9 | \$12.8 | \$(10.1 ) |

There is no estimated net transition obligation or prior service cost, but \$1.7 million of estimated net loss for the plan will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year.

| Years Ended October 31,  | 2015       | 2014       | 2013       |
|--|------------|------------|------------|
| Weighted-average assumptions used in computing the net periodic pension cost and projected benefit obligation at year end: |            |            |            |
| Discount rate for determining net periodic pension cost  | 4.25       | % 4.75     | % 3.75     |
| Discount rate for determining benefit obligations at year end  | 4.25       | % 4.25     | % 4.75     |
| Rate of compensation increase for determining expense  | 4.00       | % 4.00     | % 4.00     |
| Rate of compensation increase for determining benefit obligations at year end  | 4.00       | % 4.00     | % 4.00     |
| Expected rate of return on plan assets for determining net periodic pension cost   | 8.00       | % 8.00     | % 8.00     |
| Expected rate of return on plan assets at year end   | 8.00       | % 8.00     | % 8.00     |
| Measurement date for determining assets and benefit obligations at year end  | 10/31/2015 | 10/31/2014 | 10/31/2013 |

The discount rate enables us to state expected future cash flows at a present value on the measurement date. The discount rate used for the plan is based primarily on the yields of a universe of high quality corporate bonds or the spot rate of high quality AA-rated corporate bonds, with durations corresponding to the expected durations of the benefit obligations. A change in the discount rate will cause the present value of benefit obligations to change in the opposite direction. If a discount rate of 4.75%, which is the same as fiscal 2013, had been used, the projected benefit obligation would have been \$107.5 million, and the accumulated benefit obligation would have been \$94.6 million.

The expected rate of return on plan assets was determined based on a review of historical returns, both for this plan and for medium- to large-sized defined benefit pension funds with similar asset allocations. This review generated separate expected returns for each asset class listed below. These expected future returns were then blended based on this Plan's target asset allocation.





## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Plan Assets

Weighted-average asset allocations at year end, by asset category are as follows:

| Years Ended October 31,   | 2015  | 2014    | 2013    |  |   |
|---------------------------|-------|---------|---------|--|---|
| Asset category            |       |         |         |  |   |
| Cash and cash equivalents | 2.2   | % 3.0   | % 5.3   |  | % |
| Corporate common stock    | 9.0   | % 9.0   | % 14.6  |  | % |
| Equity mutual funds       | 52.0  | % 52.1  | % 47.5  |  | % |
| Real estate funds         | 3.3   | % 4.1   | % 3.8   |  | % |
| Bond mutual funds         | 33.5  | % 31.8  | % 28.8  |  | % |
| Total                     | 100.0 | % 100.0 | % 100.0 |  | % |

The Plan invests in a diversified portfolio of assets intended to minimize risk of poor returns while maximizing expected portfolio returns. To achieve the long-term rate of return, plan assets will be invested in a mixture of instruments, including but not limited to, corporate common stock (may include the Company's stock), investment grade bond funds, cash, balanced funds, real estate funds, small or large cap equity funds and international equity funds. The allocation of assets will be determined by the investment manager, and will typically include 50% to 80% equities with the remainder invested in fixed income and cash. Presently, this diversified portfolio is expected to return roughly 8.0% in the long run. Effective November 1, 2012, the expected rate of return on assets was reduced from 8.5% to 8.0%.

## Fair Value Measurement of Plan Assets

| (In millions)             | Total   | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---------------------------|---------|--|--|--|
| Asset category            |         |  |  |  |
| Cash and cash equivalents | \$ 1.7  | \$ 1.7   | \$—  | \$—  |
| Corporate common stock    | 7.2     | 7.2  | —  | —  |
| Equity mutual funds       | 41.3    | 41.3   | —  | —  |
| Real estate funds         | 2.6     | 2.6  | —  | —  |
| Bond mutual funds         | 26.7    | 26.7   | —  | —  |
| Total                     | \$ 79.5 | \$ 79.5  | \$—  | \$—  |

The Plan has an established process for determining the fair value of plan assets. Fair value is based upon quoted market prices, as Level 1 inputs, where available. For our investments in equity and bond mutual funds, and real estate funds, fair value is based on observable, Level 1 inputs, as price quotes are available and the fair values of these funds were not impacted by liquidity restrictions or the fund status. Level 2 assets are those where price quotes are not readily available and the fair value would be determined based on other observable inputs. Level 3 assets are those where price quotes are not readily available and the fair value would be determined based on unobservable inputs.

