

COOPER COMPANIES INC
Form 10-Q
June 05, 2015

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, 2015
 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	94-2657368
(State or other jurisdiction of incorporation or organization)	(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 48,589,771 Shares
Class Outstanding at April 30, 2015

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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	
	2015	2014	2015	2014
Net sales	\$434,676	\$412,317	\$879,847	\$817,297
Cost of sales	166,960	143,818	335,780	285,869
Gross profit	267,716	268,499	544,067	531,428
Selling, general and administrative expense	167,583	155,804	341,118	313,892
Research and development expense	16,819	16,295	32,932	32,007
Amortization of intangibles	12,316	7,476	25,911	14,982
Operating income	70,998	88,924	144,106	170,547
Interest expense	4,692	1,558	8,633	3,214
Other income (expense), net	686	455	(1,016)	(57)
Income before income taxes	66,992	87,821	134,457	167,276
Provision for income taxes	5,855	8,185	11,571	15,375
Net income	\$61,137	\$79,636	\$122,886	\$151,901
Less: Income attributable to noncontrolling interests	424	476	994	898
Net income attributable to Cooper stockholders	\$60,713	\$79,160	\$121,892	\$151,003
Earnings per share attributable to Cooper stockholders - basic	\$1.25	\$1.65	\$2.52	\$3.15
Earnings per share attributable to Cooper stockholders - diluted	\$1.23	\$1.62	\$2.48	\$3.09
Number of shares used to compute earnings per share:				
Basic	48,463	47,919	48,330	47,963
Diluted	49,163	48,754	49,139	48,883
See accompanying notes.				

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Periods Ended April 30,

(In thousands)

(Unaudited)

	Three Months		Six Months	
	2015	2014	2015	2014
Net income	\$61,137	\$79,636	\$122,886	\$151,901
Other comprehensive income (loss):				
Foreign currency translation adjustment	34,367	19,962	(79,251)	23,157
Change in value of derivative instruments, net of tax provision of \$30 for the six months ended April 30, 2015, and \$175 and \$397 for the three and six months ended April 30, 2014, respectively	—	274	47	622
Change in minimum pension liability, net of tax	7	7	14	14
Other comprehensive income (loss)	34,374	20,243	(79,190)	23,793
Comprehensive income	95,511	99,879	43,696	175,694
Comprehensive income attributable to noncontrolling interests	(1,105)	(649)	(584)	(647)
Comprehensive income attributable to Cooper stockholders	\$94,406	\$99,230	\$43,112	\$175,047

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(In thousands, unaudited)

	April 30, 2015	October 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,911	\$ 25,222
Trade accounts receivable, net of allowance for doubtful accounts of \$5,450 at April 30, 2015 and \$6,025 at October 31, 2014	267,183	276,280
Inventories	402,537	381,474
Deferred tax assets	35,774	40,224
Prepaid expense and other current assets	76,561	68,417
Total current assets	799,966	791,617
Property, plant and equipment, at cost	1,588,778	1,525,917
Less: accumulated depreciation and amortization	627,016	588,592
	961,762	937,325
Goodwill	2,177,551	2,220,921
Other intangibles, net	411,232	453,605
Deferred tax assets	8,554	15,732
Other assets	33,595	39,140
	\$ 4,392,660	\$ 4,458,340
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 242,165	\$ 101,518
Accounts payable	100,545	116,353
Employee compensation and benefits	52,938	67,904
Other current liabilities	139,994	156,407
Total current liabilities	535,642	442,182
Long-term debt	1,105,544	1,280,833
Deferred tax liabilities	69,156	69,525
Accrued pension liability and other	66,581	77,360
Total liabilities	1,776,923	1,869,900
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 51,513 at April 30, 2015 and 50,983 at October 31, 2014	5,151	5,099
Additional paid-in capital	1,399,461	1,386,800
Accumulated other comprehensive loss	(185,372)	(106,182)
Retained earnings	1,699,268	1,578,823
Treasury stock at cost: 2,923 shares at April 30, 2015 and 2,840 shares at October 31, 2014	(308,842)	(294,662)
Total Cooper stockholders' equity	2,609,666	2,569,878
Noncontrolling interests	6,071	18,562
Stockholders' equity	2,615,737	2,588,440

\$4,392,660

\$4,458,340

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

Six Months Ended April 30,

(In thousands)

(Unaudited)

	2015	2014	
Cash flows from operating activities:			
Net income	\$122,886	\$151,901	
Depreciation and amortization	87,389	63,145	
Decrease in operating capital	(65,358)	(52,504))
Other non-cash items	45,564	32,364	
Net cash provided by operating activities	190,481	194,906	
Cash flows from investing activities:			
Purchases of property, plant and equipment	(118,365)	(122,176))
Net (payments for) proceeds from other investing activities	(752)	1,060)
Insurance proceeds received	—	1,359	
Net cash used in investing activities	(119,117)	(119,757))
Cash flows from financing activities:			
Proceeds from long-term debt	483,400	935,300	
Repayments of long-term debt	(658,229)	(935,421))
Net proceeds from (repayments) of short-term debt	135,514	(13,127))
Repurchase of common stock	(15,996)	(50,000))
Payments related to share-based compensation awards	(6,662)	(11,287))
Excess tax benefit from share-based compensation awards	—	4,600	
Purchase of shares from noncontrolling interests	(8,557)	—)
Dividends on common stock	(1,448)	(1,436))
Distributions to noncontrolling interests	(816)	(1,455))
Payment of contingent consideration	(2,406)	(3,322))
Proceeds from construction allowance	710	6,019	
Net cash used in financing activities	(74,490)	(70,129))
Effect of exchange rate changes on cash and cash equivalents	(4,185)	246)
Net (decrease) increase in cash and cash equivalents	(7,311)	5,266)
Cash and cash equivalents - beginning of period	25,222	77,393	
Cash and cash equivalents - end of period	\$17,911	\$82,659	
See accompanying notes.			

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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 healthcare 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, 2015 and October 31, 2014, the consolidated results of its operations for the three and six months ended April 30, 2015 and 2014 and its consolidated condensed cash flows for the six months ended April 30, 2015 and 2014. Most of these adjustments are normal and recurring. However, certain adjustments associated with acquisitions and insurance proceeds 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, 2014. 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 2015, 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, 2014, for a more complete discussion of our estimates and critical accounting policies.

Accounting Pronouncements Issued Not Yet Adopted

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, Interest - Imputation of Interests (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We do not anticipate the adoption of these amendments,

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

which are effective for the Company for the fiscal year beginning on November 1, 2016, will have a material impact on our consolidated results of operations, financial condition or cash flows.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 sets forth a new revenue recognition model that requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. We are currently evaluating the impact of ASU 2014-09, which is effective for the Company in our fiscal year beginning on November 1, 2017.

