

COOPER COMPANIES INC
Form 10-Q
March 06, 2015

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarterly Period Ended January 31, 2015

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

The Cooper Companies, Inc.
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

| | |
|-------------------------------|---------------------------------|
| Common Stock, \$.10 par value | 48,288,639 Shares |
| Class | Outstanding at January 31, 2015 |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Income

Three Months Ended January 31,

(In thousands, except for earnings per share)

(Unaudited)

| | 2015 | 2014 |
|--|-----------|-----------|
| Net sales | \$445,171 | \$404,980 |
| Cost of sales | 168,820 | 142,051 |
| Gross profit | 276,351 | 262,929 |
| Selling, general and administrative expense | 173,535 | 158,088 |
| Research and development expense | 16,113 | 15,712 |
| Amortization of intangibles | 13,595 | 7,507 |
| Operating income | 73,108 | 81,622 |
| Interest expense | 3,941 | 1,656 |
| Other expense, net | 1,702 | 510 |
| Income before income taxes | 67,465 | 79,456 |
| Provision for income taxes | 5,716 | 7,191 |
| Net income | \$61,749 | \$72,265 |
| Less: income attributable to noncontrolling interests | 570 | 422 |
| Net income attributable to Cooper stockholders | \$61,179 | \$71,843 |
| Earnings per share attributable to Cooper stockholders - basic | \$1.27 | \$1.50 |
| Earnings per share attributable to Cooper stockholders - diluted | \$1.25 | \$1.47 |
| Number of shares used to compute earnings per share: | | |
| Basic | 48,202 | 48,006 |
| Diluted | 49,082 | 49,006 |
| See accompanying notes. | | |

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

Three Months Ended January 31,

(In thousands)

(Unaudited)

| | 2015 | 2014 |
|---|-------------|----------|
| Net income | \$61,749 | \$72,265 |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustment | (113,619) | 3,196 |
| Change in value of derivative instruments, net of tax provision of \$30 and \$222, respectively | 47 | 347 |
| Change in minimum pension liability, net of tax | 7 | 7 |
| Other comprehensive (loss) income | (113,565) | 3,550 |
| Comprehensive (loss) income | (51,816) | 75,815 |
| Comprehensive loss attributable to noncontrolling interests | 648 | 2 |
| Comprehensive (loss) income attributable to Cooper stockholders | \$(51,168) | \$75,817 |

See accompanying notes.

THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(In thousands, unaudited)

| | January 31, 2015 | October 31, 2014 |
|--|------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,428 | \$ 25,222 |
| Trade accounts receivable, net of allowance for doubtful accounts of \$5,761 at January 31, 2015 and \$6,025 at October 31, 2014 | 275,899 | 276,280 |
| Inventories | 390,101 | 381,474 |
| Deferred tax assets | 36,329 | 40,224 |
| Prepaid expense and other current assets | 68,352 | 68,417 |
| Total current assets | 787,109 | 791,617 |
| Property, plant and equipment, at cost | 1,522,022 | 1,525,917 |
| Less: accumulated depreciation and amortization | 593,395 | 588,592 |
| | 928,627 | 937,325 |
| Goodwill | 2,157,577 | 2,220,921 |
| Other intangibles, net | 418,043 | 453,605 |
| Deferred tax assets | 8,230 | 15,732 |
| Other assets | 36,158 | 39,140 |
| | \$ 4,335,744 | \$ 4,458,340 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Short-term debt | \$ 92,795 | \$ 101,518 |
| Accounts payable | 87,336 | 116,353 |
| Employee compensation and benefits | 50,589 | 67,904 |
| Other current liabilities | 151,859 | 156,407 |
| Total current liabilities | 382,579 | 442,182 |
| Long-term debt | 1,302,542 | 1,280,833 |
| Deferred tax liabilities | 69,377 | 69,525 |
| Accrued pension liability and other | 64,261 | 77,360 |
| Total liabilities | 1,818,759 | 1,869,900 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, 10 cents par value, shares authorized: 1,000; zero shares issued or outstanding | — | — |
| Common stock, 10 cents par value, shares authorized: 120,000; issued 51,212 at January 31, 2015 and 50,983 at October 31, 2014 | 5,121 | 5,099 |
| Additional paid-in capital | 1,385,787 | 1,386,800 |
| Accumulated other comprehensive loss | (219,747) | (106,182) |
| Retained earnings | 1,638,555 | 1,578,823 |
| Treasury stock at cost: 2,923 shares at January 31, 2015 and 2,840 shares at October 31, 2014 | (308,842) | (294,662) |
| Total Cooper stockholders' equity | 2,500,874 | 2,569,878 |
| Noncontrolling interests | 16,111 | 18,562 |
| Stockholders' equity | 2,516,985 | 2,588,440 |
| | \$ 4,335,744 | \$ 4,458,340 |

See accompanying notes.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows
 Three Months Ended January 31,
 (In thousands)
 (Unaudited)

| | 2015 | 2014 | |
|--|-----------|-----------|---|
| Cash flows from operating activities: | | | |
| Net income | \$61,749 | \$72,265 | |
| Depreciation and amortization | 42,884 | 31,395 | |
| Decrease in operating capital | (56,157) | (59,567) |) |
| Other non-cash items | 31,365 | 24,481 | |
| Net cash provided by operating activities | 79,841 | 68,574 | |
| Cash flows from investing activities: | | | |
| Purchases of property, plant and equipment | (64,995) | (60,979) |) |
| Acquisitions of businesses, net of cash acquired, and other | (204) | 1,489 |) |
| Insurance proceeds received | — | 1,359 | |
| Net cash used in investing activities | (65,199) | (58,131) |) |
| Cash flows from financing activities: | | | |
| Proceeds from long-term debt | 240,600 | 486,900 | |
| Repayments of long-term debt | (218,800) | (486,900) |) |
| Net repayments of short-term debt | (10,684) | (534) |) |
| Repurchase of common stock | (15,996) | (50,000) |) |
| Payments related to share-based compensation awards | (10,770) | (8,052) |) |
| Purchase of shares from noncontrolling interests | (2,015) | — |) |
| Distributions to noncontrolling interests | (394) | (749) |) |
| Payment of contingent consideration | (2,407) | (3,323) |) |
| Proceeds from construction allowance | 219 | 4,074 | |
| Net cash used in financing activities | (20,247) | (58,584) |) |
| Effect of exchange rate changes on cash and cash equivalents | (3,189) | (424) |) |
| Net decrease in cash and cash equivalents | (8,794) | (48,565) |) |
| Cash and cash equivalents - beginning of period | 25,222 | 77,393 | |
| Cash and cash equivalents - end of period | \$16,428 | \$28,828 | |
| See accompanying notes. | | | |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 1. General

The Cooper Companies, Inc. (Cooper, we or the Company) is a global medical device company publicly traded on the NYSE Euronext (NYSE: COO). Cooper is dedicated to being A Quality of Life Company™ with a focus on delivering shareholder value. Cooper operates through our business units, CooperVision and CooperSurgical. CooperVision develops, manufactures and markets a broad range of soft contact lenses for the worldwide vision correction market.

