

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarterly Period Ended April 30, 2016

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number 1-8597

The Cooper Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-2657368
(I.R.S. Employer
Identification No.)

6140 Stoneridge Mall Road, Suite 590, Pleasanton, CA 94588
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (925) 460-3600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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 (Do not check if a smaller reporting company) Smaller reporting company

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

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

Common Stock, \$.10 par value

Class

48,448,341 Shares

Outstanding at April 30, 2016

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Income
Periods Ended April 30,
(In thousands, except for earnings per share)
(Unaudited)

| | Three Months | | Six Months | |
|--|--------------|------------|------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net sales | \$ 483,793 | \$ 434,676 | \$ 933,433 | \$ 879,847 |
| Cost of sales | 185,295 | 166,960 | 372,971 | 335,780 |
| Gross profit | 298,498 | 267,716 | 560,462 | 544,067 |
| Selling, general and administrative expense | 177,659 | 167,583 | 351,263 | 341,118 |
| Research and development expense | 16,696 | 16,819 | 31,458 | 32,932 |
| Amortization of intangibles | 14,312 | 12,316 | 30,515 | 25,911 |
| Operating income | 89,831 | 70,998 | 147,226 | 144,106 |
| Interest expense | 7,611 | 4,692 | 12,886 | 8,633 |
| Other (income) expense, net | (418) | (686) | 972 | 1,016 |
| Income before income taxes | 82,638 | 66,992 | 133,368 | 134,457 |
| Provision for income taxes | 8,183 | 5,855 | 7,172 | 11,571 |
| Net income | 74,455 | 61,137 | 126,196 | 122,886 |
| Less: net income attributable to noncontrolling interests | 330 | 424 | 715 | 994 |
| Net income attributable to Cooper stockholders | \$ 74,125 | \$ 60,713 | \$ 125,481 | \$ 121,892 |
| Earnings per share attributable to Cooper stockholders - basic | \$ 1.53 | \$ 1.25 | \$ 2.59 | \$ 2.52 |
| Earnings per share attributable to Cooper stockholders - diluted | \$ 1.52 | \$ 1.23 | \$ 2.57 | \$ 2.48 |
| Number of shares used to compute earnings per share: | | | | |
| Basic | 48,428 | 48,463 | 48,365 | 48,330 |
| Diluted | 48,853 | 49,163 | 48,838 | 49,139 |

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)
Periods Ended April 30,
(In thousands)
(Unaudited)

| | Three Months | | Six Months | |
|---|-------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net income | \$ 74,455 | \$ 61,137 | \$ 126,196 | \$ 122,886 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | 52,273 | 34,367 | (61,525) | (79,251) |
| Change in value of derivative instruments, net of tax provision of \$30 in 2015 | — | — | — | 47 |
| Change in minimum pension liability, net of tax | 7 | 7 | 14 | 14 |
| Other comprehensive income (loss) | 52,280 | 34,374 | (61,511) | (79,190) |
| Comprehensive income | 126,735 | 95,511 | 64,685 | 43,696 |
| Less: comprehensive income attributable to noncontrolling interests | 751 | 1,105 | 745 | 584 |
| Comprehensive loss attributable to Cooper stockholders | <u>\$ 125,984</u> | <u>\$ 94,406</u> | <u>\$ 63,940</u> | <u>\$ 43,112</u> |

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets
(In thousands, unaudited)

| | April 30, 2016 | October 31, 2015 |
|--|----------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 44,464 | \$ 16,426 |
| Trade accounts receivable, net of allowance for doubtful accounts of \$7,765 at April 30, 2016 and \$5,956 at October 31, 2015 | 298,825 | 282,918 |
| Inventories | 433,596 | 419,692 |
| Deferred tax assets | 41,256 | 41,731 |
| Prepaid expense and other current assets | 96,974 | 80,661 |
| Total current assets | 915,115 | 841,428 |
| Property, plant and equipment, at cost | 1,696,135 | 1,650,730 |
| Less: accumulated depreciation and amortization | 731,776 | 683,633 |
| | 964,359 | 967,097 |
| Goodwill | 2,233,251 | 2,197,077 |
| Other intangibles, net | 437,005 | 411,090 |
| Deferred tax assets | 5,969 | 4,510 |
| Other assets | 45,554 | 38,662 |
| | \$ 4,601,253 | \$ 4,459,864 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$ 30,191 | \$ 243,803 |
| Accounts payable | 105,759 | 116,912 |
| Employee compensation and benefits | 59,038 | 67,373 |
| Other current liabilities | 127,229 | 140,694 |
| Total current liabilities | 322,217 | 568,782 |
| Long-term debt | 1,411,182 | 1,105,408 |
| Deferred tax liabilities | 37,568 | 31,016 |
| Accrued pension liability and other | 85,505 | 80,754 |
| Total liabilities | 1,856,472 | 1,785,960 |
| Commitments and contingencies | | |
| 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 51,738 at April 30, 2016 and 51,558 at October 31, 2015 | 5,174 | 5,156 |
| Additional paid-in capital | 1,442,735 | 1,434,705 |
| Accumulated other comprehensive loss | (253,153) | (191,643) |
| Retained earnings | 1,903,469 | 1,779,440 |
| Treasury stock at cost: 3,290 shares at April 30, 2016 and October 31, 2015 | (360,149) | (360,149) |
| Total Cooper stockholders' equity | 2,738,076 | 2,667,509 |
| Noncontrolling interests | 6,705 | 6,395 |
| Stockholders' equity | 2,744,781 | 2,673,904 |
| | \$ 4,601,253 | \$ 4,459,864 |

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows
Six Months Ended April 30,
(In thousands)
(Unaudited)

| | 2016 | 2015 |
|--|-------------|------------|
| Cash flows from operating activities: | | |
| Net income | \$ 126,196 | \$ 122,886 |
| Depreciation and amortization | 101,434 | 87,389 |
| Decrease in operating capital | (61,667) | (65,358) |
| Other non-cash items | 21,424 | 45,564 |
| Net cash provided by operating activities | 187,387 | 190,481 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (86,332) | (118,365) |
| Acquisitions of businesses, net of cash acquired, and other | (145,422) | (752) |
| Net cash used in investing activities | (231,754) | (119,117) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 1,367,300 | 483,400 |
| Repayments of long-term debt | (1,250,394) | (658,229) |
| Net (repayments of) proceeds from short-term debt | (23,552) | 135,514 |
| Repurchase of common stock | — | (15,996) |
| Net payments related to share-based compensation awards | (11,525) | (6,662) |
| Excess tax benefit from share-based compensation awards | 5,005 | — |
| Purchase of shares from noncontrolling interests | — | (8,557) |
| Dividends on common stock | (1,452) | (1,448) |
| Debt acquisition costs | (12,541) | — |
| Distributions to noncontrolling interests | (383) | (816) |
| Payment of contingent consideration | — | (2,406) |
| Proceeds from construction allowance | — | 710 |
| Net cash provided by (used in) financing activities | 72,458 | (74,490) |
| Effect of exchange rate changes on cash and cash equivalents | (53) | (4,185) |
| Net increase (decrease) in cash and cash equivalents | 28,038 | (7,311) |
| Cash and cash equivalents - beginning of period | 16,426 | 25,222 |
| Cash and cash equivalents - end of period | \$ 44,464 | \$ 17,911 |

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 1. 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 health care delivery to women.

The unaudited consolidated condensed financial statements presented in this report contain all adjustments necessary to present fairly Cooper's consolidated condensed financial position at April 30, 2016 and October 31, 2015, the consolidated results of its operations for the three and six months ended April 30, 2016 and 2015 and its consolidated condensed cash flows for the six months ended April 30, 2016 and 2015. Most of these adjustments are normal and recurring. However, certain adjustments associated with acquisitions are of a nonrecurring nature. Readers should not assume that the results reported here either indicate or guarantee future performance.

During interim periods, we follow the accounting policies described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2015. Please refer to this when reviewing this Quarterly Report on Form 10-Q.

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 listed below 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. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are:

- Revenue recognition
- Net realizable value of inventory
- Valuation of goodwill
- Business combinations
- Income taxes
- Share-based compensation

During the fiscal first half of 2016, there were no significant changes in our estimates and critical accounting policies. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2015, for a more complete discussion of our estimates and critical accounting policies.

Accounting Pronouncements Issued Not Yet Adopted

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. The ASU changes the following aspects of the accounting for share-based payment award transactions, including: accounting for income taxes; classification of excess tax benefits on the statement of cash flows; forfeitures; minimum statutory tax withholding requirements; and classification of employee

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. We are currently evaluating the impact of ASU 2016-09, which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2017.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-01 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the impact of ASU 2016-02, which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2019.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires entities to present all deferred tax assets and liabilities as noncurrent. The amendments in the ASU are effective for the Company in our fiscal year and interim periods beginning on November 1, 2017. The Company does not expect the new guidance to have a material impact on the Company's consolidated financial statements.

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 and interim periods beginning on November 1, 2018.