Accounting Pronouncements Recently Adopted

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

Note 2. Acquisitions

Sauflon Acquisition

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

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

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

The following table summarizes our consideration paid for Sauflon and the preliminary allocation of purchase price to assets acquired and liabilities assumed recognized on August 1, 2014. We repaid substantially all of the acquired debt concurrently with the acquisition with our available funds.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

(In millions)	Useful Lives of Intangible Assets	August 1, 2014 Fair Value
Goodwill		\$857.1
Trademarks	10 years	\$7.2
Technology	10 years	138.2
Customer relationships	15 years	39.3
License and distribution rights and other	2 to 5 years	51.6
In-process research and development	N/A	43.1
Purchased intangible assets		\$279.4
Cash and cash equivalents		\$10.1
Property, plant and equipment		83.9
Inventories		36.2
Trade accounts receivable		42.3
Other current assets		6.9
Debt		(85.1)
Accounts payable		(23.6)
Long term deferred tax liabilities		(56.5)
Other creditors and current liabilities		(19.6)
Net tangible liabilities		\$(5.4)
Total purchase consideration		\$1,131.1

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

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

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

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

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

The fair value of assets acquired and liabilities assumed was based upon preliminary valuations, and our estimates and assumptions are subject to change as the valuations are finalized, within the measurement period not to exceed 12 months from the acquisition date. We are currently in the process of verifying data and finalizing information related to the Sauflon valuation and income taxes along with the corresponding effect on goodwill.

The unaudited pro forma financial results presented below for the three and six months ended April 30, 2014, include the effects of pro forma adjustments as if the acquisition occurred on November 1, 2012. The pro forma results were prepared using the acquisition method of accounting and combine the historical results of Cooper and Sauflon for the three and six months ended April 30, 2014, including the effects of the business combination, primarily amortization expense related to the fair value of identifiable intangible assets acquired, and interest expense associated with the financing obtained by Cooper in connection with the acquisition. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the earliest period presented, nor is it intended to be a projection of future results.

Periods Ended April 30, 2014

(In millions, except per share amounts, unaudited, pro forma)

	Three Months	Six Months
Revenue	\$459.7	\$908.5
Net income attributable to Cooper stockholders	\$75.4	\$143.7
Diluted earnings per share	\$1.55	\$2.94

The pro forma results were adjusted to include pre-tax amortization of intangible assets totaling \$7.4 million and \$14.9 million for the three and six months ended April 30, 2014, respectively, and an additional \$1.1 million and \$2.3 million of interest expense for the three and six months ended April 30, 2014, respectively.

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 \$62.0 million. These costs include about \$40.0 million associated with assets, including product rationalization and related equipment disposals and accelerated depreciation, and about \$22.0 million associated with employee termination costs and facility lease termination costs. We expect these activities to be completed by our fiscal first quarter of 2016.

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 current three month period, we reduced the accrued employee termination costs in selling, general and administrative expense by \$4.5 million based on current 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.

In fiscal 2014, we recorded restructuring charges of \$20.3 million for employee termination costs; \$15.3 million for product rationalization, including inventory write-offs and production-related asset disposals, primarily related to our Avaira Toric contact lenses, based on our review of products, materials and manufacturing processes of Sauflon; and \$0.5 million of lease termination costs for facility closures. In addition, CooperVision incurred \$2.8 million of integration costs recorded in selling, general and administrative expense.

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Notes to Consolidated Condensed Financial Statements

(Unaudited)

Of the employee termination costs, \$19.7 million were recorded in selling, general and administrative expense and \$0.6 million in research and development expense. The product rationalization costs were recorded in cost of sales. The lease termination costs and other related costs were recorded in selling, general and administrative expense.

The following table summarizes the restructuring activities by major component for the fiscal year ended October 31, 2014 and the six months ended April 30, 2015:

(In millions)	Employee-related	Facilities-related	Product Rationalization	Total
Additions during fiscal 2014	\$20.3	\$0.5	\$15.3	\$36.1
Payments during the fiscal year	(0.4)	) —	—	(0.4)
Non-cash adjustments (b)	—	—	(15.3)	) (15.3)
Balance at October 31, 2014	19.9	0.5	—	20.4
Additions (reductions) during the six months ended April 30, 2015	(4.2)	) —	13.9	9.7
Payments during the six months ended April 30, 2015	(2.5)	) —	—	(2.5)
Non-cash adjustments (a) (b)	(0.7)	) —	(13.9)	) (14.6)
Balance as of April 30, 2015	\$12.5	\$0.5	\$—	\$13.0

(a) Non-cash adjustments for employee-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

(In thousands)	April 30, 2015	October 31, 2014
Raw materials	\$76,862	\$76,870
Work-in-process	15,730	14,344
Finished goods	309,945	290,260
	\$402,537	\$381,474

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.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 5. Intangible Assets

Goodwill

(In thousands)

	CooperVision	CooperSurgical	Total	
Balance as of October 31, 2013	\$1,048,478	\$339,133	\$1,387,611	
Net additions during the year ended October 31, 2014	857,146	25,543	882,689	
Translation	(44,063) (5,316) (49,379)
Balance as of October 31, 2014	1,861,561	359,360	2,220,921	
Translation	(37,089) (6,281) (43,370)
Balance as of April 30, 2015	\$1,824,472	\$353,079	\$2,177,551	

We performed our annual impairment assessment in our fiscal third quarter of 2014, 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, 2014, we will continue to monitor conditions and changes which could indicate that our recorded goodwill may be impaired.

Other Intangible Assets

(In thousands)	As of April 30, 2015		As of October 31, 2014	
	Gross Carrying Amount	Accumulated Amortization & Translation	Gross Carrying Amount	Accumulated Amortization & Translation
Trademarks	\$20,541	\$3,585	\$21,281	\$2,937
Technology	317,906	104,306	326,620	93,780
Customer relationships	226,228	96,992	233,246	90,704
License and distribution rights and other	71,511	20,071	73,479	13,600
	636,186	\$224,954	654,626	\$201,021
Less accumulated amortization and translation	224,954		201,021	
Other intangible assets, net	\$411,232		\$453,605	

We estimate that amortization expense for our existing other intangible assets at April 30, 2015, will be \$50.7 million in fiscal 2015, \$48.1 million in fiscal 2016, \$44.8 million in fiscal 2017, \$42.9 million in fiscal 2018 and \$40.2 million in fiscal 2019.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 6. Debt (In thousands)	April 30, 2015	October 31, 2014
Short-term:		
Loan notes issued for Sauflon acquisition	\$—	\$55,074
Overdraft and other credit facilities	242,165	46,444
	\$242,165	\$101,518
Long-term:		
Credit agreement	\$105,000	\$279,500
Term loans	1,000,000	1,000,000
Other	544	1,333
	\$1,105,544	\$1,280,833