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

The unaudited consolidated condensed financial statements presented in this report contain all adjustments necessary to present fairly Cooper's consolidated condensed financial position at January 31, 2015 and October 31, 2014, the consolidated results of its operations for the three months ended January 31, 2015 and 2014 and its consolidated condensed cash flows for the three months ended January 31, 2015 and 2014. Most of these adjustments are normal and recurring. However, certain adjustments associated with acquisitions and insurance proceeds are of a nonrecurring nature. Readers should not assume that the results reported here either indicate or guarantee future performance.

During interim periods, we follow the accounting policies described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014. Please refer to this when reviewing this Quarterly Report on Form 10-Q.

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

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

During the fiscal first three months of 2015, there were no significant changes in our estimates and critical accounting policies. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, for a more complete discussion of our estimates and critical accounting policies.

Accounting Pronouncements Issued Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update (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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

and recognizing the revenue upon satisfaction of performance obligations. The amendments in the ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. We are currently evaluating the impact of ASU 2014-09, which is effective for the Company in our fiscal year beginning on November 1, 2017.

Accounting Pronouncements Recently Adopted

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

Note 2. Acquisitions

Sauflon Acquisition

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

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

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

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

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

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

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

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

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

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

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Notes to Consolidated Condensed Financial Statements

(Unaudited)

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

The unaudited pro forma financial results presented below for the three months ended January 31, 2014, include the effects of pro forma adjustments as if the acquisition occurred on November 1, 2012. The pro forma results were prepared using the acquisition method of accounting and combine the historical results of Cooper and Sauflon for the three months ended January 31, 2014, including the effects of the business combination, primarily amortization expense related to the fair value of identifiable intangible assets acquired, and interest expense associated with the financing obtained by Cooper in connection with the acquisition. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the earliest period presented, nor is it intended to be a projection of future results.

Three Months Ended January 31,

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

| | |
|--|-----------------|
| Revenue | 2014 \$448.8 |
| Net income attributable to Cooper stockholders | \$68.3 |
| Diluted earnings per share | \$1.39 |

The pro forma results for the three months ended January 31, 2014 were adjusted to include pre-tax amortization of intangible assets totaling \$7.4 million, and an additional \$1.1 million of interest expense.

Note 3. Restructuring and Integration Costs

2014 Sauflon Integration Plan

During the fiscal fourth quarter of 2014, in connection with the Sauflon acquisition, our CooperVision business unit initiated restructuring and integration activities to optimize operational synergies of the combined companies. These activities include workforce reductions, consolidation of duplicative facilities and product rationalization. We estimate that the total restructuring costs under this plan will be \$74.0 million. These costs include about \$48.0 million associated with assets, including product rationalization and related equipment disposals and accelerated depreciation, and about \$26.0 million associated with employee termination costs and facility lease termination costs. We expect these activities to be completed by our fiscal first quarter of 2016.

In the fiscal first quarter of 2015, we recorded restructuring charges of \$8.7 million for product rationalization, including 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; and \$0.1 million for employee termination costs. The product rationalization charges were recorded in cost of sales and the employee termination costs were recorded in research and development expense. In addition, CooperVision incurred \$5.9 million of integration costs recorded in selling, general and administrative expense.

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

integration costs recorded in selling, general and administrative expense.

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

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

| (In millions) | Employee-related | Facilities-related | Product Rationalization | Total |
|--|------------------|--------------------|-------------------------|-----------|
| Additions during fiscal 2014 | \$20.3 | \$0.5 | \$15.3 | \$36.1 |
| Payments during the fiscal year | (0.4 |) — | — | (0.4) |
| Non-cash adjustments (b) | — | — | (15.3 |) (15.3) |
| Balance at October 31, 2014 | 19.9 | 0.5 | — | 20.4 |
| Additions during the three months ended January 31, 2015 | 0.1 | — | 8.7 | 8.8 |
| Payments during the three months ended January 31, 2015 | (0.3 |) — | — | (0.3) |
| Non-cash adjustments (a) (b) | (1.4 |) — | (8.7 |) (10.1) |
| Balance as of January 31, 2015 | \$18.3 | \$0.5 | \$— | \$18.8 |

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

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

Note 4. Inventories

| (In thousands) | January 31, 2015 | October 31, 2014 |
|-----------------|------------------|------------------|
| Raw materials | \$77,979 | \$76,870 |
| Work-in-process | 16,273 | 14,344 |
| Finished goods | 295,849 | 290,260 |
| | \$390,101 | \$381,474 |

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 5. Intangible Assets

Goodwill

(In thousands)

| | CooperVision | CooperSurgical | Total | |
|--|--------------|----------------|-------------|---|
| Balance as of October 31, 2013 | \$1,048,478 | \$339,133 | \$1,387,611 | |
| Net additions during the year ended October 31, 2014 | 857,146 | 25,543 | 882,689 | |
| Translation | (44,063 |) (5,316 |) (49,379 |) |
| Balance as of October 31, 2014 | 1,861,561 | 359,360 | 2,220,921 | |
| Translation | (57,017 |) (6,327 |) (63,344 |) |
| Balance as of January 31, 2015 | \$1,804,544 | \$353,033 | \$2,157,577 | |

We performed our annual impairment assessment in our fiscal third quarter of 2014, and our analysis indicated that we had no impairment of goodwill. As described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, we will continue to monitor conditions and changes which could indicate that our recorded goodwill may be impaired.

Other Intangible Assets

| (In thousands) | As of January 31, 2015 | | As of October 31, 2014 | |
|---|------------------------|--|------------------------|--|
| | Gross Carrying Amount | Accumulated Amortization & Translation | Gross Carrying Amount | Accumulated Amortization & Translation |
| Trademarks | \$20,351 | \$3,214 | \$21,281 | \$2,937 |
| Technology | 314,223 | 99,081 | 326,620 | 93,780 |
| Customer relationships | 225,252 | 93,273 | 233,246 | 90,704 |
| License and distribution rights and other | 70,464 | 16,679 | 73,479 | 13,600 |
| | 630,290 | \$212,247 | 654,626 | \$201,021 |
| Less accumulated amortization and translation | 212,247 | | 201,021 | |
| Other intangible assets, net | \$418,043 | | \$453,605 | |

We estimate that amortization expense for our existing other intangible assets at January 31, 2015, will be \$50.3 million in fiscal 2015, \$47.5 million in fiscal 2016, \$44.3 million in fiscal 2017, \$42.4 million in fiscal 2018 and \$39.7 million in fiscal 2019.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

| Note 6. Debt (In thousands) | January 31, 2015 | October 31, 2014 |
|---|------------------|------------------|
| Short-term: | | |
| Loan notes issued for Sauflon acquisition | \$51,707 | \$55,074 |
| Overdraft and other credit facilities | 41,088 | 46,444 |
| | \$92,795 | \$101,518 |
| Long-term: | | |
| Credit agreement | \$301,300 | \$279,500 |
| Term loans | 1,000,000 | 1,000,000 |
| Other | 1,242 | 1,333 |
| | \$1,302,542 | \$1,280,833 |

Credit Agreement

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

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

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

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

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

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

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

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

At January 31, 2015, we were in compliance with the Interest Coverage Ratio at 55.74 to 1.00 and the Total Leverage Ratio at 2.45 to 1.00.