Accounting Pronouncements Recently 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. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. We elected to early adopt this guidance as a change in accounting principle on a retrospective basis in the fiscal first quarter ended January 31, 2016. As of January 31, 2016 and October 31, 2015, we have presented debt issuance costs related to our term loans, previously reported in other assets, as direct deductions from the carrying amount of the debt liability. We also presented the debt issuance costs related to our revolving credit facility as a deferred asset within other assets, as is permitted by ASU 2015-15, *Imputation of Interest*, which was issued in August 2015. Such adoption did not have a material impact to our consolidated financial position.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 2. Acquisitions

On March 31, 2016 we completed the acquisition of Genesis Genetics Inc., a genetics laboratory specializing in preimplantation genetic screening and preimplantation genetic diagnosis used during the IVF process, headquartered in Plymouth, Michigan. The fair value of the consideration transferred for the acquisition was approximately \$60.0 million in cash, \$59.3 million net of cash acquired. Our preliminary allocation of the fair value of the purchase price includes \$28.6 million in identifiable intangible assets, consisting of \$25.2 million for customer relationships and \$3.4 million for trade names; \$27.6 million in goodwill; and \$3.8 million in identifiable net assets.

On February 8, 2016, we completed the acquisition of The Pipette Company, a manufacturer and distributor of micro pipettes for the Assisted Reproductive Technology market headquartered in Adelaide, Australia. The fair value of the consideration transferred for the acquisition was approximately \$20.2 million in cash, \$19.6 million net of cash acquired. Our preliminary allocation of the fair value of the purchase price includes \$5.6 million in identifiable intangible assets, consisting of \$5.2 million for customer relationships and \$0.4 million for trade names; \$14.7 million in goodwill; and \$0.2 million in identifiable net liabilities.

On December 17, 2015, we completed the acquisition of Research Instruments Limited, a manufacturer and supplier of in vitro fertilization (IVF) medical devices and systems headquartered in Cornwall, United Kingdom. The fair value of the consideration transferred for the acquisition was approximately \$53.6 million in cash, \$50.0 million net of cash acquired. Our preliminary allocation of the fair value of the purchase price includes \$10.3 million in identifiable intangible assets, consisting of \$6.2 million for developed technology, \$2.2 million of trade names and \$1.9 million for customer relationships; \$36.1 million in goodwill; and \$7.3 million in identifiable net assets.

We believe these acquisitions strengthen CooperSurgical's fertility business through the addition of new or complementary products and services within IVF and our genetic testing platform.

The pro forma results of operations of these acquisitions have not been presented because the effects of the business combinations described above, individually and in the aggregate, were not material to our consolidated results of operations.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

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 that the total restructuring costs under this plan will be \$125.0 million. These costs include approximately \$95.0 million associated with assets, including product rationalization and related equipment disposals and accelerated depreciation, about \$27.0 million associated with employee termination costs, and about \$3.0 million associated with facility lease termination costs. We are substantially complete with activities related to operating expenses, and we expect to incur costs related to the manufacturing activities through the end of fiscal 2016.

In the three and six month periods ended April 30, 2016, we recorded in cost of sales \$4.2 million and \$14.7 million of expense, respectively, 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, employee termination costs of \$0.7 million and \$0.5 million in the three and six month periods ended April 30, 2016, respectively. We recorded \$0.1 million of employee termination costs and \$0.3 million for lease termination costs in selling, general and administrative expense in the six months ended April 30, 2016. We also recorded in research and development expense \$0.1 million of employee termination costs in the six months ended April 30, 2016. In addition, CooperVision incurred \$2.1 million and \$10.0 million of integration costs included in operating expenses in the three and six month periods ended April 30, 2016, respectively.

In the three and six month periods ended April 30, 2015, we recorded in cost of sales \$5.2 million and \$13.9 million of expense, respectively, 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. In the three month period ended April 30, 2015, we reduced the accrued employee termination costs in selling, general and administrative expense by \$4.5 million based on estimates of the expected costs and the results of voluntary terminations. We recorded in research and development expense \$0.2 million and \$0.3 million of employee termination costs in the three and six months ended April 30, 2015, respectively. In addition, CooperVision incurred \$8.0 million and \$14.1 million of integration costs in the three and six months ended April 30, 2015, respectively, recorded in selling, general and administrative expense.

A summary of the cumulative total restructuring costs by major component recognized to date as of April 30, 2016, 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 |
| Six months ended April 30, 2016 | 0.7 | 0.3 | 14.7 | 15.7 |
| Cumulative amounts incurred as of April 30, 2016 | <u>\$ 18.5</u> | <u>\$ 1.2</u> | <u>\$ 87.7</u> | <u>\$ 107.4</u> |

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

The following table summarizes the restructuring activities by major component for the fiscal year ended October 31, 2015 and the six months ended April 30, 2016:

| <u>(In millions)</u> | <u>Employee-related</u> | <u>Facilities-related</u> | <u>Product Rationalization</u> | <u>Total</u> |
|--|-------------------------|---------------------------|--------------------------------|---------------|
| 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 at October 31, 2015 | 8.6 | 0.3 | — | 8.9 |
| Additions during the six months ended April 30, 2016 | 0.7 | 0.3 | 14.7 | 15.7 |
| Payments during the six months ended April 30, 2016 | (3.7) | (0.1) | — | (3.8) |
| Non-cash adjustments (a) (b) | (0.1) | (0.1) | (14.7) | (14.9) |
| Balance at April 30, 2016 | <u>\$ 5.5</u> | <u>\$ 0.4</u> | <u>\$ —</u> | <u>\$ 5.9</u> |

(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.

Note 4. Inventories

| <u>(In millions)</u> | <u>April 30, 2016</u> | <u>October 31, 2015</u> |
|----------------------|-----------------------|-------------------------|
| Raw materials | \$ 85.8 | \$ 80.9 |
| Work-in-process | 15.6 | 14.5 |
| Finished goods | 332.2 | 324.3 |
| | <u>\$ 433.6</u> | <u>\$ 419.7</u> |

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.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 5. Intangible Assets**Goodwill**

| <u>(In millions)</u> | CooperVision | CooperSurgical | Total |
|---|-------------------|-----------------|-------------------|
| Balance at 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 at October 31, 2015 | 1,827.6 | 369.5 | 2,197.1 |
| Net additions during the six-month period ended April 30, 2016 | 0.1 | 79.2 | 79.3 |
| Translation | (45.7) | 2.6 | (43.1) |
| Balance at April 30, 2016 | <u>\$ 1,782.0</u> | <u>\$ 451.3</u> | <u>\$ 2,233.3</u> |

We performed our annual impairment assessment in our fiscal third quarter of 2015, and our analysis indicated that we had no impairment of goodwill. As described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2015, we will continue to monitor conditions and changes which could indicate that our recorded goodwill may be impaired.

Other Intangible Assets

| <u>(In millions)</u> | As of April 30, 2016 | | As of October 31, 2015 | |
|--|-----------------------|--|------------------------|--|
| | Gross Carrying Amount | Accumulated Amortization & Translation | Gross Carrying Amount | Accumulated Amortization & Translation |
| Trademarks | \$ 29.9 | \$ 5.4 | \$ 23.7 | \$ 4.4 |
| Technology | 332.0 | 127.0 | 318.9 | 114.7 |
| Customer relationships | 279.8 | 113.3 | 247.0 | 104.5 |
| License and distribution rights and other | 73.3 | 32.3 | 71.7 | 26.6 |
| | 715.0 | <u>\$ 278.0</u> | 661.3 | <u>\$ 250.2</u> |
| Less: accumulated amortization and translation | 278.0 | | 250.2 | |
| Other intangible assets, net | <u>\$ 437.0</u> | | <u>\$ 411.1</u> | |

We estimate that amortization expense for our existing other intangible assets at April 30, 2016, will be \$59.6 million in fiscal 2016, \$56.1 million in fiscal 2017, \$54.1 million in fiscal 2018, \$51.5 million in fiscal 2019 and \$40.9 million in fiscal 2020.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
Notes to Consolidated Condensed Financial Statements
(Unaudited)

Note 6. Debt

| <u>(In millions)</u> | <u>April 30, 2016</u> | <u>October 31, 2015</u> |
|--|-----------------------|-------------------------|
| Short-term: | | |
| Overdraft and other credit facilities | \$ 31.7 | \$ 240.4 |
| Current portion of long-term debt | — | 3.8 |
| Less: unamortized debt issuance cost on term loans | (1.5) | (0.4) |
| | <u>\$ 30.2</u> | <u>\$ 243.8</u> |
| Long-term: | | |
| Credit agreements | \$ — | \$ 109.0 |
| Term loans | 1,415.0 | 996.3 |
| Other | 0.3 | 0.5 |
| Less: unamortized debt issuance cost on term loans | (4.1) | (0.4) |
| | <u>\$ 1,411.2</u> | <u>\$ 1,105.4</u> |

Revolving Credit and Term Loan Agreement on March 1, 2016 (2016 Credit Agreement)

On March 1, 2016, we entered into a new Revolving Credit and Term Loan Agreement (2016 Credit Agreement), among the Company, CooperVision International Holding Company, LP, the lenders from time to time party thereto and KeyBank National Association, as administrative agent. The 2016 Credit Agreement provides for a multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion and a term loan facility in an aggregate principal amount of \$830.0 million, each of which, unless terminated earlier, mature on March 1, 2021. In addition, we have the ability from time to time to request an increase to the size of the revolving credit facility or establish one or more new term loans under the term loan facility in an aggregate amount up to \$750.0 million, subject to the discretionary participation of the lenders.