Credit Agreement

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

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

The commitment fee rate ranges between 0.100% and 0.275% of the unused portion of the revolving facility based on a pricing grid tied to our Total Leverage Ratio (as defined below and in the Credit Agreement). The applicable margin rates on loans outstanding under the Credit Agreement will bear interest based, at our option, on either the base rate or the adjusted Eurodollar rate (currently referred to as LIBOR) or adjusted foreign currency rate (each as defined in the amended Credit Agreement), plus an applicable margin of between 0.00% and 0.75% in respect of base rate loans and between 1.00% and 1.75% in respect of adjusted Eurodollar rate or adjusted foreign currency rate loans, in each case in accordance with a pricing grid tied to our Total Leverage Ratio, as defined in the Credit Agreement. In addition to the annual commitment fee, we are also required to pay certain letter of credit and related fronting fees and other administrative fees pursuant to the terms of the Credit Agreement.

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

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

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

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

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Notes to Consolidated Condensed Financial Statements

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At April 30, 2015, we were in compliance with the Interest Coverage Ratio at 42.37 to 1.00 and the Total Leverage Ratio at 2.37 to 1.00.

At April 30, 2015, we had \$894.8 million available under the Credit Agreement.

Uncommitted Revolving Lines of Credit on March 24, 2015

On March 24, 2015, we entered into uncommitted line of credit agreements with TD Bank, N.A. and Santander Bank, N.A. These lines of credit have a termination date of March 24, 2016, and each provide revolving loan amounts 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.

On March 31, 2015, we borrowed revolving amounts of \$100.0 million from TD Bank and \$100.0 million from Santander Bank. At April 30, 2015, we had \$200.0 million outstanding under these agreements.

\$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.

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 revolving 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 revolving 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.

At April 30, 2015, we had \$300.0 million outstanding under the Term Loan.

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\$700.0 million Term Loan on August 4, 2014

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

Amounts outstanding under this term loan agreement will bear interest, at 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 revolving 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, and consistent with the revolving Credit Agreement as discussed above. This term loan agreement also contains customary events of default, the occurrence of which would permit the Administrative Agent to declare the principal, accrued interest and other obligations of the Company under the agreement to be immediately due and payable.

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

At April 30, 2015, we had \$700.0 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 2015 was 8.6%. 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 2014 was 9.2%. 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.

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, 2014, Cooper had unrecognized tax benefits of which, if recognized, \$32.0 million would impact our ETR. For the six-month period ended April 30, 2015, there were no material changes to the total amount of unrecognized tax benefits.

Interest and penalties of \$4.1 million have been reflected as a component of the total liability at November 1, 2014. It is the Company's 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, 2014, is \$10.2 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, 2015, the tax years for which Cooper remains subject to United States Federal income tax assessment upon examination are 2011 through 2014. Cooper remains subject to income tax examinations in other significant tax jurisdictions including the United Kingdom, Japan, France and Australia for the tax years 2011 through 2014.

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Note 8. Earnings Per Share

Periods Ended April 30, (In thousands, except per share amounts)	Three Months		Six Months	
	2015	2014	2015	2014
Net income attributable to Cooper stockholders	\$60,713	\$79,160	\$121,892	\$151,003
Basic:				
Weighted average common shares	48,463	47,919	48,330	47,963
Basic earnings per common share attributable to Cooper stockholders	\$1.25	\$1.65	\$2.52	\$3.15
Diluted:				
Weighted average common shares	48,463	47,919	48,330	47,963
Effect of potential dilutive common shares	700	835	809	920
Diluted weighted average common shares	49,163	48,754	49,139	48,883
Diluted earnings per common share attributable to Cooper stockholders	\$1.23	\$1.62	\$2.48	\$3.09

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	
	2015	2014	2015	2014
Numbers of stock option shares excluded	123	138	123	164
Range of exercise prices	\$162.28	\$119.89	\$162.28	\$119.89-\$128.35
Numbers of restricted stock units excluded	1	5	1	6

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, 2014. 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	
	2015	2014	2015	2014
Selling, general and administrative expense	\$6.2	\$6.4	\$15.9	\$19.8
Cost of sales	0.6	0.5	1.4	1.3
Research and development expense	0.2	0.4	0.4	1.0
Total share-based compensation expense	\$7.0	\$7.3	\$17.7	\$22.1
Related income tax benefit	\$2.2	\$2.3	\$5.6	\$7.3

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$0.6 million and \$1.4 million during the three and six months ended April 30, 2015, respectively, and \$0.5 million and \$1.3 million during the three and six months ended April 30, 2014, respectively.

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(Unaudited)

Note 10. Stockholders' Equity

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

(In thousands)	Foreign Currency Translation Adjustment	Change in Value of Derivative Instruments	Minimum Pension Liability	Total
Balance at October 31, 2014	\$(92,355)	\$(47)	\$(13,780)	\$(106,182)
Gross change in value for the period	(79,251)	—	14	(79,237)
Reclassification adjustments for loss realized in net income	—	77	—	77
Tax effect for the period	—	(30)	—	(30)
Balance at April 30, 2015	\$(171,606)	\$—	\$(13,766)	\$(185,372)
Balance at October 31, 2013	\$(4,592)	\$(1,033)	\$(10,137)	\$(15,762)
Gross change in value for the period	23,157	(56)	14	23,115
Reclassification adjustments for loss realized in net income	—	1,075	—	1,075
Tax effect for the period	—	(397)	—	(397)
Balance at April 30, 2014	\$18,565	\$(411)	\$(10,123)	\$8,031

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. The Company did not repurchase shares during the three-month periods ended April 30, 2015 and 2014. For the three months ended January 31, 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. During the three months ended January 31, 2014, we repurchased 396 thousand shares for \$50.0 million, at an average purchase price of \$126.21 per share. At April 30, 2015, approximately \$169.7 million remains authorized for repurchase under the program.

Dividends

We paid a semiannual dividend of approximately \$1.4 million or 3 cents per share on February 9, 2015, to stockholders of record on January 23, 2015.

Note 11. Fair Value Measurements

At April 30, 2015 and October 31, 2014, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, lines of credit, accounts payable and other current liabilities approximate fair value due to the short-term nature of such instruments and the ability to obtain financing on similar terms.