While we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Plan Cash Flows

## Contributions

The Company contributions to the pension plan were \$10.0 million, \$8.8 million and \$6.2 million for fiscal 2015, 2014 and 2013, respectively. We closely monitor the funded status of the Plan with respect to legislative and accounting rules. We expect to make contributions of about \$10.0 million during fiscal 2016.

## Estimated Future Benefit Payments

Years

(In millions)

|           |        |
|-----------|--------|
| 2016      | \$2.6  |
| 2017      | \$3.0  |
| 2018      | \$3.3  |
| 2019      | \$3.8  |
| 2020      | \$4.3  |
| 2021-2025 | \$29.5 |

## 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 United States employees. Employees who participate in the 401(k) plan may elect to have up to 75% of their pre-tax salary or wages deferred and contributed to the trust established under the plan.

Cooper's contributions on account of participating employees, were \$4.2 million, \$4.0 million and \$3.4 million for the years ended October 31, 2015, 2014 and 2013, respectively.

## International Pension Plans

For our employees outside the United States, we also participate in country-specific defined contribution plans and government-sponsored retirement plans. The defined contribution plans are administered by third-party trustees and we are not directly responsible for providing benefits to participants of government-sponsored plans. The Company's contributions to such plans are not significant individually or in the aggregate.

## Note 11. Fair Value Measurements

As of October 31, 2015 and October 31, 2014, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, lines of credit, accounts payable and other current liabilities approximate fair value due to the short-term nature of such instruments and the ability to obtain financing on similar terms.

Assets and liabilities are measured and reported at fair value per related accounting standards that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. An asset's or liability's level is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are valued and disclosed in one of the following three levels of the valuation hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

We believe that the balances of our revolving debt and term loans approximated their fair values as of October 31, 2015 and October 31, 2014 and are categorized as Level 2 of the fair value hierarchy.

We have derivative assets and liabilities that may include interest rate swaps, cross currency swaps and foreign currency forward contracts. The impact of the counterparty's creditworthiness when in an asset position and Cooper's creditworthiness when in a liability position has also been factored into the fair value measurement of the derivative instruments. Both the counterparty and Cooper are expected to continue to perform under the contractual terms of the instruments.

We may use interest rate swaps to maintain our desired mix of fixed-rate and variable-rate debt. The swaps exchange fixed and variable rate payments without exchanging the notional principal amount of the debt. We have elected to use the income approach to value the derivatives using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount assuming that participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices for similar assets or liabilities in active markets, specifically Eurodollar futures contracts up to three years, and inputs other than quoted prices that are observable for the asset or liability - specifically LIBOR cash and swap rates and credit risk at commonly quoted intervals. Mid-market pricing is used as a practical expedient for fair value measurements.

We may use foreign exchange forward contracts to minimize, to the extent reasonable and practical, our exposure to the impact of foreign currency fluctuations. We have elected to use the income approach to value the derivatives using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount assuming that participants are motivated but not compelled to transact. Level 2 inputs for the valuations are limited to quoted prices for similar assets or liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability - specifically LIBOR cash rates, credit risk at commonly quoted intervals, foreign exchange spot rates and forward points. Mid-market pricing is used as a practical expedient for fair value measurements.

The following table sets forth our financial assets and liabilities that were measured at fair value on a recurring basis using Level 2 inputs during the fiscal years 2015 and 2014, within the fair value hierarchy at October 31:

| (In millions)              | 2015   | 2014   |
|----------------------------|--------|--------|
| Assets:                    |        |        |
| Foreign exchange contracts | \$ 1.3 | \$ 0.6 |
| Liabilities:               |        |        |
| Interest rate swaps        | —      | 0.1    |
| Foreign exchange contracts | 0.4    | 3.3    |
|                            | \$ 0.4 | \$ 3.4 |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 12. Commitments and Contingencies

## Lease Commitments

Total minimum annual rental obligations under noncancelable operating leases (substantially all real property or equipment) in force at October 31, 2015, were payable as follows:

(In millions)

|                     |         |
|---------------------|---------|
| 2016                | \$27.8  |
| 2017                | 24.2    |
| 2018                | 21.4    |
| 2019                | 18.9    |
| 2020                | 17.4    |
| 2021 and thereafter | 129.1   |
|                     | \$238.8 |

Aggregate rental expense for both cancelable and noncancelable contracts amounted to \$27.5 million, \$25.6 million and \$22.8 million in 2015, 2014 and 2013, respectively.

## Legal Proceedings

On or about November 11, 2014, Johnson & Johnson Vision Care (JJVC) filed an action in the district court of Dusseldorf, Germany, against CooperVision GmbH and CooperVision, Inc. (collectively “CooperVision” or “we”) for patent infringement. In the action, JJVC alleged that certain CooperVision products infringe JJVC’s European Patent No. EP 1 754 728 B1, and was seeking damages and to enjoin these products from selling in Germany. We were challenging the validity of the patent before the European Patent Office.