The 2016 Credit Agreement replaced our previous Credit Agreement that was entered into on January 12, 2011, and we terminated the Credit Agreement on March 1, 2016. In connection with the termination, all borrowings outstanding under the Credit Agreement were repaid and all letters of credit outstanding were transferred to the 2016 Credit Agreement. We did not incur any termination or prepayment penalties with respect to replacing the Credit Agreement. We used funds from the new term loan to repay the \$200.0 million outstanding principal amount of the two uncommitted revolving lines of credit, entered into on March 24, 2015, as well as to partially repay outstanding amounts under the term loans entered into on August 4, 2014, and September 12, 2013, and for general corporate purposes.

Amounts outstanding under the 2016 Credit 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 LIBO rate for a one month interest period on such day, or the adjusted LIBO rate or adjusted foreign currency rate, plus, in each case, an applicable rate of, initially, 0.5% in respect of base rate loans and 1.5% in respect of adjusted LIBO rate or adjusted foreign currency rate loans. Following a specified period after the closing date, the applicable rates will be determined quarterly by reference to a grid based upon our ratio of consolidated net indebtedness to consolidated pro forma EBITDA, as defined in the 2016 Credit Agreement. During the term of the revolving credit facility, we may borrow, repay and re-borrow amounts available under the revolving credit facility, subject to voluntary reduction of the revolving commitment.

We pay an annual commitment fee that ranges from 0.125% to 0.25% of the unused portion of the revolving credit facility depending on certain financial ratios. In addition to the annual commitment fee described above, we are also required to pay certain letter of credit and related fronting fees and other administrative fees pursuant to the terms of the 2016 Credit Agreement.

The 2016 Credit Agreement is not secured by any of the Company's, or any of its subsidiaries' (including CooperVision International Holding Company's), assets. All obligations under this facility will be guaranteed by each of the Company's

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existing and future direct and indirect domestic material subsidiaries, as defined in the 2016 Credit Agreement. CooperVision International Holding Company is responsible only for its own obligations, if any, and does not guarantee any of the Company's obligations under the 2016 Credit Agreement.

The facility is not subject to amortization and is not subject to mandatory prepayments prior to maturity. We may prepay loan balances from time to time, in whole or in part, without premium or penalty (other than any related breakage costs).

The 2016 Credit 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 2016 Credit Agreement. The 2016 Credit Agreement also contains customary events of default, the occurrence of which would permit KeyBank as the administrative agent to declare the principal, accrued interest and other obligations under the agreement to be immediately due and payable.

Pursuant to the terms of the 2016 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 April 30, 2016, we were in compliance with the Interest Coverage Ratio at 26.42 to 1.00 and the Total Leverage Ratio at 2.37 to 1.00.

At April 30, 2016, we had \$830.0 million outstanding under the term loan and about \$1.0 billion available under the revolving credit agreement.

Uncommitted Revolving Lines of Credit on March 24, 2015

On March 24, 2015, we entered into two uncommitted line of credit agreements with TD Bank, N.A. and Santander Bank, N.A. These lines of credit had a termination date of March 24, 2016, and each provided revolving loan amounts to Cooper 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, 0.90%, payable in arrears on the last day of the period, as defined in the agreements.

In the fiscal second quarter of 2016, in connection with the refinancing discussed above, we repaid the full outstanding principal amount of the two uncommitted revolving lines of credit. At April 30, 2016, there were no amounts outstanding under these agreements.

\$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. 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. In fiscal second quarter of 2016, we repaid \$400.0 million of the outstanding balance using funds from the 2016 Credit Agreement.

Amounts outstanding under this term loan agreement will bear interest, at the Company's 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 Company's Total Leverage Ratio, as defined in the term loan agreement and consistent with the 2016 Credit Agreement discussed above.

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This term loan agreement contains customary restrictive covenants, as well as financial covenants that require the Company to maintain a certain Total Leverage Ratio and Interest Coverage Ratio, each as defined in the agreement, and consistent with the 2016 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 of the Company under the agreement to be immediately due and payable.

On March 1, 2016, we entered into an Amendment and Restatement Agreement (Amended and Restated 2014 Term Loan) to amend and restate in its entirety the Term Loan Agreement, dated as of August 4, 2014, as amended by Amendment No. 1 dated as of August 21, 2015 (2014 Term Loan Agreement), by and among the Company, the lenders party thereto, and KeyBank National Association, as administrative agent. The Amended and Restated 2014 Term Loan modifies certain provisions of the 2014 Term Loan Agreement to, among other things, conform certain restrictive covenants and events of default to the restrictive covenants and events of default contained in our new 2016 Credit Agreement.

At April 30, 2016, we had \$300.0 million outstanding under this term loan.

\$300.0 million Term Loan on September 12, 2013

On September 12, 2013, the Company 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% per annum payable quarterly beginning October 31, 2016, with the balance payable at maturity. In fiscal second quarter of 2016, we repaid \$15.0 million of the outstanding balance using the funds from the 2016 Credit Agreement.

Amounts outstanding under this term loan agreement will bear interest, at the Company's 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 Company's Total Leverage Ratio, as defined in the term loan agreement, and consistent with the 2016 Credit Agreement discussed above.

This term loan agreement contains customary restrictive covenants, as well as financial covenants that require the Company to maintain a certain Total Leverage Ratio and Interest Coverage Ratio, each as defined in the agreement, consistent with the 2016 Credit Agreement discussed above. The 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 of the Company 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.

On March 1, 2016, we entered into an Amendment and Restatement Agreement (Amended and Restated 2013 Term

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Loan) to amend and restate in its entirety the Term Loan Agreement, dated as of September 12, 2013, as amended by Amendment No. 1 dated as of June 30, 2014, Amendment No. 2 dated as of August 4, 2014 and Amendment No. 3 dated as of August 21, 2015 (2013 Term Loan Agreement), by and among the Company, the lenders party thereto, and KeyBank National Association, as administrative agent. The Amended and Restated 2013 Term Loan modifies certain provisions of the 2013 Term Loan Agreement to, among other things, conform certain restrictive covenants and events of default to the restrictive covenants and events of default contained in our new 2016 Credit Agreement.

At April 30, 2016, we had \$285.0 million outstanding under this term loan.

Note 7. Income Taxes

Our effective tax rate (ETR) (provision for income taxes divided by pretax income) for the fiscal first half of 2016 was 5.4%. Our year-to-date results reflect the projected fiscal year ETR, plus any discrete items. The ETR used to record the provision for income taxes for the fiscal first half of 2015 was 8.6%. The decrease in the effective tax rate in the fiscal first half of 2016 was primarily due to a release of reserves associated with a prior year tax filing, a statutory tax rate reduction in the United Kingdom and the retroactive extension of the R&D tax credit.

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. At November 1, 2015, Cooper had unrecognized tax benefits of which, if recognized, \$29.4 million would impact our ETR. For the six-month period ended April 30, 2016, there were no material changes to the total amount of unrecognized tax benefits.

Interest and penalties of \$3.7 million have been reflected as a component of the total liability at November 1, 2015. It is our policy to recognize the items of interest and penalties directly related to income taxes as additional income tax expense.

Included in the balance of unrecognized tax benefits at November 1, 2015, is \$10.0 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 relates primarily to transfer pricing matters.

At April 30, 2016, the tax years for which Cooper remains subject to United States Federal income tax assessment upon examination are 2014 through 2015. Cooper remains subject to income tax examinations in other significant tax jurisdictions including the United Kingdom, Japan, France and Australia for the tax years 2012 through 2015.

Note 8. Earnings Per Share

| Periods Ended April 30, (In millions, except per share amounts) | Three Months | | Six Months | |
|---|--------------|---------|------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Net income attributable to Cooper stockholders | \$ 74.1 | \$ 60.7 | \$ 125.5 | \$ 121.9 |
| <u>Basic:</u> | | | | |
| Weighted average common shares | 48.4 | 48.5 | 48.4 | 48.3 |
| Basic earnings per common share attributable to Cooper stockholders | \$ 1.53 | \$ 1.25 | \$ 2.59 | \$ 2.52 |
| <u>Diluted:</u> | | | | |
| Weighted average common shares | 48.4 | 48.5 | 48.4 | 48.3 |
| Effect of potential dilutive common shares | 0.5 | 0.7 | 0.4 | 0.8 |
| Diluted weighted average common shares | 48.9 | 49.2 | 48.8 | 49.1 |
| Diluted earnings per common share attributable to Cooper stockholders | \$ 1.52 | \$ 1.23 | \$ 2.57 | \$ 2.48 |

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The following table sets forth stock options to purchase Cooper's 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:

| Periods Ended April 30, (In thousands, except exercise prices) | Three Months | | Six Months | |
|---|-------------------|-----------|-------------------|-----------|
| | 2016 | 2015 | 2016 | 2015 |
| Numbers of stock option shares excluded | 537 | 123 | 537 | 123 |
| Range of exercise prices | \$131.60-\$162.69 | \$ 162.28 | \$131.60-\$162.69 | \$ 162.28 |
| Numbers of restricted stock units excluded | 7 | 1 | 2 | 1 |

Note 9. Share-Based Compensation Plans

Cooper has several share-based compensation plans that are described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2015. The compensation expense and related income tax benefit recognized in our consolidated condensed financial statements for share-based awards were as follows:

| Periods Ended April 30, (In millions) | Three Months | | Six Months | |
|---|--------------|--------|------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Selling, general and administrative expense | \$ 7.0 | \$ 6.2 | \$ 12.8 | \$ 15.9 |
| Cost of sales | 0.7 | 0.6 | 1.2 | 1.4 |
| Research and development expense | 0.2 | 0.2 | 0.6 | 0.4 |
| Total share-based compensation expense | \$ 7.9 | \$ 7.0 | \$ 14.6 | \$ 17.7 |
| Related income tax benefit | \$ 2.3 | \$ 2.2 | \$ 4.3 | \$ 5.6 |

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$0.7 million and \$1.2 million during the three and six months ended April 30, 2016, respectively; and \$0.6 million and \$1.4 million during the three and six months ended April 30, 2015, respectively.