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

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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 as of April 30, 2015 and October 31, 2014 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 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 half of 2015, within the fair value hierarchy at April 30, 2015, and fiscal year 2014, within the fair value hierarchy at October 31, 2014:

(In millions)	April 30, 2015	October 31, 2014
Assets:		
Foreign exchange contracts	\$3.9	\$0.6
Liabilities:		
Interest rate swaps	\$—	\$0.1
Foreign exchange contracts	5.7	3.3
	\$5.7	\$3.4

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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, 2015 and 2014 reflect the following components of net periodic pension costs:

Periods Ended April 30, (In thousands)	Three Months		Six Months	
	2015	2014	2015	2014
Service cost	\$2,037	\$1,769	\$4,073	\$3,537
Interest cost	1,064	987	2,128	1,975
Expected returns on assets	(1,513)	(1,238)	(3,026)	(2,475)
Amortization of prior service cost	1	6	2	12
Recognized net actuarial loss	247	154	494	308
Net periodic pension cost	\$1,836	\$1,678	\$3,671	\$3,357

Cooper contributed \$2.5 million to the Plan in the fiscal first half of 2015, and expects to contribute an additional \$7.5 million during fiscal 2015. We contributed \$3.4 million and \$4.5 million to the Plan in the three and six months ended April 30, 2014. The expected rate of return on plan assets for determining net periodic pension cost is 8%.

Note 13. Contingencies

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

The European Patent Office has set its matter on the issue of validity of the JJVC patent for hearing to begin on July 14, 2015. The German district court has set its matter on CooperVision's alleged infringement of the JJVC patent for trial on August 18, 2015.

CooperVision denies JJVC's allegations of infringement and intends to defend the action vigorously and to continue its challenge to the patent before the European Patent Office. 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.

During the period from March 2015 through May 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. Motions to consolidate the cases are pending. CooperVision denies the allegations and intends to defend the actions vigorously. We are not in a position to assess whether any loss or adverse effect on our financial condition is probable or remote or to estimate the range of potential loss, if any.

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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, (In thousands)	Three Months		Six Months	
	2015	2014	2015	2014
CooperVision net sales by category:				
Toric lens	\$107,094	\$104,763	\$215,558	\$205,959
Multifocal lens	37,895	35,540	80,364	69,235
Single-use sphere lens	85,105	71,704	169,306	140,476
Non single-use sphere and other	129,509	119,075	263,707	241,715
Total CooperVision net sales	359,603	331,082	728,935	657,385
CooperSurgical net sales	75,073	81,235	150,912	159,912
Total net sales	\$434,676	\$412,317	\$879,847	\$817,297
Operating income (loss):				
CooperVision	\$67,715	\$82,618	\$140,875	\$166,764
CooperSurgical	14,183	18,098	27,406	32,255
Corporate	(10,900)	(11,792)	(24,175)	(28,472)
Total operating income	70,998	88,924	144,106	170,547
Interest expense	4,692	1,558	8,633	3,214
Other income (expense), net	686	455	(1,016)	(57)
Income before income taxes	\$66,992	\$87,821	\$134,457	\$167,276
(In thousands)		April 30, 2015		October 31, 2014
Identifiable assets:				
CooperVision		\$3,699,181		\$3,699,614
CooperSurgical		635,393		646,200
Corporate		58,086		112,526
Total		\$4,392,660		\$4,458,340

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(Unaudited)

Geographic information:

Periods Ended April 30, (In thousands)	Three Months 2015		Six Months 2015	
		2014		2014
Net sales to external customers by country of domicile:				
United States	\$197,387	\$189,559	\$401,262	\$377,251
Europe	154,683	131,418	313,750	260,464
Rest of world	82,606	91,340	164,835	179,582
Total	\$434,676	\$412,317	\$879,847	\$817,297
(In thousands)			April 30, 2015	October 31, 2014
Long-lived assets by country of domicile:				
United States			\$514,769	\$499,195
Europe			393,899	406,433
Rest of world			53,094	31,697
Total			\$961,762	\$937,325

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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 the acquisition of Sauflon including Sauflon's financial position, market position, product development and business strategy, expected cost synergies, expected timing and benefits of the transaction, as well as estimates of our and Sauflon's 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 European Union countries that could adversely affect our global markets.

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

Acquisition-related adverse effects including the failure to successfully obtain the anticipated revenues, margins and earnings benefits of acquisitions, including the Sauflon acquisition; integration delays or costs and the requirement to record significant adjustments to the preliminary fair value of assets acquired and liabilities assumed within the measurement period, required regulatory approvals for an acquisition not being obtained or being delayed or subject to conditions that are not anticipated, adverse impacts of changes to accounting controls and reporting procedures, contingent liabilities or indemnification obligations, increased leverage and lack of access to available financing (including financing for the acquisition or refinancing of debt owed by us on a timely basis and on reasonable terms). Legal costs, insurance expenses, settlement costs and the risk of an adverse decision or settlement related to product liability, patent infringement or other litigation.

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 or enhancements, natural disasters or other causes.

Disruptions in supplies of raw materials, particularly components used to manufacture our silicone hydrogel lenses.

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

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

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

New competitors, product innovations or technologies.

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

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

- New U.S. and foreign government laws and regulations, and changes in existing laws, regulations and enforcement guidance, which affect the medical device industry and the healthcare industry generally.
 - Failure to receive, or delays in receiving, U.S. or foreign regulatory approvals for products.
 - Failure to obtain adequate coverage and reimbursement from third party payors for our products.
 - The requirement to provide for a significant liability or to write off, or accelerate depreciation on, a significant asset, including goodwill.
 - The success of our research and development activities and other start-up projects.
 - Dilution to earnings per share from the Sauflon acquisition or other acquisitions or issuing stock.
 - Changes in accounting principles or estimates.
 - Environmental risks.
- Other events described in our Securities and Exchange Commission filings, including the "Business" and "Risk Factors" sections in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, 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.

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

Results of Operations

In this section, we discuss the results of our operations for the fiscal second quarter of 2015 ended April 30, 2015, and the six months then ended and compare them with the same periods of fiscal 2014. 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 \$434.7 million, up 5% from \$412.3 million
- Gross profit \$267.7 million, down from \$268.5 million
- Operating income \$71.0 million, down 20% from \$88.9 million
- Diluted earnings per share of \$1.23, down from \$1.62 per share
- Cash provided by operations \$110.6 million, down from \$126.3 million

Results in our fiscal second quarter include \$5.3 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 cost of sales; \$4.7 million of expenses for restructuring and integration activities and \$0.9 million of certain legal costs, included in operating expenses; as well as \$12.3 million for amortization of intangible assets. The legal costs relate to third-party intellectual property claims and litigation as well as litigation relating to the class action complaints filed against CooperVision and other contact lens manufacturers, distributors and retailers relating to Unilateral Pricing Policy (UPP).

