

NEWS CORP  
Form 8-K  
May 16, 2012

---

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

**Form 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): 05/16/2012**

**News Corporation**

(Exact name of registrant as specified in its charter)

**Commission File Number: 001-32352**

**Delaware**  
(State or other jurisdiction of  
incorporation)

**26-0075658**  
(IRS Employer  
Identification No.)

**1211 Avenue of the Americas**  
New York, NY 10036  
(Address of principal executive offices, including zip code)

**212-852-7000**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 8.01. Other Events**

Under News Corporation's (the "Company") stock repurchase program, the Company is authorized to acquire from time to time up to \$5 billion in the Company's outstanding shares of Class A common stock and Class B common stock and up to an additional \$5 billion in the Company's outstanding shares of Class A common stock. The Company is targeting to acquire the additional \$5 billion of Class A common stock from time to time by June 30, 2013. Under the rules of the Australian Stock Exchange (the "ASX"), the Company is required to provide to the ASX, on a daily basis, disclosure of transactions pursuant to the stock repurchase program to the extent such transactions occur.

Attached as Exhibit 99.1 and Exhibit 99.2 are copies of the information provided to the ASX on May 16, 2012.

**Item 9.01. Financial Statements and Exhibits**

Exhibit Number	Description
99.1	Information provided to the Australian Stock Exchange on May 16, 2012 amending the information provided on May 15, 2012.
99.2	Information provided to the Australian Stock Exchange on May 16, 2012.

---

**SIGNATURES**

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 hereunto duly authorized.

News Corporation

Date: May 16, 2012

By: /s/ Janet Nova

---

Janet Nova  
Senior Vice President and Deputy General Counsel

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
EX-99.1	Information provided to the Australian Stock Exchange on May 16, 2012 amending the information provided on May 15, 2012.
EX-99.2	Information provided to the Australian Stock Exchange on May 16, 2012.

11pt;">

**RAW MATERIALS**

CooperVision's raw materials primarily consist of various chemicals and packaging materials and are generally available from more than one source. In a few cases, CooperVision relies on sole suppliers for certain raw materials used to make our silicone hydrogel contact lens products. Supply of these materials is protected by contractual agreements and safety stocks. However if current raw material suppliers fail to

17

---

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

supply sufficient materials on a timely basis, or at all for any reason, we may suffer a disruption in the supply of our silicone hydrogel contact lens products.

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

## MARKETING AND DISTRIBUTION

CooperVision markets our products through our own field sales representatives, who call on optometrists, ophthalmologists, opticians, optical chains and distributors. CooperVision also sells to distributors and to mass merchandisers who offer eye care services. To support the sale and use of CooperVision products, CooperVision engages in various activities and offers a variety of services. These include clinical training, digital marketing for the customer, e-commerce, telemarketing, social media, and journal advertisements. CooperVision also invested in tools that allow our customers to offer their patients monthly purchase and delivery subscriptions. In certain smaller countries, CooperVision often uses distributors and leverages our distributors' sales and marketing resources to attract major customers to CooperVision.

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

## PATENTS, TRADEMARKS AND LICENSING AGREEMENTS

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

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

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

## DEPENDENCE ON CUSTOMERS

One customer, a CooperVision contact lens distributor, accounted for approximately 11% of our consolidated net revenue in both the fiscal year ended October 31, 2017 and October 31, 2016. No customers accounted for 10% or more of our consolidated net revenue in the fiscal year ended October 31, 2015. See Note 13. Business Segment Information, in Notes to Consolidated Financial Statements.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

### GOVERNMENT CONTRACTS

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

### BACKLOG

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

### SEASONALITY

CooperVision and CooperSurgical net sales in its fiscal first quarter, which runs from November 1 through January 31, are typically lower than subsequent quarters, as patient traffic to practitioners' offices, fertility clinics, and hospitals/surgical centers for surgical procedures is relatively light during the holiday season.

### COMPLIANCE WITH ENVIRONMENTAL LAWS

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

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

The information required by this item is included in "Business Segment Information" of our notes to consolidated financial statements and "Risk Factors" as part of this Annual Report on Form 10-K for the fiscal year ended October 31, 2017.

### EMPLOYEES

On October 31, 2017, Cooper had approximately 11,800 employees. We believe that relations with our employees are good.

### NEW YORK STOCK EXCHANGE CERTIFICATION

We submitted our 2017 annual Section 12(a) CEO certification with the New York Stock Exchange. The certification was not qualified in any respect. Additionally, we filed with the Securities and Exchange Commission as exhibits to this Annual Report on Form 10-K for the year ended October 31, 2017, the CEO and CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

### AVAILABLE INFORMATION

The Cooper Companies, Inc. Internet address is <http://www.coopercos.com>. The information on the Company's Website is not part of this or any other report we file with, or furnish to, the Securities and Exchange Commission (SEC). Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with all other reports and amendments filed with or furnished to the SEC, are publicly available free of charge on our Website as soon as reasonably practicable. The public may read and copy these materials at the SEC's Public

Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a Website that contains such reports, proxy and information statements and

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

other information whose Internet address is <http://www.sec.gov>. The Company's Corporate Governance Principles, Ethics and Business Conduct Policy and charters of each standing committee of the Board of Directors are also posted on the Company's Website.

### Item 1A. Risk Factors.

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

#### Risks Relating to Our Business

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

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

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

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

The contact lens industry also continues to evolve with respect to the introduction of new distribution and fulfillment models and service technologies which may conflict with CooperVision's strategy or interfere with its customers' relationships and loyalty. For example, more contact lenses are being fulfilled directly to the consumer by manufacturers and wholesalers via online platforms, telemedicine is gaining popularity and more vision correction prescriptions are being provided through online refractive exams rather than in office by an eye care practitioner. CooperVision's failure to adapt to the threats posed by these new and emerging distribution models and Internet driven services may have a material adverse impact on our business, financial condition and results of operations.





THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

We have a history of acquiring businesses and products that have significantly contributed to our growth in recent years. As part of our growth strategy, particularly at CooperSurgical and more recently at CooperVision, we intend to continue to consider acquiring complementary technologies, products and businesses. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities and an increase in amortization and/or impairments of goodwill and other intangible assets, which could have a material adverse effect upon our business, financial condition and results of operations. CooperVision acquired Paragon Vision Sciences subsequent to fiscal 2017; Procornea and Grand Vista LLC in fiscal 2017; and Soflex in fiscal 2016. CooperSurgical acquired PARAGARD subsequent to fiscal 2017; Wallace in fiscal 2017; Reprogenetics UK, Recombine, K-Systems, Genesis Genetics, The Pipette Company, and Research Instruments in fiscal 2016; and Reprogenetics US in fiscal 2015. These acquisitions added operations to CooperVision and CooperSurgical, respectively, and expanded their international businesses. The acquisitions have, correspondingly, added risks we could face with respect to acquisitions and include:

- failure to successfully obtain the anticipated revenues, margins and earnings benefits;
- difficulties in, and expenses related to, the integration of the operations, technologies, products and personnel of the acquired company and establishment of appropriate accounting controls and reporting procedures and other regulatory compliance procedures, including but not limited to third party compliance and due diligence;
- increased leverage and the risk of lack of access to available financing, including financing for the acquisition or refinancing of debt owed by us on a timely basis and on reasonable terms;
- risks of entering markets in which we have no or limited prior experience;
- potential loss of employees;
- an inability to identify and consummate future acquisitions on favorable terms or at all;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential liabilities, contingent liabilities or indemnification obligations of the acquired company;
- expenses, including restructuring expenses, to shut-down our own locations or terminate our employees;
- application of and compliance with new and unfamiliar regulatory frameworks such as pharmaceutical regulation applicable to our PARAGARD IUD;
- Failure to successfully obtain or maintain reimbursements under the third party payor plans, including but not limited to governmental programs, due to complex reporting and payment obligations;
- a dilution of earnings per share; and
- risks inherent in accounting allocations and the risk that we are required to record significant adjustments to the preliminary fair value of assets acquired and liabilities assumed within the measurement period.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

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

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

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

Technological developments in the eye care, family and women's health care, and diagnostics testing industries, such as new surgical procedures or medical devices, and genetic testing technology may limit demand for our products and services. Corneal refractive surgical procedures such as Lasik surgery and the development of new pharmaceutical products may decrease the demand for our optical products. If these new advances provide a practical alternative to traditional vision correction, the demand for contact lenses

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

and eyeglasses may materially decrease. We cannot assure that medical advances and technological developments will not have a material adverse effect on our businesses.

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

A significant portion of our current operations are conducted and located outside the United States, and our growth strategy involves expanding our existing foreign operations and entering into new foreign jurisdictions. We have significant manufacturing and distribution sites in North America, Latin America and Europe. Over half of our net sales for the fiscal years ended October 31, 2017 and 2016, were derived from the sale of products outside the United States. We believe that sales outside the United States will continue to account for a material portion of our total net sales for the foreseeable future. International operations and business expansion plans are subject to numerous additional risks, including:

- we may have difficulty enforcing intellectual property rights in some foreign countries;
- we may have difficulty gaining market share in countries such as Japan and China because of regulatory restrictions and customer preferences;
  - we may find it difficult to grow in emerging markets such as China, India, Russia, Brazil and other developing nations due to, among other things, customer acceptance, undeveloped and/or unfamiliar distribution channels, regulatory restrictions and changes, and business knowledge of these new markets;
- tax rates in some foreign countries may exceed those of the United States, and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- we may find it difficult to comply with a variety of United States and foreign legal, compliance and regulatory requirements such as the Foreign Corrupt Practices Act, the Dodd-Frank Act, the U.K. Bribery Act and international data security and privacy laws;
- we may find it difficult to manage a large organization spread throughout various countries;
- fluctuations in currency exchange rates could adversely affect our results;
- foreign customers may have longer payment cycles than customers in the United States;
- failure to comply with United States Department of Commerce and other nations' import-export controls may result in fines and/or penalties;
- general economic and political conditions in the countries where we operate may have an adverse effect on our operations in those countries or not be favorable to our growth strategy;
- foreign governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities, including but not limited to increased enforcement of potentially conflicting and ambiguous anti-bribery laws;
- we may have difficulty enforcing agreements and collecting receivables through some foreign legal systems; and
- we may be subject to unforeseen economic or political events in certain countries that may have an impact on our customers' ability or preferences to buy our products.

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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

Global markets continued to face threats and uncertainty during fiscal 2017. Uncertain economic and financial market conditions may also adversely affect the financial condition of our customers, suppliers and other business partners. If our customers' financial conditions are adversely affected, customers may reduce their purchases of our products or we may not be able to collect accounts receivable, each of which could have a material adverse impact on our business operations or financial results.

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

We are a multinational company headquartered in the United States with worldwide operations, with significant business operations in Europe, including in the United Kingdom. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years from March 29, 2017, the date the government of the United Kingdom formally initiated the withdrawal process. The pending withdrawal has created significant uncertainty about the future relationship between the United Kingdom and the European Union.

This development has had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets. Given the lack of comparable precedent, it is unclear what implications the withdrawal of the United Kingdom from the European Union would have and how such withdrawal could affect or could have a material adverse effect on, our business, financial condition and operating results.

We face risks associated with disruption of our manufacturing and distribution operations including possible failure to develop necessary manufacturing processes, or idle or excess capacity could adversely affect our profitability or competitive position.

We manufacture a significant portion of the medical device products we sell. Any prolonged disruption in the operations of our existing manufacturing or distribution facilities, whether due to technical or labor difficulties, integration difficulties, destruction of or damage to any facility (as a result of natural disaster, use and storage of hazardous materials or other events), enforcement action by the FDA or other regulatory body if we are found to be in non-compliance with current Good Manufacturing Practices (cGMP) or other reasons, could have a material adverse

effect on our business, financial condition and results of operations.

24

---

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

In addition, materials such as silicone hydrogel require improvements to our manufacturing processes to make them cost effective. While we have improved our manufacturing capabilities for our silicone hydrogel products, our failure to continue to develop improvements to our manufacturing processes and reduce our cost of goods could significantly impact our ability to compete. Conversely, excess or idle capacity, which could result from acquisitions, inaccurate sales forecasting or unexpected manufacturing efficiencies, could significantly impact our profitability and near term financial condition.

CooperVision manufactures molded contact lenses, which represent the majority of our contact lens revenues, primarily at our facilities in the United Kingdom, Puerto Rico, Hungary, Costa Rica and the United States. CooperSurgical manufactures the majority of its products in Connecticut, Texas, and Denmark. In November 2017, CooperSurgical purchased a manufacturing facility in Costa Rica to consolidate a portion of global manufacturing. We manufacture certain products at only one manufacturing site for certain markets, and certain of our products are approved for manufacturing only at one site. Before we can use a second manufacturing site, we must obtain the approval of regulatory authorities, and because this process is expensive, we generally have not sought approvals needed to manufacture at an additional site. If there were any prolonged disruption in the operations of the approved facility, it could take a significant amount of time to validate a second site and replace lost product, which could result in lost customers and thereby reduce sales, profitability and market share.

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

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

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

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

We rely on independent suppliers for key raw materials, consisting largely of various chemicals and packaging materials. Raw materials used in our operations are generally available from more than one source. However, because some products require specialized manufacturing procedures, we could experience inventory shortages if we were

required to use an alternative manufacturer on short notice. For example, some of the

25

---



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

primary material used to make our silicone hydrogel contact lens products, including MyDay, Biofinity, Avaira and clariti, are supplied by a sole supplier. We may suffer a disruption in the supply of our silicone hydrogel contact lens products if our suppliers, particularly those which are the sole source of any necessary material, fail to supply sufficient material on a timely basis or at all for any reason and/or we need to switch to an alternative supplier. A disruption in the supply of raw materials could disrupt production of our silicone hydrogel contact lens products, thereby adversely impacting our ability to market and sell such products and our ability to compete in this important segment of the contact lens market.

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

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

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

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

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

Both CooperVision and CooperSurgical also rely on proprietary technology which is unpatented. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements and assignment agreements, which generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, we cannot assure that these confidentiality agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

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

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

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

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

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

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



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

We face risks related to environmental matters.

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

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

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

Our indebtedness could:

- increase our vulnerability to general adverse economic and industry conditions; require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, research and development efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- result in greater interest rate risk and volatility;
- limit our ability to borrow additional funds; and
- make it more difficult for us to satisfy our obligations with respect to our debt, including our obligation to repay our credit facilities under certain circumstances, or refinance our indebtedness on favorable terms or at all.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

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

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

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

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

The United Kingdom tax authorities (U.K. Tax Authorities) enacted a new Diverted Profits Tax (DPT) as of April 1, 2015 on profits of multinationals that they deemed artificially diverted from the United Kingdom. The tax rate is 25%. DPT is intended to apply in two situations; (a) where a foreign company has artificially avoided having a taxable presence in the United Kingdom and (b) where a group adopts a structure which lacks economic substance in order to divert profits from the United Kingdom.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

The U.K. Tax Authorities have begun an inquiry regarding the application of DPT to us for fiscal year 2015. We believe that the transactions in question were at arm's length with no intention to divert profit from the United Kingdom and therefore are outside the intended reach of the DPT.

On December 20, 2017, the U.K. Tax Authorities issued a DPT charging notice of approximately GBP 31 million with respect to the transfer out of the United Kingdom of certain intellectual property rights in connection with the 2014 acquisition of Sauflon Pharmaceutical Ltd. Although the taxes were paid on the transfer, the UK Tax Authorities are challenging the value assigned to such property. We intend to contest the charging notice vigorously. The process for resolving such a notice can be lengthy and could involve litigation. The company is cooperating with the Tax authorities to resolve this issue. The outcome of this matter cannot be predicted with certainty and may have an adverse impact on our financial condition and results.

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

We operate globally and changes in tax laws could adversely affect our results. We have overseas manufacturing, administrative and sales offices and generate substantial revenues and profits in foreign jurisdictions. The international tax environment continues to change as a result of both coordinated actions by governments and unilateral measures designed by individual countries, both intended to tackle concerns over base erosion and profit shifting (BEPS) and perceived international tax avoidance techniques. The recommendations of the BEPS Project led by the Organization for Economic Cooperation and Development (OECD) are involved in much of the coordinated activity. Although the timing and methods of implementation vary, several jurisdictions have enacted legislation that is aligned with, and in some cases exceeds the scope of, the OECD's recommendations. In the U.S., a number of proposals for broad reform of the corporate tax system are under evaluation by various legislative and administrative bodies. It is not possible to accurately determine the overall impact of such proposals on our effective tax rate or balance sheet at this time. On December 22, 2017, the U.S. President signed the tax reform legislation into law. The impact of tax reform is still being evaluated by the Company and will be reflected in our fiscal first quarter of 2018. Changes in corporate tax rates, the taxation of foreign earnings and the deductibility of expenses could have a material impact on the recoverability of our deferred tax assets, could result in significant one-time charges in the period in which tax reform is enacted and could result in an increase of the company's effective tax rate.

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

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

We manage our businesses utilizing complex integrated software and hardware information technology operating systems that are regularly maintained and upgraded; an interruption or disruption to these systems could disrupt our business or force us to expend excessive costs.

We utilize complex integrated software and hardware operating systems, including enterprise resource planning and warehouse management systems, to support our business units and we have a continuous





## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

We are in the midst of a multiyear process of implementing a new enterprise resource planning (ERP) system at CooperVision. Implementing a new ERP system is not only costly but complex and difficult. Implementing a new ERP system can negatively affect not only financial accounting and reporting processes but also external commercial activities such as order receipt and product delivery. There can be no assurance that we will successfully implement our new ERP system or that we will avoid these and other negative impacts from our implementation efforts.

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

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

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

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

Certain provisions of our Second Restated Certificate of Incorporation and Amended and Restated By-laws may inhibit changes in control of the Company not approved by our Board of Directors. These provisions include advance notice requirements for stockholder proposals and nominations. We also have the protections of Section 203 of the Delaware General Corporation Law, which could have anti-takeover effects. Our preferred stock purchase rights plan, commonly known as a "poison pill," expired on October 29, 2017.

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

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

Our products and operations are subject to rigorous regulation by the FDA, and numerous other federal, state and foreign governmental authorities. In the United States, the FDA regulates virtually all aspects of a medical device's design, development, testing, manufacture, safety, labeling (including, for example, unique device identifier regulations), storage, recordkeeping, reporting, marketing, promotion, advertising and distribution, as well as product import and export. Our failure to comply with FDA regulations could lead to the imposition



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

of administrative or judicial sanctions, including injunctions, fines, warning letters, suspensions or the loss of regulatory approvals, product recalls, termination of distribution or product seizures. In the most egregious cases, criminal sanctions or closure of our manufacturing facilities are possible.

Our medical devices require clearance or approval by the FDA before they can be commercially distributed in the United States and may require similar approvals by foreign regulatory agencies before distribution in foreign jurisdictions. Medical devices may only be marketed for the indications for which they are approved or cleared. The process of obtaining, renewing and maintaining regulatory clearances and approvals to market a medical device, particularly from the FDA, can be costly and time consuming. There can be no assurance that such clearances and approvals will be granted on a timely basis, if at all, and significant delays in the introduction of any new products or product enhancements may occur, which could adversely affect our competitive position and results of operations. In addition, the FDA and authorities in foreign jurisdictions may change their policies, adopt additional regulations or revise existing regulations, each of which could prevent or delay premarket approval or clearance of our products, increase the cost of compliance, impose additional regulatory requirements on us, or otherwise impact our ability to market our currently approved or cleared products.

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

Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenue from our product candidates. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results may be adversely affected.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. For example, in December 2016, the 21st Century Cures Act (Cures Act), was signed into law. The Cures Act, among other things, is intended to modernize the regulation of drugs and medical devices and spur innovation, but its ultimate implementation is unclear. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations. We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States, such as new policies introduced by the Trump Administration, or abroad.

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



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

With our acquisition of Reprogenetics US in August 2015, Genesis Genetics in March 2016, Recombine in May 2016 and Reprogenetics UK in May 2016, we now offer certain genetic testing services to help identify the likelihood of pregnancy as well as identify possible disorders or diseases of a child prior to birth. Regulatory and legislative proposals addressing oversight of genetic testing have been introduced in the United States, and we expect that new proposals will be introduced from time to time both in the United States and in foreign countries in the future. Although the FDA has statutory authority to assure that medical devices, including IVDs, are safe and effective for their intended uses, the FDA has historically exercised its enforcement discretion and not enforced applicable provisions of the FDCA and regulations with respect to LDTs. We believe our tests fall within the definition of an LDT. As a result, we believe our tests are not currently subject to the FDA's enforcement of its medical device regulations and the applicable FDCA provisions. However, our tests may in the future become subject to more onerous regulation by the FDA. Legislative proposals addressing the FDA's oversight of LDTs have been introduced by Congress in the past and new legislative proposals may be introduced from time to time in the future. The likelihood that Congress will pass such legislation and the extent to which such legislation may affect the FDA's ability to enforce its medical device regulations with respect to certain LDTs is difficult to predict at this time. If the FDA ultimately begins to enforce its medical device requirements with respect to LDTs, our genetic tests may be subject to additional regulatory requirements imposed by the FDA, the nature and extent of which would depend upon applicable final guidance or regulation by the FDA or instruction by Congress. If the FDA imposes significant changes to the regulation of LDTs it could reduce our revenue or increase our costs and adversely affect our business, prospects, results of operations or financial condition.

Any new FDA enforcement policies affecting LDTs or new legislation, regulations or guidance may result in increased regulatory burdens on our ability to continue marketing our products and to develop and introduce new products in the future, which could reduce our revenue or increase our costs and adversely affect our business, prospects, results of operations or financial condition.

If we fail to comply with applicable federal, state, local and foreign laboratory licensing requirements, we could lose the ability to perform our tests or experience disruptions to our business.

We are subject to the Clinical Laboratory Improvement Amendments of 1988 (CLIA), a federal law regulating clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of disease. Our clinical laboratory must be certified under CLIA in order for us to perform testing on human specimens. In addition, our proprietary tests must also be recognized as part of our accredited programs under CLIA so that we can offer them in our laboratory. CLIA is intended to ensure the quality and reliability of clinical laboratories in the United States by mandating specific standards in the areas of personnel qualifications, administration, and participation in proficiency testing, patient test management, quality control, quality assurance and inspections. The law also requires us to maintain a state laboratory license to conduct testing in that state. Our laboratories are located in the United States, and internationally in Canada and the United Kingdom, and we must maintain the requisite licenses in each jurisdiction.