Note 10. Stockholders' Equity

Analysis of Changes in Accumulated Other Comprehensive Income (Loss):

| (In millions) | Foreign Currency Translation Adjustment | Change in Value of Derivative Instruments | Minimum Pension Liability | Total |
|--|---|--|------------------------------|------------|
| Balance at October 31, 2014 | \$ (92.4) | \$ (0.1) | \$ (13.7) | \$ (106.2) |
| Gross change in value during the year ended October 31, 2015 | (79.4) | — | (10.0) | (89.4) |
| Reclassification adjustments for loss realized in net 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) |
| Gross change in value during the six-month period ended April 30, 2016 | (61.5) | — | (0.1) | (61.6) |
| Reclassification adjustments for loss realized in net income | — | — | — | — |
| Tax effect for the period | — | — | — | — |
| Balance at April 30, 2016 | \$ (233.3) | \$ — | \$ (19.9) | \$ (253.2) |

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. 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. We did not repurchase shares in the fiscal first half of 2016. In the fiscal first quarter of 2015, we repurchased 100 thousand shares of the Company's common stock for \$16.0 million, at an average purchase price of \$159.96 per share. At April 30, 2016, approximately \$118.4 million remains authorized for repurchase under the program.

Dividends

We paid a semiannual dividend of approximately \$1.5 million or 3 cents per share on February 9, 2016, to stockholders of record on January 22, 2016.

Note 11. Fair Value Measurements

At April 30, 2016 and October 31, 2015, the carrying value of cash and cash equivalents, accounts receivable, prepaid expense 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.

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 at April 30, 2016 and October 31, 2015 and are categorized as Level 2 of the fair value hierarchy.

The Company has 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 generally 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 may be 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

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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 first six months of 2016, within the fair value hierarchy at April 30, 2016, and fiscal year 2015, within the fair value hierarchy at October 31, 2015:

| <u>(In millions)</u> | <u>April 30, 2016</u> | <u>October 31, 2015</u> |
|----------------------------|-----------------------|-------------------------|
| Assets: | | |
| Foreign exchange contracts | \$ 0.8 | \$ 1.3 |
| Liabilities: | | |
| Foreign exchange contracts | \$ 0.9 | \$ 0.4 |

Note 12. Employee Benefits

Cooper's Retirement Income Plan (Plan), a defined benefit plan, covers substantially all full-time United States employees. Our 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.

Our results of operations for the three and six months ended April 30, 2016 and 2015 reflect the following components of net periodic pension costs:

| <u>Periods Ended April 30,</u> | <u>Three Months</u> | | <u>Six Months</u> | |
|------------------------------------|---------------------|-------------|-------------------|-------------|
| <u>(In millions)</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Service cost | \$ 2.3 | \$ 2.0 | \$ 4.6 | \$ 4.1 |
| Interest cost | 1.2 | 1.1 | 2.5 | 2.1 |
| Expected return on plan assets | (1.6) | (1.5) | (3.3) | (3.0) |
| Amortization of prior service cost | — | — | — | — |
| Recognized net actuarial loss | 0.4 | 0.2 | 0.8 | 0.5 |
| Net periodic pension cost | \$ 2.3 | \$ 1.8 | \$ 4.6 | \$ 3.7 |

We contributed \$2.5 million to the Plan in the fiscal first half of 2016, and expect to contribute an additional \$7.5 million during fiscal 2016. We contributed \$2.5 million to the Plan in the fiscal first half of 2015. The expected rate of return on plan assets for determining net periodic pension cost is 8%.

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Note 13. Contingencies

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 and the other defendants jointly filed a motion to dismiss the complaints which currently is pending, and the actions currently are in discovery. 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.

Note 14. Business Segment Information

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

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

Segment information:

| Periods Ended April 30, | Three Months | | Six Months | |
|-------------------------------------|--------------|----------|------------|----------|
| (In millions) | 2016 | 2015 | 2016 | 2015 |
| CooperVision net sales by category: | | | | |
| Toric lens | \$ 120.5 | \$ 107.1 | \$ 228.0 | \$ 215.6 |
| Multifocal lens | 42.5 | 37.9 | 82.9 | 80.4 |
| Single-use sphere lens | 97.6 | 85.1 | 188.4 | 169.3 |
| Non single-use sphere and other | 130.6 | 129.5 | 256.3 | 263.6 |
| Total CooperVision net sales | 391.2 | 359.6 | 755.6 | 728.9 |
| CooperSurgical net sales | 92.6 | 75.1 | 177.8 | 150.9 |
| Total net sales | \$ 483.8 | \$ 434.7 | \$ 933.4 | \$ 879.8 |
| Operating income (loss): | | | | |
| CooperVision | \$ 83.6 | \$ 67.7 | \$ 136.4 | \$ 140.9 |
| CooperSurgical | 17.7 | 14.2 | 33.1 | 27.4 |
| Corporate | (11.5) | (10.9) | (22.3) | (24.2) |
| Total operating income | 89.8 | 71.0 | 147.2 | 144.1 |
| Interest expense | 7.6 | 4.7 | 12.9 | 8.6 |
| Other (income) expense, net | (0.4) | (0.7) | 1.0 | 1.0 |
| Income before income taxes | \$ 82.6 | \$ 67.0 | \$ 133.4 | \$ 134.5 |

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| <u>(In millions)</u> | <u>April 30, 2016</u> | <u>October 31, 2015</u> |
|-----------------------------|-----------------------|-------------------------|
| Identifiable assets: | | |
| CooperVision | \$ 3,678.9 | \$ 3,714.6 |
| CooperSurgical | 817.6 | 674.8 |
| Corporate | 104.8 | 70.5 |
| Total | \$ 4,601.3 | \$ 4,459.9 |

Geographic information:

| <u>(In millions)</u> | <u>Three Months</u> | | <u>Six Months</u> | |
|--|---------------------|-----------------|-------------------|-----------------|
| <u>Periods Ended April 30,</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Net sales to external customers by country of domicile: | | | | |
| United States | \$ 221.4 | \$ 197.4 | \$ 428.2 | \$ 401.3 |
| Europe | 165.9 | 154.7 | 323.0 | 313.8 |
| Rest of world | 96.5 | 82.6 | 182.2 | 164.7 |
| Total | \$ 483.8 | \$ 434.7 | \$ 933.4 | \$ 879.8 |

| <u>(In millions)</u> | <u>April 30, 2016</u> | <u>October 31, 2015</u> |
|--|-----------------------|-------------------------|
| Long-lived assets by country of domicile: | | |
| United States | \$ 500.9 | \$ 494.2 |
| Europe | 391.6 | 407.9 |
| Rest of world | 71.9 | 65.0 |
| Total | \$ 964.4 | \$ 967.1 |

Note 15. Subsequent Event

Subsequent to our fiscal second quarter of 2016, on May 31, 2016, CooperSurgical acquired Reprogenetics UK, a genetics laboratory specializing in service offerings of preimplantation genetic screening (PGS) and preimplantation genetic diagnosis (PGD) used during the IVF process, for approximately \$12.0 million.

Subsequent to our fiscal second quarter of 2016, on May 25, 2016, CooperSurgical acquired the commercial assets of Recombine Inc., a clinical genetic testing company specializing in carrier screening for approximately \$85.0 million.

Subsequent to our fiscal second quarter of 2016, on May 4, 2016, CooperSurgical acquired Kivex Biotec A/S (K-Systems), a manufacturer and distributor of equipment for IVF clinics, for approximately \$11.5 million.

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Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations

Note numbers refer to "Notes to Consolidated Condensed Financial Statements" in Item 1. Financial Statements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. These include statements relating to plans, prospects, goals, strategies, future actions, events or performance and other statements which are other than statements of historical fact, including all statements regarding acquisitions including the acquired companies' financial position, market position, product development and business strategy, expected cost synergies, expecting 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," "plans," "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; 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).
- Our indebtedness could adversely affect our financial health, prevent us from fulfilling our debt obligations or limit our ability to borrow additional funds.
- 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 health care industries generally.
- Compliance costs and potential liability in connection with U.S. and foreign health care regulations and federal and state laws pertaining to privacy and security of health information, including product recalls, warning letters, and data security breaches.
- 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.

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- 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 of our customers and end users to obtain adequate coverage and reimbursement from third party payors for our products and services.
- 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 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 our 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.

Results of Operations

In this section, we discuss the results of our operations for the fiscal second quarter of 2016 ended April 30, 2016, and the six months then ended and compare them with the same periods of fiscal 2015. We discuss our cash flows and current financial condition under "Capital Resources and Liquidity." 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.