Six-Month Highlights

- Net Sales of \$879.8 million, up 8% from \$817.3 million
- Gross profit of \$544.1 million, up 2% from \$531.4 million
- Operating income \$144.1 million, down 16% from \$170.5 million
- Diluted earnings per share of \$2.48, down from \$3.09 per share
- Cash provided by operations \$190.5 million, down from \$194.9 million

Results in the six months ended April 30, 2015 include \$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 cost of sales; \$11.2 million of expenses for restructuring and integration activities and the \$0.9 million of certain legal costs discussed above, included 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 healthcare markets. However, events affecting the economy as a whole, including the uncertainty and instability of global markets driven by foreign currency volatility, European debt concerns and the Affordable Care Act, including the trend of consolidation within the healthcare industry, impact our current performance and continue to represent a risk to our performance for fiscal year 2015.

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

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

growth of preferred modalities such as single-use and monthly wearing options. CooperVision is focused on greater worldwide market penetration as we introduce new products and continue to expand our presence in existing and emerging markets, including through acquisitions.

On August 6, 2014, we acquired Sauflon Pharmaceuticals Limited (Sauflon), a privately-held European manufacturer and distributor of soft contact lenses and aftercare solutions. The acquisition of Sauflon expanded our contact lens product portfolio particularly with Sauflon's clariti[®] 1day brand of single-use silicone hydrogel spherical, toric and multifocal lenses. Clariti lenses received United States FDA clearance in August 2013. Sauflon has a global presence with manufacturing facilities in the United Kingdom and Hungary.

Sales of contact lenses utilizing silicone hydrogel materials, a major product material in the industry, have grown significantly. 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 single-use spherical, toric and multifocal lenses under our clariti 1day brand and single-use spherical lenses under MyDay[®]. We believe that the global market for single-use contact lenses will continue to grow and that competitive silicone hydrogel single-use products represent an opportunity for our business. We compete with clariti and MyDay, our single-use silicone hydrogel lenses, and our Proclear[®] 1 Day products. Our clariti 1day brand is the first and 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 our existing and future single-use products. To meet this anticipated demand, in fiscal 2015 we plan to continue the implementation of capital projects to invest in increased single-use manufacturing capacity.

CooperSurgical - Our CooperSurgical business competes in the highly fragmented medical device segment of the women's healthcare market. CooperSurgical has steadily grown its market presence and distribution system by developing products and acquiring companies and products that complement its business model. We intend to continue to invest in CooperSurgical's business through acquisitions of companies and product lines. CooperSurgical product sales are categorized based on the point of healthcare delivery including products used in medical office and surgical procedures by obstetricians and gynecologists (ob/gyns) that represented 66% of CooperSurgical's net sales in the fiscal second quarter of 2015 compared to 64% in the prior year period. CooperSurgical's remaining sales are products used in fertility clinics that now represent 34% of CooperSurgical's net sales compared to 36% in the prior year period.

Capital Resources - At April 30, 2015, we had \$17.9 million in cash, primarily outside the United States, and \$894.8 million available under our revolving Credit Agreement. The \$700.0 million term loan entered into on August 4, 2014, and the \$300.0 million term loan entered into on September 12, 2013, remain outstanding as of April 30, 2015. On March 24, 2015, we entered into two new uncommitted revolving lines of credit with a termination date of March 24, 2016, and a maximum combined capacity of \$200.0 million. At April 30, 2015, all \$200.0 million was outstanding and the proceeds were utilized to pay down higher interest rate debt on our revolving Credit Agreement.

On April 7, 2015, we paid all of the outstanding loan notes issued to previous holders of Sauflon shares for the Sauflon acquisition in the amount of \$51.2 million that were recorded in short term debt. Our current cash balance and availability under existing credit facilities reflects the use of cash outside the United States and the use of existing credit facilities to fund the \$1.1 billion acquisition of Sauflon in August 2014. We believe that our cash and cash

equivalents, cash flow from operating activities and borrowing capacity under existing credit facilities will fund operations both in the next 12 months and in the longer term as well as current and long-term cash requirements for capital expenditures, acquisitions, share repurchases and cash dividends. However, depending on the size or timing of these business activities, we may seek to raise additional debt financing.

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Selected Statistical Information – Percentage of Sales and Growth

Periods Ended April 30,	Three Months			Six Months			
	Percentage of Sales		2015 vs 2014	Percentage of Sales		2015 vs 2014	
	2015	2014	% Change	2015	2014	% Change	
Net sales	100	% 100	% 5	% 100	% 100	% 8	%
Cost of sales	38	% 35	% 16	% 38	% 35	% 17	%
Gross profit	62	% 65	% —	% 62	% 65	% 2	%
Selling, general and administrative expense	39	% 38	% 8	% 39	% 38	% 9	%
Research and development expense	4	% 4	% 3	% 4	% 4	% 3	%
Amortization of intangibles	3	% 2	% 65	% 3	% 2	% 73	%
Operating income	16	% 22	% (20)	% 16	% 21	% (16))%

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 healthcare delivery to women.

Our consolidated net sales grew by \$22.4 million or 5%, and \$62.6 million or 8%, in the three and six months ended April 30, 2015, respectively:

Periods Ended April 30, (\$ in millions)	Three Months			Six Months			
	2015	2014	2015 vs 2014	2015	2014	2015 vs 2014	
			% Change			% Change	
CooperVision	\$359.6	\$331.1	9	% \$728.9	\$657.4	11	%
CooperSurgical	75.1	81.2	(8)	)% 150.9	159.9	(6))%
	\$434.7	\$412.3	5	% \$879.8	\$817.3	8	%

CooperVision Net Sales

The contact lens market has two major product categories:

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

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

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

CooperVision offers spherical, aspherical, toric, multifocal and toric multifocal lens products in most modalities.

The contact lens market consists primarily of single-use and frequently replaced lenses. 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 as well as lenses with aspherical optical properties or higher oxygen permeable lenses such as silicone hydrogels.