In July 2015, CooperVision made a one-time lump sum payment to JJVC of \$17.0 million to settle our existing patent disputes. As a result of the settlement, we withdrew our opposition to the JJVC patent filed before the European Patent Office, and JJVC withdrew its complaint of infringement pending before the district court of Dusseldorf, Germany. The settlement included worldwide, non-exclusive, perpetual and royalty-free cross-licenses between the parties to certain patents including the JJVC patent referenced above. The settlement also included reciprocal covenants not to sue on those patents which were not licensed with respect to each party’s current, core commercialized product offerings, including all silicone hydrogel lenses. Neither party admitted any liability as part of the settlement.

Since March 2015, over 50 putative class action complaints were filed by contact lens consumers alleging that contact lens manufacturers, in conjunction with their respective Unilateral Pricing Policy (UPP), conspired to reach agreements between each other and certain distributors and retailers regarding the prices at which certain contact lenses could be sold to consumers. The plaintiffs are seeking damages against CooperVision, Inc., other contact lens manufacturers, distributors and retailers, in various courts around the United States. In June 2015, all of the class action cases were consolidated and transferred to the United States District Court for the Middle District of Florida. CooperVision denies the allegations and intends to defend the actions vigorously. We are not in a position to assess whether any loss or adverse effect on our financial condition is probable or remote or to estimate the range of potential loss, if any.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 13. Business Segment Information

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

Total net sales include sales to customers as reported in our Consolidated Statements of Income and sales between geographic areas that are priced at terms that allow for a reasonable profit for the seller. Operating income (loss) is total net sales less cost of sales, selling, general and administrative expenses, research and development expenses, amortization of intangible assets and the loss on divestiture of Aime. Corporate operating loss is principally corporate headquarters expense. Interest expense, gain on insurance proceeds, loss on extinguishment of debt and other income and expenses are not allocated to individual segments. Neither of our business segments relies on any one major customer.

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

The following table presents a summary of our business segment net sales:

| (In millions)   | 2015      | 2014      | 2013      |
|---|-----------|-----------|-----------|
| CooperVision net sales by category:                         |           |           |           |
| Toric lens  | \$440.1   | \$428.6   | \$388.1   |
| Multifocal lens   | 162.1     | 147.0     | 121.7     |
| Single-use sphere lens                                      | 357.2     | 306.6     | 271.0     |
| Non single-use sphere and other eye care products and other | 528.4     | 510.4     | 487.5     |
| Total CooperVision net sales                                | 1,487.8   | 1,392.6   | 1,268.3   |
| CooperSurgical net sales                                    | 309.3     | 325.2     | 319.4     |
| Total net sales   | \$1,797.1 | \$1,717.8 | \$1,587.7 |



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Information by business segment for each of the years in the three-year period ended October 31, 2015, follows:

| (In millions)              | CooperVision | CooperSurgical | Corporate | Consolidated |
|----------------------------|--------------|----------------|-----------|--------------|
| 2015                       |              |                |           |              |
| Net sales                  | \$1,487.8    | \$309.3        | \$—       | \$1,797.1    |
| Operating income (loss)    | \$229.8      | \$56.1         | \$(49.2)  | ) \$236.7    |
| Other expense, net         |              |                |           | 3.1          |
| Interest expense           |              |                |           | 18.1         |
| Income before income taxes |              |                |           | \$215.5      |
| Identifiable assets        | \$3,714.6    | \$674.8        | \$71.2    | \$4,460.6    |
| Depreciation expense       | \$134.0      | \$5.6          | \$0.3     | \$139.9      |
| Amortization expense       | \$36.6       | \$14.9         | \$—       | \$51.5       |
| Capital expenditures       | \$238.3      | \$4.6          | \$0.1     | \$243.0      |
| 2014                       |              |                |           |              |
| Net sales                  | \$1,392.6    | \$325.2        | \$—       | \$1,717.8    |
| Operating income (loss)    | \$289.0      | \$69.0         | \$(51.5)  | ) \$306.5    |
| Other expense, net         |              |                |           | 2.0          |
| Interest expense           |              |                |           | 8.0          |
| Income before income taxes |              |                |           | \$296.5      |
| Identifiable assets        | \$3,699.6    | \$646.2        | \$112.5   | \$4,458.3    |
| Depreciation expense       | \$95.5       | \$6.5          | \$0.5     | \$102.5      |
| Amortization expense       | \$22.7       | \$13.0         | \$—       | \$35.7       |
| Capital expenditures       | \$233.6      | \$4.2          | \$0.3     | \$238.1      |
| 2013                       |              |                |           |              |
| Net sales                  | \$1,268.3    | \$319.4        | \$—       | \$1,587.7    |
| Operating income (loss)    | \$289.3      | \$60.6         | \$(44.0)  | ) \$305.9    |
| Other income, net          |              |                |           | 1.4          |
| Interest expense           |              |                |           | 9.2          |
| Gain on insurance proceeds |              |                |           | 14.1         |
| Income before income taxes |              |                |           | \$312.3      |
| Identifiable assets        | \$2,376.0    | \$632.8        | \$128.5   | \$3,137.3    |
| Depreciation expense       | \$88.4       | \$6.3          | \$0.4     | \$95.1       |
| Amortization expense       | \$16.7       | \$13.5         | \$—       | \$30.2       |
| Capital expenditures       | \$170.7      | \$6.9          | \$0.5     | \$178.1      |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Information by geographical area by country of domicile for each of the years in the three-year period ended October 31, 2015, follows:

| (In millions)                   | United States | Europe    | Rest of World, Other Eliminations & Corporate | Consolidated |
|---------------------------------|---------------|-----------|---|--------------|
| 2015                            |               |           |   |              |
| Sales to unaffiliated customers | \$811.9       | \$647.3   | \$337.9                                       | \$1,797.1    |
| Sales between geographic areas  | 250.0         | 493.1     | (743.1)                                       | ) —          |
| Net sales                       | \$1,061.9     | \$1,140.4 | \$(405.2)                                     | ) \$1,797.1  |
| Operating income (loss)         | \$30.7        | \$(37.6)  | ) \$243.6                                     | \$236.7      |
| Long-lived assets               | \$494.2       | \$407.9   | \$65.0  | \$967.1      |
| 2014                            |               |           |   |              |
| Sales to unaffiliated customers | \$773.8       | \$582.4   | \$361.6                                       | \$1,717.8    |
| Sales between geographic areas  | 230.6         | 346.0     | (576.6)                                       | ) —          |
| Net sales                       | \$1,004.4     | \$928.4   | \$(215.0)                                     | ) \$1,717.8  |
| Operating income (loss)         | \$47.8        | \$(10.3)  | ) \$269.0                                     | \$306.5      |
| Long-lived assets               | \$499.2       | \$406.4   | \$31.7  | \$937.3      |
| 2013                            |               |           |   |              |
| Sales to unaffiliated customers | \$742.2       | \$479.1   | \$366.4                                       | \$1,587.7    |
| Sales between geographic areas  | 230.4         | 326.3     | (556.7)                                       | ) —          |
| Net sales                       | \$972.6       | \$805.4   | \$(190.3)                                     | ) \$1,587.7  |
| Operating income                | \$49.7        | \$(5.4)   | ) \$261.6                                     | \$305.9      |
| Long-lived assets               | \$427.6       | \$297.2   | \$15.1  | \$739.9      |

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 14. Selected Quarterly Financial Data (Unaudited)

| (In millions, except per share amounts)                          | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter* |
|--|------------------|-------------------|------------------|--------------------|
| 2015   |                  |                   |                  |                    |
| Net sales  | \$445.2          | \$434.7           | \$461.7          | \$455.5            |
| Gross profit   | \$276.4          | \$267.7           | \$272.9          | \$253.3            |
| Income before income taxes                                       | \$67.5           | \$67.0            | \$44.6           | \$36.4             |
| Net income attributable to Cooper stockholders                   | \$61.2           | \$60.7            | \$45.0           | \$36.7             |
| Earnings per share attributable to Cooper stockholders - basic   | \$1.27           | \$1.25            | \$0.92           | \$0.76             |
| Earnings per share attributable to Cooper stockholders - diluted | \$1.25           | \$1.23            | \$0.91           | \$0.75             |
| 2014   |                  |                   |                  |                    |
| Net sales  | \$405.0          | \$412.3           | \$432.5          | \$468.0            |
| Gross profit   | \$262.9          | \$268.5           | \$280.6          | \$279.6            |
| Income before income taxes                                       | \$79.5           | \$87.8            | \$94.4           | \$34.9             |
| Net income attributable to Cooper stockholders                   | \$71.8           | \$79.2            | \$88.1           | \$30.8             |
| Earnings per share attributable to Cooper stockholders - basic   | \$1.50           | \$1.65            | \$1.83           | \$0.64             |
| Earnings per share attributable to Cooper stockholders - diluted | \$1.47           | \$1.62            | \$1.80           | \$0.63             |

\*Fiscal fourth quarter 2015 results include charges for integration and restructuring activities related to recent acquisitions. Fiscal fourth quarter 2014 results include the operating results of Sauflon Pharmaceuticals Ltd., acquired in August 2014, and the related acquisition, integration and restructuring costs. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and Note 2 and Note 3 for additional information.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company has established and currently maintains disclosure controls and procedures designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In conjunction with the close of each fiscal quarter, the Company conducts a review and evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer, based upon their evaluation as of October 31, 2015, the end of the fiscal period covered in this report, concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements, errors or fraud.