Second Quarter Highlights

- Net sales of \$483.8 million, up 11% from \$434.7 million
- Gross profit \$298.5 million, up 11% from \$267.7 million
- Operating income \$89.8 million, up 27% from \$71.0 million
- Diluted earnings per share of \$1.52, up from \$1.23 per share
- Cash provided by operations \$97.8 million, down from \$110.6 million

Results in our fiscal second quarter of 2016 include \$4.9 million of expenses primarily due to equipment and product rationalization related to acquisitions, \$1.4 million of costs associated with the start-up of new manufacturing facilities, and \$0.9 million of integration costs, all recorded in cost of sales; \$5.6 million of expenses for acquisition, restructuring and integration activities, and \$0.6 million of certain legal costs, recorded in operating expenses; as well as \$14.3 million for amortization of intangible assets. We also incurred a loss of \$0.4 million in the period relating to debt extinguishment, recorded in other expense. The legal costs relate to litigation of the class action complaints filed against CooperVision and other contact lens manufacturers, distributors and retailers relating to Unilateral Pricing Policy (UPP) and related lobbying expenses.

Results in our fiscal second quarter of 2015 included \$5.3 million of expenses primarily due to product and equipment rationalization related to acquisitions and \$2.5 million of costs associated with the start-up of new manufacturing facilities, recorded in cost of sales; \$4.7 million of expenses for restructuring and integration activities and \$0.9 million of certain legal costs, recorded in operating expenses; as well as \$12.3 million for amortization of intangible assets. The legal costs related to third-party intellectual property claims and litigation as well as litigation relating to UPP described above.

Six-Month Highlights

- Net sales of \$933.4 million, up 6% from \$879.8 million
- Gross profit \$560.5 million, up 3% from \$544.1 million
- Operating income \$147.2 million, up 2% from \$144.1 million
- Diluted earnings per share of \$2.57, up from \$2.48 per share
- Cash provided by operations \$187.4 million, down from \$190.5 million

Results in the six months ended April 30, 2016 include \$16.2 million of expenses primarily due to equipment and product rationalization related to acquisitions, \$3.7 million of costs associated with the start-up of new manufacturing facilities, and \$1.3 million of integration costs, all recorded in cost of sales; \$16.5 million of expenses for acquisition, restructuring and integration activities, and \$1.4 million of certain legal costs, discussed above, recorded in operating expenses; as well as \$30.5 million for amortization of intangible assets. We also incurred losses of \$0.9 million in the period related to debt extinguishment and foreign exchange forward contracts related to an acquisition, recorded in other expense.

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Results in the six months ended April 30, 2015 included \$14.7 million of expenses primarily due to product and equipment rationalization related to recent acquisitions and \$2.5 million of costs associated with the start-up of new manufacturing facilities, recorded in costs of sales; \$11.2 million of expenses for restructuring and integration activities and the \$0.9 million of certain legal costs discussed above, recorded in operating expenses; as well as \$25.9 million for amortization of intangible assets.

Outlook

Overall, we remain optimistic about the long-term prospects for the worldwide contact lens and women's health care markets. However, events affecting the economy as a whole, including the uncertainty and instability of global markets driven by foreign currency and commodity volatility as well as the Affordable Care Act, including the trend of consolidation within the health care industry, impact our current performance and continue to represent a risk to our performance for the remainder of 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 technology (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 of recently introduced products and we continue to expand our presence in existing and emerging markets, including through acquisitions.

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 silicone hydrogel 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 and MyDay 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 health care market. CooperSurgical has established its market presence and distribution system by developing products and acquiring companies and products that complement its business model. CooperSurgical product sales are categorized based on the point of health care delivery including products used in medical office and surgical procedures by obstetricians and gynecologists (ob/gyns) that represented 56% of CooperSurgical's net sales in the fiscal second quarter of 2016 compared to 66% in the prior year period. CooperSurgical's remaining sales are highly specialized products and services that target in vitro fertilization (IVF) treatment used in fertility that now represent 44% of CooperSurgical's net sales up from 34% in the prior year period. This change in product mix is attributed to recent acquisitions in fertility discussed below.

Beginning in August 2015, we have invested in CooperSurgical's fertility business through the acquisition of companies and product lines for new or complementary products and services for IVF treatment. In May 2016, CooperSurgical acquired the commercial assets of Recombine Inc., a clinical genetic testing company specializing in carrier screening, and Kivex Biotec A/S, a manufacturer and distributor of equipment for IVF clinics, and Reprogenetics UK, a genetics laboratory specializing in service offerings of preimplantation genetic screening (PGS) and preimplantation genetic diagnosis (PGD) used during the IVF process. In our fiscal second quarter of 2016, we acquired Genesis Genetics, Inc., a genetics laboratory specializing in PGS and PGD used during the IVF process, and The Pipette Company, a manufacturer and distributor of micro pipettes for the Assisted Reproductive Technology (ART) market. In our fiscal first quarter of 2016, CooperSurgical acquired Research Instruments Limited, a manufacturer and supplier of IVF

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medical devices and systems. Finally, in our fiscal fourth quarter of 2015, CooperSurgical acquired Reprogenetics, a genetics laboratory specializing in service offerings of PGS and PGD used during the IVF process. We intend to continue to invest in CooperSurgical's business through acquisitions of companies and product lines.

Capital Resources - At April 30, 2016, we had \$44.5 million in cash, primarily outside the United States, and about \$1.0 billion available under our new syndicated revolving credit agreement. The \$830.0 million term loan entered on March 1, 2016, \$300.0 million of the \$700.0 million term loan entered into on August 4, 2014, and \$285.0 million of the \$300.0 million term loan entered into on September 12, 2013, remain outstanding as of April 30, 2016.

On March 1, 2016, we entered into a new syndicated revolving Credit and Term Loan Agreement with Keybank as administrative agent. This agreement, maturing on March 1, 2021, replaced our previous revolving Credit Agreement, entered into on January 12, 2011 and provides for a multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion and a term loan facility in the aggregate principal amount of \$830.0 million. Concurrently, we used funds from the new term loan to repay the \$200.0 million outstanding principal amount of the two uncommitted revolving lines of credit, entered into on March 24, 2015 and the outstanding amounts under the previous Credit Agreement. We also used funds from the new term loan to partially repay outstanding amounts under the term loans entered into on August 4, 2014 and September 12, 2013, and for general corporate purposes. For more information, please see the notes to consolidated condensed financial statements.

Our current cash balance and availability under the existing credit facilities reflects the use of cash outside the United States and the use of credit facilities to fund acquisitions, including recent CooperSurgical acquisitions and 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 the new 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.

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Selected Statistical Information – Percentage of Sales and Growth

| Periods Ended April 30, | Percentage of Sales | | 2016 vs 2015 % Change | Percentage of Sales | | 2016 vs 2015 % Change |
|---|---------------------|------|--------------------------|---------------------|------|--------------------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Net sales | 100% | 100% | 11 % | 100% | 100% | 6 % |
| Cost of sales | 38% | 38% | 11 % | 40% | 38% | 11 % |
| Gross profit | 62% | 62% | 11 % | 60% | 62% | 3 % |
| Selling, general and administrative expense | 37% | 39% | 6 % | 38% | 39% | 3 % |
| Research and development expense | 3% | 4% | (1)% | 3% | 4% | (4)% |
| Amortization of intangibles | 3% | 3% | 16 % | 3% | 3% | 18 % |
| Operating income | 19% | 16% | 27 % | 16% | 16% | 2 % |

Net Sales

Cooper's two business units, CooperVision and CooperSurgical, generate all of its 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 health care delivery to women.

Our consolidated net sales grew by \$49.1 million or 11%, and \$53.6 million or 6%, in the three and six months ended April 30, 2016, respectively:

| Periods Ended April 30, (\$ in millions) | Three Months | | | Six Months | | |
|---|-----------------|-----------------|--------------------------|-----------------|-----------------|-----------------------|
| | 2016 | 2015 | 2016 vs 2015 % Change | 2016 | 2015 | 2016 vs 2015 % Change |
| CooperVision | \$ 391.2 | \$ 359.6 | 9% | \$ 755.6 | \$ 728.9 | 4% |
| CooperSurgical | 92.6 | 75.1 | 23% | 177.8 | 150.9 | 18% |
| | <u>\$ 483.8</u> | <u>\$ 434.7</u> | 11% | <u>\$ 933.4</u> | <u>\$ 879.8</u> | 6% |

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

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CooperVision's silicone hydrogel Biofinity brand spherical, toric and multifocal contact lenses, Avaira brand spherical and toric lenses 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'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 net sales for the fiscal second quarter of 2016 increased 9% from the prior year period. CooperVision net sales growth included increases in total sphere lenses up 8%, representing 54% of net sales, compared to 55% in the prior year period, primarily on growth in sales of clariti, Biofinity and MyDay lenses offset by declines in older hydrogel products. Total toric lenses grew 13%, representing 31% of net sales, compared to 30% in the prior year period, with growth in sales of clariti and Biofinity products. Total multifocal lenses grew 12% representing 11% of net sales, the same as in the prior year period, with growth in sales of Biofinity, clariti and Proclear products. Total silicone hydrogel products, including clariti, Biofinity, Avaira and MyDay, grew 19%, representing 60% of net sales compared to 55% in the prior year period.