At January 31, 2015, we had \$698.5 million available under the Credit Agreement.

\$300.0 million Term Loan on September 12, 2013

On September 12, 2013, the Company entered into a five-year, \$300.0 million, senior unsecured term loan agreement by and among the Company; the lenders party thereto and KeyBank National Association, as administrative agent. This syndicated credit facility, as subsequently amended, will mature on September 12, 2018, and will be subject to amortization of principal of 5% per annum payable quarterly beginning October 31, 2016, with the balance payable at maturity.

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

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

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

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

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

\$700.0 million Term Loan on August 4, 2014

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

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

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(Unaudited)

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

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

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

Note 7. Income Taxes

Our effective tax rate (ETR) (provision for income taxes divided by pretax income) for the fiscal first quarter of 2015 was 8.5%. Our year-to-date results reflect the projected fiscal year ETR, plus any discrete items. The ETR used to record the provision for income taxes for the fiscal first quarter of 2014 was 9.1%. The ETR is below the United States statutory rate as a majority of our taxable income is earned in foreign jurisdictions with lower tax rates.

We recognize the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. At November 1, 2014, Cooper had unrecognized tax benefits, that if recognized, \$32.0 million would impact our ETR. For the three-month period ended January 31, 2015, there were no material changes to the total amount of unrecognized tax benefits.

Interest and penalties of \$4.1 million have been reflected as a component of the total liability at November 1, 2014. It is the Company's policy to recognize the items of interest and penalties directly related to income taxes as additional income tax expense.

Included in the balance of unrecognized tax benefits at November 1, 2014, is \$10.2 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits related to expiring statutes in various jurisdictions worldwide and relates primarily to transfer pricing matters.

At January 31, 2015, the tax years for which Cooper remains subject to United States Federal income tax assessment upon examination are 2011 through 2014. Cooper remains subject to income tax examinations in other significant tax jurisdictions including the United Kingdom, Japan, France and Australia for the tax years 2011 through 2014.

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Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 8. Earnings Per Share

Three Months Ended January 31,

(In thousands, except per share amounts)

| | 2015 | 2014 |
|--|----------|----------|
| Net income attributable to Cooper stockholders | \$61,179 | \$71,843 |

Basic:

| | | |
|--------------------------------|--------|--------|
| Weighted average common shares | 48,202 | 48,006 |
|--------------------------------|--------|--------|

| | | |
|---|--------|--------|
| Basic earnings per common share attributable to Cooper stockholders | \$1.27 | \$1.50 |
|---|--------|--------|

Diluted:

| | | |
|--------------------------------|--------|--------|
| Weighted average common shares | 48,202 | 48,006 |
|--------------------------------|--------|--------|

| | | |
|--|-----|-------|
| Effect of potential dilutive common shares | 880 | 1,000 |
|--|-----|-------|

| | | |
|--|--------|--------|
| Diluted weighted average common shares | 49,082 | 49,006 |
|--|--------|--------|

| | | |
|---|--------|--------|
| Diluted earnings per common share attributable to Cooper stockholders | \$1.25 | \$1.47 |
|---|--------|--------|

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

Three Months Ended January 31,

(In thousands, except exercise prices)

| | 2015 | 2014 |
|--|----------|----------|
| Numbers of stock option shares excluded | 123 | 26 |
| Range of exercise prices | \$162.28 | \$128.35 |
| Numbers of restricted stock units excluded | — | — |

| | | |
|--------------------------|----------|----------|
| Range of exercise prices | \$162.28 | \$128.35 |
|--------------------------|----------|----------|

| | | |
|--|---|---|
| Numbers of restricted stock units excluded | — | — |
|--|---|---|

Note 9. Share-Based Compensation Plans

Cooper has several share-based compensation plans that are described in the Company's Annual Report on Form 10 K for the fiscal year ended October 31, 2014. The compensation expense and related income tax benefit recognized in our consolidated condensed financial statements for share-based awards were as follows:

Three Months Ended January 31,

(In millions)

| | 2015 | 2014 |
|---|--------|--------|
| Selling, general and administrative expense | \$9.7 | \$13.4 |
| Cost of sales | 0.8 | 0.8 |
| Research and development expense | 0.2 | 0.6 |
| Total share-based compensation expense | \$10.7 | \$14.8 |
| Related income tax benefit | \$3.4 | \$4.9 |

| | | |
|---------------|-----|-----|
| Cost of sales | 0.8 | 0.8 |
|---------------|-----|-----|

| | | |
|----------------------------------|-----|-----|
| Research and development expense | 0.2 | 0.6 |
|----------------------------------|-----|-----|

| | | |
|--|--------|--------|
| Total share-based compensation expense | \$10.7 | \$14.8 |
|--|--------|--------|

| | | |
|----------------------------|-------|-------|
| Related income tax benefit | \$3.4 | \$4.9 |
|----------------------------|-------|-------|

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$0.8 million during the three months ended January 31, 2015 and \$0.8 million during the three months ended January 31, 2014.

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(Unaudited)

Note 10. Stockholders' Equity

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

| (In thousands) | Foreign Currency Translation Adjustment | Change in Value of Derivative Instruments | Minimum Pension Liability | Total |
|--|--|--|---------------------------------|--------------|
| Balance at October 31, 2014 | \$(92,355) | \$(47) | \$(13,780) | \$(106,182) |
| Gross change in value for the period | (113,619) | — | 7 | (113,612) |
| Reclassification adjustments for loss realized in net income | — | 77 | — | 77 |
| Tax effect for the period | — | (30) | — | (30) |
| Balance at January 31, 2015 | \$(205,974) | \$— | \$(13,773) | \$(219,747) |
| Balance at October 31, 2013 | \$(4,592) | \$(1,033) | \$(10,137) | \$(15,762) |
| Gross change in value for the period | 3,196 | (31) | 7 | 3,172 |
| Reclassification adjustments for loss realized in net income | — | 600 | — | 600 |
| Tax effect for the period | — | (222) | — | (222) |
| Balance at January 31, 2014 | \$(1,396) | \$(686) | \$(10,130) | \$(12,212) |

Share Repurchases

In December 2011, our Board of Directors authorized the 2012 Share Repurchase Program and subsequently amended the total repurchase authorization to \$500.0 million of the Company's common stock. This program has no expiration date and may be discontinued at any time. Purchases under the 2012 Share Repurchase Program are subject to a review of the circumstances in place at the time and may be made from time to time as permitted by securities laws and other legal requirements. For the three months ended January 31, 2015, we repurchased 100 thousand shares of the Company's common stock for \$16.0 million, at an average purchase price of \$159.96 per share. During the three months ended January 31, 2014, we repurchased 396 thousand shares for \$50.0 million, at an average purchase price of \$126.21 per share. At January 31, 2015, approximately \$169.7 million remains authorized for repurchase under the program.