Management assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2015, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). Based on this assessment, management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, concluded that the Company's internal control over financial reporting was effective as of October 31, 2015.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal control over financial reporting as of October 31, 2015, as stated in their report in Part II, Item 8 of this Annual Report on Form 10-K.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's fiscal quarter ended October 31, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to the subheadings, “Proposal 1 - Election of Directors,” “Executive Officers of the Company,” “Ownership of the Company - Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance - The Board of Directors,” “Corporate Governance - Ethics and Business Conduct Policy,” “Corporate Governance - Board Committees - The Audit Committee” and “Report of the Audit Committee” of the Company's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held in March 2016 (the “2016 Proxy Statement”).

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the subheadings “Report of the Organization and Compensation Committee,” “Compensation Discussion and Analysis,” “Executive Compensation Tables” and “Director Compensation” of the 2016 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

See Item 5. Market for Registrant's Common Equity and Related Stockholder Matters - Equity Compensation Plan Information. Additional information required by this item is incorporated by reference to the subheadings “Securities Held by Insiders” and “Principal Securityholders” of the “Ownership of the Company” section of the 2016 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated by reference to the subheadings “Corporate Governance - Related Party Transactions,” “Proposal 1 - Election of Directors” and “Corporate Governance - The Board of Directors” of the 2016 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to “Report of the Audit Committee” section of the 2016 Proxy Statement.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. Financial Statements

The following financial statements are filed as a part of this report:

Report of KPMG LLP, Independent Registered Public Accounting Firm

Consolidated Financial Statements:

Statements of Income for the years ended October 31, 2015, 2014 and 2013

Statements of Comprehensive Income for the years ended October 31, 2015, 2014 and 2013

Balance Sheets as of October 31, 2015 and 2014

Statements of Stockholders' Equity for the years ended October 31, 2015, 2014 and 2013

Statements of Cash Flows for the years ended October 31, 2015, 2014 and 2013

Notes to Consolidated Financial Statements

2. Financial Statement Schedules of the Company.

| Schedule Number | Description |
|-----------------|-------------|
|-----------------|-------------|

|             |                                   |
|-------------|-----------------------------------|
| Schedule II | Valuation and Qualifying Accounts |
|-------------|-----------------------------------|

(b) Exhibits.

The exhibits listed on the accompanying Exhibit Index are filed as part of this report.

All other schedules which are included in the applicable accounting regulations of the Securities and Exchange Commission are not required here because they are not applicable.

Schedule II  
THE COOPER COMPANIES, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended October 31, 2015

| (In millions)                    | Balance<br>Beginning<br>of Year | Additions<br>Charged to<br>Costs and<br>Expenses | (Deductions)<br>Recoveries/<br>Other (1) | Balance<br>at End<br>of Year |
|----------------------------------|---------------------------------|--|--|------------------------------|
| Allowance for doubtful accounts: |                                 |  |  |                              |
| Year Ended October 31, 2015      | \$6.0                           | \$1.7  | \$(1.7)                                  | ) \$6.0                      |
| Year Ended October 31, 2014      | \$5.3                           | \$1.7  | \$(1.0)                                  | ) \$6.0                      |
| Year Ended October 31, 2013      | \$4.4                           | \$1.5  | \$(0.6)                                  | ) \$5.3                      |

(1) Consists of additions representing allowances and recoveries, less deductions representing receivables written off as uncollectible.

| (In millions)                   | Balance<br>Beginning<br>of Year | Additions (2) | Reductions/<br>Charges (3) | Balance<br>at End<br>of Year |
|---------------------------------|---------------------------------|---------------|----------------------------|------------------------------|
| Income tax valuation allowance: |                                 |               |                            |                              |
| Year Ended October 31, 2015     | \$14.5                          | \$—           | \$(1.1)                    | ) \$13.4                     |
| Year Ended October 31, 2014     | \$1.0                           | \$13.5        | \$—                        | ) \$14.5                     |
| Year Ended October 31, 2013     | \$1.1                           | \$—           | \$(0.1)                    | ) \$1.0                      |

(2) During the fiscal fourth quarter of 2014, we recorded in purchase accounting deferred tax assets in connection with its acquisition of Sauflon Pharmaceuticals, Ltd., and subsidiaries. A valuation allowance of \$13.5 million was set up against Sauflon Hungary's development tax credits.