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

| Periods Ended April 30, (\$ in millions) | Three Months | | | Six Months | | |
|---|-----------------|-----------------|---------------------------|-----------------|-----------------|---------------------------|
| | 2016 | 2015 | 2016 vs. 2015 % Change | 2016 | 2015 | 2016 vs. 2015 % Change |
| Americas | \$ 165.1 | \$ 152.5 | 8% | \$ 316.5 | \$ 310.9 | 2% |
| EMEA | 148.8 | 143.3 | 4% | 294.1 | 290.9 | 1% |
| Asia Pacific | 77.3 | 63.8 | 21% | 145.0 | 127.1 | 14% |
| | <u>\$ 391.2</u> | <u>\$ 359.6</u> | 9% | <u>\$ 755.6</u> | <u>\$ 728.9</u> | 4% |

Americas net sales growth was primarily due to market gains of silicone hydrogel lenses including Biofinity, clariti, and MyDay, partially offset by the decrease in sales of older hydrogel products. The increase in EMEA net sales growth was primarily driven by market gains of silicone hydrogel lenses including Biofinity, clariti and MyDay. Net sales growth in EMEA was partially offset by the negative impact from the weakening of foreign currencies as compared to the United States dollar. Net 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. Net sales growth in the Asia Pacific region benefited in the three month period and was negatively impacted in the six month period by exchange rate changes of the United States dollar compared to the Japanese yen.

CooperVision's net sales were 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 net sales, 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 health care with a diversified portfolio of products and services 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 offerings 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.

| Three Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|----------------|----------------|----------------|----------------|---------------------------|
| Office and surgical products | \$ 52.3 | 56% | \$ 49.9 | 66% | 5% |
| Fertility | 40.3 | 44% | 25.2 | 34% | 60% |
| | <u>\$ 92.6</u> | <u>100%</u> | <u>\$ 75.1</u> | <u>100%</u> | <u>23%</u> |

| Six Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|-----------------|----------------|-----------------|----------------|---------------------------|
| Office and surgical products | \$ 106.4 | 60% | \$ 100.7 | 67% | 6% |
| Fertility | 71.4 | 40% | 50.2 | 33% | 42% |
| | <u>\$ 177.8</u> | <u>100%</u> | <u>\$ 150.9</u> | <u>100%</u> | <u>18%</u> |

CooperSurgical's net sales of medical office and surgical products in the three and six month periods ended April 30, 2016 increased compared to the prior year periods on growth in sales of disposable products used in surgical procedures and recently launched products. The net sales increase in fertility as compared to the prior year period was primarily due to sales of products and services of recently acquired companies. Net sales growth was partially offset by the negative impact from the weakening of foreign currencies as compared to the United States dollar.

CooperSurgical's sales primarily include women's health care products and services used in fertility procedures and by gynecologists and obstetricians in the medical office and surgical centers. The balance consists of sales of medical devices outside of women's health care which CooperSurgical does not actively market. Unit growth and product mix, primarily sales of recently acquired products and services, influenced sales growth.

Cost of Sales/Gross Profit

| Gross Profit Percentage of Net Sales | Three Months | | Six Months | |
|--------------------------------------|--------------|------|------------|------|
| Periods Ended April 30, | 2016 | 2015 | 2016 | 2015 |
| CooperVision | 61% | 61% | 59% | 61% |
| CooperSurgical | 64% | 63% | 64% | 64% |
| Consolidated | 62% | 62% | 60% | 62% |

CooperVision's decline in gross margin in the six month period as compared to the prior year period is primarily due to the negative effects of foreign currency changes that unfavorably impacted gross margin as we reported lower net sales due to the weakening of foreign currencies as compared to the United States dollar. Gross margin also was negatively impacted in the six month period compared to the prior year period by an increase of \$3.1 million consisting of product and equipment rationalization costs to rationalize products, based on our review of Sauflon's products, materials and manufacturing processes, as well as 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 increase in gross margin in the three month period as compared to the prior year period is primarily due to favorable product mix from sales of disposable products used in surgical procedures and recently launched products used by gynecologists and obstetricians in the medical office and surgical procedures partially offset by sales in fertility of recently acquired lower margin products and services.

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Selling, General and Administrative Expense (SGA)

| Three Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|-----------------|----------------|-----------------|----------------|---------------------------|
| CooperVision | \$ 133.6 | 34% | \$ 130.7 | 36% | 2 % |
| CooperSurgical | 32.6 | 35% | 26.0 | 35% | 25 % |
| Corporate | 11.5 | — | 10.9 | — | 5 % |
| | <u>\$ 177.7</u> | <u>37%</u> | <u>\$ 167.6</u> | <u>39%</u> | <u>6 %</u> |

| Six Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|-----------------|----------------|-----------------|----------------|---------------------------|
| CooperVision | \$ 265.9 | 35% | \$ 262.9 | 36% | 1 % |
| CooperSurgical | 63.1 | 35% | 54.0 | 36% | 17 % |
| Corporate | 22.3 | — | 24.2 | — | (8)% |
| | <u>\$ 351.3</u> | <u>38%</u> | <u>\$ 341.1</u> | <u>39%</u> | <u>3 %</u> |

The increases in CooperVision's SGA in absolute dollars in the three and six month periods as compared to prior year periods were primarily due to investment in sales and marketing, including headcount, to promote our silicone hydrogel products and to reach new customers and support geographic expansions. CooperVision's SGA included \$2.1 million and \$10.4 million of Sauflon restructuring and integration costs in the three and six month period ended April 30, 2016, respectively, compared to \$4.5 million and \$10.4 million in the prior year periods, respectively.

The increase in CooperSurgical's SGA in absolute dollars is primarily due to the inclusion of operating expenses of recently acquired companies as well as \$3.4 million and \$6.2 million of acquisition and integration expenses in our fertility business for the three and six month periods ended April 30, 2016, respectively, compared to \$0.9 million and \$1.4 million in the prior year periods, respectively. CooperSurgical continues to invest in sales activities to promote our products and to reach new customers.

The increase in Corporate SGA in absolute dollars for the fiscal second quarter of 2016 as compared to the prior year period is primarily due to the timing of share-based compensation grants. The decrease in Corporate SGA in absolute dollars for the six month period ended April 30, 2016 as compared to the prior year period is primarily due to lower share-based compensation costs and efficiencies as a result of cost control measures.

Research and Development Expense (R&D)

| Three Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|----------------|----------------|----------------|----------------|---------------------------|
| CooperVision | \$ 12.4 | 3% | \$ 12.9 | 4% | (4)% |
| CooperSurgical | 4.3 | 5% | 3.9 | 5% | 10 % |
| | <u>\$ 16.7</u> | <u>3%</u> | <u>\$ 16.8</u> | <u>4%</u> | <u>(1)%</u> |

| Six Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|----------------|----------------|----------------|----------------|---------------------------|
| CooperVision | \$ 23.5 | 3% | \$ 25.6 | 4% | (8)% |
| CooperSurgical | 8.0 | 4% | 7.3 | 5% | 9 % |
| | <u>\$ 31.5</u> | <u>3%</u> | <u>\$ 32.9</u> | <u>4%</u> | <u>(4)%</u> |

The decreases in CooperVision's research and development expense in absolute dollars and as a percentage of sales in the three and six month periods as compared to the prior year periods are primarily due to synergies resulting from the integration of Sauflon. CooperVision's R&D activities are primarily focused on the development of contact lenses and manufacturing improvements.

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The increases in CooperSurgical's research and development expense in absolute dollars in the three and six month periods 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. The decrease in research and development expense as a percent of sales in the six month period is due to the inclusion of the results of operations of several recent acquisitions. CooperSurgical's research and development activities include in vitro fertilization product development and the design and upgrade of surgical procedure devices.

Amortization Expense

| Three Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|----------------|----------------|----------------|----------------|---------------------------|
| CooperVision | \$ 9.7 | 2% | \$ 8.8 | 2% | 11% |
| CooperSurgical | 4.6 | 5% | 3.5 | 5% | 30% |
| | <u>\$ 14.3</u> | <u>3%</u> | <u>\$ 12.3</u> | <u>3%</u> | <u>16%</u> |

| Six Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|----------------|----------------|----------------|----------------|---------------------------|
| CooperVision | \$ 21.7 | 3% | \$ 18.7 | 3% | 16% |
| CooperSurgical | 8.8 | 5% | 7.2 | 5% | 22% |
| | <u>\$ 30.5</u> | <u>3%</u> | <u>\$ 25.9</u> | <u>3%</u> | <u>18%</u> |

The sequential increases in amortization are due to acquired intangible assets related to recent acquisitions in CooperSurgical. The increase in CooperVision's amortization expense in the six month period ended April 30, 2016 includes a current period charge of \$2.3 million to write off acquired in-process research and development. We expect amortization to be approximately \$14.9 million in the fiscal third quarter and \$14.1 million in the fiscal fourth quarter primarily due to intangible assets acquired with the recent acquisitions in CooperSurgical, offset by intangible assets which we forecast to become fully amortized.

Restructuring Costs

During the fiscal fourth quarter of 2014 and 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 now estimate that the total restructuring costs under this plan will be \$125.0 million, as discussed in our notes to consolidated condensed financial statements. We are substantially complete with activities related to operating expenses, and we expect to incur costs related to the manufacturing activities through the end of fiscal 2016.