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

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

CooperVision net sales for the fiscal second quarter of 2015 increased 9% from the prior year period. CooperVision net sales growth included increases in total sphere lenses up 6%, representing 55% of net sales compared to 56% in the prior year period, primarily on sales of clariti lenses. Total toric lenses grew 2%, representing 30% of net sales, compared to 32% in the prior year period, on sales of clariti and Biofinity products. Total multifocal lenses grew 7% representing 11% of net sales, the same as in the prior year period, on increased sales of clariti and Biofinity lenses. Total silicone hydrogel products, including clariti, Biofinity, Avaira and MyDay, grew 22%, representing 55% of net sales compared to 49% in the prior year period. CooperVision's older conventional lens products declined 22%, representing 2% of net sales, the same as 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			
	2015	2014	% Change	2015	2014	% Change	
Americas	\$152.5	\$142.1	7	% \$310.9	\$282.8	10	%
EMEA	143.3	119.2	20	% 290.9	237.1	23	%
Asia Pacific	63.8	69.8	(9)	)% 127.1	137.5	(8))%
	\$359.6	\$331.1	9	% \$728.9	\$657.4	11	%

Americas net sales growth was primarily due to market gains of Biofinity and clariti silicone hydrogel contact lenses. EMEA net sales growth was primarily driven by sales of clariti and MyDay silicone hydrogel lenses. The increase in EMEA net sales was partially offset by the negative impact from the weakening of foreign currencies as compared to the United States dollar. Net sales in the Asia Pacific region decreased due to the negative impact of the weakening of the Japanese yen compared to the United States dollar. Excluding the impact of currency, sales in the Asia Pacific region grew on market gains of silicone hydrogel lenses, including Biofinity, clariti and MyDay.

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

CooperSurgical Net Sales

CooperSurgical supplies the market for women's healthcare with a diversified portfolio of products for use in surgical and other medical procedures that are performed primarily by obstetricians and gynecologists in hospitals, surgical centers, fertility clinics and in the medical office. Fertility products include highly specialized products that target

in vitro fertilization (IVF) treatment with a goal to make fertility treatment safer, more efficient and convenient.

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Three Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change
Office and surgical procedures	\$49.9	66	% \$51.7	64	% (3) %
Fertility	25.2	34	% 29.5	36	% (15) %
	\$75.1	100	% \$81.2	100	% (8) %
Six Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change
Office and surgical procedures	\$100.7	67	% \$102.4	64	% (2) %
Fertility	50.2	33	% 57.5	36	% (13) %
	\$150.9	100	% \$159.9	100	% (6) %

CooperSurgical's net sales of medical office and surgical procedures in the three and six month periods decreased compared to the prior year periods due to declines in sales of medical equipment partially offset by growth in sales of disposable products. The net sales decline in fertility products as compared to the prior year periods was primarily due to the negative impact of foreign currency changes. Excluding the impact of currency, sales of fertility products were relatively flat compared to the prior year periods.

CooperSurgical's sales primarily include women's healthcare products used in fertility procedures and by gynecologists and obstetricians in office and surgical procedures. The balance consists of sales of medical devices outside of women's healthcare which CooperSurgical does not actively market.

Cost of Sales/Gross Profit

Gross Profit Percentage of Net Sales Periods Ended April 30,	Three Months		Six Months		
	2015	2014	2015	2014	
CooperVision	61	% 65	% 61	% 65	%
CooperSurgical	63	% 65	% 64	% 64	%
Consolidated	62	% 65	% 62	% 65	%

CooperVision's gross margin declines in the three and six month periods as compared to the prior year periods are primarily due to negative effects of foreign currency changes, product and equipment rationalization costs, and facility start-up costs. Foreign currency unfavorably impacted gross margin as we reported lower net sales due to the weakening of foreign currencies as compared to the United States dollar. Gross margin was negatively impacted in the periods by product and equipment charges to rationalize products, based on our review of Saufon's products, materials and manufacturing processes. In addition, gross margin was negatively impacted by costs associated with the start-up of new manufacturing facilities. The decrease in gross margin was partially offset by the increase in sales of higher margin Biofinity products.

The decrease in CooperSurgical's gross margin in the three month period as compared to the prior year period is primarily due to product mix including the decrease, as a percentage of net sales, of fertility products that have lower gross margins.

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Selling, General and Administrative Expense (SGA)

Three Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change	
CooperVision	\$130.7	36	% \$116.5	35	% 12	%
CooperSurgical	26.0	35	% 27.5	34	% (6)%
Corporate	10.9	—	11.8	—	(8)%
	\$167.6	39	% \$155.8	38	% 8	%

Six Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change	
CooperVision	\$262.9	36	% \$228.5	35	% 15	%
CooperSurgical	54.0	36	% 56.9	36	% (5)%
Corporate	24.2	—	28.5	—	(15)%
	\$341.1	39	% \$313.9	38	% 9	%

The increase in CooperVision's SGA in absolute dollars and as a percentage of net sales in the fiscal 2015 periods as compared to the fiscal 2014 periods is primarily due to operating expenses of Sauflon and approximately \$4.5 million and \$10.4 million of integration costs in the three and six month periods, respectively, largely made up of legal and professional fees related to Sauflon restructuring and integration activities. In addition, CooperVision continues to invest in sales and marketing, including headcount, to promote our silicone hydrogel products and to reach new customers and support geographic expansion.

The decrease in CooperSurgical's SGA in absolute dollars is primarily due to efficiencies as a result of cost control measures partially offset by about \$0.9 million and \$1.4 million of integration expenses in our fertility business in the three and six month periods, respectively. CooperSurgical continues to invest in sales activities to promote our products and to reach new customers.

The decrease in Corporate SGA in the fiscal 2015 period in absolute dollars is primarily due to lower share-based compensation costs compared to the prior year period primarily attributable to the timing of grants.

Research and Development Expense (R&D)

Three Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change	
CooperVision	\$12.9	4	% \$12.6	4	% 3	%
CooperSurgical	3.9	5	% 3.7	5	% 4	%
	\$16.8	4	% \$16.3	4	% 3	%

Six Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change	
CooperVision	\$25.6	4	% \$25.4	4	% 1	%
CooperSurgical	7.3	5	% 6.6	4	% 11	%
	\$32.9	4	% \$32.0	4	% 3	%

The increase in CooperVision's research and development expense in absolute dollars in the three and six month periods is primarily due to inclusion of Sauflon's R&D activities offset by lower personnel costs. CooperVision's R&D activities are primarily focused on the development of contact lenses and now include Sauflon's R&D activities related to product and manufacturing improvements.

CooperSurgical's research and development expense increased in absolute dollars in both periods and as a percentage of net sales in the six-month period primarily due to increasing activity to bring newly acquired products to market

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along with increased investment in projects to develop new products along with the upgrade of existing products. CooperSurgical's research and development activities include in-vitro fertilization product development and the design and upgrade of surgical procedure devices.

Amortization Expense

Consolidated amortization expense was \$12.3 million and \$25.9 million in the three and six month periods ended April 30, 2015, respectively, compared to \$7.5 million and \$15.0 million in the three and six month periods ended April 30, 2014, respectively. The increases over the prior year were primarily due to acquired intangible assets related to recent acquisitions, primarily the acquisition of Sauflon in August 2014. We expect amortization expense in fiscal 2015 to be approximately \$12.4 million in each of the third and fourth quarters primarily due to intangible assets acquired with Sauflon, partially offset by intangible assets related to acquired technology which are now fully amortized.