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

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

countries are similar to those of the FDA.

33

---

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

Changes in legislation and government regulation of the health care industry both in the United States and internationally, as well as third-party payors' efforts to control the costs of health care could materially adversely affect our business.

The Affordable Care Act (ACA) made extensive changes to the delivery of health care in the United States. Among the provisions of the ACA, of greatest importance to the medical device industry and pharmaceutical industry are the following:

- Establishment of the Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- Reporting and disclosure requirements on medical device and pharmaceutical manufacturers for certain payments or other "transfers of value" made to physicians and physicians family members, certain healthcare facilities, and any ownership and investment interests held by physicians and physician family members, and any payments or other "transfers of value" to such owners. Manufacturers are required to submit reports to the Centers for Medicare & Medicaid Services (CMS) by the 90<sup>th</sup> day of each calendar year;
- Absent new legislation, a 2.3 percent excise tax, currently suspended, will be reinstated as of January 1, 2018, on any entity that manufactures or imports medical devices offered for sale in the United States, with limited exceptions, which exceptions include all contact lenses;





THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

An increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13% of the average manufacturer price for most branded and generic drugs, respectively.

These measures could result in decreased net revenues or increased expenses from our medical device products and decrease potential returns from our development efforts. There have been judicial and Congressional challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. Additionally, recent reform proposals have introduced greater uncertainty with respect to tax and trade policies, tariffs and government regulations affecting trade between the United States and other countries. Major developments in tax policy or trade relations could have a material effect on our balance sheet and results of operations.

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

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

In addition, third-party payors, whether governmental or commercial, whether inside the United States or abroad, increasingly attempt to contain or reduce the costs of health care. These cost-control methods include prospective payment systems, capitated rates, group purchasing, redesign of benefits, requiring pre-authorizations or second opinions prior to certain medical procedures, encouragement of healthier lifestyles and exploration of more cost-effective methods of delivering health care. Although cost controls or other requirements imposed by third-party payors have not historically had a significant effect on contact lens



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

prices or distribution practices, this could change in the future and could adversely affect our business, financial condition and results of operations.

We may enroll as in-network providers and suppliers with certain payors. Although, becoming an in-network provider or enrolling as a supplier means that we have agreed with these payors to provide certain of our tests at negotiated rates, it does not obligate any physicians to order our tests or guarantee that we will receive reimbursement for our tests from these or any other payors at adequate levels. Thus, these payor relationships, or any similar relationships we may establish in the future, may not result in acceptable levels of reimbursement for our tests or meaningful increases in our physician customer base. We cannot predict whether, under what circumstances, or at what payment levels payors will cover and reimburse for our tests. If we fail to establish and maintain broad coverage and reimbursement for our tests, our ability to generate increased revenue and grow our test volume and customer base could be limited and our future prospects and our business could suffer.

On April 5, 2017, the European Parliament passed the Medical Devices Regulation, which repeals and replaces the EU Medical Devices Directive. Unlike directives, which must be implemented into the national laws of the European Economic Area (EEA) member States, the regulations would be directly applicable (i.e., without the need for adoption of EEA member State laws implementing them) in all EEA member States and are intended to eliminate current differences in the regulation of medical devices among EEA member States. The Medical Devices Regulation, among other things, is intended to establish a uniform, transparent, predictable and sustainable regulatory framework across the EEA for medical devices and in vitro diagnostic devices and ensure a high level of safety and health while supporting innovation.

The Medical Devices Regulation will, however, only become applicable three years after publication while the In-Vitro Diagnostic Medical Devices Regulation will only become applicable five years after publication. Once applicable, the new regulations will among other things:

- strengthen the rules on placing devices on the market and reinforce surveillance once they are available;
  - establish explicit provisions on manufacturers' responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
  - improve the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
  - set up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU; and
  - strengthen rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market.
- These modifications may have an impact on the way we conduct our business in the EEA and an adverse impact on our overall business operations and financial results.

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



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

State and federal laws and regulations, including the Health Insurance Portability and Accountability Act of 1996 (HIPAA) govern the collection, dissemination, use, privacy, confidentiality, security, availability and integrity of individually identifiable information, including protected health information (PHI). HIPAA establishes basic national privacy and security standards for protection of PHI by covered entities such as our genetics testing subsidiaries and the business associates with whom such entities contract for services, including another one of our subsidiaries, Eye Care Prime LLC, which offers value-added software solutions for eye care professionals. HIPAA requires both covered entities and business associates to develop and maintain policies and procedures for PHI that is used or disclosed, and to adopt administrative, physical and technical safeguards to protect PHI. When we are acting as a business associate, our clients that are covered entities are mandated by HIPAA to enter into written agreements with us - known as business associate agreements - that require us to safeguard PHI in accordance with HIPAA. Our genetics testing subsidiaries are likewise required to enter into business associate agreements with any of their business associates.

Mandatory penalties for HIPAA violations can be significant. A single breach incident can result in violations of multiple standards. If a person knowingly or intentionally obtains or discloses PHI in violation of HIPAA requirements, criminal penalties may also be imposed.

We maintain safeguards that we believe are reasonable and appropriate to protect the privacy and security of PHI and other personally identifiable information consistent with applicable law and our contractual obligations; however, our systems may be vulnerable to physical break-ins, viruses, hackers, and other potential sources of security breaches. In addition, we may not be able to prevent incidences of inappropriate use or unauthorized access to PHI by our employees or contractors. Any such breaches could result in exposure to liability under federal and state laws and/or under our contractual arrangements and could adversely impact our business.

We are also subject to laws and regulations in countries other than United States covering data privacy and the protection of health-related and other personal information. EU member states and other jurisdictions have adopted data protection laws and regulations, which impose significant compliance obligations. For example, the EU Data Protection Directive, as implemented into national laws by the EU member states, imposes strict obligations and restrictions on the processing of personal data. The new EU-wide General Data Protection Regulation (GDPR) entered into force in May 2016 and will become applicable on May 25, 2018, replacing the current data protection laws of each EU member state. The GDPR will implement more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, increased requirements pertaining to health data and pseudonymised (i.e., key-coded) data, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities.

Any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards or any security incident that results in the unauthorized release or transfer of personally identifiable information may result in governmental enforcement actions and investigations including by European Data Protection Authorities, fines and penalties (for example, of up to 20,000,000 Euros or up to 4% of the total worldwide annual turnover of the preceding financial year (whichever is higher) under the GDPR and ePrivacy Regulation), litigation and/or adverse publicity, including by consumer advocacy groups, and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Such failures could have a material adverse effect on our financial condition and operations. If the third parties we work with violate applicable laws, contractual obligations or suffer a security breach, such violations may also put us in breach of our obligations under privacy laws and regulations and/or could in turn have a material adverse effect on our business.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

Massachusetts issued regulations governing the conduct of pharmaceutical and medical device manufacturers with respect to health care practitioners that sets forth what medical device manufacturers may and may not permissibly do with respect to providing meals, sponsoring continuing medical education and otherwise providing payments or items of economic benefit to health care practitioners located within the state. Additionally, the regulation requires medical device manufacturers to have in place robust fraud and abuse compliance programs. Other states (e.g., California, Vermont and Nevada) have adopted similar laws. These laws and regulations act to limit our marketing practices, require the dedication of resources to ensure compliance, and expose us to additional liabilities.

In addition, the ACA, among other things, amended the intent requirement of the federal Anti-Kickback Statute and certain criminal health care fraud statutes so that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The ACA also provides that the government may assert that a claim including items or services resulting from a violation of these statutes constitutes a false or fraudulent claim for purposes of the civil False Claims Act or the civil monetary penalties statute. In addition, federal government price reporting laws, changed by the ACA to, among other things, increase the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program and offer such rebates to additional populations, that require us to calculate and report complex pricing metrics to government programs, where such reported prices may be used in the calculation of reimbursement and/or discounts on our marketed drugs. Participation in these programs and compliance with the applicable requirements may subject us to potentially significant discounts on our products, increased infrastructure costs and potentially limit our ability to offer certain marketplace discounts.

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

Ethical, legal and social concerns related to the use of genetic information could reduce demand for our tests.

Genetic testing has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Government authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may lead patients to refuse to use, or physicians to be reluctant to order, genetic tests even if permissible. These and other ethical, legal and





THE COOPER COMPANIES, INC. AND SUBSIDIARIES

social concerns may limit market acceptance and adoption of our tests or reduce the potential markets for our tests, either of which could have an adverse effect on our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

None.

39

---

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Item 2. Properties.

The following is a summary of Cooper's principal facilities as of October 31, 2017. We generally lease our office and operations facilities but own several manufacturing and research and development facilities, including 224,533 square feet in the United Kingdom, 115,486 square feet in Costa Rica, 63,787 square feet in Denmark, 50,000 square feet in New York, and 33,630 square feet in Texas. Our lease agreements expire at various dates through the year 2045. We believe our properties are suitable and adequate for our businesses.

Location	Approximate Square Feet	Operations
<b>AMERICAS</b>		
United States:		
California	103,990	Executive offices; CooperVision research & development and administrative offices
New York	403,897	CooperVision manufacturing, marketing, distribution and administrative offices
Connecticut	249,437	CooperSurgical manufacturing, marketing, distribution, research & development and administrative offices
Texas	36,113	CooperSurgical manufacturing
Puerto Rico	509,284	CooperVision manufacturing and distribution
Costa Rica	115,486	CooperVision manufacturing and office
Brazil	16,576	CooperVision marketing and distribution
Canada	14,593	CooperVision marketing
Other Americas	58,054	CooperVision marketing and distribution; CooperSurgical manufacturing and marketing
<b>EMEA</b>		
United Kingdom	792,952	CooperVision manufacturing, marketing, distribution, research & development and administrative offices; CooperSurgical marketing
Hungary	228,447	CooperVision manufacturing and marketing
Belgium	256,478	CooperVision distribution
Denmark	74,451	CooperSurgical manufacturing, marketing and administrative offices
Spain	38,232	CooperVision distribution and administrative offices; CooperSurgical marketing
Other EMEA	152,511	CooperVision and CooperSurgical marketing and distribution
<b>ASIA PACIFIC</b>		
Japan	82,561	CooperVision marketing, distribution and administrative offices; CooperSurgical marketing
Australia	43,179	CooperVision manufacturing, marketing, distribution and administrative offices; CooperSurgical marketing
Other Asia Pacific	64,491	CooperVision and CooperSurgical marketing and distribution

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Item 3. Legal Proceedings.

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

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

Since March 2015, over 50 putative class action complaints were filed by contact lens consumers alleging that contact lens manufacturers, in conjunction with their respective Unilateral Pricing Policy (UPP), conspired to reach agreements between each other and certain distributors and retailers regarding the prices at which certain contact lenses could be sold to consumers. The plaintiffs are seeking damages against CooperVision, Inc., other contact lens manufacturers, distributors and retailers, in various courts around the United States. In June 2015, all of the class action cases were consolidated and transferred to the United States District Court for the Middle District of Florida. CooperVision and the other defendants jointly filed a motion to dismiss the complaints in December 2015. In June 2016, the motion to dismiss with respect to claims brought under the Maryland Consumer Protection Act was granted, but the motion to dismiss with respect to claims brought under Section 1 of the Sherman Act and other state laws was denied. The actions currently are in discovery. In March 2017, the plaintiffs filed a motion for class certification. In August 2017, CooperVision entered into a settlement agreement with the plaintiffs, without any admission of liability, to settle all claims against CooperVision, subject to Court approval of the settlement. The Company recorded a settlement accrual of \$3.0 million in the third quarter fiscal ended July 31, 2017.

The Company is involved in various lawsuits, claims and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters. The Company does not believe that an estimate of possible loss or a range of loss can be made at this time.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## PART II

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

Cooper's common stock, par value \$0.10 per share, is traded on the New York Stock Exchange under the symbol "COO." In the table that follows, we indicate the high and low selling prices of our common stock for each three-month period of 2017 and 2016:

Quarterly Common Stock Price Range Years Ended October 31, Fiscal Quarter Ended	2017		2016	
	High	Low	High	Low
January 31	\$184.75	\$158.73	\$155.18	\$119.28
April 30	\$203.48	\$183.17	\$161.17	\$123.80
July 31	\$256.39	\$199.48	\$183.49	\$152.09
October 31	\$254.48	\$230.69	\$190.99	\$174.51

At November 30, 2017, there were 379 common stockholders of record.

## Dividend Policy

Our current policy is to pay annual cash dividends on our common stock of \$0.06 per share, in two semiannual payments of \$0.03 per share each. In dollar terms, we paid cash for dividends of \$2.9 million in each of fiscal 2017 and 2016. Dividends are paid when, as and if declared at the discretion of our Board of Directors from funds legally available for that purpose. Our Board of Directors periodically reviews our dividend policy and considers the Company's earnings, financial condition, liquidity needs, business plans and opportunities and other factors in making and setting dividend policy.

## Performance Graph

The following graph compares the cumulative total return on Cooper common stock with the cumulative total return of the Standard & Poor 500 and the Standard & Poor's Health Care Equipment Index for the five-year period ended October 31, 2017. The graph assumes that the value of the investment in Cooper and in each index was \$100 on October 31, 2012, and assumes that all dividends were reinvested.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among The Cooper Companies, Inc.,

the S&P 500 Index and the S&P Health Care Equipment Index

\*\$100 invested on 10/31/12 in stock or index, including reinvestment of dividends.

Fiscal year ending October 31.

Copyright© 2017 Standard & Poor's, a division of S&P Global. All rights reserved.

	October 2012	October 2013	October 2014	October 2015	October 2016	October 2017
The Cooper Companies, Inc.	\$100.00	\$134.69	\$170.93	\$158.95	\$183.73	\$250.83
S&P 500	\$100.00	\$127.18	\$149.14	\$156.89	\$163.97	\$202.72
S&P Health Care Equipment	\$100.00	\$125.55	\$156.41	\$170.55	\$192.92	\$241.12

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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 October 31, 2017, 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
8/1/17 – 8/31/17	—	\$ —	—	\$ 589,000,000
9/1/17 – 9/30/17	—	\$ —	—	\$ 589,000,000
10/1/17 – 10/31/17	107,500	\$ 237.12	107,500	\$ 563,500,000
Total	107,500		107,500	

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. In March 2017, the program was amended and approved by the Company's Board of Directors for an increase of \$500.0 million, providing authorization for a total of \$1.0 billion. 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.

During the fiscal year ended October 31, 2017, we repurchased a total of 257,500 shares of common stock for \$55.0 million at an average price of \$213.65 per share under the repurchase program. At October 31, 2017, approximately \$563.5 million remained authorized under the 2012 Share Repurchase Program.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Equity Compensation Plan Information

The following table sets forth certain information as of October 31, 2017, concerning the shares of our Common Stock that may be issued under any form of award granted under our equity compensation plans in effect as of October 31, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights <sup>(1)</sup> (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by shareholders <sup>(2)</sup>	1,766,935	\$129.33	1,941,808
Equity compensation plans not approved by shareholders	—	—	—
Total	1,766,935	\$129.33	1,941,808

<sup>(1)</sup> The amount of total securities to be issued under Company equity plans upon exercise of outstanding options, warrants and rights shown in Column A includes 521,056 Restricted Stock Units granted pursuant to the Company's equity plans. These awards allow for the distribution of shares to the grant recipient upon the completion of time-based vesting periods. The total also includes 168,617 shares representing the maximum number of shares that may be issued subject to Performance Share Awards outstanding as of the end of the fiscal year. Restricted Stock Units and Performance Share Awards do not have an associated exercise price. Accordingly, these awards are not reflected in the weighted-average exercise price disclosed in Column B.

<sup>(2)</sup> Includes information with respect to the Third Amended and Restated 2007 Long-Term Incentive Plan for Employees of the Cooper Companies, Inc. (2007 LTIP), which was approved by stockholders on March 17, 2016, and provides for the issuance of up to 6,930,000 shares of Common Stock, and the Second Amended and Restated 2006 Long Term Incentive Plan for Non-Employee Directors of the Cooper Companies, Inc. (2006 Directors Plan), which was approved by stockholders on March 16, 2011 and provides for the issuance of up to 950,000 shares of Common Stock. As of October 31, 2017, 1,801,934 shares remained available under the 2007 LTIP and 139,874 shares remained available under the 2006 Directors Plan.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Item 6. Selected Financial Data.

## Five Year Financial Highlights

Years Ended October 31, (In millions, except per share amounts)	2017	2016	2015	2014	2013
<b>Consolidated Operations</b>					
Net sales	\$2,139.0	\$1,966.8	\$1,797.1	\$1,717.8	\$1,587.7
Gross profit	\$1,365.8	\$1,173.1	\$1,070.3	\$1,091.6	\$1,026.8
Income before income taxes	\$394.0	\$295.6	\$215.5	\$296.5	\$312.3
Net income attributable to Cooper stockholders	\$372.9	\$273.9	\$203.5	\$269.9	\$296.2
Diluted earnings per share attributable to Cooper stockholders	\$7.52	\$5.59	\$4.14	\$5.51	\$5.96
Number of shares used to compute diluted earnings per share	49.6	49.0	49.2	49.0	49.7
Dividends paid per share	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
<b>Consolidated Financial Position<sup>(1)</sup></b>					
Current assets	\$953.2	\$937.1	\$844.0	\$791.6	\$747.2
Property, plant and equipment, net	910.1	877.7	967.1	937.3	739.9
Goodwill	2,354.8	2,164.7	2,197.1	2,220.9	1,387.6
Other intangible assets, net	504.7	441.1	411.1	453.6	198.8
Other assets	135.9	58.0	43.2	54.9	63.8
	\$4,858.7	\$4,478.6	\$4,462.5	\$4,458.3	\$3,137.3
Short-term debt	\$23.4	\$226.3	\$243.8	\$101.5	\$43.0
Other current liabilities	372.7	316.9	331.7	340.7	278.3
Long-term debt	1,149.3	1,107.4	1,105.4	1,280.8	301.7
Other liabilities	137.5	132.1	111.8	146.9	90.8
Total liabilities	1,682.9	1,782.7	1,792.7	1,869.9	713.8
Stockholders' equity	3,175.8	2,695.9	2,669.8	2,588.4	2,423.5
	\$4,858.7	\$4,478.6	\$4,462.5	\$4,458.3	\$3,137.3

<sup>(1)</sup> We have adjusted our 2016 and 2015 Balance Sheets to reflect the Cumulative Adjustment as discussed in Note 1 of the consolidated financial statements.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

RESULTS OF OPERATIONS

In this section, we discuss the results of our operations for fiscal 2017 compared with fiscal 2016 and the results of our operations for fiscal 2016 compared with fiscal 2015. We discuss our cash flows and current financial condition under "Capital Resources and Liquidity." Within the tables presented, percentages are calculated based on the underlying whole-dollar amounts and, therefore, may not recalculate exactly from the rounded numbers used for disclosure purposes.

Outlook

Overall, we remain optimistic about the long-term prospects for the worldwide contact lens and general health care markets. However, events affecting the economy as a whole, including but not limited to the uncertainty and instability of global markets driven by foreign currency volatility, debt concerns, the uncertainty caused by the United Kingdom's intention to withdraw from the European Union, and the trend of consolidation within the health care industry, impact our current performance and continue to represent a risk to our future performance.

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

On December 1, 2017, subsequent to fiscal 2017, CooperVision acquired Paragon Vision Sciences, a leading provider of orthokeratology (ortho-k) specialty contact lenses and oxygen permeable rigid contact lens materials for approximately \$80.0 million. In fiscal 2017, we acquired Procornea, a Netherlands based manufacturer of specialty contact lenses, which expands CooperVision's access to myopia (nearsightedness) management markets with new products; and Grand Vista LLC, a distributor in Russia of soft contact lenses. In fiscal 2016, we acquired Soflex, an Israeli manufacturer and distributor of soft contact lenses and aftercare solutions.

Sales of contact lenses utilizing silicone hydrogel materials continue to grow and this material represents about half of the industry. Our ability to compete successfully with a full range of silicone hydrogel products is an important factor to achieving our desired future levels of sales growth and profitability. CooperVision manufactures and markets a wide variety of silicone hydrogel contact lenses within the daily, two-week and monthly modalities along with manufacturing some of these lenses as toric and/or multifocal lenses. We market these lenses under a number of different brand names, including but not limited to Biofinity®, clariti®, MyDay® and Avaira®.

We believe that the global market for single-use contact lenses will continue growing and our single-use silicone hydrogel products represent an opportunity for our business. Our clariti 1day brand provides the only single-use silicone hydrogel lenses in the marketplace with a complete line of spherical, toric and multifocal contact lenses. We expect increasing aggregate demand for clariti 1day and MyDay products, as well as future single-use products.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

CooperSurgical - Our CooperSurgical business competes in the general health care market with a focus on advancing the health of families through a diversified portfolio of products and services focusing on women's health, fertility, diagnostics and contraception. CooperSurgical has established its market presence and distribution system by developing products and acquiring companies, products and services that complement its business model.

CooperSurgical product sales are categorized based on the point of health care delivery including products used in medical office and surgical procedures primarily by obstetricians and gynecologists (ob/gyns) that represented 46% of CooperSurgical's net sales in the fiscal 2017 compared to 55% in the prior year. CooperSurgical's remaining sales are specialized products and services that largely target the in vitro fertilization (IVF) process used in fertility that now represent 54% of CooperSurgical's net sales up from 45% in fiscal 2016. This change in product mix was primarily attributable to recent acquisitions discussed below.

We have continued to invest in CooperSurgical's business through the acquisition of companies and product lines for new or complementary products and services for the IVF process. In fiscal 2017, we acquired Wallace, the IVF segment of Smiths Medical International Ltd. In fiscal 2016, we acquired Recombine, Inc., Reprogenetics UK and Genesis Genetics Inc., which compete in service offerings of carrier screening, preimplantation genetic screening (PGS) and/or preimplantation genetic diagnosis (PGD) used during the IVF process, and we also acquired Kivex Biotec A/S, The Pipette Company and Research Instruments, which are manufacturers and distributors of IVF medical devices, systems, and/or equipment. We intend to continue investing in CooperSurgical's business with the goal of expanding our integrated solutions model within the areas of women's health, fertility and diagnostics.