Dividends

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

Note 11. Fair Value Measurements

At January 31, 2015 and October 31, 2014, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, lines of credit, accounts payable and other current liabilities approximate fair value due to the short-term nature of such instruments and the ability to obtain financing on similar terms. Assets and liabilities are measured and reported at fair value per related accounting standards that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. An asset's or liability's level is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are valued and disclosed in one of the following three levels of the valuation hierarchy:

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(Unaudited)

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

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

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

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

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

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

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

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

| (In millions) | January 31, 2015 | October 31, 2014 |
|----------------------------|------------------|------------------|
| Assets: | | |
| Foreign exchange contracts | \$4.9 | \$0.6 |
| Liabilities: | | |
| Interest rate swaps | \$— | \$0.1 |
| Foreign exchange contracts | 6.7 | 3.3 |
| | \$6.7 | \$3.4 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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(Unaudited)

Note 12. Employee Benefits

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

Our results of operations for the three months ended January 31, 2015 and 2014 reflect the following components of net periodic pension costs:

Three Months Ended January 31,

(In thousands)

| | 2015 | 2014 |
|------------------------------------|---------|----------|
| Service cost | \$2,036 | \$1,768 |
| Interest cost | 1,064 | 988 |
| Expected returns on assets | (1,513 |) (1,237 |
| Amortization of prior service cost | 1 | 6 |
| Recognized net actuarial loss | 247 | 154 |
| Net periodic pension cost | \$1,835 | \$1,679 |

We did not contribute to the pension plan in the fiscal first quarter of 2015 and we expect to contribute \$10.0 million during fiscal 2015. We contributed \$1.1 million to the pension plan in the fiscal first quarter of 2014. The expected rate of return on plan assets for determining net periodic pension cost is 8%.

Note 13. Contingencies

On or about November 11, 2014, Johnson & Johnson Vision Care (JJVC) filed an action in the district court of Dusseldorf, Germany, against CooperVision GmbH and CooperVision, Inc. (collectively "CooperVision") for patent infringement. In the action, JJVC alleges that certain CooperVision products infringe JJVC's European Patent No. EP 1 754 728 B1, and is seeking damages and to enjoin these products from selling in Germany. CooperVision is challenging the validity of the patent before the European Patent Office. CooperVision denies JJVC's allegations of infringement and intends to defend the action vigorously and to continue its challenge to the patent before the European Patent Office. We are not in a position to assess whether any loss or adverse effect on our financial condition is probable or remote or to estimate the range of potential loss, if any.

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Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 14. Business Segment Information

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

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

Segment information:

Three Months Ended January 31,

(In thousands)

CooperVision net sales by category:

| | 2015 | 2014 |
|---------------------------------|------------------|------------------|
| Toric lens | \$108,464 | \$101,196 |
| Multifocal lens | 42,470 | 33,695 |
| Single-use sphere lens | 84,201 | 68,772 |
| Non single-use sphere and other | 134,197 | 122,640 |
| Total CooperVision net sales | 369,332 | 326,303 |
| CooperSurgical net sales | 75,839 | 78,677 |
| Total net sales | \$445,171 | \$404,980 |
| Operating income (loss): | | |
| CooperVision | \$73,160 | \$84,146 |
| CooperSurgical | 13,223 | 14,156 |
| Corporate | (13,275) | (16,680) |
| Total operating income | 73,108 | 81,622 |
| Interest expense | 3,941 | 1,656 |
| Other expense, net | 1,702 | 510 |
| Income before income taxes | \$67,465 | \$79,456 |
| (In thousands) | January 31, 2015 | October 31, 2014 |
| Identifiable assets: | | |
| CooperVision | \$3,642,928 | \$3,699,614 |
| CooperSurgical | 633,981 | 646,200 |
| Corporate | 58,835 | 112,526 |
| Total | \$4,335,744 | \$4,458,340 |

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(Unaudited)

Geographic information:

Three Months Ended January 31,

(In thousands)

Net sales to external customers by country of domicile:

| | 2015 | 2014 |
|---|------------------|------------------|
| United States | \$203,875 | \$187,693 |
| Europe | 159,067 | 129,046 |
| Rest of world | 82,229 | 88,241 |
| Total | \$445,171 | \$404,980 |
| (In thousands) | January 31, 2015 | October 31, 2014 |
| Long-lived assets by country of domicile: | | |
| United States | \$505,570 | \$499,195 |
| Europe | 383,105 | 406,433 |
| Rest of world | 39,952 | 31,697 |
| Total | \$928,627 | \$937,325 |

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. These include statements relating to plans, prospects, goals, strategies, future actions, events or performance and other statements which are other than statements of historical fact, including all statements regarding the acquisition of Sauflon including Sauflon's financial position, market position, product development and business strategy, expected cost synergies, expected timing and benefits of the transaction, as well as estimates of our and Sauflon's future expenses, sales and earnings per share are forward-looking. In addition, all statements regarding anticipated growth in our revenue, anticipated effects of any product recalls, anticipated market conditions, planned product launches and expected results of operations and integration of any acquisition are forward-looking. To identify these statements look for words like "believes," "expects," "may," "will," "should," "could," "seeks," "intends," "plans," "estimates" or "anticipates" and similar words or phrases. Forward-looking statements necessarily depend on assumptions, data or methods that may be incorrect or imprecise and are subject to risks and uncertainties. Among the factors that could cause our actual results and future actions to differ materially from those described in forward-looking statements are:

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

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

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

A major disruption in the operations of our manufacturing, research and development or distribution facilities, due to technological problems, including any related to our information systems maintenance or enhancements, natural disasters or other causes.

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

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

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

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

New competitors, product innovations or technologies.

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

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

- New U.S. and foreign government laws and regulations, and changes in existing laws, regulations and enforcement guidance, which affect the medical device industry and the healthcare industry generally.
 - Failure to receive, or delays in receiving, U.S. or foreign regulatory approvals for products.
 - Failure to obtain adequate coverage and reimbursement from third party payors for our products.
 - The requirement to provide for a significant liability or to write off, or accelerate depreciation on, a significant asset, including goodwill.
 - The success of our research and development activities and other start-up projects.
 - Dilution to earnings per share from the Sauflon acquisition or other acquisitions or issuing stock.
 - Changes in accounting principles or estimates.
 - Environmental risks.
- Other events described in our Securities and Exchange Commission filings, including the "Business" and "Risk Factors" sections in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, as such Risk Factors may be updated in quarterly filings.
- We caution investors that forward-looking statements reflect our analysis only on their stated date. We disclaim any intent to update them except as required by law.