Pursuant to the 2014 Sauflon Integration Plan, in the three and six month periods ended April 30, 2016, we recorded in cost of sales \$4.2 million and \$14.7 million of expense, respectively, 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, employee termination costs of \$0.7 million and \$0.5 million in the three and six month periods ended April 30, 2016, respectively. We recorded \$0.1 million of employee termination costs and \$0.3 million for lease termination costs in selling, general and administrative expense in the six months ended April 30, 2016. We also recorded in research and development expense \$0.1 million of employee termination costs in the six months ended April 30, 2016. In addition, CooperVision incurred \$2.1 million and \$10.0 million of integration costs included in operating expenses in the three and six month periods ended April 30, 2016, respectively.

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Operating Income

| Three Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|----------------|----------------|----------------|----------------|---------------------------|
| CooperVision | \$ 83.6 | 21% | \$ 67.7 | 19% | 23 % |
| CooperSurgical | 17.7 | 19% | 14.2 | 19% | 25 % |
| Corporate | (11.5) | — | (10.9) | — | (5)% |
| | <u>\$ 89.8</u> | 19% | <u>\$ 71.0</u> | 16% | 27 % |

| Six Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|-----------------|----------------|-----------------|----------------|---------------------------|
| CooperVision | \$ 136.4 | 18% | \$ 140.9 | 19% | (3)% |
| CooperSurgical | 33.1 | 19% | 27.4 | 18% | 21 % |
| Corporate | (22.3) | — | (24.2) | — | 8 % |
| | <u>\$ 147.2</u> | 16% | <u>\$ 144.1</u> | 16% | 2 % |

Consolidated operating income in the fiscal 2016 periods increased in absolute dollars compared to the prior year periods primarily due to the increase in consolidated net sales in the three and six month periods. CooperVision's operating income in the six month period decreased in absolute dollars and as a percentage of net sales primarily due to 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 the fiscal 2016 periods increased in absolute dollars reflecting the increase in sales of higher margin legacy products as a result of our investment in sales and promotional activities to reach new customers as well as recently launched products.

Interest Expense

| Three Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|--------|----------------|--------|----------------|---------------------------|
| Interest expense | \$ 7.6 | 2% | \$ 4.7 | 1% | 62% |

| Six Months Ended April 30, (\$ in millions) | 2016 | % Net Sales | 2015 | % Net Sales | 2016 vs. 2015 % Change |
|--|---------|----------------|--------|----------------|---------------------------|
| Interest expense | \$ 12.9 | 1% | \$ 8.6 | 1% | 49% |

Interest expense increased in absolute dollars and as a percentage of sales in the three month period and in absolute dollars in the six month period as compared to the prior year periods reflecting higher average debt as a result of debt incurred in connection with recent acquisitions as well as the August 2014 acquisition of Sauflon. Current period debt outstanding includes the \$830.0 million term loan entered on March 1, 2016, \$300.0 million of the \$700.0 million term loan entered into on August 4, 2014, and \$285.0 million of the \$300.0 million term loan entered into on September 12, 2013.

Other (Income) Expense, Net

| Periods Ended April 30, (\$ In millions) | Three Months | | Six Months | |
|---|-----------------|-----------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Foreign exchange (gain) loss | \$ (0.7) | \$ (0.8) | \$ 0.9 | \$ 0.7 |
| Other, net | 0.3 | 0.1 | 0.1 | 0.3 |
| | <u>\$ (0.4)</u> | <u>\$ (0.7)</u> | <u>\$ 1.0</u> | <u>\$ 1.0</u> |

THE COOPER COMPANIES, INC. AND SUBSIDIARIES
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Provision for Income Taxes

We recorded income tax expense of \$7.2 million in the fiscal first half of 2016 compared to \$11.6 million in the prior year period. Our effective tax rate (ETR) (provision for income taxes divided by pretax income) for the fiscal first half of 2016 was 5.4%. Our year-to-date results reflect the projected fiscal year ETR, plus any discrete items. The ETR used to record the provision for income taxes for the fiscal first half of 2015 was 8.6%. The decrease in the effective tax rate in the fiscal first half of 2016 was primarily due to a release of reserves associated with a prior year tax filing, a statutory tax rate reduction in the United Kingdom and the retroactive extension of the R&D tax credit.

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.

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 \$37.3 million and a foreign effective tax rate of a benefit of approximately 5.5% in our fiscal first half of 2016 compared to a benefit of \$40.2 million and a foreign effective tax rate of approximately 2.3% in our fiscal first half of 2015. See the notes to consolidated condensed financial statements for additional information.

Share Repurchase

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. We did not repurchase any shares during the fiscal first half of 2016. At April 30, 2016, we had remaining authorization to repurchase about \$118.4 million of our common stock. See the notes to consolidated condensed financial statements for additional information.

Share-Based Compensation Plans

Cooper has several share-based compensation plans that are described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2015. The compensation expense and related income tax benefit recognized in our consolidated condensed financial statements for share-based awards were as follows:

| Periods Ended April 30, (\$ In millions) | Three Months | | Six Months | |
|---|--------------|--------|------------|---------|
| | 2016 | 2015 | 2016 | 2015 |
| Selling, general and administrative expense | \$ 7.0 | \$ 6.2 | \$ 12.8 | \$ 15.9 |
| Cost of sales | 0.7 | 0.6 | 1.2 | 1.4 |
| Research and development expense | 0.2 | 0.2 | 0.6 | 0.4 |
| Total share-based compensation expense | \$ 7.9 | \$ 7.0 | \$ 14.6 | \$ 17.7 |
| Related income tax benefit | \$ 2.3 | \$ 2.2 | \$ 4.3 | \$ 5.6 |

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$0.7 million and \$1.2 million during the three and six months ended April 30, 2016, respectively; and \$0.6 million and \$1.4 million during the three and six months ended April 30, 2015, respectively.

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Capital Resources and Liquidity

Second Quarter Highlights

- Operating cash flow \$97.8 million compared to \$110.6 million in the fiscal second quarter of 2015
- Expenditures for purchases of property, plant and equipment \$41.2 million compared to \$53.4 million in the prior year period

Six-Month Highlights

- Operating cash flow \$187.4 million compared to \$190.5 million in the fiscal second quarter of 2015
- Expenditures for purchases of property, plant and equipment \$86.3 million compared to \$118.4 million in the prior year period
- No share repurchases under our share repurchase plan compared to \$16.0 million in the prior year period

Comparative Statistics

| (\$ in millions) | April 30, 2016 | | October 31, 2015 | |
|--|----------------|---------|------------------|---------|
| Cash and cash equivalents | \$ | 44.5 | \$ | 16.4 |
| Total assets | \$ | 4,601.3 | \$ | 4,459.9 |
| Working capital | \$ | 592.9 | \$ | 272.6 |
| Total debt | \$ | 1,441.4 | \$ | 1,349.2 |
| Stockholders' equity | \$ | 2,744.8 | \$ | 2,673.9 |
| Ratio of debt to equity | | 0.53:1 | | 0.50:1 |
| Debt as a percentage of total capitalization | | 34% | | 34% |
| Operating cash flow - twelve months ended | \$ | 387.9 | \$ | 391.0 |

Working Capital

The increase in working capital as of April 30, 2016 from the end of fiscal 2015 was primarily due to the decrease in short-term debt as the \$200.0 million revolving lines of credit entered into on March 24, 2015 were repaid in our fiscal second quarter of 2016 using the funds from the term loan as part of the new 2016 Credit Agreement. The increase in working capital was also due to the decrease in accounts payable and the increase in accounts receivables and inventories.

The \$13.9 million increase in inventories was primarily related to the acquisitions in CooperSurgical in the first half of 2016 and, in CooperVision, increased production to support product launches including clariti and MyDay, our single-use silicone hydrogel contact lenses. At April 30, 2016, our inventory months on hand (MOH) were 7.3 after adjusting for equipment rationalization costs related to the acquisition of Sauflon and facility start-up costs, compared to 7.5 at October 31, 2015. Our unadjusted inventory MOH were 7.0 and 6.2 at April 30, 2016, and October 31, 2015, respectively. Our days sales outstanding (DSO) were 54 days at April 30, 2016, compared to 57 days at October 31, 2015 and 56 days at April 30, 2015.

We have reviewed our needs in the United States for possible repatriation of undistributed earnings or cash of our foreign subsidiaries. Cooper presently intends 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.

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Operating Cash Flow

Cash flow provided by operating activities in the fiscal first half of 2016 continued to be our major source of liquidity, at \$187.4 million compared to \$190.5 million in the prior year period. Current period results include \$126.2 million of net income and non-cash items primarily made up of \$101.4 million related to depreciation and amortization and \$14.5 million related to share-based compensation. Results also include changes in operating assets and liabilities, which primarily reflect the increases in inventories and other assets of \$14.6 million, the increases in trade and other receivables of \$18.8 million, the increases in accounts payable and other liabilities of \$0.6 million, and the decrease of \$21.8 million relating to deferred taxes and taxes payable. The \$3.1 million decrease in cash flow provided by operations in the fiscal first half of 2016 as compared to fiscal 2015 is primarily due to the decrease in operating capital.

For the fiscal first half of 2016, 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 \$9.6 million for interest.

For the fiscal first half of 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 \$6.8 million for interest.

Investing Cash Flow

Cash used in investing activities of \$231.8 million in the fiscal first half of 2016 was driven by capital expenditures of \$86.3 million, primarily to increase manufacturing capacity, and payments of \$145.4 million primarily related to CooperSurgical acquisitions as discussed in Outlook above and in the notes to consolidated condensed financial statements.