On November 1, 2017, subsequent to fiscal 2017, CooperSurgical acquired the global rights and business of the PARAGARD Intrauterine Device (IUD) business (PARAGARD) from Teva Pharmaceuticals Industries Limited (Teva) for \$1.1 billion. We acquired PARAGARD as the product broadens and strengthens CooperSurgical's current women's health product portfolio in office and surgical procedures. PARAGARD is the only non-hormonal, long lasting, reversible contraceptive option approved by FDA available in the United States. IUDs represent a large and growing segment of the contraceptive market and this acquisition allows CooperSurgical to accelerate growth providing opportunities for operational synergies. In connection with the acquisition, we entered into a new five-year, \$1.425 billion, senior unsecured term loan agreement by and among the Company, the lenders party thereto and DNB Bank, as administrative agent. We used part of the facility to fund the acquisition of PARAGARD and used the remainder of the funds to partially repay outstanding borrowings under our revolving credit agreement. Refer to Note 15. Subsequent Events for more information.

Capital Resources - At October 31, 2017, we had \$88.8 million in cash, primarily outside the United States, \$676.7 million available under our syndicated revolving credit agreement and \$830.0 million outstanding on the term loan entered on March 1, 2016. In fiscal 2017, we fully repaid the remaining balances from the \$700.0 million term loan originally entered into on August 4, 2014 and the \$300.0 million term loan originally entered into on September 12, 2013 using funds from operations and our revolving credit agreement.

On March 1, 2016, we entered into a syndicated revolving Credit and Term Loan Agreement with Keybank as administrative agent. This agreement, maturing on March 1, 2021, replaced our previous revolving Credit Agreement, entered into on January, 12, 2011 and provides for a multi-currency revolving credit facility in an aggregate principal amount of \$1.0 billion and a term loan facility in the aggregate principal amount of \$830.0 million. We used funds from the term loan to repay outstanding amounts under the previous Credit Agreement, other outstanding term loans and for general corporate purposes. See Note 5. Debt for additional information.

We believe our cash and cash equivalents, cash flow from operating activities and borrowing capacity under our 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.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

However, depending on the size or timing of these business activities, we may seek to raise additional equity or debt financing, which may not be available on favorable terms, or at all.

2017 Compared with 2016

Highlights: 2017 vs. 2016

Net sales increased 9% to \$2.14 billion from \$1.97 billion in fiscal 2016

Gross margin 64% of net sales compared with 60% in fiscal 2016

Operating income increased 32% to \$429.1 million from \$324.1 million

Interest expense increased to \$33.4 million from \$26.2 million

Diluted earnings per share increased 35% to \$7.52 from \$5.59

Operating cash flow \$593.6 million increased 16% from \$509.6 million

## Selected Statistical Information – Percentage of Net Sales

Years Ended October 31,	2017 vs.		2016 vs.		2015
	2017	2016	2016	2015	
	% Change		% Change		
Net sales	100%	9 %	100%	9 %	100%
Cost of sales	36 %	(3 )%	40 %	9 %	40 %
Gross profit	64 %	16 %	60 %	10 %	60 %
Selling, general and administrative expense	37 %	11 %	37 %	1 %	40 %
Research and development expense	3 %	6 %	3 %	(6 )%	4 %
Amortization of intangibles	3 %	13 %	3 %	18 %	3 %
Operating income	20 %	32 %	16 %	37 %	13 %

## Net Sales Growth by Business Unit

Our two business units, CooperVision and CooperSurgical, generate all of our sales. Our consolidated net sales grew by \$172.2 million or 9% in fiscal 2017 and \$169.7 million or 9% in fiscal 2016:

(\$ in millions)	2017		2016	
	vs. 2016	% Change	vs. 2015	% Change
CooperVision	\$96.8	6 %	\$89.4	6 %
CooperSurgical	75.4	19 %	80.3	26 %
	\$172.2	9 %	\$169.7	9 %

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## 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, toric, multifocal and toric multifocal lens products in most modalities.

Single-use lenses are designed for daily replacement and frequently replaced lenses are designed for two-week or monthly replacement. Significantly, the market for spherical lenses is growing with value-added spherical lenses to alleviate dry eye symptoms, to reduce eye fatigue from use of digital devices, to add aspherical optical properties and/or higher oxygen permeable lenses such as silicone hydrogels.

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

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

## CooperVision Net Sales by Category

(\$ in millions)	2017	% Net Sales	2016	%Net sales	2017 vs. 2016 % Change
Toric	\$526.8	31 %	\$480.2	30 %	10 %
Multifocal	177.2	11 %	169.8	11 %	4 %
Single-use spheres	438.3	26 %	403.1	26 %	9 %
Non single-use sphere, other	531.8	32 %	524.1	33 %	1 %
	\$1,674.1	100 %	\$1,577.2	100 %	6 %

In fiscal 2017, CooperVision's toric and multifocal lenses grew largely through the success of our Biofinity, clariti and MyDay portfolios, offset by declines in older hydrogel products. Single-use sphere lenses growth was largely attributed to clariti and MyDay lenses offset by declines in older hydrogel products. Non single-use spheres grew largely on sales of Biofinity offset by declines in older hydrogel products. The term "other" products primarily includes lens care, approximately 3% of net sales in fiscal 2017. Total silicone hydrogel products, including clariti, Biofinity, Avaira and MyDay grew 16% in fiscal 2017, representing 65% of net sales compared to 60% in the prior fiscal year.

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



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## CooperVision Net Sales by Geography

(\$ in millions)	2017	2016	2017 vs.	
			2016	% Change
Americas	\$675.4	\$650.7	4	%
EMEA	651.2	612.3	6	%
Asia Pacific	347.5	314.2	11	%
	\$1,674.1	\$1,577.2	6	%

CooperVision fiscal 2017 net sales growth was partially offset by foreign exchange rate fluctuations which had a negative impact on net sales of \$19.8 million. Americas net sales growth was primarily due to market gains of silicone hydrogel contact lenses including Biofinity, clariti and MyDay, partially offset by a decrease in sales of older hydrogel lens products. EMEA net sales growth was largely due to market gains of silicone hydrogel contact lenses including Biofinity, clariti and MyDay, offset by a decrease in sales of older hydrogel products and weakening foreign currencies, primarily the British pound, compared to the prior year against the United States Dollar for the first three fiscal quarters and euro, for the first half of the fiscal year. Net sales in the Asia Pacific region grew on market gains of silicone hydrogel and hydrogel lenses, including Biofinity, clariti and MyDay, partially offset by weakening foreign currencies, primarily the Japanese yen, for the second half of the fiscal year.

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

## CooperSurgical Net Sales

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

Year Ended October 31, (\$ in millions)	2017	% Net		2016	% Net		2017 vs. 2016 % Change	
		Sales			Sales			
Fertility	\$250.2	54	%	\$175.8	45	%	42	%
Office and surgical procedures	214.7	46	%	213.8	55	%	—	%
	\$464.9	100	%	\$389.6	100	%	19	%

CooperSurgical's net sales increase in fertility products compared to the prior year period was mainly due to incremental sales from products and services of acquired companies. The net sales of medical office and surgical procedures remained relatively flat in fiscal 2017 compared to the prior year due to declines in sales of disposable products, partially offset by growth in recently launched products used in surgical procedures. Unit growth and product mix, primarily sales of recently acquired products and services, influenced sales growth. Net sales growth was partially offset by the negative impact from the weakening of foreign currencies compared to the United States dollar during the year.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

2016 Compared with 2015

Highlights: 2016 vs. 2015

Net sales up 9% to \$1.97 billion from \$1.80 billion in fiscal year 2015

Gross margin 60% of net sales compared with 60% in fiscal 2015

Operating income up 37% to \$324.1 million from \$236.7 million

Interest expense increased to \$26.2 million from \$18.1 million

Diluted earnings per share up 35% to \$5.59 from \$4.14

Operating cash flow \$509.6 million up 30% from \$391.0 million

Fiscal 2016 pre-tax results include \$60.8 million for amortization of intangible assets and \$95.1 million of acquisition, integration and restructuring costs primarily related to acquisitions as well as certain legal costs. Acquisition related and integration expenses include items such as personnel costs for transitional employees, other acquired employee related costs and integration related professional services. Restructuring expenses consist of employee severance, product and equipment rationalization, facility and other exit costs. We expect amortization of intangible assets will recur in future periods; however, the amounts are affected by the timing and size of our acquisitions. Expenses such as the acquisition related and integration expenses generally diminish over time with respect to past acquisitions. However, we generally will incur similar expenses in connection with any future acquisitions.

Our fiscal 2016 results include \$58.9 million of expenses primarily due to product and equipment rationalization costs, and severance related to the Sauflon acquisition, \$6.3 million of costs associated with the start-up of new manufacturing facilities, and \$4.4 million of integration costs in our CooperSurgical business, all recorded in cost of sales. Included in our selling, general and administrative expense is \$21.2 million of expense for acquisition, restructuring and integration activities, and \$2.9 million of certain legal costs. Research and development includes \$0.4 million primarily for severance related to restructuring activities. We also incurred a loss of \$1.0 million relating to debt extinguishment and foreign exchange loss on forward contracts for an acquisition, both recorded in other expense. The legal costs relate to litigation of the class action complaints filed against CooperVision and other contact lens manufacturers, distributors and retailers relating to Unilateral Pricing Policy (UPP) and related lobbying expenses.

Fiscal 2015 pre-tax results include \$51.5 million for amortization of intangible assets and \$126.4 million of acquisition, integration and restructuring costs primarily related to the acquisition of Sauflon and other recent acquisitions, as well as certain legal costs.

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





## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## Selected Statistical Information – Percentage of Net Sales

Years Ended October 31,			2016 vs.	
	2016	2015	2015	% Change
Net sales	100%	100%	9	%
Cost of sales	40 %	40 %	9	%
Gross profit	60 %	60 %	10	%
Selling, general and administrative expense	37 %	40 %	1	%
Research and development expense	3 %	4 %	(6)	)%
Amortization of intangibles	3 %	3 %	18	%
Operating income	16 %	13 %	37	%

## Net Sales Growth by Business Unit

Our consolidated net sales grew by \$169.7 million or 9% in fiscal 2016:

(\$ in millions)	2016		% Change
	vs.	2015	
CooperVision	\$89.4	6	%
CooperSurgical	80.3	26	%
	\$169.7	9	%

## CooperVision Net Sales

CooperVision fiscal 2016 net sales increased 6% from fiscal 2015 to \$1.58 billion. Net sales growth included increases in total sphere lenses up 6%, representing 55% of net sales, the same as in the prior year, primarily on sales of Biofinity, clariti, and MyDay lenses, offset by declines in older products. Total toric lenses grew 9%, representing 30% of net sales, the same as in the prior year, predominantly on sales of Biofinity and clariti products. Total multifocal lenses grew 5%, representing 11% of net sales, the same as in the prior year, primarily from growth in sales of Biofinity and clariti products. Total silicone hydrogel products, including Biofinity, clariti, MyDay and Avaira, grew 15%, representing 60% of net sales up from 55% in the prior year.

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

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## CooperVision Net Sales by Geography

			2016 vs.	
(\$ in millions)	2016	2015	2015	
			% Change	
Americas	\$650.7	\$624.3	4	%
EMEA	612.3	602.1	2	%
Asia Pacific	314.2	261.4	20	%
	\$1,577.2	\$1,487.8	6	%

CooperVision fiscal 2016 net sales growth was partially offset by foreign exchange rate fluctuations which had a net negative impact on net sales of \$22.6 million. Americas net sales growth was primarily due to market gains of silicone hydrogel contact lenses including Biofinity, clariti and MyDay partially offset by a decrease in sales of older hydrogel lens products. EMEA net sales growth was largely due to market gains of silicone hydrogel contact lenses including Biofinity, clariti and MyDay, offset by a decrease in sales of older hydrogel products and weakening foreign currencies, primarily the British pound and euro, compared to the United States dollar. Net sales in the Asia Pacific region grew on market gains of silicone hydrogel and hydrogel lenses, including Biofinity, clariti, MyDay, and Proclear 1 Day lenses. Net sales growth in the Asia Pacific region benefited by exchange rate changes of the United States dollar compared to the Japanese yen.

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

## CooperSurgical Net Sales

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

Year Ended October 31, (\$ in millions)	2016	% Net Sales	2015	% Net Sales	2016 vs. 2015 % Change
Office and surgical procedures	\$213.8	55 %	\$204.1	66 %	5 %
Fertility	175.8	45 %	105.2	34 %	67 %
	\$389.6	100 %	\$309.3	100 %	26 %

CooperSurgical's net sales of medical office and surgical procedures increased in fiscal 2016 compared to the prior year due to growth in sales of disposable products used in surgical procedures and recently launched products. The net sales increase in fertility products compared to the prior year period was mainly due to sales of products and services of recently acquired companies. Unit growth and product mix, primarily sales of recently acquired products and services, influenced sales growth. Net sales growth was partially offset by the negative impact from the weakening of foreign currencies compared to the United States dollar.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## 2017 Compared to 2016 and 2016 Compared to 2015

## Cost of Sales/Gross Profit

Gross Profit Percentage of Net Sales	2017	2016	2015
CooperVision	65 %	59 %	59 %
CooperSurgical	60 %	62 %	64 %
Consolidated	64 %	60 %	60 %

CooperVision's increase in gross margin in fiscal 2017 compared to fiscal 2016 was primarily due to the increase in sales of higher margin products including Biofinity and favorable currency impact to CooperVision's cost of sales primarily led by the weakening of the British pound compared to the United States dollar. CooperVision's cost of sales included \$17.2 million from \$10.9 million of primarily incremental costs associated with the impact of Hurricane Maria on our Puerto Rico manufacturing facility, \$5.7 million of product write off costs related to the product transition from Avaira sphere to Avaira Vitality, and \$0.6 million of facility start up costs in the fiscal year ended October 31, 2017. Fiscal 2016 gross margin was also negatively impacted by higher restructuring and integrations costs described below.

CooperVision's gross margin in fiscal 2016 remained flat compared to fiscal 2015. Gross margin was impacted positively from an increase in sales of higher margin products including Biofinity, offset by the negative effects of foreign currency changes that unfavorably impacted gross margin as we reported lower net sales due to the weakening of foreign currencies as compared to the United States dollar. Fiscal 2016 and 2015 gross margins were negatively impacted by product and equipment rationalization charges and the related severance costs, arising from our review of Sauflon's products, materials and manufacturing processes, and facility start-up costs of \$65.2 million and \$69.6 million, respectively.

CooperSurgical's sequential decrease in gross margin in fiscal 2017, compared to fiscal 2016 and 2015 was primarily due to a change in product mix arising from sales of recently acquired lower margin products and services.

CooperSurgical's fiscal 2017 cost of sales included \$5.8 million of integration costs compared to \$4.4 million in fiscal 2016.

## Selling, General and Administrative Expense (SGA)

(\$ in millions)	2017	2017 vs.			2016 vs.			
		% Net Sales	2016	% Net Sales	2015	% Net Sales		
		Change		Change				
CooperVision	\$583.5	35 %	9 %	\$535.3	34 %	(3 )%	\$552.1	37 %
CooperSurgical	167.8	36 %	19 %	141.6	36 %	27 %	111.2	36 %
Corporate	47.8	—	4 %	45.9	—	(7 )%	49.2	—
	\$799.1	37 %	11 %	\$722.8	37 %	1 %	\$712.5	40 %

The increase in CooperVision's SGA in fiscal 2017 compared to fiscal 2016 in absolute dollars and as a percentage of sales was due to investments to support our long term objectives, including increased headcount in sales and G&A, investments in information technology and higher distribution expenses to support revenue growth. CooperVision's SGA in fiscal 2017 included \$9.1 million of legal costs and \$4.7 million of acquisition and integration costs. Legal costs related to litigation of class action complaints filed against CooperVision and other contact lens manufacturers relating to Unilateral Pricing Policy (UPP), including a settlement accrual of \$3.0 million.

The decrease in CooperVision's SGA in fiscal 2016 compared to fiscal 2015 in absolute dollars was primarily due to lower litigation settlement, legal and related lobbying costs consisting of \$2.9 million in the current year compared to \$19.8 million in the fiscal 2015. The litigation, legal and related lobbying costs were related to UPP, as well as a \$17.0 million settlement made to JJVC in the third quarter of fiscal 2015. The reduction



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

in SGA expense is also due to lower Sauflon restructuring and integration activities of approximately \$9.0 million in fiscal 2016, compared to \$24.5 million in fiscal 2015. CooperVision's SGA excluding legal, restructuring and integration activities discussed above, increased in fiscal 2016 due to investment in sales and marketing, including headcount, to promote our silicone hydrogel products and to reach new customers and support geographic expansion. The increase in CooperSurgical's SGA in fiscal 2017 compared to fiscal 2016 in absolute dollars was primarily due to the inclusion of operating expenses of acquired companies and investment in headcount to support growth. CooperSurgical's SGA included \$16.3 million of primarily acquisition and integration expenses of acquired companies compared to \$11.3 million in fiscal 2016.

The increase in CooperSurgical's SGA in fiscal 2016 compared to fiscal 2015 in absolute dollars is primarily due to the inclusion of operating expenses of recently acquired companies as well as \$11.3 million of acquisition and integration expenses in fiscal 2016 compared to \$4.9 million in fiscal 2015. CooperSurgical continues to invest in sales activities to promote our products and to reach new customers.

The increase in Corporate SGA in fiscal 2017 compared to fiscal 2016 was primarily due to share based compensation related expenses. The decrease in Corporate SGA in fiscal 2016 compared to the prior year in absolute dollars was primarily due to lower share-based compensation costs and efficiencies achieved as a result of cost control measures.

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

(\$ in millions)	2017	% Net Sales	2017 vs. 2016		% Net Sales	2016 vs. 2015		% Net Sales		
			Change	%		Change	%			
CooperVision	\$47.3	3 %	1	%	\$46.9	3 %	(15)	%	\$55.2	4 %
CooperSurgical	21.9	5 %	18	%	18.5	5 %	28	%	14.4	5 %
	\$69.2	3 %	6	%	\$65.4	3 %	(6)	%	\$69.6	4 %

CooperVision's research and development (R&D) remained relatively flat in fiscal 2017 compared to fiscal 2016. The decrease in CooperVision's R&D expense in fiscal 2016 compared to 2015 in absolute dollars and as a percentage of sales was primarily due to synergies resulting from the integration of Sauflon. In fiscal 2016, CooperVision recorded \$0.2 million in charges primarily for severance costs compared to \$4.6 million in fiscal 2015 primarily for equipment rationalization and severance costs related to integration activities. CooperVision's R&D activities are primarily focused on the development of contact lenses and manufacturing improvements.

The sequential increases in CooperSurgical's R&D in fiscal 2017 compared to 2016 and 2015 in absolute dollars was primarily due to increased activity to bring newly acquired products to market, increased investment in projects to develop new products and the upgrade of existing products. As a percentage of sales, R&D expense remained flat. CooperSurgical's R&D activities include in vitro fertilization product development and the design and upgrade of surgical procedure devices.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## Amortization of Intangibles

(\$ in millions)	2017	% Net Sales	2017 vs. 2016		% Net Sales	2016 vs. 2015		% Net Sales
			% Change	2016		% Change	2015	
CooperVision	\$36.7	2 %	(9 )%	\$40.1	3 %	9 %	\$36.6	3 %
CooperSurgical	31.7	7 %	54 %	20.7	5 %	40 %	14.9	5 %
	\$68.4	3 %	13 %	\$60.8	3 %	18 %	\$51.5	3 %

The sequential increases in amortization were due primarily to amortization of intangible assets acquired in recent acquisitions by CooperSurgical. The decrease in CooperVision's amortization in fiscal 2017 compared to 2016 was due to certain intangible assets that were fully amortized and due to a charge of \$2.3 million in the fiscal first quarter of 2016 discussed below.

The increase in CooperVision's amortization expense in fiscal 2016 compared to 2015 was due to a charge of \$2.3 million in the fiscal first quarter of 2016 to write off acquired in-process research and development. We expect amortization in fiscal 2018 to be approximately \$18.0 million in each of our fiscal quarters primarily due to intangible assets acquired through our acquisitions, offset by intangible assets which we forecast to become fully amortized. This does not include amortization of intangible assets acquired subsequent to the fiscal year 2017.

## Restructuring and Integration Costs

During the fourth quarter of fiscal 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 included workforce reductions, consolidation of duplicative facilities and product rationalization. As of October 31, 2016, our activities related to this restructuring and integration plan were essentially complete. The total restructuring costs under this plan were \$148.3 million, as discussed in our notes to consolidated financial statements.

In fiscal 2016, we recorded in cost of sales \$56.4 million of expense, arising from production-related asset disposals, accelerated depreciation on equipment, and inventory rationalization, primarily related to older lens products, based on our review of products, materials and manufacturing processes of Sauflon. We recorded in cost of sales \$1.1 million of employee termination costs. We recorded in selling, general and administrative expense a reduction of \$1.1 million due to a decrease in expected employee termination payments; and we recorded \$0.2 million of expense for lease termination costs. In addition, CooperVision incurred \$10.0 million of integration costs in fiscal 2016, included in operating expenses.

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

We may, from time to time, decide to pursue additional restructuring activities that involve charges in future periods.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## Operating Income

(\$ in millions)	2017	% Net Sales	2017 vs.		% Net Sales	2016 vs.		% Net Sales
			2016	Change		2015	Change	
CooperVision	\$418.4	25 %	35 %	\$309.8	20 %	35 %	\$229.8	15 %
CooperSurgical	58.5	13 %	(3 )%	60.2	15 %	7 %	56.1	18 %
Corporate	(47.8 )	—	(4 )%	(45.9 )	—	7 %	(49.2 )	—
	\$429.1	20 %	32 %	\$324.1	16 %	37 %	\$236.7	13 %

The increase in consolidated operating income in fiscal 2017 compared to fiscal 2016 in absolute dollars and as a percentage of net sales was primarily due to the increase in consolidated gross margins. The increase in CooperVision operating income in fiscal 2017 compared to fiscal 2016 was primarily due to increase in sales and gross margin primarily from higher margin products including Biofinity and lower restructuring and integration costs compared to fiscal 2016 as discussed above. The decrease in CooperSurgical operating income in fiscal 2017 compared to fiscal 2016 was due to higher operating expenses relating to acquisitions and investments to support growth.