Restructuring Costs

During the fiscal fourth quarter of 2014, in connection with the Sauflon acquisition, our CooperVision business unit initiated restructuring and integration activities to optimize operational synergies of the combined companies. The 2014 Sauflon Integration Plan activities include workforce reductions, consolidation of duplicative facilities and product rationalization. We estimate that the total restructuring costs under this plan will be \$62.0 million, as discussed in Note 2 of our notes to consolidated condensed financial statements. 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 product and equipment rationalization based on our review of products, materials and manufacturing processes of Sauflon. In the fiscal second quarter of 2015, we reduced the accrued employee termination costs in selling, general and administrative expense by \$4.5 million based on current 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. We expect these activities to be completed by our fiscal first quarter of 2016. We may, from time to time, decide to pursue additional restructuring activities that involve charges in future periods. See the notes to consolidated condensed financial statements for additional information.

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Operating Income

Three Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change
CooperVision	\$67.7	19	% \$82.6	25	% (18)%
CooperSurgical	14.2	19	% 18.1	22	% (22)%
Corporate	(10.9)	—	(11.8)	—	8 %
	\$71.0	16	% \$88.9	22	% (20)%

Six Months Ended April 30, (\$ in millions)	2015	% Net Sales	2014	% Net Sales	2015 vs. 2014 % Change
CooperVision	\$140.9	19	% \$166.8	25	% (16)%
CooperSurgical	27.4	18	% 32.2	20	% (15)%
Corporate	(24.2)	—	(28.5)	—	15 %
	\$144.1	16	% \$170.5	21	% (16)%

Consolidated operating income in the fiscal 2015 periods decreased in absolute dollars and as a percentage of net sales compared to the prior year periods primarily due to the increase in operating expenses of 10% and 11% in the three and six month periods, respectively, including restructuring, integration and amortization costs. CooperVision's operating income in the fiscal 2015 periods 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 2015 periods decreased in absolute dollars and as a percentage of net sales due to the decrease in net sales of 8% and 6% in the three and six month periods, respectively, partially offset by the decrease in operating expenses of 3% and 2% in the three and six month periods, respectively.

Interest Expense

Interest expense in the fiscal second quarter of 2015 was \$4.7 million, representing a \$3.1 million increase, compared to \$1.6 million in the prior year period. Interest expense for the first half of fiscal 2015 was \$8.6 million, representing a \$5.4 million increase, compared to \$3.2 million in the prior year period. These increases reflect higher average debt as a result of debt incurred in connection with the August 2014 acquisition of Sauflon as well as higher interest rates on our Credit Agreement as such interest rates vary based on leverage. Total debt was \$1.3 billion and \$0.3 billion at April 30, 2015 and 2014, respectively. Current period debt outstanding includes \$200.0 million on the new uncommitted revolving lines of credit, entered into on March 24, 2015, the \$700.0 million term loan, entered into on August 4, 2014, the \$300.0 million term loan, entered into on September 12, 2013, as well as about \$105.2 million drawn on our revolving Credit Agreement.

Other Income (Expense), Net

Periods Ended April 30, (\$ In millions)	Three Months		Six Months	
	2015	2014	2015	2014
Foreign exchange gain (loss)	\$0.8	\$—	\$(0.7)	\$(0.9)
Other, net	(0.1)	0.5)	(0.3)	0.8)
	\$0.7	\$0.5	\$(1.0)	\$(0.1)

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Provision for Income Taxes

We recorded income tax expense of \$11.6 million in the fiscal first half of 2015 compared to \$15.4 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 2015 was 8.6%. 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 2014 was 9.2%.

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 \$40.2 million and a foreign effective tax rate of approximately 2.3% in our fiscal first half of 2015 compared to \$47.7 million and a foreign effective tax rate of approximately 3.4% in our fiscal first half of 2014. 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 second quarter of 2015 and 2014. During the fiscal first quarter of 2015, we repurchased 100 thousand shares of our common stock for \$16.0 million at an average purchase price of \$159.96 per share. At April 30, 2015, we had remaining authorization to repurchase about \$169.7 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, 2014. 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	
	2015	2014	2015	2014
Selling, general and administrative expense	\$6.2	\$6.4	\$15.9	\$19.8
Cost of sales	0.6	0.5	1.4	1.3
Research and development expense	0.2	0.4	0.4	1.0
Total share-based compensation expense	\$7.0	\$7.3	\$17.7	\$22.1
Related income tax benefit	\$2.2	\$2.3	\$5.6	\$7.3

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$0.6 million and \$1.4 million during the three and six months ended April 30, 2015 and \$0.5 million and \$1.3 million during the three and six months ended April 30, 2014.

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Capital Resources and Liquidity

Second Quarter Highlights

Operating cash flow \$110.6 million compared to \$126.3 million in the fiscal second quarter of 2014

Expenditures for purchases of property, plant and equipment \$53.4 million compared to \$61.2 million in the prior year period

Total debt increased to \$1.3 billion, related to the acquisition of Sauflon, compared to \$0.3 billion at April 30, 2014

Six-Month Highlights

Operating cash flow of \$190.5 million compared to \$194.9 million in the fiscal first half of 2014

Expenditures for purchases of property, plant and equipment \$118.4 million compared to \$122.2 million in the prior year period

Share repurchases under our share repurchase plan \$16.0 million, compared to \$50.0 million in the prior year period

Comparative Statistics

(\$ in millions)	April 30, 2015	October 31, 2014	
Cash and cash equivalents	\$17.9	\$25.2	
Total assets	\$4,392.7	\$4,458.3	
Working capital	\$264.3	\$349.4	
Total debt	\$1,347.7	\$1,382.4	
Stockholders' equity	\$2,615.7	\$2,588.4	
Ratio of debt to equity	0.52:1	0.53:1	
Debt as a percentage of total capitalization	34	% 35	%
Operating cash flow - twelve months ended	\$450.4	\$454.8	

Working Capital

The decrease in working capital as of April 30, 2015 from the end of fiscal 2014 was primarily due to the increase in short term debt from the \$200.0 million in new revolving lines of credit, borrowed in the fiscal second quarter of 2015, and utilized to pay down higher interest rate debt on our long term revolving Credit Agreement. The increase in short term debt was partially offset by the payment of \$51.2 million to settle all the outstanding loan notes issued to previous holders of Sauflon shares for the Sauflon acquisition. The decrease in working capital was also due to decreases in accounts receivable, cash and deferred tax assets partially offset by the increase in inventories and decrease in accounts payable.