Cash used in investing activities of \$119.1 million in the fiscal first half of 2015 was driven by capital expenditures of \$118.4 million, primarily to increase manufacturing capacity.

Financing Cash Flow

The changes in cash provided by financing activities primarily relate to borrowings and repayments of debt as well as the effects of share-based compensation awards. Cash provided by financing activities of \$72.5 million in the fiscal first half of 2016 was driven by \$93.4 million net borrowings of debt and \$5.0 million of excess tax benefit relating to share-based compensation awards, partially offset by \$12.5 million payment of debt acquisition costs, \$11.5 million for taxes paid related to vested share-based compensation awards, dividend payments on common stock of \$1.5 million and \$0.4 million for distributions to noncontrolling interests.

Cash used in financing activities of \$74.5 million in the fiscal first half of 2015 was driven by \$39.3 million net repayment of debt, \$16.0 million in payments for share repurchases in the fiscal first quarter of 2015 under our share repurchase plan, \$8.6 million for the purchase of noncontrolling interests, net payment of \$6.7 million for taxes paid related to vested share-based compensation awards, \$2.4 million payment for contingent consideration, \$1.4 million of dividend payments on common stock and \$0.8 million for distributions to noncontrolling interests. 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.

On March 1, 2016, we entered into a new syndicated revolving Credit and Term Loan Agreement (2016 Credit Agreement) with Keybank as administrative agent. For more information, please see Outlook above and the notes to consolidated condensed financial statements.

At April 30, 2016, we had about \$1.0 billion available under the 2016 Credit Agreement. Current period debt outstanding includes the \$830.0 million term loan entered into on March 1, 2016, \$300.0 million of the \$700.0 million term loan entered into on August 4, 2014, and \$285.0 million of the \$300.0 million term loan entered into on September 12, 2013. We are in compliance with our financial covenants including the Interest Coverage Ratio at 26.42 to 1.00 and the Total Leverage Ratio at 2.37 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

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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.

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 listed below 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. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results are:

- Revenue recognition
- Net realizable value of inventory
- Valuation of goodwill
- Business combinations
- Income taxes
- Share-based compensation

During the fiscal first half of 2016, there were no significant changes in our estimates and critical accounting policies. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2015, for a more complete discussion of our estimates and critical accounting policies.

We performed our annual impairment assessment of goodwill during the fiscal third quarter of 2015, and our analysis indicated that we had no impairment of goodwill. As described in Note 5 in this Quarterly Report on Form 10-Q and Note 1 in our Annual Report on Form 10-K for the fiscal year ended October 31, 2015, we will continue to monitor conditions and changes that could indicate that our recorded goodwill may be impaired.

Accounting Pronouncements Issued Not Yet Adopted

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which is intended to improve the accounting for share-based payment transactions as part of the FASB's simplification initiative. The ASU changes the following aspects of the accounting for share-based payment award transactions, including: accounting for income taxes; classification of excess tax benefits on the statement of cash flows; forfeitures; minimum statutory tax withholding requirements; and classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. We are currently evaluating the impact of ASU 2016-09, which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2017.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-01 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We are currently evaluating the impact of ASU 2016-02, which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2019.

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In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires entities to present all deferred tax assets and liabilities as noncurrent. The amendments in the ASU are effective for the Company in our fiscal year and interim periods beginning on November 1, 2017. The Company does not expect the new guidance to have a material impact on the Company's consolidated financial statements.

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 and interim periods beginning on November 1, 2018.

Accounting Pronouncements Recently 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. ASU 2015-03 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. We elected to early adopt this guidance as a change in accounting principle on a retrospective basis in the fiscal first quarter ended January 31, 2016. As of January 31, 2016 and October 31, 2015, we have presented debt issuance costs related to our term loans, previously reported in other assets, as direct deductions from the carrying amount of the debt liability. We also presented the debt issuance costs related to our revolving credit facility as a deferred asset within other assets, as is permitted by ASU 2015-15, *Imputation of Interest*, which was issued in August 2015. Such adoption did not have a material impact to our consolidated financial position.

Trademarks

Aquaform[®], Avaira[®], Biofinity[®], MyDay[®] and Proclear[®] are registered trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. PC Technology[™], FIPS[™] and A Quality of Life Company[™] are trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. The clariti[®] mark is a registered trademark of The Cooper Companies, Inc., its affiliates and/or subsidiaries worldwide except in the United States where the use of clariti[®] is licensed.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Most of our operations outside the United States have their local currency as their functional currency. We are exposed to risks caused by changes in foreign exchange, principally our British pound sterling, euro, Japanese yen, Danish krone, Swedish krona, Australian dollar and Canadian dollar-denominated debt and receivables denominated in currencies other than the United States dollar, and from operations in foreign currencies. We have taken steps to minimize our balance sheet exposure. Although we may enter into foreign exchange agreements with financial institutions to reduce our exposure to fluctuations in foreign currency values relative to our debt or receivables obligations, these hedging transactions do not eliminate that risk entirely. We are also exposed to risks associated with changes in interest rates, as the interest rates on our revolving lines of credit and term loans may vary with the Eurodollar rate. We may decrease this interest rate risk by hedging a portion of variable rate debt effectively converting it to fixed rate debt for varying periods. As of April 30, 2016, we have no outstanding interest rate swaps. For additional detail, see Item 1A. Risk Factors and Note 1 and Note 11 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended October 31, 2015, and Note 11 in this Quarterly Report on Form 10-Q for the period ended April 30, 2016.

On March 1, 2016, we entered into a new syndicated Revolving Credit and Term Loan Agreement (2016 Credit Agreement) with Keybank as administrative agent. The new agreement provides for a multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion and a term loan facility in the aggregate principal amount of \$830.0 million. The 2016 Credit Agreement replaced our previous credit agreement and funds from the new term loan were used to repay the \$200.0 million outstanding principal amount of the two uncommitted revolving lines of credit, entered into on March 24, 2015 and the outstanding amounts under the previous credit agreement. We also used funds from the new term loan to partially repay outstanding amounts under the term loans entered into on August 4, 2014 and September 12, 2013 and for general corporate purposes. At April 30, 2016, we had about \$1.0 billion available under the revolving credit facility and \$830.0 million outstanding under the term loan. For more information, please see the notes to consolidated condensed financial statements.

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, with premium or penalty. We repaid \$400.0 million of the outstanding balance during the fiscal second quarter of 2016. At April 30, 2016, \$300.0 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. We repaid \$15.0 million of the outstanding balance during the fiscal second quarter of 2016. At April 30, 2016, \$285.0 million remained outstanding on this term loan.

Item 4. Controls and Procedures

The Company has established and currently maintains disclosure controls and procedures designed to ensure that material 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 any material information relating to the Company is recorded, processed, summarized and reported to its principal officers 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 April 30, 2016, the end of the fiscal quarter covered in this report, concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

As of April 30, 2016, there has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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 and the other defendants jointly filed a motion to dismiss the complaints which currently is pending, and the actions currently are in discovery. 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.

Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those disclosed in our Annual Report on Form 10-K for fiscal year ended October 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

The Company's share repurchase activity during the three-month period ended April 30, 2016, was 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 |
|------------------|---|-------------------------------------|---|--|
| 2/1/16 - 2/29/16 | — | \$ — | — | \$ 118,400,000 |
| 3/1/16 - 3/31/16 | — | \$ — | — | \$ 118,400,000 |
| 4/1/16 - 4/30/16 | — | \$ — | — | \$ 118,400,000 |
| Total | — | \$ — | — | |

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 April 30, 2016, the remaining repurchase authorization under the 2012 Share Repurchase Program was approximately \$118.4 million.

Item 6. Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 11* | Calculation of Earnings Per Share |
| 31.1 | Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 |
| 31.2 | Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) under 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 Quarterly Report on Form 10-Q for the period ended April 30, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income for the three and six months ended April 30, 2016 and 2015, (ii) Consolidated Statements of Comprehensive Income for the three and six months ended April 30, 2016 and 2015, (iii) Consolidated Condensed Balance Sheets at April 30, 2016 and October 31, 2015, (iv) Consolidated Condensed Statements of Cash Flows for the six months ended April 30, 2016 and 2015 and (v) related notes to consolidated condensed financial statements. |

* The information called for in this Exhibit is provided in Note 8. Earnings Per Share to the Consolidated Condensed Financial Statements in this report.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements 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.

The Cooper Companies, Inc.

(Registrant)

Date: June 3, 2016

/s/ Tina Maloney

Tina Maloney

Vice President and Corporate Controller

(Principal Accounting Officer)

Index of Exhibits

| <u>Exhibit No.</u> | | <u>Page No</u> |
|--------------------|--|----------------|
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* The information called for in this Exhibit is provided in Note 8. Earnings Per Share to the Consolidated Condensed Financial Statements in this report.

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert S. Weiss, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Cooper Companies, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2016

/s/ Robert S. Weiss

Robert S. Weiss
President and
Chief Executive Officer

CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory W. Matz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Cooper Companies, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 3, 2016

/s/ Gregory W. Matz

Gregory W. Matz
Sr. Vice President, Chief Financial Officer and
Chief Risk Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Weiss, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2016, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 3, 2016

/s/ Robert S. Weiss

Robert S. Weiss

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory W. Matz, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2016, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 3, 2016

/s/ Gregory W. Matz

Gregory W. Matz

Sr. Vice President, Chief Financial Officer and
Chief Risk Officer