(3) During the fiscal third quarter of 2013, we revalued deferred tax assets and liabilities residing in Denmark, along with the related valuation allowance to reflect the newly enacted tax rate change that incrementally decreased the corporate tax rate.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on December 18, 2015.

THE COOPER COMPANIES, INC.

By: /s/ ROBERT S. WEISS

Robert S. Weiss

Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the dates set forth opposite their respective names.

| Signature  | Capacity  | Date              |
|--|---|-------------------|
| /s/ ROBERT S. WEISS<br>(Robert S. Weiss)               | President, Chief Executive Officer and Director   | December 18, 2015 |
| /s/ A. THOMAS BENDER<br>(A. Thomas Bender)             | Chairman of the Board   | December 18, 2015 |
| /s/ ALLAN E. RUBENSTEIN, M.D.<br>(Allan E. Rubenstein) | Vice Chairman of the Board and Lead Director  | December 18, 2015 |
| /s/ GREG W. MATZ<br>(Greg W. Matz)                     | Senior Vice President, Chief Financial Officer<br>and Chief Risk Officer<br>(Principal Financial Officer) | December 18, 2015 |
| /s/ TINA MALONEY<br>(Tina Maloney)                     | Vice President and Corporate Controller<br>(Principal Accounting Officer)                                 | December 18, 2015 |
| /s/ MICHAEL H. KALKSTEIN<br>(Michael H. Kalkstein)     | Director  | December 18, 2015 |
| /s/ JODY S. LINDELL<br>(Jody S. Lindell)               | Director  | December 18, 2015 |
| /s/ GARY S. PETERSMEYER<br>(Gary S. Petersmeyer)       | Director  | December 18, 2015 |
| /s/ STEVEN ROSENBERG<br>(Steven Rosenberg)             | Director  | December 18, 2015 |
| /s/ STANLEY ZINBERG, M.D.<br>(Stanley Zinberg)         | Director  | December 18, 2015 |

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

EXHIBIT INDEX

Location of

Exhibit in

Exhibit Sequential

Number Description of Document Number System

- 3.1 - Second Restated Certificate of Incorporation filed with the Delaware Secretary of State, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated January 13, 2006
- 3.2 - Amended and Restated By-Laws, The Cooper Companies, Inc., dated December 14, 2010, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 15, 2010
  - Amended and Restated Rights Agreement, dated as of October 29, 2007, between the Company and American
- 4.1 Stock Transfer & Trust Company, as Rights Agent, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 30, 2007
  - Severance Agreement entered into as of August 21, 1989, and amended August 15, 2008, by and
- 10.1 between Robert S. Weiss and the Company, incorporated by reference to Exhibit 10.28 to Amendment No. 1 to the Company's Annual Report on Form 10 K for the fiscal year ended October 31, 1992
  - The Cooper Companies, Inc. Change in Control Severance Plan, dated May 21, 2007, incorporated by
- 10.2 reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10 Q for the fiscal quarter ended July 31, 2007
  - Change in Control Agreement entered into as of January 3, 2007, and amended September 9, 2008, by and
- 10.3 between Albert G. White III and the Company, incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2013
  - Change in Control Agreement dated as of June 8, 2007, by and between The Cooper Companies, Inc. and
- 10.4 Daniel G. McBride, Esq., incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2014
  - Change in Control Agreement dated as of June 8, 2007, by and between The Cooper Companies, Inc. and
- 10.5 Carol R. Kaufman, incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2009
  - Change in Control Agreement dated as of June 1, 2010, by and between The Cooper Companies, Inc. and
- 10.6 Gregory W. Matz , incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Location of