The \$21.1 million increase in inventories was primarily related to the increased production of single-use lenses including clariti and MyDay, our single-use silicone hydrogel contact lenses. At April 30, 2015, our inventory months on hand (MOH) were 7.6 after adjusting for equipment rationalization costs related to the acquisition of Sauflon and facility start-up costs, representing an increase from 7.2 at April 30, 2014 and 6.6 at October 31, 2014. Our unadjusted inventory MOH were 7.2 and 6.1 at April 30, 2015, and October 31, 2014, respectively. Our days sales outstanding (DSO) increased to 56 days at April 30, 2015, compared to 51 days at April 30, 2014 and 53 days at October 31, 2014. 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 2015 continued to be our major source of liquidity, at \$190.5 million compared to \$194.9 million in the prior year period. Current period results include \$122.9 million of net income and non-cash items primarily made up of \$87.4 million related to depreciation and amortization, \$17.7 million related to share-based compensation, \$7.4 million related to gains in currency translation and \$15.3 million related to impairment of property, plant and equipment. Results also include changes in operating assets and liabilities, which primarily reflect the increases in inventories, and other assets of \$23.4 million, the decreases in receivables and other receivables of \$9.4 million, the decreases in accounts payable and other liabilities of \$42.0 million, and the increase of \$10.7 million relating to taxes. The \$4.4 million decrease in cash flow provided by operations in fiscal first half of 2015 as compared to the same period of fiscal 2014 is primarily due to the net effect of increase in non-cash items, as well as the decrease in net income.

For the six months ended April 30, 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.

For the six months ended April 30, 2014, our primary source of cash flows provided by operating activities was cash collections from our customers for purchase of our products. Our primary uses of cash flows from operating activities were for personnel and material costs along with cash payments of \$1.2 million for interest.

Investing Cash Flow

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.

Cash used in investing activities of \$119.8 million in the fiscal first half of 2014 was driven by capital expenditures of \$122.2 million, primarily to increase manufacturing capacity, partially offset by a \$1.4 million insurance recovery related to facility repairs and \$1.0 million related to divestitures.

Financing Cash Flow

The changes in cash flows from financing activities primarily relate to borrowings and repayments of debt as well as share repurchases and the effects of share-based compensation awards. 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 purchase of noncontrolling interests, net payment of \$6.7 million related to vested share-based compensation awards, \$2.4 million payment for contingent consideration, dividend payments on common stock of \$1.4 million 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.

Cash used in financing activities of \$70.1 million in the fiscal first half of 2014 was driven by \$50.0 million in payments for share repurchases in the fiscal first quarter of 2014 under our share repurchase plan, \$13.2 million for net repayments of debt, which includes the loan notes issued for the Sauflon acquisition, \$6.7 million for share-based compensation awards, a \$3.3 million payment for contingent consideration, \$1.4 million for dividends and \$1.5 million for distributions to noncontrolling interests. Cash used in financing activities was offset by \$6.0 million of

proceeds from a construction allowance.

At April 30, 2015, we had \$894.8 million available under our revolving Credit Agreement. The \$200.0 million borrowed on the new revolving lines of credit, the \$700.0 million term loan entered into on August 4, 2014, and the \$300.0 million term loan entered into on September 12, 2013, were outstanding as of April 30, 2015. We are in compliance with our financial covenants including the Interest Coverage Ratio at 42.37 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 3.00 to 1.00 and the Total

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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 2015, 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, 2014, 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 2014, 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, 2014, 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 April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, Interest - Imputation of Interests (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. We do not anticipate the adoption of these amendments, which are effective for the Company for the fiscal year beginning on November 1, 2016, will have a material impact on our consolidated results of operations, financial condition or cash flows.

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

evaluating the impact of ASU 2014-09, which is effective for the Company in our fiscal year beginning on November 1, 2017.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

Accounting Pronouncements Recently Adopted

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

Trademarks

Aquaform[®], Avaira[®], Biofinity[®], MyDay[®] and Proclear[®] are registered trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. PC Technology[™] 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, 2015, 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, 2014, and Note 11 in this Quarterly Report on Form 10-Q for the period ended April 30, 2015.

On March 24, 2015, we entered into two uncommitted line of credit agreements that have termination dates of March 24, 2016, and provide revolving loan amounts of up to \$100.0 million each with maturity dates of up to ninety days from the loan origination date. At April 30, 2015, we had \$200.0 million outstanding under these facilities. On August 4, 2014, we entered into a three-year, \$700.0 million, senior unsecured term loan agreement that will mature on August 4, 2017. There is no amortization of the principal, and we may prepay the loan balances from time to time, in whole or in part, with premium or penalty. At April 30, 2015, \$700.0 million remained outstanding on this term loan.

On September 12, 2013, we entered into a five-year, \$300.0 million, senior unsecured term loan agreement that will mature on September 12, 2018, and will be subject to amortization of principal of 5% per year payable quarterly beginning October 31, 2016, with the balance payable at maturity. At April 30, 2015, \$300.0 million remained outstanding on this term loan.

Our Credit Agreement, originally entered into on January 12, 2011 and subsequently amended, provides for a multicurrency revolving credit facility in the aggregate commitment amount of \$1.0 billion and the aggregate commitment amount may be increased, upon written request by Cooper, by \$500.0 million. The maturity date is May 31, 2017. At April 30, 2015, we had \$894.8 million available under the revolving Credit Agreement.

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, 2015, 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.

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As of April 30, 2015, 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

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

The European Patent Office has set its matter on the issue of validity of the JJVC patent for hearing to begin on July 14, 2015. The German district court has set its matter on CooperVision's alleged infringement of the JJVC patent for trial on August 18, 2015.

CooperVision denies JJVC's allegations of infringement and intends to defend the action vigorously and to continue its challenge to the patent before the European Patent Office. 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.

During the period from March 2015 through May 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. Motions to consolidate the cases are pending. 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, 2014.

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, 2015, 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
2/1/15 - 2/28/15	—	\$—	—	\$ 169,700,000
3/1/15 - 3/31/15	—	\$—	—	\$ 169,700,000
4/1/15 - 4/30/15	—	\$—	—	\$ 169,700,000
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, 2015, the remaining repurchase authorization under the 2012 Share Repurchase Program was approximately \$169.7 million.

Item 6. Exhibits

Exhibit Number	Description
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, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income for the three and six months ended April 30, 2015 and 2014, (ii) Consolidated Statements of Comprehensive Income for the three and six months ended April 30, 2015 and 2014, (iii) Consolidated Condensed Balance Sheets at April 30, 2015 and October 31, 2014, (iv) Consolidated Condensed Statements of Cash Flows for the six months ended April 30, 2015 and 2014 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.

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 5, 2015

/s/ Tina Maloney
Tina Maloney
Vice President and Corporate Controller
(Principal Accounting Officer)

Index of Exhibits

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