The increase in consolidated operating income in fiscal 2016 compared to fiscal 2015 in absolute dollars and as a percentage of net sales was primarily due to the increase in consolidated net sales. In addition, the Company's total operating expenses as a percentage of sales in fiscal 2016 decreased by 3% compared to fiscal 2015 which had a corresponding increase in operating income as a percentage of sales. The increase in CooperVision operating income in fiscal 2016 compared to fiscal 2015 was primarily due to decreases in expenses relating to legal, and restructuring and integration costs primarily related to Sauflon, as discussed above, recorded in cost of sales and operating expenses, in addition to the \$17.0 million litigation settlement made in 2015 as discussed above.

CooperSurgical's operating income increased in absolute dollars in fiscal 2016 compared to 2015 due primarily to an increase in sales of higher margin legacy products as a result of our investment in sales and promotional activities to reach new customers as well as recently launched products, partially offset by the sales of recently acquired lower margin products and services and the increase in total operating expenses.

## Interest Expense

(\$ in millions)	2017	% Net Sales	2017 vs.		% Net Sales	2016 vs.		% Net Sales
			2016	Change		2015	Change	
Interest expense	\$33.4	2 %	28 %	\$26.2	1 %	45 %	\$18.1	1 %

Sequential increases in interest expense in absolute dollars and as a percentage of sales reflect higher average debt balances as a result of debt incurred in connection with acquisitions as well as higher interest rates. Fiscal 2017 interest expense also included \$2.2 million of Bridge Loan Facility fees that were incurred related to the PARAGARD acquisition as discussed in Note 15. Subsequent Events.

Current debt outstanding at October 31, 2017 includes the \$830.0 million term loan entered on March 1, 2016, and \$323.0 million borrowed under the revolving credit agreement. We expect interest expense to increase in fiscal 2018 due to the new \$1.425 billion term loan entered into on November 1, 2017 to fund the PARAGARD acquisition.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## Other Expense (Income), Net

Years Ended October 31, (In millions)	2017	2016	2015
Foreign exchange loss	\$ 1.4	\$ 1.6	\$ 3.5
Other expense (income), net	0.3	0.7	(0.4 )
	\$ 1.7	\$ 2.3	\$ 3.1

Other expense in fiscal 2017 includes a \$0.2 million foreign exchange loss on forward contracts related to an acquisition. Other expense in fiscal 2016 includes a \$0.6 million foreign exchange loss on forward contracts related to an acquisition and a \$0.4 million loss related to extinguishment of debt.

## Provision for Income Taxes

We recorded income tax expense of \$21.1 million in fiscal 2017 compared to \$20.7 million in fiscal 2016. Our effective tax rate (ETR) (provision for income taxes divided by pretax income) was 5.3%, 7.0% and 4.8% for fiscal 2017, 2016 and 2015, respectively. The ETR in fiscal 2017 decreased in comparison to fiscal 2016 due to the shift in the geographic mix of income as well as discrete benefits from adopting ASU 2016-9 (Excess tax benefit from share-based compensation). The ETR in fiscal 2016 increased in comparison to fiscal 2015 due to an increase in foreign non-deductible integration and transaction expenses, partially offset by renewal of the R&D tax credit and lower state income taxes.

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 \$114.6 million and a foreign effective tax rate of approximately 3.8% in our fiscal year 2017 compared to \$81.2 million and a foreign effective tax rate of approximately 3.5% in our fiscal year 2016. The foreign jurisdictions with lower tax rates compared to the United States federal statutory rate that had the most significant impact on our provision for foreign income taxes in the fiscal years presented include the United Kingdom, Barbados and Puerto Rico. See the notes to consolidated financial statements for additional information.

## Share Repurchases

In December 2011, our Board of Directors authorized the 2012 Share Repurchase Program and through subsequent amendments, the most recent in March 2017, the total repurchase authorization was increased from \$500.0 million to \$1.0 billion of the Company's common stock. The program has no expiration date and may be discontinued at any time. We repurchased 108 thousand shares of our common stock for \$25.5 million at an average purchase price of \$237.12 per share in the fourth quarter of fiscal 2017; and repurchased 150 thousand shares of our common stock for \$29.5 million at an average purchase price of \$196.82 per share in the second quarter of fiscal 2017. At October 31, 2017, we had remaining authorization to repurchase \$563.5 million of our common stock.

We did not repurchase any shares during fiscal 2016. During fiscal 2015, we repurchased 468 thousand shares of our common stock for \$67.3 million at an average purchase price of \$143.93 per share.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

Share-Based Compensation Plans

We grant various share-based compensation awards, including stock options, performance shares, restricted stock and restricted stock units. The share-based compensation and related income tax benefit recognized in the consolidated financial statements in fiscal 2017 was \$37.2 million and \$11.4 million, respectively, compared to \$29.9 million and \$9.0 million, respectively, in fiscal 2016. As of October 31, 2017, there was \$75.4 million of total unrecognized share-based compensation cost related to non-vested awards: \$10.7 million for stock options; \$60.0 million for restricted stock units; and \$4.7 million for performance shares. The unrecognized compensation is expected to be recognized over weighted average remaining vesting periods of 3.1 years for nonvested stock options, 3.2 years for restricted stock units and 1.3 years for performance shares. Net (payments) proceeds related to share-based compensation awards for the fiscal years ended October 31, 2017, 2016 and 2015 were approximately \$(5.3) million, \$7.2 million and \$(4.8) million, respectively. Net payments relate to tax withholding for share-based compensation arrangements.

We estimate the fair value of each stock option award on the date of grant using the Black-Scholes valuation model, which requires management to make estimates regarding expected option life, stock price volatility and other assumptions. The use of different assumptions could lead to a different estimate of fair value. The expected life of the stock option is based on the observed and expected time to post-vesting forfeiture and/or exercise. Groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. If our assumption for the expected life increased by one year, the fair value of an individual option granted in fiscal 2017 would have increased by approximately \$4.00. To determine the stock price volatility, management considers implied volatility from publicly-traded options on the Company's stock at the date of grant, historical volatility and other factors. If our assumption for stock price volatility increased by one percentage point, the fair value of an individual option granted in fiscal 2017 would have increased by approximately \$1.51.

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

We grant performance units to certain key employees that provide for the issuance of common stock if the Company achieves specified long-term performance goals over a three-year period. We estimate the fair value of each award on the date of grant based on the current market price of our common stock. The total amount of compensation expense recognized reflects our initial assumptions of the achievement of the performance goals and the estimated forfeiture rates. We review our assessment of the probability of the achievement of the performance goals each fiscal quarter. If the goals are not achieved or it is determined that achievement of the goals is not probable, previously recognized compensation expense is adjusted to reflect the expected achievement. If we determine that achievement of the goals will exceed the original assessment, additional compensation expense is recognized.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## CAPITAL RESOURCES AND LIQUIDITY

## 2017 Highlights

Operating cash flow \$593.6 million up from \$509.6 million in fiscal 2016

Expenditures for purchases of property, plant and equipment \$127.2 million down from \$152.6 million in fiscal 2016

Cash payments for acquisitions, \$254.1 million compared to \$266.1 million in fiscal 2016

Total debt at \$1.17 billion at the end of fiscal 2017 compared to \$1.33 billion at the end of fiscal 2016

## Comparative Statistics

Years Ended October 31, (\$ in millions)	2017	2016
Cash and cash equivalents	\$88.8	\$100.8
Total assets	\$4,858.7	\$4,478.6
Working capital	\$557.1	\$393.9
Total debt	\$1,172.7	\$1,333.7
Stockholders' equity	\$3,175.8	\$2,695.9
Ratio of debt to equity	0.37:1	0.49:1
Debt as a percentage of total capitalization	27 %	33 %

## Working Capital

The increase in working capital at the end of fiscal 2017 from the end of fiscal 2016 was primarily due to the increases in accounts receivable, inventories, other current assets and decrease in short-term debt, offset by a decrease in cash balances, increase in accounts payable and other current liabilities.

The \$36.4 million increase in inventories was primarily related to increase in raw materials to support production levels and acquired inventories from acquisitions. Our inventory months on hand (MOH) were 6.5 and 5.6 at October 31, 2017 and 2016, respectively. MOH at October 31, 2016, was 6.7 after adjusting for product rationalization costs related to Sauflon. Our days sales outstanding (DSO) remained constant at 53 days at October 31, 2017 compared to October 31, 2016.

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

## Operating Cash Flow

Cash flow provided by operating activities in fiscal 2017 continued to be our major source of liquidity, at \$593.6 million compared to \$509.6 million in fiscal 2016 and \$390.9 million in fiscal 2015. Fiscal 2017 results include \$372.9 million of net income and non-cash items primarily made up of \$188.4 million related to depreciation and amortization, \$37.2 million of share-based compensation and \$6.1 million of loss on disposal of property, partially offset by \$7.1 million related to deferred income taxes. Cash flow from operating capital reflect the changes in operating assets and liabilities, which are primarily \$25.1 million increase in accounts receivable, driven by higher revenue, increase in inventories of \$30.9 million, driven by higher raw materials to support production levels and inventories from acquisitions, and other assets of \$13.8 million, offset by increase in accounts payable of \$25.0 million, increase in accrued expenses of \$18.9 million, and increase in other long term liabilities of \$9.8 million. The \$84.0 million increase in cash flows provided by

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

operating activities in fiscal 2017 compared to fiscal 2016 is primarily due to the increase in net income and inclusion of excess tax benefit from share based compensation awards in operating activities from the adoption of ASU2016-09 (See note 1).

Fiscal 2016 results include \$274.9 million of net income and non-cash items primarily made up of \$198.3 million related to depreciation and amortization, \$29.9 million of share-based compensation and \$30.6 million of charges primarily for write-off of property, plant and equipment related to Sauflon restructuring, partially offset by \$19.8 million related to excess tax benefits from share-based compensation. Results also include changes in operating assets and liabilities, which primarily reflects the decrease in inventories of \$12.2 million mainly due to product sales and older products rationalization excluding the increases related to recently acquired companies, increase in accounts receivables and other assets of \$3.6 million, increase in accounts payable and other liabilities of \$4.1 million, and decrease in income tax payable of \$8.9 million. The \$118.7 million increase in cash flows provided by operating activities in fiscal 2016 compared to fiscal 2015 is primarily due to the increase in net income, favorable changes in working capital, and the negative impact in fiscal 2015 due to the \$17.0 million settlement with JJVC.

Investing Cash Flow

Cash used in investing activities of \$381.3 million in fiscal 2017 was for capital expenditures of \$127.2 million primarily to increase manufacturing capacity and payments of \$254.1 million primarily related to acquisitions in fiscal 2017.

Cash used in investing activities of \$418.7 million in fiscal 2016 was for capital expenditures of \$152.6 million primarily to increase manufacturing capacity and payments of \$266.1 million primarily related to CooperSurgical acquisitions in fiscal 2016.

Financing Cash Flow

The changes in cash flows from financing activities primarily relate to borrowings and payments of debt as well as share repurchases and share-based compensation awards.

Cash used in financing activities of \$227.9 million in fiscal 2017 was driven by \$211.7 million net repayments of short term debt, \$55.0 million for repurchase of common stock, \$5.3 million net payments related to share-based compensation awards, \$4.3 million of payments of contingent consideration for prior acquisitions and \$2.9 million for dividends, partially offset by \$49.2 million net proceeds from long term debt.

Cash used in financing activities of \$1.4 million in fiscal 2016 was driven by \$15.0 million net repayment of debt, \$12.6 million for debt acquisition costs, \$3.4 million mainly related to the purchase of noncontrolling interests, \$2.9 million for dividends, offset by \$27.0 million in excess tax benefits and proceeds from share-based compensation awards, and \$5.5 million of proceeds from construction allowance.

At October 31, 2017, we had \$88.8 million in cash, predominantly outside the United States, and \$676.7 million available under our 2016 Credit Agreement. The \$830.0 million term loan entered into on March 1, 2016 was outstanding as of October 31, 2017. We are in compliance with our financial covenants including the Interest Coverage Ratio at 21.29 to 1.00 and the Total Leverage Ratio at 1.53 to 1.00. As defined in both the 2016 Credit Agreement and our Term Loan Agreements, we are required to maintain an Interest Coverage Ratio of at least 3.00 to 1.00, and a Total Leverage Ratio of no higher than 3.75 to 1.00.

Subsequent to our fiscal year ended October 31, 2017, we entered into a new five-year \$1.425 billion senior unsecured term loan agreement on November 1, 2017 in connection with the PARAGARD acquisition. See Note 15. Subsequent Events.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

## OFF BALANCE SHEET ARRANGEMENTS

None.

## CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As of October 31, 2017, we had the following contractual obligations and commercial commitments:

Payments Due by Period (In millions)	Total	2018	2019	2021	2023
			& 2020	& 2022	& Beyond
Contractual obligations:					
Long-term debt	\$1,153.2	\$—	\$323.0	\$830.2	\$—
Interest payments	90.0	27.0	54.0	9.0	—
Operating leases	275.5	33.4	55.8	40.5	145.8
Total contractual obligations	1,518.7	60.4	432.8	879.7	145.8
Commercial commitments:					
Stand-by letters of credit	4.9	4.9	—	—	—
Total	\$1,523.6	\$65.3	\$432.8	\$879.7	\$145.8

The expected future benefit payments for pension plans through 2027 are disclosed in Note 10. Employee Benefits.

We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, about \$45.3 million of our long-term income taxes payable have been excluded from the table above. However, other long-term liabilities, included in our consolidated balance sheet, include these uncertain tax positions. See Note 6. Income Taxes for additional information.

## Inflation and Changing Prices

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

## Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 1 of the Consolidated Financial Statements.

## Estimates and Critical Accounting Policies

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

•

Revenue recognition - We recognize product net sales, net of discounts, returns and rebates in accordance with related accounting standards and SEC Staff Accounting Bulletins. As required by

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

Valuation of goodwill - We account for goodwill and evaluate our goodwill balances and test them for impairment annually during the fiscal third quarter and when an event occurs or circumstances change such that it is reasonably possible that impairment may exist in accordance with related accounting standards. We performed our annual impairment test in our fiscal third quarter of 2017, and our analysis indicated that we had no impairment of goodwill. We performed our annual impairment test in our fiscal third quarter of 2016 and concluded that we had no impairment of goodwill in that year.

In the third quarter of fiscal 2017, we adopted ASU 2017-04, Intangibles - Goodwill and other (Topic 350): Simplifying the Test for Goodwill Impairment where FASB eliminated Step 2 from the goodwill impairment test, which required a hypothetical purchase price allocation. We performed a qualitative assessment to test each reporting unit's goodwill for impairment. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events and factors affecting each reporting unit. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not to be less than its carrying amount, the fair value of a reporting unit will be compared with its carrying amount and an impairment charge will be recognized for the carrying amount which exceeds the reporting unit's fair value. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are the same as our business segments - CooperVision and CooperSurgical - reflecting the way that we manage our business.

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





THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

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

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

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



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

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

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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

Trademarks

Aquaform<sup>®</sup>, Avaira<sup>®</sup>, Biofinity<sup>®</sup>, MyDay<sup>®</sup> and Proclear<sup>®</sup> are registered trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. PC Technology<sup>™</sup>, FIPS<sup>™</sup>, Avaira Vitality<sup>™</sup> and A Quality of Life Company<sup>™</sup> are trademarks of The Cooper Companies, Inc., its affiliates and/or subsidiaries. The clariti<sup>®</sup> 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<sup>®</sup> is licensed. PARAGARD<sup>®</sup> is a registered trademark of CooperSurgical, Inc.

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

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

We operate multiple foreign subsidiaries that manufacture and market our products worldwide. As a result, our earnings, cash flow and financial position are exposed to foreign currency risk from foreign currency denominated receivables and payables, sales transactions, capital expenditures and net investment in certain foreign operations. We are exposed to risks caused by changes in foreign exchange, primarily to the British pound sterling, euro, Japanese yen, Danish krone, Swedish krona, Australian dollar and Canadian dollar. Although we may enter into foreign exchange agreements with financial institutions to reduce our nonfunctional currency exposure, these hedging transactions do not eliminate that risk entirely. At 31 October 2017, a uniform hypothetical 5% decrease in the foreign currency exchange rates in comparison to the United States dollar would have resulted in a decrease in approximately \$25.0 million in operating income for the fiscal year ended 31 October 2017. For additional information, see Item 1A. Risk Factors - "Our substantial and expanding international operations are subject to uncertainties which could affect our operating results." and Note 1 to the consolidated financial statements.

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

Subsequent to the fiscal year ended October 31, 2017, on November 1, 2017, in connection with the PARAGARD acquisition, we entered into a new five-year, \$1.425 billion, senior unsecured term loan agreement by and among the Company, the lenders party thereto and DNB Bank, as administrative agent. The Company used part of the facility to fund acquisition of PARAGARD and used the remainder of the funds to partially repay outstanding borrowings under our revolving credit agreement. We are exposed to interest rate risk as interest rates on this term loan varies with the LIBOR.

On March 1, 2016, we entered into a syndicated Revolving Credit and Term Loan Agreement (2016 Credit Agreement) with Keybank as administrative agent. The new agreement provides for a multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion and a term loan facility in the aggregate principal amount of \$830.0 million. The 2016 Credit Agreement replaced our previous credit agreement and funds from the new term loan were used to repay our other outstanding term loans and for



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

general corporate purposes. At October 31, 2017, we had \$676.7 million available under the revolving credit facility and \$830.0 million outstanding under the term loan.

On August 4, 2014, we entered into a three-year, \$700.0 million, senior unsecured term loan agreement with a maturity date of August 4, 2017. There was no amortization of the principal, and we could prepay the loan balances from time to time, in whole or in part, without premium or penalty. We repaid \$493.0 million of the outstanding balance in fiscal 2016 and fully repaid the remaining \$207.0 million of the outstanding balance in the second quarter of fiscal 2017.

On September 12, 2013, we entered into a five-year, \$300.0 million, senior unsecured term loan agreement with a maturity date of September 12, 2018, subject to amortization of principal of 5% per year payable quarterly beginning October 31, 2016, with the balance payable at maturity. We repaid \$15.0 million of the outstanding balance in fiscal 2016 and fully repaid the remaining \$285.0 million in the third quarter of fiscal 2017 using the funds from the 2016 Credit Agreement.

See Note 5. Debt for additional information.

October 31, (In millions)	2017	2016
Short-term debt	\$23.4	\$17.1
Current portion of long-term debt	—	209.2
Long-term debt	1,153.2	1,111.4
Less: unamortized debt issuance cost	\$(3.9 )	\$(4.0 )
Total	\$1,172.7	\$1,333.7

At October 31, 2017, the scheduled maturities of our fixed and variable rate long-term debt obligations, their weighted average interest rates:

Expected Maturity Date Fiscal Year (\$ in millions)	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
Long-term debt:								
Variable interest rate	\$	-\$323.0	\$	-\$830.2	\$	—	—\$1,153.2	\$1,153.2
Average interest rate	—	2.4	%	—	2.4	%	—	—

As the table incorporates only those exposures that existed as of October 31, 2017, it does not consider those exposures or positions which could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on interest rates, the exposures that arise during the period and our hedging strategies at that time. As of October 31, 2017, we had no interest rate swap outstanding. If interest rates were to increase or decrease by 1% or 100 basis points, annual interest expense would increase or decrease by approximately \$11.1 million based on average debt outstanding for the fiscal 2017. For further information about our debt, see Item 1A. Risk Factors - “We are vulnerable to interest rate risk with respect to our debt.” and Note 1 and Note 5 to the consolidated financial statements.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

The Cooper Companies, Inc.:

We have audited the accompanying consolidated balance sheets of The Cooper Companies, Inc. and subsidiaries (the Company) as of October 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2017. In connection with our audits of the consolidated financial statements, we have also audited financial statement Schedule II. We also have audited the Company's internal control over financial reporting as of October 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting appearing under item 9A. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule, and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Cooper Companies, Inc. and subsidiaries as of October 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

San Francisco, California  
December 22, 2017



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Income

Years Ended October 31,

(In millions, except for earnings per share)

	2017	2016	2015
Net sales	\$2,139.0	\$1,966.8	\$1,797.1
Cost of sales	773.2	793.7	726.8
Gross profit	1,365.8	1,173.1	1,070.3
Selling, general and administrative expense	799.1	722.8	712.5
Research and development expense	69.2	65.4	69.6
Amortization of intangibles	68.4	60.8	51.5
Operating income	429.1	324.1	236.7
Interest expense	33.4	26.2	18.1
Other expense, net	1.7	2.3	3.1
Income before income taxes	394.0	295.6	215.5
Provision for income taxes	21.1	20.7	10.4
Net income	372.9	274.9	205.1
Less: net income attributable to noncontrolling interests	—	1.0	1.6
Net income attributable to Cooper stockholders	\$372.9	\$273.9	\$203.5
Earnings per share attributable to Cooper stockholders - basic	\$7.63	\$5.65	\$4.20
Earnings per share attributable to Cooper stockholders - diluted	\$7.52	\$5.59	\$4.14
Number of shares used to compute earnings per share attributable to Cooper stockholders:			
Basic	48.9	48.5	48.5
Diluted	49.6	49.0	49.2

See accompanying notes to consolidated financial statements.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive income

Years Ended October 31,

(In millions)

	2017	2016	2015
Net income	\$372.9	\$274.9	\$205.1
Other comprehensive income (loss)			
Foreign currency translation adjustment	107.7	(289.6 )	(79.4 )
Change in value of derivative instruments, net of tax provision of \$0, \$0 and \$0.03, respectively	—	—	0.1
Change in minimum pension liability, net of tax provision (benefit) of \$4.2, \$(5.3) and \$(3.9), respectively	6.6	(8.4 )	(6.1 )
Other comprehensive income (loss)	114.3	(298.0 )	(85.4 )
Comprehensive income (loss)	487.2	(23.1 )	119.7
Less: comprehensive income attributable to noncontrolling interests	—	0.9	0.5
Comprehensive income (loss) attributable to Cooper stockholders	\$487.2	\$(24.0 )	\$119.2

See accompanying notes to consolidated financial statements.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