Exhibit in

Exhibit Sequential

Number Description of Document Number System

- 10.7 - The Second Amended and Restated 2006 Long Term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to the Company's Proxy Statement filed February 2, 2011
- Amendment No. 1 to the Second Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011
- 10.8 - Amendment No. 2 to the Second Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2012
- 10.9 - Amendment No. 3 to the Second Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2013
- 10.10 - Form of Non-Qualified Stock Option Agreement Pursuant to The Cooper Companies, Inc. 2006 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007
- 10.11 - Form of Restricted Stock Agreement Pursuant to The Cooper Companies, Inc. 2006 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007
- 10.12 - The Second Amended and Restated 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to the Company's Proxy Statement filed February 2, 2011
- 10.13 - Form of Non-Qualified Stock Option Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007
- 10.14 - Form of UK Tax Approved Stock Option Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.33 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007
- 10.15 - Form of Deferred Stock Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007
- 10.16 - Form of Long Term Performance Share Award Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 13, 2009
- 10.17 - License Agreement dated as of November 19, 2007, by and among CIBA Vision AG, CIBA Vision Corporate and CooperVision, Inc., incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008
- 10.18(a) - Amendment No. 1 to the License Agreement dated as of November 19, 2007, by and among CIBA Vision AG, CIBA Vision Corporate and CooperVision, Inc., incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed on December 21, 2012
- 10.19(a) -

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Location of

Exhibit in

Exhibit Sequential

Number Description of Document Number System

- Lease Contract dated as of November 6, 2003, by and between The Puerto Rico Industrial Development Company and Ocular Sciences Puerto Rico, Inc., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 11, 2005
- 10.20 - First Supplement and Amendment to Lease Contract dated as of December 30, 2003, by and between The Puerto Rico Industrial Development Company and Ocular Sciences Puerto Rico, Inc., incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 11, 2005
- 10.21 - Assignment of Lease Agreement dated as of June 29, 2004, by and among Ocular Sciences Puerto Rico, Inc., Ocular Sciences Cayman Islands Corporation and The Puerto Rico Industrial Development Company, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated January 11, 2005
- 10.22 - Credit Agreement Amendment, dated as of June 30, 2014, among The Cooper Companies, Inc., CooperVision International Holding Company, LP, the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 1, 2014
- 10.23 - Term Loan Agreement, dated as of June 30, 2014, among The Cooper Companies, Inc., the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8 K filed July 1, 2014
- 10.24 - Term Loan Agreement, dated as of August 4, 2014, among The Cooper Companies, Inc., the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8 K filed August 6, 2014
- 10.25 - Term Loan Amendment No. 2, dated as of August 4, 2014, among The Cooper Companies, Inc. the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8 K filed August 6, 2014
- 10.26 - Credit Agreement, dated as of January 12, 2011, among The Cooper Companies, Inc., CooperVision International Holding Company LP, the lenders from time to time party thereto, KeyBank National Association, as a bookrunner, a lead arranger, and sole administrative agent, swing line lender and LC issuer, J.P. Morgan Securities LLC, as a lead arranger, bookrunner and syndication agent, Citigroup Global Markets Inc., as a lead arranger, bookrunner and syndication agent, Bank of America, N.A., as a lead arranger and documentation agent, and Wells Fargo Bank, National Association, as lead arranger and documentation agent, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed March 4, 2011
- 10.27 - Amendment No. 1 to Credit Agreement, dated as of May 31, 2012, among The Cooper Companies, Inc., CooperVision International Holding Company, LP, the lenders party thereto and KeyBank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 31, 2012
- 10.28 - Amendment No. 2 to Credit Agreement, dated as of September 12, 2013, among The Cooper Companies, Inc., CooperVision International Holding Company, LP, the lenders party thereto and KeyBank National Association, as administrative agent, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 17, 2013
- 10.29

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Location of

Exhibit in

Exhibit Sequential

Number Description of Document Number System

- 10.30 Term loan agreement, dated as of September 12, 2013, among The Cooper Companies, Inc., the lenders party thereto, and KeyBank National Association, as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 17, 2013
- 10.31 Term Loan Amendment No. 1, dated as of August 21, 2015, among The Cooper Companies, Inc. the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on September 4, 2015
- 10.32 Term Loan Amendment No. 3, dated as of August 21, 2015, among The Cooper Companies, Inc. the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on September 4, 2015
- 10.33 Credit Agreement Amendment No. 4, dated as of August 21, 2015, The Cooper Companies, Inc., CooperVision International Holding Company, LP, the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on September 4, 2015
- 10.34 The Cooper Companies, Inc. 2014 Incentive Payment Plan, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed December 16, 2013
- 10.35 The Cooper Companies, Inc. 2015 Incentive Payment Plan, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed February 6, 2015
- 11<sup>(b)</sup> - Calculation of earnings per share
- 21- Subsidiaries
- 23- Consent and Report on Schedule of Independent Registered Public Accounting Firm
- 31.1 - Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
- 31.2 - Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
- 32.1- Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350
- 32.2- Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350
- 101 - The following materials from the Company's Annual Report on Form 10-K for the year ended October 31, 2015, formatted in Extensible Business Reporting Language (XBRL); (i) Consolidated Statements of Income for the years ended October 31, 2015, 2014 and 2013, (ii) Consolidated Statements of Comprehensive Income for the years ended October 31, 2015, 2014 and 2013, (iii) Consolidated Balance Sheets at October 31, 2015 and 2014, (iv) Consolidated Statements of Stockholders' Equity for the years ended October 31, 2015, 2014 and 2013, (v) Consolidated Statements of Cash Flows for the years ended October 31, 2015, 2014 and 2013, (vi) related notes to consolidated financial statements and (vii) Schedule II Valuation and Qualifying Accounts

(a) The agreement received confidential treatment from the Securities and Exchange Commission with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Commission.