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THE COOPER COMPANIES, INC. AND SUBSIDIARIES

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

Results of Operations

In this section, we discuss the results of our operations for the fiscal first quarter of 2015 ended January 31, 2015, and compare them with the same period of fiscal 2014. We discuss our cash flows and current financial condition under "Capital Resources and Liquidity." Within the tables presented, percentages are calculated based on the underlying whole-dollar amounts and, therefore, may not recalculate from the rounded numbers used for disclosure purposes.

First Quarter Highlights

- Net sales of \$445.2 million, up 10% from \$405.0 million
- Gross profit \$276.4 million, up 5% from \$262.9 million
- Operating income \$73.1 million, down 10% from \$81.6 million
- Diluted earnings per share of \$1.25, down from \$1.47 per share
- Cash provided by operations \$79.8 million, up from \$68.6 million

Results in our fiscal first quarter include \$9.4 million of expenses primarily due to equipment rationalization related to recent acquisitions, recorded in cost of sales, and \$6.5 million of expenses for restructuring and integration activities, included in operating expenses; as well as \$13.6 million for amortization of intangible assets

Outlook

Overall, we remain optimistic about the long-term prospects for the worldwide contact lens and women's healthcare markets. However, events affecting the economy as a whole, including the uncertainty and instability of global markets driven by United States and European debt concerns, the Affordable Care Act, including the trend of consolidation within the healthcare industry, and foreign currency volatility, impact our current performance and continue to represent a risk to our performance for fiscal year 2015.

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

On August 6, 2014, we acquired Sauflon Pharmaceuticals Limited (Sauflon), a privately-held European manufacturer and distributor of soft contact lenses and aftercare solutions. The acquisition of Sauflon expanded our contact lens product portfolio particularly with Sauflon's clariti[®] 1day brand of single-use silicone hydrogel spherical, toric and multifocal lenses. Clariti lenses received United States FDA clearance in August 2013. Sauflon is headquartered in the United Kingdom and has a global presence with manufacturing facilities in the United Kingdom and Hungary. Sales of contact lenses utilizing silicone hydrogel materials, a major product material in the industry, have grown significantly. Our ability to compete successfully with a full range of silicone hydrogel products is an important factor to achieving our desired future levels of sales growth and profitability. CooperVision markets monthly and two-week silicone hydrogel spherical and toric lens products under our Biofinity[®], clariti[®] and Avaira[®] brands and a monthly silicone hydrogel multifocal lens under Biofinity. CooperVision markets single-use silicone hydrogel single-use spherical, toric and multifocal lenses under our clariti 1day brand and single-use spherical lenses under MyDay[®]. We believe that the global market for single-use contact lenses will continue to grow and that competitive silicone hydrogel single-use products represent an opportunity for our business. We compete with clariti and MyDay, our single-use silicone hydrogel lenses, and our Proclear[®] 1 Day products. Our clariti 1day brand is the first and only single-use silicone hydrogel lenses in the marketplace with a complete line of spherical, toric and multifocal contact

lenses. We

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

forecast increasing demand for our existing and future single-use products. To meet this anticipated demand, in fiscal 2015 we plan to continue the implementation of capital projects to invest in increased single-use manufacturing capacity.

CooperSurgical - Our CooperSurgical business competes in the highly fragmented medical device segment of the women's healthcare market. CooperSurgical has steadily grown its market presence and distribution system by developing products and acquiring companies and products that complement its business model. We intend to continue to invest in CooperSurgical's business through acquisitions of companies and product lines. CooperSurgical product sales are categorized based on the point of healthcare delivery including products used in medical office and surgical procedures by obstetricians and gynecologists (ob/gyns) that represented 67% of CooperSurgical's net sales in the fiscal first quarter of 2015 compared to 65% in the prior year period. CooperSurgical's remaining sales are products used in fertility clinics that now represent 33% of CooperSurgical's net sales compared to 35% in the prior year period.

Capital Resources - At January 31, 2015, we had \$16.4 million in cash, primarily outside the United States, and \$698.5 million available under our existing revolving Credit Agreement. The \$700.0 million term loan entered into on August 4, 2014, and the \$300.0 million term loan entered into on September 12, 2013, remain outstanding as of January 31, 2015. Our current cash balance and availability under existing credit facilities reflects the use of cash outside the United States and the use of existing credit facilities to fund the \$1.13 billion acquisition of Sauflon in August 2014. We believe that our cash and cash equivalents, cash flow from operating activities and borrowing capacity under existing credit facilities, will fund the fiscal second quarter redemption of the loan notes issued for the Sauflon acquisition and fund operations both in the next 12 months and in the longer term as well as current and long-term cash requirements for capital expenditures, acquisitions, share repurchases and cash dividends. However, depending on the size or timing of these business activities, we may seek to raise additional debt financing.

Selected Statistical Information – Percentage of Sales and Growth

| Three Months Ended January 31, | Percentage of Sales | | 2015 vs 2014 | |
|---|---------------------|-------|--------------|----|
| | 2015 | 2014 | % Change | |
| Net sales | 100 | % 100 | % 10 | % |
| Cost of sales | 38 | % 35 | % 19 | % |
| Gross profit | 62 | % 65 | % 5 | % |
| Selling, general and administrative expense | 39 | % 39 | % 10 | % |
| Research and development expense | 4 | % 4 | % 3 | % |
| Amortization of intangibles | 3 | % 2 | % 81 | % |
| Operating income | 16 | % 20 | % (10) |)% |
| Net Sales | | | | |

Cooper's two business units, CooperVision and CooperSurgical, generate all of its sales.

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

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

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Our consolidated net sales grew by \$40.2 million or 10% in the three months ended January 31, 2015:
Three Months Ended January 31,

| (\$ in millions) | 2015 | 2014 | 2015 vs 2014 % Change | |
|------------------|---------|---------|--------------------------|----|
| CooperVision | \$369.3 | \$326.3 | 13 | % |
| CooperSurgical | 75.9 | 78.7 | (4 |)% |
| | \$445.2 | \$405.0 | 10 | % |

CooperVision Net Sales

The contact lens market has two major product categories:

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

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

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

The contact lens market consists primarily of single-use and frequently replaced lenses. Single-use lenses are designed for daily replacement and frequently replaced lenses are designed for two-week or monthly replacement. Significantly, the market for spherical lenses is growing with value-added spherical lenses to alleviate dry eye symptoms as well as lenses with aspherical optical properties or higher oxygen permeable lenses such as silicone hydrogels.