October 31, (In millions)	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$88.8	\$100.8
Trade accounts receivable, net of allowance for doubtful accounts of \$10.8 at October 31, 2017 and \$8.5 at October 31, 2016	316.6	291.4
Inventories	454.1	417.7
Deferred tax assets <sup>(1)</sup>	—	49.7
Prepaid expense and other current assets	93.7	77.5
Total current assets	953.2	937.1
Property, plant and equipment, at cost	1,757.5	1,603.2
Less: accumulated depreciation and amortization	847.4	725.5
	910.1	877.7
Goodwill	2,354.8	2,164.7
Other intangibles, net	504.7	441.1
Deferred tax assets <sup>(1)</sup>	60.3	6.1
Other assets	75.6	51.9
	\$4,858.7	\$4,478.6
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$23.4	\$226.3
Accounts payable	142.1	107.4
Employee compensation and benefits	84.1	77.7
Other current liabilities	146.5	131.8
Total current liabilities	396.1	543.2
Long-term debt	1,149.3	1,107.4
Deferred tax liabilities	38.8	37.5
Accrued pension liability and other	98.7	94.6
Total liabilities	1,682.9	1,782.7
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Preferred stock, 10 cents par value, shares authorized: 1.0; zero shares issued or outstanding	—	—
Common stock, 10 cents par value, shares authorized: 120.0; issued 52.4 at October 31, 2017 and 52.1 at October 31, 2016	5.2	5.2
Additional paid-in capital	1,526.7	1,494.0
Accumulated other comprehensive loss	(375.3 )	(489.6 )
Retained earnings	2,434.2	2,046.3
Treasury stock at cost: 3.6 shares at October 31, 2017 and 3.3 shares at October 31, 2016	(415.1 )	(360.1 )
Total Cooper stockholders' equity	3,175.7	2,695.8
Noncontrolling interests	0.1	0.1
Stockholders' equity	3,175.8	2,695.9
	\$4,858.7	\$4,478.6

<sup>(1)</sup> Prospective adoption of ASU 2015-17, Balance Sheet Classification of Deferred Taxes. Refer to Note 1. See accompanying notes to consolidated financial statements.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Stockholders' Equity

(In millions)	Common Shares		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
Balance at October 31, 2014	48.1	\$ 4.8	2.8	\$ 0.2	\$ 1,386.8	\$ (106.2 )	\$ 1,578.8	\$(294.6)	\$ 18.6	\$ 2,588.4
Prior year adjustment (see note 1)	—	—	—	—	—	—	(4.1 )	—	—	(4.1 )
Net income attributable to Cooper stockholders	—	—	—	—	—	—	203.5	—	—	203.5
Other comprehensive loss, net of tax	—	—	—	—	—	(85.4 )	—	—	—	(85.4 )
Issuance of common stock for stock plans	0.7	0.1	—	—	(6.7 )	—	—	1.8	—	(4.8 )
Treasury stock repurchase	(0.5 )	(0.1 )	0.5	0.1	—	—	—	(67.3 )	—	(67.3 )
Tax benefit from exercise of stock options	—	—	—	—	18.3	—	—	—	—	18.3
Dividends on common stock	—	—	—	—	—	—	(2.9 )	—	—	(2.9 )
Share-based compensation expense	—	—	—	—	32.9	—	—	—	—	32.9
Purchase of shares from noncontrolling interests	—	—	—	—	3.4	—	—	—	(11.5 )	(8.1 )
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(0.7 )	(0.7 )
Balance at October 31, 2015	48.3	\$ 4.8	3.3	\$ 0.3	\$ 1,434.7	\$ (191.6 )	\$ 1,775.3	\$(360.1)	\$ 6.4	\$ 2,669.8
Net income attributable to Cooper stockholders	—	—	—	—	—	—	273.9	—	—	273.9
Other comprehensive loss, net of tax	—	—	—	—	—	(298.0 )	—	—	—	(298.0 )
Issuance of common stock for stock plans	0.5	0.1	—	—	7.1	—	—	—	—	7.2
Tax benefit from exercise of stock options	—	—	—	—	20.9	—	—	—	—	20.9
Dividends on common stock	—	—	—	—	—	—	(2.9 )	—	—	(2.9 )
Share-based compensation expense	—	—	—	—	29.9	—	—	—	—	29.9
Purchase of shares from noncontrolling interests	—	—	—	—	1.4	—	—	—	(3.6 )	(2.2 )
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(0.7 )	(0.7 )
Noncontrolling interests	—	—	—	—	—	—	—	—	(2.0 )	(2.0 )

Edgar Filing: NEWS CORP - Form 8-K

Balance at October 31, 2016	48.8	\$ 4.9	3.3	\$ 0.3	\$ 1,494.0	\$ (489.6 )	\$ 2,046.3	\$(360.1)	\$ 0.1	\$ 2,695.9
Net income attributable to Cooper stockholders	—	—	—	—	—	—	372.9	—	—	372.9
Other comprehensive loss, net of tax	—	—	—	—	—	114.3	—	—	—	114.3
Issuance of common stock for stock plans	0.3	—	—	—	(5.3 )	—	—	—	—	(5.3 )
Treasury stock repurchase	(0.3 )	—	0.3	—	—	—	—	(55.0 )	—	(55.0 )
Dividends on common stock	—	—	—	—	—	—	(2.9 )	—	—	(2.9 )
Share-based compensation expense	—	—	—	—	38.2	—	—	—	—	38.2
ASU2016-09 adoption	—	—	—	—	(0.2 )	—	17.9	—	—	17.7
Balance at October 31, 2017	48.8	\$ 4.9	3.6	\$ 0.3	\$ 1,526.7	\$ (375.3 )	\$ 2,434.2	\$(415.1)	\$ 0.1	\$ 3,175.8

See accompanying notes to consolidated financial statements.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

Years Ended October 31,

(In millions)

## Cash flows from operating activities:

	2017	2016	2015
Net income	\$372.9	\$274.9	\$205.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	188.4	198.3	191.4
Share-based compensation expense	37.2	29.9	32.9
Loss on disposal of property, plant and equipment	6.1	30.6	42.4
Deferred income taxes	(7.1 )	(10.7 )	5.6
Excess tax benefit from share-based compensation awards <sup>(1)</sup>	—	(19.8 )	(17.3 )
Provision for doubtful accounts	2.3	2.6	(0.1 )
Change in assets and liabilities:			
Accounts receivable	(25.1 )	1.6	(4.5 )
Inventories	(30.9 )	12.2	(37.4 )
Other assets	(13.8 )	(5.2 )	(22.6 )
Accounts payable	25.0	(10.5 )	10.1
Accrued liabilities	18.9	9.1	(10.7 )
Accrued income taxes	9.9	(8.9 )	(4.3 )
Other long-term liabilities	9.8	5.5	0.3
Cash provided by operating activities	593.6	509.6	390.9
Cash flows from investing activities:			
Purchases of property, plant and equipment	(127.2 )	(152.6 )	(243.0 )
Acquisitions of businesses, net of cash acquired, and other	(254.1 )	(266.1 )	(44.9 )
Cash used in investing activities	(381.3 )	(418.7 )	(287.9 )
Cash flows from financing activities:			
Proceeds from long-term debt	1,413.8	1,577.3	1,201.3
Repayments of long-term debt	(1,364.6)	(1,460.4)	(1,372.1)
Net (repayments of) proceeds from short-term debt	(211.7 )	(131.9 )	184.7
Payment of loan notes issued for Sauflon acquisition	—	—	(51.2 )
Repurchase of common stock	(55.0 )	—	(67.3 )
Proceeds related to share-based compensation awards	10.7	20.4	19.8
Payments related to share-based compensation awards	(16.0 )	(13.2 )	(24.6 )
Excess tax benefit from share-based compensation awards <sup>(1)</sup>	—	19.8	17.3
Purchase of Origio shares from noncontrolling interests	—	(2.2 )	(8.1 )
Dividends on common stock	(2.9 )	(2.9 )	(2.9 )
Debt issuance costs	—	(12.6 )	—
Distributions to noncontrolling interests	—	(0.7 )	(1.1 )
Payment of contingent consideration	(4.3 )	(0.5 )	(3.2 )
Proceeds from construction allowance	2.1	5.5	0.7
Cash used in financing activities	(227.9 )	(1.4 )	(106.7 )
Effect of exchange rate changes on cash and cash equivalents	3.6	(5.1 )	(5.1 )
Net (decrease) increase in cash and cash equivalents	(12.0 )	84.4	(8.8 )
Cash and cash equivalents at beginning of year	100.8	16.4	25.2
Cash and cash equivalents at end of year	\$88.8	\$100.8	\$16.4
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest, net of amounts capitalized	\$31.3	\$23.7	\$14.0

Edgar Filing: NEWS CORP - Form 8-K

Income taxes	\$ 15.6	\$ 29.4	\$ 12.2
Litigation settlement charges	\$ —	\$ —	\$ 17.0

<sup>(1)</sup>Adoption of ASU 2016-09, Stock Compensation: Improvements to Employee Share-Based Payment Accounting, excess tax benefits classified as operating activity on a prospective basis. Refer to Note 1.

See accompanying notes to consolidated financial statements.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

General

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

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

CooperSurgical primarily develops, manufactures, markets medical devices and procedures solutions, and provides services to improve health care delivery to families.

Significant Accounting Policies

Management's significant accounting policies include estimates and judgments which are an integral part of financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP). We believe that the accounting policies described in this section address the more significant policies utilized by management when preparing our consolidated financial statements in accordance with GAAP. We believe that the accounting policies and 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 important to aid in fully understanding and evaluating our reported financial results are:

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

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

Valuation of goodwill - We evaluate our goodwill balances and test them for impairment annually during the fiscal third quarter and when an event occurs or circumstances change such that it is reasonably

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

possible that impairment may exist in accordance with related accounting standards. We performed our annual impairment test in our fiscal third quarter of 2017, and our analysis indicated that we had no impairment of goodwill. We performed our annual impairment test in our fiscal third quarter of 2016 and concluded that we had no impairment of goodwill in that year.

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

In the third quarter of fiscal 2017, we adopted ASU 2017-04, Intangibles - Goodwill and other (Topic 350): Simplifying the Test for Goodwill Impairment where FASB eliminated Step 2 from the goodwill impairment test, which required a hypothetical purchase price allocation. The adoption had no material impact on the Company's reported financial results. We performed a qualitative assessment to test each reporting unit's goodwill for impairment. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events and factors affecting each reporting unit. Based on our qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not to be less than its carrying amount, the fair value of a reporting unit will be compared with its carrying amount and an impairment charge will be recognized for the carrying amount which exceeds the reporting unit's fair value. A reporting unit is the level of reporting at which goodwill is tested for impairment. Our reporting units are the same as our business segments - CooperVision and CooperSurgical - reflecting the way that we manage our business.

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

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

As part of the process of preparing our consolidated financial statements, we must estimate our income tax expense for each of the jurisdictions in which we operate. This process requires significant management judgments and involves estimating our current tax exposures in each jurisdiction including the impact, if any, of additional taxes resulting from tax examinations as well as judging the recoverability of deferred tax assets. To the extent recovery of deferred tax assets is not likely based on our estimation of future



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

taxable income in each jurisdiction, a valuation allowance is established. Tax exposures can involve complex issues and may require an extended period to resolve. Frequent changes in tax laws in each jurisdiction complicate future estimates. To determine the tax rate, we use the full-year income and the related income tax expense in each jurisdiction. We update the estimated effective tax rate for the effect of significant unusual items as they are identified. Changes in the geographic mix or estimated level of annual pre-tax income can affect the overall effective tax rate, and such changes could be material.

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

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

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

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

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

**Cumulative Adjustment**

During the first quarter of fiscal 2017, the Company identified and recorded an amount of \$4.1 million, net of income tax expense, to reflect a net cumulative decrease to retained earnings as of the opening balance sheet for the fiscal year ended October 31, 2015 and a corresponding net increase in other current liabilities and deferred tax asset, all associated with an understatement of accruals for rebates in prior years. Accordingly, the Company has not revised income statements or cash flows of any periods as the impact to all periods is minimal since the understated rebates liability was accumulated primarily prior to fiscal 2014. Based upon evaluation and consideration of provisions under ASC 250, Accounting Changes and Error Corrections, that incorporates SEC Staff Accounting Bulletin (SAB) No. 99, Materiality, we determined that the impact is not material to our prior year's consolidated financial statements. However, we have revised our prior year Balance Sheet at October 31, 2016 in this Annual Report on Form 10-K to reflect this adjustment.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Accounting Pronouncements Issued Not Yet Adopted

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The ASU requires an entity to disaggregate the service cost component from the other components of net benefit cost. The service cost component is presented in the same line items as other compensation costs arising from services rendered by the pertinent employees during the period and the other components of net benefit costs are presented separately as other income/expense below income from operations. ASU 2017-07 is effective for the Company in our fiscal 2019 and is not expected to have a significant impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 provides guidance on the classification and presentation of changes in restricted cash and cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Company in fiscal 2019 and is not expected to have a significant impact on the Company's Consolidated Statements of Cash Flows.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which requires entities to recognize the income tax consequences on an intra-entity transfer of an asset other than inventory when the transfer occurs. The ASU changes the timing of the recognition of the income tax consequences of non-inventory transfers which under current guidance defers the income tax consequences until the asset is sold to an outside party or otherwise recognized. The guidance for the amendments of ASU 2016-16 requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. We are currently evaluating the impact of ASU 2016-16 which is effective for the Company in our fiscal year and interim periods beginning on November 1, 2018.

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

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. Under current guidance, an entity subsequently measures inventory at the lower of cost or market, with market defined as replacement cost, net realizable value (NRV), or NRV less a normal profit margin. An entity uses current replacement cost provided that it is not above NRV (i.e., the ceiling) or below NRV less an "approximately normal profit margin" (i.e., the floor). ASU 2015-11 eliminates this analysis and requires entities to measure most inventory "at the lower of cost and NRV." ASU 2015-11 is effective prospectively for annual periods beginning after December 15, 2016, and interim periods therein. The Company does not expect the new guidance to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 sets forth a new revenue recognition model that requires identifying the contract, identifying the performance obligations,

determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

We have been monitoring the activity of the FASB and the Transition Resource Group as it relates to specific industry interpretive guidance and further overall interpretations and clarifications. In fiscal year 2017, we began our plan on adoption of ASU 2014-09. Our plan entails activities such as reviewing significant revenue streams (and related costs) and representative contracts to determine the potential changes to existing accounting policies, completion of an accounting guidance gap analysis, and identifying and addressing the impact that ASU 2014-09 will have on business processes, systems and internal controls to support the recognition and disclosure requirements. We are currently in the process of completing our accounting gap analysis.

We are currently evaluating the full impact of ASU 2014-09 and related amendments on its consolidated financial statements and related disclosures. Currently, we have not identified any material expected changes of ASU 2014-09 on the Company's consolidated financial statements, and are in the process of quantifying the impact. We plan to adopt ASU 2014-09, in our fiscal year and interim periods beginning on November 1, 2018 and we currently expect to apply the modified retrospective transition method. This would result in an adjustment to retained earnings for the cumulative effect, if any, of applying the ASU 2014-09 to contracts in process as of the adoption date. Under this method, the Company would not restate the prior consolidated financial statements presented. However, the Company would include additional disclosures of the amount by which each financial statement line item is affected in the current reporting period during our fiscal year 2019, as compared to the guidance that was in effect before the change, and an explanation of the reasons for significant changes, if any.

#### Accounting Pronouncements Recently Adopted

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and other (Topic 350): Simplifying the Test for Goodwill Impairment. FASB eliminated Step 2 from the goodwill impairment test, which required a hypothetical purchase price allocation. Under the amendments in this update, an entity should perform goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the carrying amount which exceeds the reporting unit's fair value. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The Company has elected to early adopt ASU 2017-04 effective in the third quarter of fiscal 2017. The adoption had no material impact on the Company's reported financial results.

In January 2017, the FASB issued ASU 2017-01, Business Combination (Topic 805): Clarifying the Definition of a Business. ASU 2017-01 provides a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company has elected to early adopt ASU 2017-01 effective in the second quarter of fiscal 2017. The adoption had no material impact for the Company.

In March 2016, the FASB issued ASU 2016-09, Compensation- Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, to improve the accounting for share-based payments to employees. ASU 2016-09 requires excess tax benefits (windfall tax benefits) and tax deficiencies (shortfalls) to be recognized as income tax expense or benefit in the income statement when awards vest or are settled. Companies will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital. This ASU also requires companies to classify cash flows resulting from employee share-based payments, including the additional tax benefits or expenses related to the vesting or settlement of share-based awards, as cash flows from operating activities rather than financing activities. The standard also allows for additional employee tax withholding on the exercise or release of awards, without triggering liability classification of the award. Finally, the update allows an accounting policy election for the treatment of forfeitures of stock based awards. Companies can elect to continue to estimate forfeitures expected to occur, or account for forfeitures as they occur. The Company has elected to early adopt ASU 2016-09



effective November 1, 2016.

Accordingly, the Company recognized \$17.9 million in deferred tax assets associated with excess tax benefits not previously recognized in deferred taxes as a cumulative-effect adjustment to retained earnings at November

80

---

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1, 2016. The Company also recognized excess tax benefits as a discrete income tax benefit of \$13.5 million during fiscal 2017, which is classified as an operating activity in the Consolidated Statements of Cash Flows on a prospective basis. The Company elected to continue to estimate forfeitures that are expected to occur when estimating the amount of compensation expense to record in each accounting period.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which requires entities to present all deferred tax assets and liabilities as noncurrent in the Balance Sheet. ASU 2015-17 can be early adopted for any period that has not been issued on a prospective or retrospective basis. The Company elected to early adopt this guidance on a prospective basis for the quarter ended January 31, 2017. No prior periods were retrospectively adjusted.

#### Consolidation

The financial statements in this report include the accounts of all of Cooper's consolidated entities. All significant intercompany transactions and balances are eliminated in consolidation.

#### Foreign Currency Translation

Most of our operations outside the United States use their local currency as their functional currency. We translate these assets and liabilities into United States dollars at year-end exchange rates. We translate income and expense accounts at weighted average rates for each year. We record gains and losses from the translation of financial statements in foreign currencies into United States dollars in other comprehensive income. We record gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting location's functional currency in net income for each period. We recorded in other expense and income a net foreign exchange loss of \$1.4 million for fiscal 2017, \$1.6 million for fiscal 2016, and \$3.5 million for fiscal 2015.

#### Litigation

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

#### Long-lived Assets

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

CooperVision provides optometric practices with in-office lenses used in marketing programs to facilitate efficient and convenient fitting of contact lenses by practitioners. Such lens fitting sets generally consist of a physical binder or rack to store contact lenses and an array of lenses. We record the costs associated with the original fitting set to other

long-term assets on our Consolidated Balance Sheet. We amortize such costs over their estimated useful lives to selling, general and administrative expense on our Consolidated Statements of Income. We also

81

---

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

expense the cost for lenses provided to practitioners as replenishment for fitting sets in the period shipped to selling, general and administrative expense on our Consolidated Statements of Income.

## Cash and Cash Equivalents

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

## Inventories

October 31, (In millions)	2017	2016
Raw materials	\$ 107.0	\$ 86.0
Work-in-process	13.3	12.6
Finished goods	333.8	319.1
	\$ 454.1	\$ 417.7

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

## Property, Plant and Equipment

October 31, (In millions)	2017	2016
Land and improvements	\$ 17.7	\$ 18.2
Buildings and improvements	279.2	259.9
Machinery and equipment	1,270.5	1,171.1
Construction in progress	190.1	154.0
Less: Accumulated depreciation	847.4	725.5
	\$ 910.1	\$ 877.7

Property, plant and equipment are stated at cost. We compute depreciation using the straight-line method in amounts sufficient to write off depreciable assets over their estimated useful lives. We amortize leasehold improvements over their estimated useful lives or the period of the related lease, whichever is shorter. We depreciate buildings over 30 to 40 years and machinery and equipment over 3 to 15 years.

We expense costs for maintenance and repairs and capitalize major replacements, renewals and betterments. We eliminate the cost and accumulated depreciation of depreciable assets retired or otherwise disposed of from the asset and accumulated depreciation accounts and reflect any gains or losses in operations for the period. We had capitalized interest included in construction in progress of \$5.2 million and \$3.1 million for the years ended October 31, 2017 and 2016, respectively.

## Earnings Per Share

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



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Treasury Stock

We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. At October 31, 2017 and 2016, the number of shares in treasury was approximately 3.6 million and 3.3 million, respectively. During the year ended October 31, 2017, 257,500 shares were purchased and no shares were purchased during the year ended October 31, 2016. See Note 8 for additional information on the share repurchase program.

## Note 2. Acquisitions

The following is a summary of the allocation of the total purchase consideration for acquisitions that the Company completed during the fiscal periods 2017, 2016 and 2015:

(In millions)	2017	2016	2015
Technology	71.7	32.9	—
Customer Relationships	43.1	47.3	21.0
Trademarks	7.1	13.7	3.2
Non-compete agreement	—	0.1	—
Total identifiable intangible assets	121.9	94.0	24.2

Goodwill	123.1	164.7	16.9
Net (liabilities) assets	(4.8 )	(0.9 )	6.6
Total purchase price	240.2	257.8	47.7

We purchased 100% of the equity interest in all the entities we acquired in fiscal year 2017, 2016 and 2015. All the acquisitions were primarily paid in cash and funded by our debt borrowings. The Company accounted for each acquisition using the acquisition method of accounting. Accordingly, we recorded the tangible and intangible assets acquired and liabilities assumed at their estimated fair values as of the applicable date of acquisition.

We believe these acquisitions strengthen CooperSurgical's and CooperVision's business through the addition of new or complementary products and services.

The pro forma results of operations of these acquisitions made in fiscal year 2017, 2016 and 2015 have not been presented because the impact of the business combinations described below, individually and in the aggregate, were not material to our consolidated results of operations.

## Fiscal Year 2017

On August 3, 2017, CooperVision completed the acquisition of Procornea Holding B.V. (Procornea). Procornea is a Netherlands based manufacturer and distributor of specialty contact lenses, mainly orthokeratology (ortho-k) which expands CooperVision's access to myopia (nearsightedness) management markets with new products. Ortho-k contact lenses are overnight lenses which enable corneal topography correction for Myopia patients. The purchase price allocation is preliminary and we are in the process of finalizing information related to assets, liabilities and the corresponding effect on goodwill.