(b) The information required in this exhibit is provided in Note 7, Earnings Per Share, in this report.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

CORPORATE INFORMATION

BOARD OF DIRECTORS

A. Thomas Bender  
Chairman of the Board

Allan E. Rubenstein, M.D.  
Vice Chairman and Lead Director,  
Chairman of the Board, CalAsia  
Pharmaceuticals, Inc.

Michael H. Kalkstein  
Of Counsel, Palo Alto Office,  
Dechert LLP

Jody S. Lindell  
President and Chief Executive  
Officer,  
S.G. Management, Inc.

Gary S. Petersmeyer  
Director

Steven Rosenberg  
Director

Robert S. Weiss  
President, Chief Executive Officer  
and Director

Stanley Zinberg, M.D.  
Director

COMMITTEES OF THE BOARD

Audit Committee  
Jody S. Lindell (Chairman)  
Michael H. Kalkstein  
Gary Petersmeyer  
Steven Rosenberg

Corporate Governance and  
Nominating Committee  
Allan E. Rubenstein, M.D.  
(Chairman)  
Michael H. Kalkstein

EXECUTIVE OFFICERS

Robert S. Weiss  
President and Chief Executive Officer

Randal L. Golden  
Vice President and  
General Counsel

Carol R. Kaufman  
Executive Vice President,  
Secretary, Chief Administrative  
Officer  
and Chief Governance Officer

Tina Maloney  
Vice President and Corporate  
Controller

Greg W. Matz  
Senior Vice President, Chief Financial  
Officer and Chief Risk Officer

Daniel G. McBride, Esq.  
Executive Vice President and Chief  
Operating Officer;  
President of CooperVision

Paul Rimmell  
President and Chief Executive Officer,  
CooperSurgical, Inc.

Albert G. White III  
Executive Vice President and Chief  
Strategy Officer

PRINCIPAL SUBSIDIARIES

CooperVision, Inc.  
6150 Stoneridge Mall Road  
Suite 370  
Pleasanton, CA 94588  
925-621-2450  
www.coopervision.com

INVESTOR INFORMATION

Recent news releases, the annual  
report on Securities and Exchange  
Commission Form 10-K, information  
about the Company's corporate  
governance program, recent investor  
presentations, replays of quarterly  
conference calls and historical stock  
quotes are available on our Web site at  
www.coopercos.com.

INVESTOR RELATIONS  
CONTACT

Kim Duncan  
Vice President of Investor Relations  
6140 Stoneridge Mall Road  
Suite 590  
Pleasanton, CA 94588  
Voice: 925-460-3663  
Fax: 925-460-3648  
E-mail: ir@cooperco.com

ANNUAL MEETING

The Cooper Companies will hold its  
Annual Stockholders' Meeting in  
March 2016.

TRANSFER AGENT

American Stock Transfer & Trust  
Company  
6201 15th Avenue  
Brooklyn, NY 11219  
800-937-5449

TRADEMARKS

The Cooper Companies, Inc., its  
subsidiaries or affiliates own, license  
or distribute the registered trademarks,  
common law trademarks and trade  
names referenced in this report.

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Steven Rosenberg  
Stanley Zinberg, M.D.

Organization and Compensation  
Committee

Michael H. Kalkstein (Chairman)

Jody S. Lindell

Gary S. Petersmeyer

Allan E. Rubenstein, M.D.

Science and Technology Committee

Stanley Zinberg, M.D. (Chairman)

A. Thomas Bender

Gary S. Petersmeyer

Allan E. Rubenstein, M.D.

Robert S. Weiss

CooperSurgical, Inc.  
75 Corporate Drive  
Trumbull, CT 06611  
203-601-5200  
www.coopersurgical.com

CORPORATE OFFICES

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Pleasanton, CA 94588  
925-460-3600  
www.coopercos.com

INDEPENDENT AUDITORS

KPMG LLP

STOCK EXCHANGE LISTING

The New York Stock Exchange  
Ticker Symbol "COO"