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

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

CooperVision net sales for the fiscal first quarter of 2015 increased 13% from the prior year period. CooperVision net sales growth included increases in total sphere lenses up 8%, representing 54% of net sales, down from 57% in the prior year period, on sales of clariti and Biofinity products. Total toric lenses grew 7%, representing 29% of net sales, compared to 31% in the prior year period, on sales of Biofinity and clariti products. Total multifocal lenses grew 26% to 12% of net sales up from 10% in the prior year period on increased sales of Biofinity monthly and Proclear single-use multifocal products as well as clariti lenses. Total silicone hydrogel products, including clariti and MyDay, our single-use silicone hydrogel lenses, grew 27%, representing 53% of net sales compared to 47% in the prior year period. CooperVision's older conventional lens products declined 20% and represented 2% of net sales, the same as in the prior year period.

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

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CooperVision Net Sales by Geography

Three Months Ended January 31,

(\$ in millions)

| | 2015 | 2014 | % Change | |
|--------------|---------|---------|----------|----|
| Americas | \$158.5 | \$140.7 | 13 | % |
| EMEA | 147.6 | 117.9 | 25 | % |
| Asia Pacific | 63.2 | 67.7 | (7) |)% |
| | \$369.3 | \$326.3 | 13 | % |

Americas net sales growth was primarily due to market gains of Biofinity and clariti silicone hydrogel contact lenses. EMEA net sales growth was primarily driven by sales of clariti and MyDay silicone hydrogel lenses. The increase in EMEA net sales was partially offset by the negative impact from the weakening of foreign currencies as compared to the United States dollar. Net sales in the Asia Pacific region decreased 7% due to the negative impact of the weakening of the Japanese yen compared to the United States dollar. Excluding the impact of currency, sales in the Asia Pacific region grew on market gains of silicone hydrogel lenses, including Biofinity, clariti and MyDay. CooperVision's net sales growth was driven primarily by increases in the volume of lenses sold, including recently introduced silicone hydrogel products and products from the acquisition of Sauflon. While unit growth and product mix have influenced CooperVision's sales growth, average realized prices by product have not materially influenced sales growth.

CooperSurgical Net Sales

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

Three Months Ended January 31,

(\$ in millions)

| | 2015 | % Net Sales | 2014 | % Net Sales | % Change | |
|--------------------------------|--------|-------------|----------|-------------|----------|------|
| Office and surgical procedures | \$50.8 | 67 | % \$50.8 | 65 | % | — |
| Fertility | 25.0 | 33 | % 27.9 | 35 | % | (10) |
| | \$75.8 | 100 | % \$78.7 | 100 | % | (4) |

CooperSurgical's net sales of medical office and surgical procedures in the three-month period were flat compared to the prior year period due to declines in sales of medical equipment offset by growth in sales of disposable products. Despite a very small growth in unit sales of fertility product, net sales declined as compared to the prior year period primarily due to the negative impact of foreign currency changes.

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

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Cost of Sales/Gross Profit

Gross Profit Percentage of Net Sales

| Three Months Ended January 31, | 2015 | 2014 | |
|--------------------------------|------|------|---|
| CooperVision | 62 | % 65 | % |
| CooperSurgical | 64 | % 63 | % |
| Consolidated | 62 | % 65 | % |

CooperVision's gross margin decline in the three-month period as compared to the prior year period was primarily due to product rationalization costs, primarily equipment, and the negative effects of foreign currency changes. Gross margin was negatively impacted in the period by equipment charges to rationalize products, primarily our hydrogel lenses, based on our review of Sauflon's products, materials and manufacturing processes. Foreign currency unfavorably impacted gross margin as we reported lower net sales due to the weakening of foreign currencies as compared to the United States dollar. The decrease in gross margin was partially offset by the increase in sales of higher margin Biofinity products.

The increase in CooperSurgical's gross margin in the three-month period as compared to the prior year period is primarily due to product mix, including increased sales of higher margin disposable products and by decreased sales of lower margin medical equipment within fertility products. Sales of fertility products with lower gross margins now represent 33% of net sales in the three-month period, as compared to 35% in the prior year period.

Selling, General and Administrative Expense (SGA)

| Three Months Ended January 31, (\$ in millions) | 2015 | % Net Sales | 2014 | % Net Sales | % Change | |
|--|---------|----------------|-----------|----------------|-------------|----|
| CooperVision | \$132.2 | 36 | % \$112.0 | 34 | % 18 | % |
| CooperSurgical | 28.0 | 37 | % 29.4 | 37 | % (4 |)% |
| Corporate | 13.3 | — | 16.7 | — | (20 |)% |
| | \$173.5 | 39 | % \$158.1 | 39 | % 10 | % |

The increase in CooperVision's SGA in absolute dollars and as a percentage of net sales in the fiscal 2015 period as compared to the fiscal 2014 period is primarily due to operating expenses of Sauflon and approximately \$5.9 million of integration costs, largely made up of legal and professional fees. In addition to the integration activities related to Sauflon, CooperVision continues to invest in sales and marketing, including headcount, to promote our silicone hydrogel products and to reach new customers and support geographic expansion.

The decrease in CooperSurgical's SGA in absolute dollars is primarily due to efficiencies as a result of cost control measures partially offset by about \$0.5 million of integration expenses in our fertility business. CooperSurgical continues to invest in sales activities to promote our products and to reach new customers.

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

Research and Development Expense (R&D)

| Three Months Ended January 31, (\$ in millions) | 2015 | % Net Sales | 2014 | % Net Sales | % Change | |
|--|--------|----------------|----------|----------------|-------------|----|
| CooperVision | \$12.7 | 3 | % \$12.8 | 4 | % (1 |)% |
| CooperSurgical | 3.4 | 5 | % 2.9 | 4 | % 19 | % |
| | \$16.1 | 4 | % \$15.7 | 4 | % 3 | % |

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The decrease in CooperVision's research and development expense in absolute dollars and as a percentage of net sales is primarily due to the timing of clinical trials. CooperVision's R&D activities are primarily focused on the development of contact lenses and now include Sauflon's R&D activities related to product and manufacturing improvements.

CooperSurgical's research and development expense increased in absolute dollars and as a percentage of net sales primarily due to increasing activity to bring newly acquired products to market along with the shift toward investment in projects to develop new products along with the upgrade of existing products. CooperSurgical's research and development activities include in-vitro fertilization product development and the design and upgrade of surgical procedure devices.

Amortization Expense

Consolidated amortization expense was \$13.6 million and \$7.5 million in the three-month period ended 2015 and 2014, respectively. The 81% increase was primarily due to acquired intangible assets related to recent acquisitions, primarily the acquisition of Sauflon in August 2014. We expect amortization expense in fiscal 2015 to be approximately \$12.2 million in each of the fiscal second through fourth quarters primarily due to intangible assets acquired with Sauflon, offset by intangible assets related to acquired technology which will become fully amortized.