On June 30, 2017, CooperVision completed the acquisition of Grand Vista LLC, a long-standing distribution partner in Russia. Grand Vista LLC is engaged in contact lens and contact lens solutions and lens care product distribution business in Russia. The purchase price allocation is preliminary and we are in the process of finalizing information related to assets, liabilities and corresponding effect on goodwill.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

On November 4, 2016, CooperSurgical completed the acquisition of Wallace, the in-vitro fertilization (IVF) segment of Smiths Medical International, Ltd., a division of Smiths Group plc. Wallace manufactures a range of IVF and ob/gyn products. We have completed the purchase price allocation for this acquisition.

84

---



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Subsequent Events

On November 1, 2017, subsequent to our fiscal year ended October 31, 2017, CooperSurgical acquired the global rights and business of the PARAGARD Intrauterine Device (IUD) business (PARAGARD) from Teva Pharmaceuticals Industries Limited (Teva) for \$1.1 billion.

On December 1, 2017, CooperVision acquired Paragon Vision Sciences, a leading provider of ortho-k specialty contact lenses and oxygen permeable rigid contact lens materials for approximately \$80.0 million.

See Note 15. Subsequent Events for more details.

Fiscal Year 2016

Purchase price allocation for the following acquisitions in fiscal year 2016 and 2015 are completed.

On September 6, 2016, CooperVision completed the acquisition of Soflex, an Israel based manufacturer and distributor of soft contact lenses.

On May 31, 2016, CooperSurgical completed the acquisition of Reprogenetics UK, a U.K.-based genetics laboratory specializing in service offerings of preimplantation genetic screening (PGS) and preimplantation genetic diagnosis (PGD) used during the IVF process.

On May 25, 2016, CooperSurgical completed the acquisition of Recombine Inc., a United States based clinical genetic testing company specializing in carrier screening. Recombine operates in the IVF market and creates comprehensive genetic carrier screening tests.

On May 4, 2016, CooperSurgical completed the acquisition of Kivex Biotec A/S (K-Systems), a Danish manufacturer and distributor of equipment, including workstations and incubators for IVF clinics.

On March 31, 2016 CooperSurgical completed the acquisition of Genesis Genetics Inc., a United States based genetics laboratory specializing in PGS and PGD used during the IVF process.

On February 8, 2016, CooperSurgical completed the acquisition of The Pipette Company, an Australian manufacturer and distributor of micro pipettes for the Assisted Reproductive Technology market, in CSI business segment. TPC also manufactures micropipettes for other applications including micromanipulation of non human gametes and embryos, DNA injection into cells, stem cell research and other specialized research applications.

On December 17, 2015, we completed the acquisition of Research Instruments Limited (RI), a U.K. manufacturer and supplier of IVF medical devices and systems, in CSI business segment. RI specializes in preimplantation genetic screening (PGS) products, develops and manufactures hardware, software and consumable products.

Fiscal Year 2015

On August 7, 2015, we completed the acquisition of Reprogenetics LLC, a United States based genetics laboratory specializing in PGS and PGD used during the IVF process.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 3. Restructuring and Integration Costs

## 2014 Sauflon Integration Plan

During the fourth quarter of fiscal 2014 and in connection with the Sauflon acquisition, our CooperVision business unit initiated restructuring and integration activities to optimize operational synergies of the combined companies. These activities include product and equipment rationalization, workforce reductions and consolidation of duplicative facilities. The total restructuring costs under this plan were \$148.3 million. As of October 31, 2016, our activities related to this restructuring and integration plan were essentially complete. There were no charges related to the 2014 Sauflon Integration Plan in fiscal 2017.

In fiscal 2016, we recorded in cost of sales \$56.4 million of expense, arising from production-related asset disposals, accelerated depreciation on equipment, and inventory rationalization, primarily related to older lens products, based on our review of products, materials and manufacturing processes of Sauflon. We recorded in cost of sales \$1.1 million of employee termination costs. We recorded in selling, general and administrative expense a reduction of \$1.1 million due to decreased expected employee termination payments; and we recorded \$0.2 million of expense for lease termination costs. In addition, CooperVision incurred \$10.0 million of integration costs in fiscal 2016, included in operating expenses.

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

A summary of the cumulative total restructuring costs by major component recognized at October 31, 2016, is as follows:

(In millions)	Employee-related	Facilities-related	Product Rationalization	Total
Cumulative amounts as of October 31, 2016	\$ 17.8	\$ 1.1	\$ 129.4	\$ 148.3

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The following table summarizes the restructuring activities by major component:

(In millions)	Employee-related	Facilities-related	Product Rationalization	Total
Balance at October 31, 2014	\$ 19.9	\$ 0.5	\$ —	\$20.4
Additions during fiscal 2015	\$ (2.5 )	\$ 0.4	\$ 57.7	\$55.6
Payments during the fiscal year	(9.0 )	(0.4 )	—	(9.4 )
Non-cash adjustments (a) (b)	0.2	(0.2 )	(57.7 )	(57.7 )
Balance at October 31, 2015	\$ 8.6	\$ 0.3	\$ —	\$8.9
Additions during fiscal 2016	—	0.2	56.4	56.6
Payments during the fiscal year	(5.2 )	(0.2 )	—	(5.4 )
Non-cash adjustments (a) (b)	(0.6 )	—	(56.4 )	(57.0 )
Balance at October 31, 2016	\$ 2.8	\$ 0.3	\$ —	\$3.1
Additions during fiscal 2017	—	—	—	—
Payments during the fiscal year	(1.5 )	—	—	(1.5 )
Non-cash adjustments (a) (b)	(0.8 )	(0.3 )	—	(1.1 )
Balance at October 31, 2017	\$ 0.5	\$ —	\$ —	\$0.5

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

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

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 4. Intangible Assets

## Goodwill

(In millions)	CooperVision	CooperSurgical	Total
Balance as of October 31, 2015	\$ 1,827.6	\$ 369.5	\$2,197.1
Net additions during the year ended October 31, 2016	9.1	156.9	166.0
Translation	(190.3 )	(8.1 )	(198.4 )
Balance as of October 31, 2016	\$ 1,646.4	\$ 518.3	\$2,164.7
Net additions during the year ended October 31, 2017	28.6	94.4	123.0
Translation	60.7	6.4	67.1
Balance as of October 31, 2017	\$ 1,735.7	\$ 619.1	\$2,354.8

Of the October 31, 2017 goodwill balance, \$117.9 million for CooperSurgical and \$19.7 million for CooperVision is expected to be deductible for tax purposes.

## Other Intangible Assets

(In millions)	As of October 31, 2017		As of October 31, 2016		Weighted Average Amortization Period (In years)
	Gross Carrying Amount	Accumulated Amortization & Translation	Gross Carrying Amount	Accumulated Amortization & Translation	
Trademarks	\$44.5	\$ 10.3	\$36.6	\$ 6.8	12
Technology	428.8	173.2	354.8	139.3	11
Customer relationships	335.5	145.3	285.7	121.9	13
License and distribution rights and other	69.2	44.5	65.8	33.8	9
	878.0	\$ 373.3	742.9	\$ 301.8	12
Less accumulated amortization and translation	373.3		301.8		
Other intangible assets, net	\$504.7		\$441.1		

Included in Technology at October 31, 2017 and October 31, 2016, is \$7.4 million of acquired in-process research and development from Sauflon that is not amortized.

We estimate that amortization expense for our existing other intangible assets will be approximately \$69.0 million in fiscal 2018, \$66.5 million in fiscal 2019, \$56.5 million in fiscal 2020, \$55.0 million in fiscal 2021 and \$53.7 million in fiscal 2022.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 5. Debt

October 31, (In millions)	2017	2016
Short-term:		
Overdraft and other credit facilities	\$23.4	\$17.1
Current portion of long-term debt	—	210.7
Less: unamortized debt issuance cost	—	(1.5 )
	\$23.4	\$226.3
Long term:		
Credit Agreement	\$323.0	\$—
Term loans	830.0	1,111.2
Other	0.2	0.2
Less: unamortized debt issuance cost	(3.9 )	(4.0 )
	\$1,149.3	\$1,107.4

Annual maturities of long-term debt as of October 31, 2017, are as follows:

Year	(In millions)
2018	\$—
2019	\$323.0
2020	\$—
2021	\$830.2
2022	\$—
Thereafter	\$—

## \$1.425 billion Term Loan

Subsequent to the fiscal year ended October 31, 2017, on November 1, 2017, in connection with the PARAGARD acquisition, we entered into a five-year, \$1.425 billion, senior unsecured term loan agreement by and among the Company, the lenders party thereto and DNB Bank ASA, New York Branch, as administrative agent (the 2017 Term Loan Agreement) which matures on November 1, 2022. The Company used part of the facility to fund the PARAGARD acquisition and used the remainder of the funds to partially repay outstanding borrowings under our revolving credit agreement. Please refer to Note 15. Subsequent Events for more details.

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

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

Amounts outstanding under the 2016 Credit Agreement will bear interest, at our option, at either the base rate, or the adjusted LIBO rate or adjusted foreign currency rate (each as defined in the 2016 Credit



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Agreement), plus, in each case, an applicable rate of between 0.00% and 0.75%, in respect of base rate loans and between 1.00% and 1.75% in respect of adjusted LIBO rate or adjusted foreign currency rate loans, in each case in accordance with a pricing grid tied to the Total Leverage Ratio, as defined in the 2016 Credit Agreement.

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

The 2016 Credit Agreement contains customary restrictive covenants, as well as financial covenants that require us to maintain a certain total leverage ratio and interest coverage ratio, each as defined in the 2016 Credit Agreement:

Interest Coverage Ratio, as defined, to be at least 3.00 to 1.00 at all times.

Total Leverage Ratio, as defined, to be no higher than 3.75 to 1.00.

At October 31, 2017, we were in compliance with the Interest Coverage Ratio at 21.29 to 1.00 and the Total Leverage Ratio at 1.53 to 1.00.

At October 31, 2017, we had \$830.0 million outstanding under the term loan and \$676.7 million available under the revolving credit agreement.

#### \$700 million Term Loan and \$300 million Term Loan

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 (as subsequently amended, the 2014 Term Loan Agreement) with a maturity date of August 4, 2017. 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. We repaid \$493.0 million of the outstanding balance in fiscal 2016 and fully repaid the remaining outstanding balance of \$207.0 million in the second quarter of fiscal 2017 using the funds from the 2016 Credit Agreement, as well as from cash provided by operations.

At October 31, 2017, we had no outstanding balance under the 2014 Term Loan.

On September 12, 2013, we entered into a five-year, \$300.0 million, senior unsecured term loan agreement by and among the Company; the lenders party thereto and KeyBank National Association, as administrative agent (as subsequently amended, the 2013 Term Loan Agreement), with a maturity date of September 12, 2018, subject to amortization of principal of 5.0% per annum payable quarterly beginning October 31, 2016, with the balance payable at maturity. In fiscal 2016, we repaid \$15.0 million of the outstanding balance and fully repaid the remaining outstanding balance of \$285.0 million in May 2017 using the funds from the 2016 Credit Agreement.

At October 31, 2017, we had no outstanding balance under the 2013 Term Loan.

Amounts outstanding under the 2014 and 2013 Term Loan Agreements (Term Loan Agreements) bear interest, at our option, at either the base rate, or the adjusted LIBO rate (each as defined in the Term Loan Agreements), plus, in each case, an applicable rate of between 0.00% and 0.50% in respect of base rate loans and between 0.75% and 1.50% in respect of adjusted LIBO rate loans, in each case in accordance with a pricing grid tied to the Total Leverage Ratio, as defined in the Term Loan Agreements.





THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Term Loan Agreements contain 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 agreements, consistent with the 2016 Credit Agreement discussed above.

European Credit Facilities

We maintain European credit facilities in the form of continuing and unconditional guarantees. The aggregate facility limit was \$36.3 million and \$34.0 million at October 31, 2017 and 2016, respectively. We will pay all forms of indebtedness in the currency in which it is denominated for those certain subsidiaries. Interest expense is calculated on all outstanding balances based on an applicable base rate for each country plus a fixed spread common across most subsidiaries covered under the guaranty. At October 31, 2017, \$0.7 million of the facility was utilized. The weighted average interest rate on the outstanding balances was 0.9%.

In addition to these European credit facilities, we also have available certain non-guaranteed Euro-denominated overdraft facilities. The aggregate facility limit was \$0.8 million and \$0.7 million at October 31, 2017 and 2016, respectively. At October 31, 2017, none of these facilities was utilized.

Asian Pacific Credit Facilities

We maintain Yen-denominated credit facilities in Japan supported by continuing and unconditional guarantees. The aggregate facility limit was \$53.0 million and \$56.9 million at October 31, 2017 and 2016, respectively. We will pay all forms of indebtedness in Yen upon demand. Interest expense is calculated on the outstanding balance based on the base rate or TIBOR plus a fixed spread. At October 31, 2017, \$21.2 million of the combined facilities was utilized. The weighted average interest rate on the outstanding balances was 0.4%.

We maintain credit facilities for certain of our Asia Pacific subsidiaries. Each facility is supported by a continuing and unconditional guaranty. The aggregate facility limit was \$11.4 million and \$11.2 million at October 31, 2017 and 2016, respectively. We will pay all forms of indebtedness, for each facility, in the currency in which it is denominated for those certain subsidiaries. Interest expense is calculated on all outstanding balances based on an applicable base rate for each country plus a fixed spread common across all subsidiaries covered under each guaranty. At October 31, 2017, \$0.7 million of the facilities were utilized. The weighted average interest rate on the outstanding balances was 3.4%.

Letters of Credit

We maintain letters of credit throughout the world with various financial institutions that primarily serve as guarantee notes on certain debt obligations. The aggregate outstanding amount of letters of credit at October 31, 2017 and October 31, 2016 was \$4.9 million and \$4.6 million, respectively.

Note 6. Income Taxes

Cooper's effective tax rate (ETR) (provision for income taxes divided by pretax income) was 5.3% , 7.0% and 4.8% for fiscal 2017, 2016 and 2015, respectively. The ETR in fiscal 2017 decreased in comparison to fiscal 2016 due to the shift in the geographic mix of income as well as discrete benefits from adopting ASU 2016-9 (Excess tax benefit from share-based compensation). The ETR in fiscal 2016 increased in comparison to fiscal 2015 partially due to an increase in foreign non-deductible integration and transaction expenses, partially offset by renewal of the R&D tax credit and

lower state income taxes.

91

---

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

Years Ended October 31, (In millions)	2017	2016	2015
Income before income taxes:			
United States	\$7.8	\$31.5	\$31.9
Foreign	386.2	264.1	183.6
	\$394.0	\$295.6	\$215.5
Income tax provision	\$21.1	\$20.7	\$10.4

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

Years Ended October 31, (In millions)	2017	2016	2015
Current:			
Federal	\$6.9	\$14.6	\$0.2
State	1.8	1.3	1.2
Foreign	19.5	15.5	3.4
	28.2	31.4	4.8
Deferred:			
Federal	(3.9 )	(3.9 )	12.0
State	1.4	(0.7 )	(0.5 )
Foreign	(4.6 )	(6.1 )	(5.9 )
	(7.1 )	(10.7 )	5.6
Income tax provision	\$21.1	\$20.7	\$10.4

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

Years Ended October 31, (In millions)	2017	2016	2015
Computed expected provision for taxes	\$137.9	\$103.5	\$75.4
(Decrease) increase in taxes resulting from:			
Income earned outside the United States subject to different tax rates	(114.6 )	(81.2 )	(72.6 )
State taxes, net of federal income tax benefit	3.9	1.2	1.5
Research and development credit	(0.7 )	(1.2 )	(0.7 )
Incentive stock option compensation and non-deductible employee compensation	(12.9 )	0.5	0.4
Tax accrual adjustment	5.0	(5.0 )	3.8
Other, net	2.5	2.9	2.6
Actual provision for income taxes	\$21.1	\$20.7	\$10.4

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

Years Ended October 31, (In millions)	2017	2016
Deferred tax assets:		
Accounts receivable, principally due to allowances for doubtful accounts	\$5.4	\$3.3
Inventories	6.1	6.2
Litigation settlements	0.8	0.5
Accrued liabilities, reserves and compensation accruals	50.4	50.3
Foreign deferred tax assets (Puerto Rico tax incentives)	37.9	—
Restricted stock and stock option expenses	39.7	24.5
Net operating loss carryforwards	3.7	2.7
Plant and equipment	—	0.4
Research and experimental expenses - Section 59(e)	5.1	6.7
Tax credit carryforwards	8.7	1.8
Total gross deferred tax assets	157.8	96.4
Less valuation allowance	(59.1 )	(13.3 )
Deferred tax assets	98.7	83.1
Deferred tax liabilities:		
Tax deductible goodwill	(32.4 )	(29.5 )
Plant and equipment	(4.8 )	—
Transaction costs	(1.1 )	(1.1 )
Foreign deferred tax liabilities	(13.0 )	(5.6 )
Other intangible assets	(25.9 )	(31.2 )
Total gross deferred tax liabilities	(77.2 )	(67.4 )
Net deferred tax assets	\$21.5	\$15.7

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at October 31, 2017. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

A valuation allowance of \$59.1 million and \$13.3 million was recorded against our gross deferred tax asset balance as of October 31, 2017, and October 31, 2016, respectively. The increase is principally related to previously unrecorded deferred taxes associated with certain tax incentives offered by the Puerto Rican government in the areas of local manufacturing, energy use and R&D that have been subject to a full valuation allowance with no impact to our Consolidated Statements of Income.

As of October 31, 2017, there was approximately \$2.5 billion of undistributed earnings in our foreign subsidiaries which we have not provided for federal income tax since we intend to reinvest this amount outside the United States indefinitely.

At October 31, 2017, we had federal net operating loss carryforwards of \$31.8 million and state net operating loss carryforwards of \$43.7 million. Additionally, we had \$7.0 million of federal alternative minimum tax credits, \$7.4 million of federal research credits and \$1.5 million of California research credits. The federal net operating loss and federal research credits carryforwards expire on various dates between 2026 through 2037, and the federal alternative minimum tax credits carry forward indefinitely. The state net operating loss carryforwards expire on various dates between 2019 through 2037, and the California research credits carry forward indefinitely. The net operating loss and other tax credits may be subject to certain limitations upon utilization under Section 382 of the Internal Revenue Code.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

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

(In millions)

Balance at October 31, 2015	\$40.3
Increase from prior year's UTB's	4.5
Increase from current year's UTB's	6.7
UTB (decrease) from expiration of statute of limitations	(11.6 )
Balance at October 31, 2016	39.9
Increase from prior year's UTB's	12.9
Increase from current year's UTB's	9.9
UTB (decrease) from expiration of statute of limitations	(2.8 )
Balance at October 31, 2017	\$59.9

As of October 31, 2017, we had unrecognized tax benefits of \$40.4 million, including \$3.7 million of related accrued interest and penalties that, if recognized, would affect our effective tax rate. It is our policy to recognize interest and penalties directly related to incomes tax as additional income tax expense.

Included in the balance of unrecognized tax benefits at October 31, 2017, is \$6.1 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits related to expiring statutes in various jurisdictions worldwide and is comprised of transfer pricing and other items.

We are required to file income tax returns in the United States federal jurisdiction, various state and local jurisdictions, and many foreign jurisdictions. As of October 31, 2017, the tax years for which we remain subject to United States federal income tax assessment upon examination are 2014 through 2016, as well as other major tax jurisdictions including the United Kingdom, Japan and France. We remain subject to income tax examinations in Australia for the tax years 2013 through 2016.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 7. Earnings Per Share

Years Ended October 31,

(In millions, except for earnings per share)

	2017	2016	2015
Net income attributable to Cooper stockholders	\$372.9	\$273.9	\$203.5

Basic:

Weighted average common shares	48.9	48.5	48.5
Basic earnings per share attributable to Cooper stockholders	\$7.63	\$5.65	\$4.20

Diluted:

Weighted average common shares	48.9	48.5	48.5
Effect of dilutive stock options	0.7	0.5	0.7
Diluted weighted average common shares	49.6	49.0	49.2
Diluted earnings per share attributable to Cooper stockholders	\$7.52	\$5.59	\$4.14

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

Years Ended October 31,

(In thousands, except exercise prices)

	2017	2016	2015
Stock option shares excluded	90	392	123
Range of exercise prices	\$175.31	\$131.60-\$162.69	\$162.28
Restricted stock units excluded	3	2	1

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 8. Stockholders' Equity

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

(In millions)	Foreign Currency Translation Adjustment	Change in Value of Derivative Instruments	Minimum Pension Liability	Total
Balance at October 31, 2014	\$ (92.4 )	\$ (0.1 )	\$ (13.7 )	\$(106.2)
Gross change in value for the period	(79.4 )	—	(10.0 )	(89.4 )
Reclassification adjustments for loss realized in income	—	0.1	—	0.1
Tax effect for the period	—	—	3.9	3.9
Balance at October 31, 2015	\$ (171.8 )	\$ —	\$ (19.8 )	\$(191.6)
Gross change in value for the period	\$ (289.6 )	\$ —	\$ (13.7 )	\$(303.3)
Tax effect for the period	—	—	5.3	5.3
Balance at October 31, 2016	\$ (461.4 )	\$ —	\$ (28.2 )	\$(489.6)
Gross change in value for the period	\$ 107.7	\$ —	\$ 10.8	\$118.5
Tax effect for the period	—	—	(4.2 )	(4.2 )
Balance at October 31, 2017	\$ (353.7 )	\$ —	\$ (21.6 )	\$(375.3)

## Share Repurchases

In December 2011, our Board of Directors authorized the 2012 Share Repurchase Program and through subsequent amendments, the most recent in March 2017, the total repurchase authorization was increased from \$500.0 million to \$1.0 billion of the Company's common stock. The program has no expiration date and may be discontinued at any time. Purchases under the 2012 Share Repurchase Program are subject to a review of the circumstances in place at the time and may be made from time to time as permitted by securities laws and other legal requirements.

During the fiscal year ended October 31, 2017, we repurchased 258 thousand shares of our common stock for \$55.0 million and approximately \$563.5 million remained authorized for repurchase under the program. During the three months ended October 31, 2017, we repurchased 108 thousand shares of our common stock for \$25.5 million at an average purchase price of \$237.12 per share. During the second quarter of fiscal 2017, we repurchased 150 thousand shares of our common stock for \$29.5 million at an average price of \$196.82.

During the fiscal year ended October 31, 2016, we did not repurchase any shares under the 2012 Share Repurchase Program.

## Cash Dividends

In fiscal 2017 and 2016, we paid semiannual dividends of 3 cents per share: an aggregate of \$1.5 million or 3 cents per share on February 9, 2017, to stockholders of record on January 23, 2017; \$1.5 million or 3 cents per share on August 7, 2017, to stockholders of record on July 21, 2017; \$1.4 million or 3 cents per share on February 9, 2016, to stockholders of record on January 22, 2016; and \$1.5 million or 3 cents per share on August 5, 2016, to stockholders of record on July 22, 2016.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Stockholders' Rights Plan

Our stockholders' rights plan, where each outstanding share of our common stock carried one-half of one preferred share purchase right expired on October 29, 2017.

Note 9. Stock Plans

At October 31, 2017, Cooper had the following share-based compensation plans:

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

In March 2006, we received stockholder approval of the 2006 Directors Plan. The 2006 Directors Plan was subsequently amended and restated, and approved by stockholders, in March 2009 and again in March 2011. The Board of Directors further amended the Second Amended and Restated 2006 Directors Plan in October 2011, October 2012, October 2013 and October 2016.

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

As amended, the Second Amended and Restated 2006 Directors Plan provides for annual equity award grants to Non-Employee Directors on November 15 of each fiscal year which subsequently vest on the first anniversary of the date of grant. Grants may be awarded in the form of stock options, restricted stock, restricted stock units (RSUs), or a combination of award types. Awards will have a total grant value of \$270,000, or \$285,500 in the case of the Lead Director and \$297,000 in the case of the Chairman of the Board.

Under the 2006 Directors Plan, grants of stock options will have an exercise price equal to 100% of fair market value on the date of grant and shall expire no more than 10 years after the grant date. Awards of restricted stock provide the right to purchase shares for \$0.10 per share, subject to restrictions on sale or transfer which lapse on the first anniversary of the date of grant. Restricted shares retain dividend and voting rights. RSUs entitle the recipient to receive shares of common stock, without any payment in cash or property. Legal ownership of the shares is not transferred until the unit vests and RSUs have no dividend or voting rights prior to vesting.

As of October 31, 2017, 139,874 shares remained available under the 2006 Directors' Plan for future grants.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

In March 2007, we received stockholder approval of the 2007 LTIP. The 2007 LTIP was subsequently amended and restated, and granted stockholder approval in March 2009, March 2011, and March 2016.

The Third Amended and Restated 2007 LTIP is designed to increase our stockholder value by attracting, retaining and motivating key employees and consultants who directly influence our profitability. The Third Amended and Restated 2007 LTIP authorizes either our Board of Directors, or a designated committee thereof composed of two or more Non-Employee Directors, to grant to eligible individuals during the period ending December 31, 2026, up to 6,930,000 shares in the form of specified equity awards including stock option, restricted stock unit and performance share awards, subject to adjustment for future stock splits, stock dividends, expirations, forfeitures and similar events.

During fiscal 2017, we granted stock options, restricted stock units (RSUs) and performance share awards to employees under the Third Amended and Restated 2007 LTIP. All stock options are granted at 100% of fair market value on the date of grant and expire no more than 10 years after the grant date. Stock options may become exercisable based on our common stock achieving certain price targets, specified time periods elapsing or other criteria designated by the Board of Directors or its authorized committee at their discretion. RSUs are nontransferable awards entitling the recipient to receive shares of common stock, without any payment in cash or property, in one or more installments at a future date or dates as determined by the Board of Directors or its authorized committee. For RSUs, legal ownership of the shares is not transferred to the employee until the unit vests, which is generally over a specified time period and RSUs have no dividend or voting rights prior to vesting. Performance share awards are nontransferable awards entitling the recipient to receive a variable number of shares of common stock, without any payment in cash or property, in one or more installments at a future date or dates as determined by the Board of Directors or its authorized committee. Legal ownership of the shares is not transferred to the recipient until the award vests, and the number of shares distributed is dependent upon the achievement of certain performance targets over a specified period of time. As of October 31, 2017, 1,801,934 shares remained available under the Third Amended and Restated 2007 LTIP for future grants. The amount of available shares includes shares which may be distributed under performance share awards.

## Share-Based Compensation

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

October 31,	2017	2016	2015
(In millions)			
Selling, general and administrative expense	\$33.1	\$26.2	\$29.2
Cost of sales	2.8	2.6	2.8
Research and development expense	1.3	1.1	0.9
Total compensation expense	\$37.2	\$29.9	\$32.9
Related income tax benefit	\$11.4	\$9.0	\$10.2

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$3.7 million, \$2.6 million, and \$2.8 million during the fiscal years ended October 31, 2017, 2016 and 2015, respectively.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Stock Options

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

Years Ended October 31, 2017	2016	2015
Expected life	5.5 years	4.8 - 5.5 years
Expected volatility	24.5 %	27.6% - 27.7%
Risk-free interest rate	1.2%	1.3% - 1.5%
Dividend yield	0.03 %	0.04 %

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

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at October 31, 2016	1,105,388	\$ 107.74		
Granted	194,416	\$ 175.31		
Exercised	200,108	\$ 53.42		
Forfeited or expired	35,230	\$ 136.90		
Outstanding at October 31, 2017	1,064,466	\$ 129.33	6.95	
Vested and expected to vest at October 31, 2017	1,045,509	\$ 128.99	6.92	\$ 116,337,456
Vested and exercisable at October 31, 2017	439,137	\$ 106.07	5.44	\$ 58,929,605

The weighted-average fair value of each option granted during fiscal 2017, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was \$44.00. No options were granted under the 2006 Directors Plan in fiscal 2017. The expected requisite service period for options granted to employees in fiscal 2017 was 60 months. The total intrinsic value of options exercised during the fiscal year ended October 31, 2017 was \$31.6 million.

The weighted-average fair value of each option granted during fiscal 2016, estimated as of the grant date using the Black-Scholes option pricing model, for the 2007 LTIP was \$37.24. For the 2006 Directors Plan, the weighted-average fair values of options granted for 2016 was \$43.91.

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

recognize compensation expense ratably over the vesting period.

100

---

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

However, Directors' options grants would have been expensed on the date of grant as the 2006 Directors Plan did not contain a substantive future requisite service period. No options were granted under the 2006 Directors Plan in fiscal 2017. As of October 31, 2017, there was \$10.7 million of total unrecognized compensation cost related to nonvested options, which is expected to be recognized over a remaining weighted-average vesting period of 3.1 years.

## Restricted Stock Units

RSUs granted under the 2007 LTIP generally vest over five years. The fair value of restricted stock units is estimated on the date of grant based on the market price of our common stock. We recognize compensation expense ratably over the vesting period. As of October 31, 2017, there was \$60.0 million of total unrecognized compensation cost related to nonvested RSUs, which is expected to be recognized over a remaining weighted-average vesting period of 3.2 years.

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

	Number of Shares	Weighted- Average Grant Date Fair Value Per Share
Non-vested RSUs at October 31, 2016	507,779	\$ 131.63
Granted	201,877	\$ 177.05
Vested and issued	150,423	\$ 126.27
Forfeited or expired	25,381	\$ 139.65
Non-vested RSUs at October 31, 2017	533,852	\$ 149.93

## Performance Units

Performance units are granted to selected key employees with vesting contingent upon meeting future reported earnings per share goals over a defined performance cycle, usually three years. Performance units, if earned, may be paid in cash or shares of common stock. The performance shares actually earned will range from zero to 150% of the target number of performance shares for performance periods ending in fiscal 2017 through fiscal 2019. Subject to limited exceptions set forth in the performance share plan, any shares earned will be distributed in the subsequent fiscal year after the performance period. The fair value of performance unit awards is estimated on the date of grant based on the current market price of our common stock and the estimate of probability of award achievement. This estimate is reviewed each fiscal quarter and adjustments are recorded if it is determined that the estimate of probability of award achievement has changed.

We recognize compensation expense ratably over the vesting period. As of October 31, 2017, there was \$4.7 million of total unrecognized compensation cost related to non-vested performance units, which is expected to be recognized over a remaining weighted-average vesting period of 1.3 years.

Performance units granted on February 2, 2015 completed their performance period on October 31, 2017 and met 100% of the target and, subject to the provisions of the plan, we expect to grant a similar performance award in our fiscal first quarter of 2018. We also granted performance unit awards on January 29, 2016 and February 1, 2017 and with specific performance goals for each period ending on October 31, 2018 and October 31, 2019, respectively.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Note 10. Employee Benefits

## Cooper's Retirement Income Plan

Cooper's Retirement Income Plan (Plan), a defined benefit plan, covers substantially all full-time United States employees. Cooper's contributions are designed to fund normal cost on a current basis and to fund the estimated prior service cost of benefit improvements. The unit credit actuarial cost method is used to determine the annual cost. Cooper pays the entire cost of the Plan and funds such costs as they accrue. Virtually all of the assets of the Plan are comprised of equities and participation in equity and fixed income funds.

Beginning in fiscal 2016, we refined the method used to determine the service and interest cost components of our net periodic benefit cost. Previously, the cost was determined using a single weighted-average discount rate derived from the yield curve. Under the refined method, known as the spot rate approach, we will use individual spot rates along the yield curve that correspond with the timing of each benefit payment. We believe this change provides a more precise measurement of service and interest costs by improving the correlation between projected cash outflows and corresponding spot rates on the yield curve. Compared to the previous method, the spot rate approach decreased the service and interest components of our benefit costs in fiscal 2016, which was immaterial. There is no impact on the total benefit obligation. We accounted for this change prospectively as a change in accounting estimate.

The following table sets forth the Plan's benefit obligations and fair value of the Plan assets at October 31, 2017, and the funded status of the Plan and net periodic pension costs for each of the years in the three-year period ended October 31, 2017.

Retirement Income Plan Years Ended October 31, (In millions)	2017	2016	2015
Change in benefit obligation			
Benefit obligation, beginning of year	\$138.9	\$117.3	\$101.1
Service cost	10.2	8.9	8.8
Interest cost	4.4	4.3	4.6
Benefits paid	(2.6 )	(2.3 )	(4.7 )
Actuarial loss (gain)	0.8	10.7	7.5
Benefit obligation, end of year	\$151.7	\$138.9	\$117.3
Change in plan assets			
Fair value of plan assets, beginning of year	\$89.2	\$79.5	\$72.2
Actual return on plan assets	16.2	2.0	2.0
Employer contributions	10.0	10.0	10.0
Benefits paid	(2.6 )	(2.3 )	(4.7 )
Fair value of plan assets, end of year	\$112.8	\$89.2	\$79.5
Funded status at end of year	\$(38.9 )	\$(49.7 )	\$(37.8 )

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Years Ended October 31, (In millions)	2017	2016	2015
Amounts recognized in the statement of financial position consist of:			
Noncurrent asset	\$—	\$—	\$—
Current liability	—	—	—
Noncurrent liabilities	(38.9 )	(49.7 )	(37.8 )
Net amount recognized at year end	\$(38.9)	\$(49.7)	\$(37.8)

Years Ended October 31, (In millions)	2017	2016	2015
Amounts recognized in accumulated other comprehensive income consist of:			
Net transition obligation	\$—	\$—	\$—
Prior service cost	—	—	—
Net loss	34.9	45.8	32.1
Accumulated other comprehensive income	\$34.9	\$45.8	\$32.1

Years Ended October 31, (In millions)	2017	2016	2015
Information for pension plans with accumulated benefit obligations in excess of plan assets			
Projected benefit obligation	\$151.7	\$138.9	\$117.3
Accumulated benefit obligation	\$133.3	\$121.2	\$102.6
Fair value of plan assets	\$112.8	\$89.2	\$79.5

Years Ended October 31, (In millions)	2017	2016	2015
Reconciliation of prepaid (accrued) pension cost			
Accrued pension cost at prior fiscal year end	\$(4.0)	\$(5.7)	\$(6.8)
Net periodic benefit cost	10.0	8.3	8.9
Contributions made during the year	10.0	10.0	10.0
Accrued pension cost at fiscal year end	\$(4.0)	\$(4.0)	\$(5.7)

Years Ended October 31, (In millions)	2017	2016	2015
Components of net periodic benefit cost and other amounts recognized in the fiscal year			
Net periodic benefit cost:			
Service cost	\$10.2	\$8.9	\$8.8
Interest cost	4.4	4.3	4.6
Expected return on plan assets	(7.3 )	(6.6 )	(6.0 )
Amortization of transitional (asset) or obligation	—	—	—
Amortization of prior service cost	—	—	—
Recognized actuarial loss	2.7	1.7	1.5
Net periodic pension cost	\$10.0	\$8.3	\$8.9



THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Years Ended October 31, (In millions)	2017	2016	2015
Other changes in plan assets and benefit obligations recognized in other comprehensive income			
Net transition obligation	\$—	\$—	\$—
Prior service cost	—	—	—
Net loss (gain)	(8.1 )	15.4	11.5
Amortizations of net transition obligation	—	—	—
Amortizations of prior service cost	—	—	—
Amortizations of net (gain)	(2.7 )	(1.7 )	(1.5 )
Total recognized in other comprehensive income	\$(10.8)	\$13.7	\$10.0
Total recognized in net periodic benefit cost and other comprehensive income	\$(0.8 )	\$22.0	\$18.9

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

Years Ended October 31,	2017	2016	2015
Weighted-average assumptions used in computing the net periodic pension cost and projected benefit obligation at year end:			
Discount rate for determining net periodic pension cost:			
Projected Benefit Obligation	3.74	% 4.25	% 4.25
Service Cost	3.90	% 4.42	% 4.25
Interest Cost	3.23	% 3.70	% 4.25
Discount rate for determining benefit obligations at year end	3.75	% 3.74	% 4.25
Rate of compensation increase for determining expense	4.00	% 4.00	% 4.00
Rate of compensation increase for determining benefit obligations at year end	4.00	% 4.00	% 4.00
Expected rate of return on plan assets for determining net periodic pension cost	8.00	% 8.00	% 8.00
Expected rate of return on plan assets at year end	8.00	% 8.00	% 8.00
Measurement date for determining assets and benefit obligations at year end	10/31/2017	10/31/2016	10/31/2015

The discount rate enables us to state expected future cash flows at a present value on the measurement date. The discount rate used for the plan is based primarily on the yields of a universe of high quality corporate bonds or the spot rate of high quality AA-rated corporate bonds, with durations corresponding to the expected durations of the benefit obligations. A change in the discount rate will cause the present value of benefit obligations to change in the opposite direction. If a discount rate of 3.74%, which is similar to prior fiscal year, had been used, the projected benefit obligation would have been \$152.0 million, and the accumulated benefit obligation would have been \$133.5 million.

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

this Plan's target asset allocation.

104

---

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

## Plan Assets

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

Years Ended October 31,	2017	2016	2015
Asset category			
Cash and cash equivalents	0.9 %	4.9 %	2.2 %
Corporate common stock	12.2 %	8.9 %	9.0 %
Equity mutual funds	49.9 %	47.2 %	52.0 %
Real estate funds	2.9 %	4.3 %	3.3 %
Bond mutual funds	34.1 %	34.7 %	33.5 %
Total	100.0%	100.0%	100.0%

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

## Fair Value Measurement of Plan Assets

(In millions)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category				
Cash and cash equivalents	\$1.1	\$ 1.1	\$	—\$
Corporate common stock	13.7	13.7	—	—
Equity mutual funds	56.2	56.2	—	—
Real estate funds	3.3	3.3	—	—
Bond mutual funds	38.5	38.5	—	—
Total	\$112.8	\$ 112.8	\$	—\$

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

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



THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Plan Cash Flows

Contributions

The Company contributions to the pension plan were \$10.0 million for each of the fiscal years 2017, 2016 and 2015. We closely monitor the funded status of the Plan with respect to legislative and accounting rules. We expect to make contributions of about \$10.0 million during fiscal 2018.

Estimated Future Benefit Payments

Years

(In millions)

2018	\$3.3
2019	\$3.8
2020	\$4.3
2021	\$4.8
2022	\$5.4
2023-2027	\$36.1

Cooper's 401(k) Savings Plan

Cooper's 401(k) savings plan provides for the deferral of compensation as described in the Internal Revenue Code and is available to substantially all United States employees. Employees who participate in the 401(k) plan may elect to have up to 75% of their pre-tax salary or wages deferred and contributed to the trust established under the plan. Cooper's contributions on account of participating employees, were \$5.2 million, \$4.4 million and \$4.2 million for the years ended October 31, 2017, 2016 and 2015, respectively.

International Pension Plans

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

Note 11. Fair Value Measurements

At October 31, 2017 and October 31, 2016, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, lines of credit, accounts payable and other current liabilities approximate fair value due to the short-term nature of such instruments and the ability to obtain financing on similar terms. Assets and liabilities are measured and reported at fair value per related accounting standards that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. An asset's or liability's level is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are valued and disclosed in one of the following three levels of the valuation hierarchy:

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



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

We believe that the balances of our revolving credit agreement and term loans approximated their fair values at October 31, 2017 and October 31, 2016 and are categorized as Level 2 of the fair value hierarchy. The Company did not have any derivative assets or liabilities that may include interest rate swaps, cross currency swaps or foreign currency forward contracts as of October 31, 2017 and October 31, 2016.

## Note 12. Commitments and Contingencies

## Lease Commitments

Total minimum annual rental obligations under noncancelable operating leases (substantially all real property or equipment) in force at October 31, 2017, were payable as follows:

(In millions)

2018	\$33.4
2019	30.0
2020	25.8
2021	21.7
2022	18.8
2023 and thereafter	145.8
	\$275.5

Aggregate rental expense for both cancelable and noncancelable contracts amounted to \$32.2 million, \$29.9 million and \$27.5 million in 2017, 2016 and 2015, respectively.

## Legal Proceedings

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

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

Since March 2015, over 50 putative class action complaints were filed by contact lens consumers alleging that contact lens manufacturers, in conjunction with their respective Unilateral Pricing Policy (UPP), conspired to reach agreements between each other and certain distributors and retailers regarding the prices

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

at which certain contact lenses could be sold to consumers. The plaintiffs are seeking damages against CooperVision, Inc., other contact lens manufacturers, distributors and retailers, in various courts around the United States. In June 2015, all of the class action cases were consolidated and transferred to the United States District Court for the Middle District of Florida. CooperVision and the other defendants jointly filed a motion to dismiss the complaints in December 2015. In June 2016, the motion to dismiss with respect to claims brought under the Maryland Consumer Protection Act was granted, but the motion to dismiss with respect to claims brought under Section 1 of the Sherman Act and other state laws was denied. The actions currently are in discovery. In March 2017, the plaintiffs filed a motion for class certification. In August 2017, CooperVision entered into a settlement agreement with the plaintiffs, without any admission of liability, to settle all claims against CooperVision, subject to Court approval of the settlement. The Company recorded a settlement accrual of \$3.0 million in the third quarter fiscal ended July 31, 2017.

The Company is involved in various lawsuits, claims and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters. The Company does not believe that an estimate of possible loss or a range of loss can be made at this time. Legal fees are recognized as incurred.

Other

The UK Tax Authorities have begun an inquiry regarding the application of UK Diverted Profits Tax (DPT) to us for fiscal year 2015. We believe that the transactions in question were at arm's length with no intention to divert profit from the UK and therefore are outside the intended reach of the Diverted Profit Tax.

On December 20, 2017, the U.K. Tax Authorities issued a DPT charging notice of approximately GBP 31.0 million with respect to the transfer out of the United Kingdom of certain intellectual property rights in connection with the 2014 acquisition of Saunflon Pharmaceutical Ltd. Although the taxes were paid on the transfer, the UK Tax Authorities are challenging the value assigned to such property. We intend to contest the charging notice vigorously. The process for resolving such a notice can be lengthy and could involve litigation. The company is cooperating with the Tax authorities to resolve this issue. The outcome of this matter cannot be predicted with certainty and may have an adverse impact on our financial condition and results.