Restructuring Costs

During the fiscal fourth quarter of 2014, in connection with the Sauflon acquisition, our CooperVision business unit initiated restructuring and integration activities to optimize operational synergies of the combined companies. The 2014 Sauflon Integration Plan activities include workforce reductions, consolidation of duplicative facilities and product rationalization. In the fiscal first quarter of 2015, we recorded in cost of sales \$8.7 million of expense arising from equipment rationalization based on our review of products, materials and manufacturing processes of Sauflon. We also recorded to research and development expense \$0.1 million for employee termination costs. We expect these activities to be completed by our fiscal first quarter of 2016. We may, from time to time, decide to pursue additional restructuring activities that involve charges in future periods. See the notes to consolidated condensed financial statements for additional information.

Operating Income

| Three Months Ended January 31, (\$ in millions) | 2015 | % Net Sales | 2014 | % Net Sales | 2015 vs. 2014 % Change |
|--|---------|----------------|----------|----------------|------------------------------|
| CooperVision | \$73.2 | 20 | % \$84.1 | 26 | % (13)% |
| CooperSurgical | 13.2 | 17 | % 14.2 | 18 | % (7)% |
| Corporate | (13.3) | — | (16.7) | — | 20 % |
| | \$73.1 | 16 | % \$81.6 | 20 | % (10)% |

The consolidated operating income in the fiscal 2015 period decreased in absolute dollars and as a percentage of net sales compared to the prior year period primarily due to the increase in operating expenses of 12%, including restructuring, integration and amortization costs, partially offset by the increase in gross profit of 5%. CooperVision's operating income in the fiscal 2015 period decreased in absolute dollars and as a percentage of net sales primarily due to restructuring, integration and amortization costs primarily related to Sauflon, as discussed above, recorded in cost of sales and operating expenses. CooperSurgical's operating income in the fiscal 2015 period decreased in absolute dollars and as a percentage of net sales due to the decrease in net sales of 4%, partially offset by the decrease in operating expenses of 1%.

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Interest Expense

Interest expense in the fiscal first quarter of 2015 was \$3.9 million, representing a \$2.2 million increase, compared to \$1.7 million in the prior year period. The increase reflects higher average debt as a result of debt incurred in connection with the August 2014 acquisition of Sauflon. The \$700.0 million term loan, entered into on August 4, 2014, the \$300.0 million term loan, entered into on September 12, 2013, as well as about \$301.5 million drawn on our existing revolving Credit Agreement were outstanding as of January 31, 2015, compared to \$300.2 million outstanding as of January 31, 2014.

Other Expense (Income), Net

Three Months Ended January 31,

(\$ in millions)

| | 2015 | 2014 |
|-----------------------|-------|-------|
| Foreign exchange loss | \$1.5 | \$0.9 |
| Other, net | 0.2 | (0.4) |
| | \$1.7 | \$0.5 |

Provision for Income Taxes

We recorded income tax expense of \$5.7 million in the fiscal first quarter of 2015 compared to \$7.2 million in the prior year period. Our effective tax rate (ETR) (provision for income taxes divided by pretax income) for the fiscal first quarter of 2015 was 8.5%. Our year-to-date results reflect the projected fiscal year ETR, plus any discrete items. The ETR used to record the provision for income taxes for the fiscal first quarter of 2014 was 9.1%.

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 \$18.8 million and a foreign effective tax rate of approximately 3.5% in our fiscal first quarter of 2015 compared to \$22.7 million and a foreign effective tax rate of approximately 4.5% in our fiscal first quarter of 2014. See the notes to consolidated condensed financial statements for additional information.

Share Repurchase

In December 2011, our Board of Directors authorized a share repurchase program and subsequently amended the total repurchase authorization to \$500.0 million. The program has no expiration date and may be discontinued at any time. During the fiscal first quarter of 2015, we repurchased 100 thousand shares of our common stock for \$16.0 million at an average purchase price of \$159.96 per share. At January 31, 2015, we had remaining authorization to repurchase about \$169.7 million of our common stock. See the notes to consolidated condensed financial statements for additional information.

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Share-Based Compensation Plans

Cooper has several share-based compensation plans that are described in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014. The compensation expense and related income tax benefit recognized in our consolidated condensed financial statements for share-based awards were as follows:

Three Months Ended January 31,

| (\$ In millions) | 2015 | 2014 |
|---|--------|--------|
| Selling, general and administrative expense | \$9.7 | \$13.4 |
| Cost of sales | 0.8 | 0.8 |
| Research and development expense | 0.2 | 0.6 |
| Total share-based compensation expense | \$10.7 | \$14.8 |
| Related income tax benefit | \$3.4 | \$4.9 |

We capitalized share-based compensation expense as part of the cost of inventory in the amounts of \$0.8 million during the three months ended January 31, 2015 and \$0.8 million during the three months ended January 31, 2014.

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Capital Resources and Liquidity

First Quarter Highlights

Operating cash flow \$79.8 million compared to \$68.6 million in the fiscal first quarter of 2014

Expenditures for purchases of property, plant and equipment \$65.0 million compared to \$61.0 million in the prior year period

Total debt increased to \$1.4 billion, related to the acquisition of Sauflon, compared to \$345.7 million at January 31, 2014

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

Comparative Statistics

| (\$ in millions) | January 31, 2015 | October 31, 2014 | |
|--|------------------|------------------|---|
| Cash and cash equivalents | \$16.4 | \$25.2 | |
| Total assets | \$4,335.7 | \$4,458.3 | |
| Working capital | \$404.5 | \$349.4 | |
| Total debt | \$1,395.3 | \$1,382.4 | |
| Stockholders' equity | \$2,517.0 | \$2,588.4 | |
| Ratio of debt to equity | 0.55:1 | 0.53:1 | |
| Debt as a percentage of total capitalization | 36 | % 35 | % |
| Operating cash flow - twelve months ended | \$466.1 | \$454.8 | |

Working Capital

Working capital includes \$51.7 million and \$55.1 million of loan notes at January 31, 2015, and October 31, 2014, respectively, issued related to the acquisition of Sauflon and payable in our fiscal second quarter of 2015. Excluding these loan notes that are reported in short-term debt, the increase in working capital as of January 31, 2015 from the end of fiscal 2014 was primarily due to the increase in inventories, and decreases in accounts payable and short-term debt. The increase was partially offset by decreases in cash and deferred tax assets.

The \$8.6 million increase in inventories was primarily related to the increased production of single-use lenses including clariti and MyDay, our single-use silicone hydrogel contact lenses. At January 31, 2015, our inventory months on hand (MOH) were 7.3 after adjusting for equipment rationalization costs related to the acquisition of Sauflon, representing an increase from 7.2 at January 31, 2014 and 6.6 at October 31, 2014. Our unadjusted inventory MOH were 6.9 and 6.1 at January 31, 2015, and October 31, 2014, respectively. Our days sales outstanding (DSO) increased to 57 days at January 31, 2015, compared to 53 days at October 31, 2014 and in the prior year period.