Note 13. Business Segment Information

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

Total net sales include sales to customers as reported in our Consolidated Statements of Income and sales between geographic areas that are priced at terms that allow for a reasonable profit for the seller. Operating income (loss) is total net sales less cost of sales, selling, general and administrative expenses, research and development expenses, and amortization of intangible assets. Corporate operating loss is principally corporate headquarters expense. Interest expense, loss on extinguishment of debt and other income and expenses are not allocated to individual segments. One customer, a CooperVision contact lens distributor, accounted for approximately 11% of our consolidated net revenue in both the fiscal year ended October 31, 2017 and October 31, 2016. No customers accounted for 10% or more of our consolidated net revenue in the fiscal year ended October 31, 2015.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

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

(In millions)	2017	2016	2015
CooperVision net sales by category:			
Toric lens	\$526.8	\$480.2	\$440.1
Multifocal lens	177.2	169.8	162.1
Single-use sphere lens	438.3	403.1	357.2
Non single-use sphere and other	531.8	524.1	528.4
Total CooperVision net sales	1,674.1	1,577.2	1,487.8
CooperSurgical net sales	464.9	389.6	309.3
Total net sales	\$2,139.0	\$1,966.8	\$1,797.1

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Information by business segment for each of the years in the three-year period ended October 31, 2017, follows:

(In millions)	CooperVision	CooperSurgical	Corporate	Consolidated
2017				
Net sales	\$ 1,674.1	\$ 464.9	\$ —	\$ 2,139.0
Operating income (loss)	\$ 418.4	\$ 58.5	\$ (47.8 )	\$ 429.1
Interest expense				33.4
Other expense, net				1.7
Income before income taxes				\$ 394.0
Identifiable assets	\$ 3,562.6	\$ 1,107.5	\$ 188.6	\$ 4,858.7
Depreciation expense	\$ 115.0	\$ 4.7	\$ 0.3	\$ 120.0
Amortization expense	\$ 36.7	\$ 31.7	\$ —	\$ 68.4
Capital expenditures	\$ 108.2	\$ 18.9	\$ 0.1	\$ 127.2
2016				
Net sales	\$ 1,577.2	\$ 389.6	\$ —	\$ 1,966.8
Operating income (loss)	\$ 309.8	\$ 60.2	\$ (45.9 )	\$ 324.1
Interest expense				26.2
Other expense, net				2.3
Income before income taxes				\$ 295.6
Identifiable assets	\$ 3,382.4	\$ 907.1	\$ 189.1	\$ 4,478.6
Depreciation expense	\$ 131.3	\$ 5.9	\$ 0.3	\$ 137.5
Amortization expense	\$ 40.1	\$ 20.7	\$ —	\$ 60.8
Capital expenditures	\$ 142.8	\$ 9.8	\$ —	\$ 152.6
2015				
Net sales	\$ 1,487.8	\$ 309.3	\$ —	\$ 1,797.1
Operating income (loss)	\$ 229.8	\$ 56.1	\$ (49.2 )	\$ 236.7
Interest expense				18.1
Other expense, net				3.1
Income before income taxes				\$ 215.5
Identifiable assets	\$ 3,714.6	\$ 674.9	\$ 73.0	\$ 4,462.5
Depreciation expense	\$ 134.0	\$ 5.6	\$ 0.3	\$ 139.9
Amortization expense	\$ 36.6	\$ 14.9	\$ —	\$ 51.5
Capital expenditures	\$ 238.3	\$ 4.6	\$ 0.1	\$ 243.0

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Information by geographical area by country of domicile for each of the years in the three-year period ended October 31, 2017, follows:

(In millions)	United States	Europe	Rest of World, Other Eliminations & Corporate	Consolidated
2017				
Sales to unaffiliated customers	\$931.1	\$746.2	\$ 461.7	\$ 2,139.0
Sales between geographic areas	255.7	440.5	(696.2 )	—
Net sales	\$1,186.8	\$1,186.7	\$ (234.5 )	\$ 2,139.0
Operating income	\$37.8	\$1.6	\$ 389.7	\$ 429.1
Long-lived assets	\$472.8	\$352.3	\$ 85.0	\$ 910.1
2016				
Sales to unaffiliated customers	\$886.5	\$681.1	\$ 399.2	\$ 1,966.8
Sales between geographic areas	254.7	464.1	(718.8 )	—
Net sales	\$1,141.2	\$1,145.2	\$ (319.6 )	\$ 1,966.8
Operating income	\$77.7	\$6.0	\$ 240.4	\$ 324.1
Long-lived assets	\$464.1	\$334.4	\$ 79.2	\$ 877.7
2015				
Sales to unaffiliated customers	\$811.9	\$647.3	\$ 337.9	\$ 1,797.1
Sales between geographic areas	250.0	493.1	(743.1 )	—
Net sales	\$1,061.9	\$1,140.4	\$ (405.2 )	\$ 1,797.1
Operating income (loss)	\$30.7	\$(37.6 )	\$ 243.6	\$ 236.7
Long-lived assets	\$494.2	\$407.9	\$ 65.0	\$ 967.1

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 14. Selected Quarterly Financial Data (Unaudited)

(In millions, except for earnings per share)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017				
Net sales	\$499.1	\$522.4	\$556.0	\$561.5
Gross profit	\$312.4	\$343.9	\$356.2	\$353.4
Income before income taxes	\$80.1	\$109.5	\$107.7	\$96.6
Net income attributable to Cooper stockholders	\$75.8	\$104.9	\$103.6	\$88.6
Earnings per share attributable to Cooper stockholders - basic	\$1.55	\$2.14	\$2.12	\$1.82
Earnings per share attributable to Cooper stockholders - diluted	\$1.53	\$2.12	\$2.09	\$1.78
2016				
Net sales	\$449.6	\$483.8	\$514.7	\$518.7
Gross profit	\$262.0	\$298.5	\$316.6	\$296.0
Income before income taxes	\$50.7	\$82.6	\$93.4	\$68.9
Net income attributable to Cooper stockholders	\$51.4	\$74.1	\$87.9	\$60.5
Earnings per share attributable to Cooper stockholders - basic	\$1.06	\$1.53	\$1.81	\$1.25
Earnings per share attributable to Cooper stockholders - diluted	\$1.05	\$1.52	\$1.79	\$1.23

THE COOPER COMPANIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements

Note 15. Subsequent Events

PARAGARD Acquisition

On November 1, 2017, subsequent to our fiscal year ended October 31, 2017, CooperSurgical acquired the global rights and business of the PARAGARD Intrauterine Device (IUD) business (PARAGARD) from Teva Pharmaceuticals Industries Limited (Teva) for \$1.1 billion.

This acquisition broadens and strengthens CooperSurgical's current product portfolio in office and surgical procedures. PARAGARD is the only hormone-free, long lasting, reversible contraceptive option approved by FDA available in the United States and IUDs represent a large and growing segment of the contraceptive market.

We have not yet completed the initial purchase price allocation for this acquisition due to the timing of the close of acquisition, including obtaining all of the information required for the valuation of the acquired intangible assets, goodwill, assets and liabilities assumed.

Due to the timing of the close of the PARAGARD acquisition, supplemental pro forma information has not been provided as compilation of such data is impracticable since Teva has not accounted PARAGARD as a separate entity, subsidiary or division, standalone financial statements were not readily available. The pro forma revenue and earnings of the combined financial will be included in our Form 10-Q for the fiscal quarter ending January 31, 2018.

\$1.425 billion Term Loan

In September 2017, the Company arranged a commitment for a Bridge Loan Facility of \$1.1 billion to support funding of the anticipated PARAGARD acquisition. Proceeds from the Bridge Loan, if drawn, were intended to be used to finance the acquisition of PARAGARD. In October 2017, the Company terminated the commitments in respect of the Bridge Loan Facility and no bridge loans were drawn because we secured the term loan agreement described below. Subsequent to the fiscal year ended October 31, 2017, on November 1, 2017, in connection with the PARAGARD acquisition, we entered into a new five-year, \$1.425 billion, senior unsecured term loan agreement by and among the Company, the lenders party thereto and DNB Bank ASA, New York Branch, as administrative agent (the 2017 Term Loan Agreement) which matures on November 1, 2022. The Company used part of the facility to fund the PARAGARD acquisition and used the remainder of the funds to partially repay outstanding borrowings under our revolving credit agreement.

Amounts outstanding under the 2017 Term Loan Agreement will bear interest, at our option, at either the base rate, or the adjusted LIBO rate (each as defined in the 2017 Term Loan Agreement), plus, in each case, an applicable rate of, between 0.00% and 0.75% in respect of base rate loans and between 1.00% and 1.75% in respect of adjusted LIBO rate loans, in each case in accordance with a pricing grid tied to the Total Leverage Ratio as defined in the 2017 Term Loan Agreement.

The 2017 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 2017 Term Loan Agreement, consistent with the 2016 Credit Agreement discussed in Note 5.

Other Acquisition



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

On December 1, 2017, CooperVision acquired Paragon Vision Sciences, a leading provider of orthokeratology (ortho-k) specialty contact lenses and oxygen permeable rigid contact lens materials for approximately \$80.0 million. This acquisition broadens and strengthens CooperVision's existing product portfolio.

The pro forma results of operations of this acquisition will not be presented as the effects of the business combination is not material to our consolidated results of operations.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

In conjunction with the close of each fiscal quarter, the Company conducts a review and evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer, based upon their evaluation as of October 31, 2017, the end of the fiscal period covered in this report, concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2017, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). Based on this assessment, management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, concluded that the Company's internal control over financial reporting was effective as of October 31, 2017.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal control over financial reporting as of October 31, 2017, as stated in their report in Part II, Item 8 of this Annual Report on Form 10-K.



THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's fiscal quarter ended October 31, 2017, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

116

---

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to the subheadings, “Proposal 1 - Election of Directors,” “Executive Officers of the Company,” “Corporate Governance - Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance - About Our Board of Directors,” “Corporate Governance - Identification of Candidates,” “Corporate Governance - Corporate Governance Policies - Ethics and Business Conduct Policy,” “Corporate Governance - Board Committees - The Audit Committee” and “Report of the Audit Committee” of the Company's Proxy Statement for the Annual Meeting of Stockholders scheduled to be held in March 2018 (the “2018 Proxy Statement”).

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the subheadings “Report of the Organization and Compensation Committee,” “Compensation Discussion and Analysis,” “Executive Compensation Tables” “Potential Payments Upon Termination or Change in Control,” “Director Compensation” “Corporate Governance - Compensation Committee Interlocks and Insider Participation” of the 2018 Proxy Statement.

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

See Item 5. Market for Registrant's Common Equity and Related Stockholder Matters - Equity Compensation Plan Information. Additional information required by this item is incorporated by reference to the subheadings “Securities Held by Insiders” and “Principal Securityholders” of the “Ownership of the Company” section of the 2018 Proxy Statement.

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

The information required by this item is incorporated by reference to the subheadings “Corporate Governance - Related Party Transactions,” “Proposal 1 - Election of Directors” and “Corporate Governance - About Our Board of Directors” of the 2018 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to “Report of the Audit Committee” section of the 2018 Proxy Statement.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. Financial Statements

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

Report of KPMG LLP, Independent Registered Public Accounting Firm  
Consolidated Financial Statements:  
Statements of Income for the years ended October 31, 2017, 2016 and 2015  
Statements of Comprehensive Income for the years ended October 31, 2017, 2016 and 2015  
Balance Sheets as of October 31, 2017 and 2016  
Statements of Stockholders' Equity for the years ended October 31, 2017, 2016 and 2015  
Statements of Cash Flows for the years ended October 31, 2017, 2016 and 2015  
Notes to Consolidated Financial Statements

2. Financial Statement Schedules of the Company.

Schedule Number	Description
Schedule II	Valuation and Qualifying Accounts

(b) Exhibits.

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

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

Schedule II  
THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended October 31, 2017

(In millions)	Balance Beginning of Year	Additions Charged to Costs and Expenses	(Deductions) Recoveries/ Other <sup>(1)</sup>	Balance at End of Year
Allowance for doubtful accounts:				
Year Ended October 31, 2017	\$ 8.5	\$ 2.6	\$ (0.3 )	\$ 10.8
Year Ended October 31, 2016	\$ 6.0	\$ 2.5	\$ —	\$ 8.5
Year Ended October 31, 2015	\$ 6.0	\$ 1.7	\$ (1.7 )	\$ 6.0

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

(In millions)	Balance Beginning of Year	Additions <sup>(2)</sup>	Reductions/ Charges	Balance at End of Year
Income tax valuation allowance:				
Year Ended October 31, 2017	\$ 13.3	\$ 45.9	\$ (0.1 )	\$ 59.1
Year Ended October 31, 2016	\$ 13.4	\$ —	\$ (0.1 )	\$ 13.3
Year Ended October 31, 2015	\$ 14.5	\$ —	\$ (1.1 )	\$ 13.4

<sup>(2)</sup> Addition includes \$37.8 million of valuation allowance from prior years as a result of previously unrecorded deferred assets that have been subject to a full valuation allowance.

## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## EXHIBIT INDEX

Exhibit Number	Description of Document
2.1	<u>Asset Purchase Agreement, dated as of September 11, 2017, by and between CooperSurgical, Inc. and Teva Pharmaceutical Industries Ltd., incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K dated September 12, 2017</u>
3.1	<u>Second Restated Certificate of Incorporation filed with the Delaware Secretary of State, incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated January 13, 2006</u>
3.2	<u>Amended and Restated By-Laws, The Cooper Companies, Inc., dated December 14, 2010, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 15, 2010</u>
10.1 <sup>(P)</sup> #	<u>Severance Agreement entered into as of August 21, 1989, and amended August 15, 2008, by and between Robert S. Weiss and the Company, incorporated by reference to Exhibit 10.28 to Amendment No. 1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1992</u>
10.2#	<u>The Cooper Companies, Inc. Change in Control Severance Plan, dated May 21, 2007, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2007</u>
10.3#	<u>Change in Control Agreement entered into as of January 3, 2007, and amended September 9, 2008, by and between Albert G. White III and the Company, incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2013</u>
10.4#	<u>Change in Control Agreement dated as of June 8, 2007, by and between The Cooper Companies, Inc. and Daniel G. McBride, Esq., incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2014</u>
10.5#	<u>Change in Control Agreement dated as of June 8, 2007, by and between The Cooper Companies, Inc. and Carol R. Kaufman, incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008</u>
10.6#	<u>The Second Amended and Restated 2006 Long Term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to the Company's Proxy Statement filed February 1, 2011</u>
10.7#	<u>Amendment No. 1 to the Second Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011</u>
10.8#	<u>Amendment No. 2 to the Second Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2012</u>
10.9#	<u>Amendment No. 3 to the Second Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2013</u>
10.10#	<u>Amendment No. 4 to the Second Amended and Restated 2006 Long-term Incentive Plan for Non-Employee Directors of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2016</u>



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Exhibit Number	Description of Document
10.11#	<u>Form of Non-Qualified Stock Option Agreement Pursuant to The Cooper Companies, Inc. 2006 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007</u>
10.12#	<u>Form of Restricted Stock Unit Agreement Pursuant to The Cooper Companies, Inc. Second Amended and Restated 2006 Long Term Incentive Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2016</u>
10.13#	<u>The Third Amended and Restated 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to the Company's Proxy Statement filed January 29, 2016</u>
10.14#	<u>Form of Non-Qualified Stock Option Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007</u>
10.15#	<u>Form of UK Tax Approved Stock Option Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.33 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007</u>
10.16#	<u>Form of Deferred Stock Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007</u>
10.17#	<u>Form of Long Term Performance Share Award Agreement Pursuant to the 2007 Long-Term Incentive Plan of The Cooper Companies, Inc., incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 13, 2009</u>
10.18(a)	<u>License Agreement dated as of November 19, 2007, by and among CIBA Vision AG, CIBA Vision Corporate and CooperVision, Inc., incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008</u>
10.19(a)	<u>Amendment No. 1 to the License Agreement dated as of November 19, 2007, by and among CIBA Vision AG, CIBA Vision Corporate and CooperVision, Inc., incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed on December 21, 2012</u>
10.20	<u>Lease Contract dated as of November 6, 2003, by and between The Puerto Rico Industrial Development Company and Ocular Sciences Puerto Rico, Inc., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 12, 2005</u>
10.21	<u>First Supplement and Amendment to Lease Contract dated as of December 30, 2003, by and between The Puerto Rico Industrial Development Company and Ocular Sciences Puerto Rico, Inc., incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 12, 2005</u>
10.22	<u>Assignment of Lease Agreement dated as of June 29, 2004, by and among Ocular Sciences Puerto Rico, Inc., Ocular Sciences Cayman Islands Corporation and The Puerto Rico Industrial Development Company, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated January 12, 2005</u>





## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Exhibit Number	Description of Document
10.23	<u>Term Loan Amendment, dated as of June 30, 2014, among The Cooper Companies, Inc., CooperVision International Holding Company, LP, the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed July 1, 2014</u>
10.24	<u>Term Loan Agreement, dated as of August 4, 2014, among The Cooper Companies, Inc., the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8 K filed August 6, 2014</u>
10.25	<u>Term Loan Amendment No. 2, dated as of August 4, 2014, among The Cooper Companies, Inc. the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8 K filed August 6, 2014</u>
10.26	<u>Term loan agreement, dated as of September 12, 2013, among The Cooper Companies, Inc., the lenders party thereto, and KeyBank National Association, as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 17, 2013</u>
10.27	<u>Term Loan Amendment No. 1, dated as of August 21, 2015, among The Cooper Companies, Inc. the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed on September 4, 2015</u>
10.28	<u>Term Loan Amendment No. 3, dated as of August 21, 2015, among The Cooper Companies, Inc. the lenders party thereto, and Keybank National Association, as administrative agent, incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed on September 4, 2015</u>
10.29	<u>Amendment and Restatement Agreement, dated as of March 1, 2016, among The Cooper Companies, Inc., the lenders party thereto, and Keybank National Association, as administrative agent, to amend and restate the Company's Term Loan Agreement, dated as of August 4, 2014 and as previously amended, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed March 3, 2016</u>
10.30	<u>Revolving Credit and Term Loan Agreement, dated as of March 1, 2016, among The Cooper Companies, Inc., CooperVision International Holding Company, LP, the lenders from time to time party thereto, KeyBank National Association, as administrative agent, swing line lender and a letter of credit issuer, KeyBanc Capital Markets Inc., Citigroup Global Markets Inc., DNB Bank ASA, New York Branch, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner &amp; Smith Incorporated, MUFG Union Bank, N.A. and Wells Fargo Securities, LLC, as joint lead arrangers and joint bookrunners, Bank of America, N.A., DNB Bank ASA, New York Branch, JPMorgan Chase Bank, N.A., and MUFG Union Bank, N.A., as syndication agents, Citibank, N.A. and Wells Fargo Bank, National Association, as documentation agents, and TD Bank, N.A., PNC Bank, National Association, and U.S. Bank, National Association, as senior managing agents, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed March 3, 2016</u>

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Exhibit Number	Description of Document
10.31	<u>Amendment and Restatement Agreement, dated as of March 1, 2016, among The Cooper Companies, Inc., the lenders party thereto, and Keybank National Association, as administrative agent, to amend and restate the Company's Term Loan Agreement, dated as of September 12, 2013 and as previously amended, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed March 3, 2016</u>
10.32	<u>Loan Agreement, dated as of November 1, 2017, among The Cooper Companies, Inc., the lenders party thereto, and DNB Bank ASA, New York Branch, as administrative agent, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed November 1, 2017</u>
10.33#	<u>The Cooper Companies, Inc. 2016 Incentive Payment Plan, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed February 4, 2016</u>
10.34#	<u>The Cooper Companies, Inc. 2017 Executive Incentive Plan, incorporated by reference to the Company's Proxy Statement filed January 27, 2017</u>
11 <sup>(b)</sup>	<u>Calculation of earnings per share</u>
21	<u>Subsidiaries</u>
23	<u>Consent of Independent Registered Public Accounting Firm</u>
31.1	<u>Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
32.1*	<u>Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350</u>
32.2*	<u>Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350</u>
101	The following materials from the Company's Annual Report on Form 10-K for the year ended October 31, 2017, formatted in Extensible Business Reporting Language (XBRL); (i) Consolidated Statements of Income for the years ended October 31, 2017, 2016 and 2015, (ii) Consolidated Statements of Comprehensive Income for the years ended October 31, 2017, 2016 and 2015, (iii) Consolidated Balance Sheets at October 31, 2017 and 2016, (iv) Consolidated Statements of Stockholders' Equity for the years ended October 31, 2017, 2016 and 2015, (v) Consolidated Statements of Cash Flows for the years ended October 31, 2017, 2016 and 2015, (vi) related notes to consolidated financial statements and (vii) Schedule II Valuation and Qualifying Accounts

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

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

#Indicates management contract or compensatory plan.

\* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of The Cooper Companies, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

(P) This Exhibit has been paper filed and is not subject to Item 601 of Reg S-K for hyperlinks.



## THE COOPER COMPANIES, INC. AND SUBSIDIARIES

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on December 22, 2017.

THE COOPER COMPANIES, INC.

By: /s/ ROBERT S. WEISS

Robert S. Weiss

Chief Executive Officer and Director

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

Signature	Capacity	Date
/s/ ROBERT S. WEISS (Robert S. Weiss)	President, Chief Executive Officer and Director (Principal Executive Officer)	December 22, 2017
/s/ A. THOMAS BENDER (A. Thomas Bender)	Chairman of the Board	December 22, 2017
/s/ ALLAN E. RUBENSTEIN, M.D. (Allan E. Rubenstein)	Vice Chairman of the Board and Lead Director	December 22, 2017
/s/ ALBERT G. WHITE, III (Albert G. White, III)	Executive Vice President, Chief Financial Officer and Chief Strategy Officer (Principal Financial Officer)	December 22, 2017
/s/ AGOSTINO RICUPATI (Agostino Ricupati)	Senior Vice President Finance and Tax and Chief Accounting Officer (Principal Accounting Officer)	December 22, 2017
/s/ COLLEEN E. JAY (Colleen E. Jay)	Director	December 22, 2017
/s/ MICHAEL H. KALKSTEIN (Michael H. Kalkstein)	Director	December 22, 2017
/s/ WILLIAM A. KOZY (William A. Kozy)	Director	December 22, 2017
/s/ JODY S. LINDELL (Jody S. Lindell)	Director	December 22, 2017
/s/ GARY S. PETERSMEYER (Gary S. Petersmeyer)	Director	December 22, 2017
/s/ STANLEY ZINBERG, M.D. (Stanley Zinberg)	Director	December 22, 2017

(Stanley Zinberg)

124

---

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

CORPORATE INFORMATION

BOARD OF DIRECTORS

A. Thomas Bender  
Chairman of the Board

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

Colleen E. Jay  
Director

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

William A. Kozy  
Director

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

Gary S. Petersmeyer  
Director

Robert S. Weiss  
President, Chief Executive Officer and Director

Stanley Zinberg, M.D.  
Director

EXECUTIVE OFFICERS

Robert S. Weiss  
President and Chief Executive Officer

Randal L. Golden  
Vice President and General Counsel

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

Agostino Ricupati  
Senior Vice President Finance and Tax, and Chief Accounting Officer

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

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

PRINCIPAL SUBSIDIARIES

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

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

INVESTOR INFORMATION

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

INVESTOR RELATIONS CONTACT

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

ANNUAL MEETING

The Cooper Companies will hold its Annual Stockholders' Meeting in March 2018.

TRANSFER AGENT

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

TRADEMARKS

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

INDEPENDENT AUDITORS

KPMG LLP

STOCK EXCHANGE LISTING

The New York Stock Exchange

COMMITTEES OF THE BOARD      www.coopersurgical.com      Ticker Symbol "COO"

CORPORATE OFFICES

Audit Committee

Jody S. Lindell  
(Chairman)  
Michael H. Kalkstein  
William A. Kozy  
Gary Petersmeyer

The Cooper Companies, Inc.  
6140 Stoneridge Mall Road  
Suite 590  
Pleasanton, CA 94588  
925-460-3600  
www.coopercos.com

Corporate  
Governance and  
Nominating  
Committee

Allan E. Rubenstein,  
M.D. (Chairman)  
Michael H. Kalkstein  
Stanley Zinberg,  
M.D.  
Colleen E. Jay

Organization and  
Compensation  
Committee

Michael H. Kalkstein  
(Chairman)  
Colleen E. Jay  
Jody S. Lindell  
Gary S. Petersmeyer

Science and  
Technology  
Committee

Stanley Zinberg,  
M.D. (Chairman)  
A. Thomas Bender  
William A. Kozy  
Gary S. Petersmeyer  
Allan E. Rubenstein,  
M.D.  
Robert S. Weiss