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

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Operating Cash Flow

Cash flow provided by operating activities in the fiscal first quarter of 2015 continued to be our major source of liquidity, at \$79.8 million compared to \$68.6 million in the prior year period. Current period results include \$61.7 million of net income and non-cash items primarily made up of \$42.9 million related to depreciation and amortization, \$10.7 million related to share-based compensation, \$8.8 million related to gains in currency translation and \$13.9 million related to disposals of property, plant and equipment. Results also include changes in operating assets and liabilities, which primarily reflect the increases in inventories, and other assets of \$9.2 million, the decreases in receivables and other receivables of \$4.2 million, the decreases in accounts payable and other liabilities of \$43.8 million, and the increase of \$8.1 million relating to taxes. The \$11.3 million increase in cash flow provided by operations in fiscal first quarter of 2015 as compared to the same period of fiscal 2014 is primarily due to favorable changes in working capital.

For the three months ended January 31, 2015, our primary source of cash flows provided by operating activities was cash collections from our customers for purchase of our products. Our primary uses of cash flows from operating activities were for personnel and material costs along with cash payments of \$3.0 million for interest.

For the three months ended January 31, 2014, our primary source of cash flows provided by operating activities was cash collections from our customers for purchase of our products. Our primary uses of cash flows from operating activities were for personnel and material costs along with cash payments of \$0.7 million for interest.

Investing Cash Flow

Cash used in investing activities of \$65.2 million in the fiscal first quarter of 2015 was driven by capital expenditures of \$65.0 million, primarily to increase manufacturing capacity.

Cash used in investing activities of \$58.1 million in the fiscal first quarter of 2014 was driven by capital expenditures of \$61.0 million, primarily to increase manufacturing capacity, partially offset by a \$1.4 million insurance recovery related to facility repairs and \$1.5 million related to divestitures.

Financing Cash Flow

The changes in cash flows from financing activities primarily relate to borrowings and repayments of debt as well as share repurchases and the effects of share-based compensation awards. Cash used in financing activities of \$20.2 million in the fiscal first quarter of 2015 was driven by \$16.0 million in payments for share repurchases under our share repurchase plan, \$10.8 million for taxes paid related to vested share-based compensation awards, \$2.4 million payment for contingent consideration, \$2.0 million for purchase of noncontrolling interests, and \$0.4 million for distributions to noncontrolling interests. Cash used in financing activities were offset by \$11.1 million net borrowings of debt.

Cash used in financing activities of \$58.6 million in the fiscal first quarter of 2014 was driven by \$50.0 million in payments for repurchases under our share repurchase plan, \$8.1 million for share-based compensation awards, a \$3.3 million payment for contingent consideration, \$0.5 million for net repayments of debt and \$0.7 million for distributions to noncontrolling interests. Cash used in financing activities was slightly offset by \$4.1 million of proceeds from a construction allowance.

At January 31, 2015, we had \$698.5 million available under our existing revolving Credit Agreement. The \$700.0 million term loan entered into on August 4, 2014, and the \$300.0 million term loan entered into on September 12, 2013, remain outstanding as of January 31, 2015. We are in compliance with our financial covenants including the Interest Coverage Ratio at 55.74 to 1.00 and the Total Leverage Ratio at 2.45 to 1.00. As defined, in both the Credit Agreement and term loans, the Interest Coverage Ratio is the ratio of Consolidated Proforma EBITDA to Consolidated Interest Expense with the requirement to be at least 3.00 to 1.00 and the Total Leverage Ratio is the ratio of Consolidated Funded Indebtedness to Consolidated Proforma EBITDA with the requirement to be no higher than 3.75 to 1.00.

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Estimates and Critical Accounting Policies

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

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

During the fiscal first quarter of 2015, there were no significant changes in our estimates and critical accounting policies. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, for a more complete discussion of our estimates and critical accounting policies.

We performed our annual impairment assessment of goodwill during the fiscal third quarter of 2014, and our analysis indicated that we had no impairment of goodwill. As described in Note 5 in this Quarterly Report on Form 10-Q and Note 1 in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, we will continue to monitor conditions and changes that could indicate that our recorded goodwill may be impaired.

Accounting Pronouncements Issued Not Yet Adopted

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

Accounting Pronouncements Recently Adopted

On November 1, 2014, we adopted ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. When a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available, or the entity does not

intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The adoption of ASU 2013-11 did not have a significant impact on our consolidated financial statements.

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and Results of Operations

Trademarks

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Most of our operations outside the United States have their local currency as their functional currency. We are exposed to risks caused by changes in foreign exchange, principally our British pound sterling, euro, Japanese yen, Danish krone, Swedish krona, Australian dollar and Canadian dollar-denominated principally debt and receivables denominated in currencies other than the United States dollar, and from operations in foreign currencies. We have taken steps to minimize our balance sheet exposure. Although we may enter into foreign exchange agreements with financial institutions to reduce our exposure to fluctuations in foreign currency values relative to our debt or receivables obligations, these hedging transactions do not eliminate that risk entirely. We are also exposed to risks associated with changes in interest rates, as the interest rate on our Credit Agreement and Term Loan may vary with the Eurodollar rate. We may decrease this interest rate risk by hedging a portion of variable rate debt effectively converting it to fixed rate debt for varying periods. As of January 31, 2015, we have no outstanding interest rate swaps. For additional detail, see Item 1A. Risk Factors and Note 1 and Note 11 to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, and Note 11 in this Quarterly Report on Form 10-Q for the period ended January 31, 2015.

On August 4, 2014, we entered into a three-year, \$700.0 million, senior unsecured term loan agreement that will mature on August 4, 2017. There is no amortization of the principal, and we may prepay the loan balances from time to time, in whole or in part, with premium or penalty. At January 31, 2015, \$700.0 million remained outstanding on this term loan.

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

Our Credit Agreement, originally entered into on January 12, 2011 and subsequently amended, provides for a multicurrency revolving credit facility in the aggregate commitment amount of \$1.0 billion and the aggregate commitment amount may be increased, upon written request by Cooper, by \$500.0 million. The maturity date is May 31, 2017. At January 31, 2015, we had \$698.5 million available under the revolving Credit Agreement.

Item 4. Controls and Procedures

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

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

As of January 31, 2015, there has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the

Company's internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On or about November 11, 2014, Johnson & Johnson Vision Care (JJVC) filed an action in the district court of Dusseldorf, Germany, against CooperVision GmbH and CooperVision, Inc. (collectively “CooperVision”) for patent infringement. In the action, JJVC alleges that certain CooperVision products infringe JJVC’s European Patent No. EP 1 754 728 B1, and is seeking damages and to enjoin these products from selling in Germany. CooperVision is challenging the validity of the patent before the European Patent Office. CooperVision denies JJVC’s allegations of infringement and intends to defend the action vigorously and to continue its challenge to the patent before the European Patent Office. We are not in a position to assess whether any loss or adverse effect on our financial condition is probable or remote or to estimate the range of potential loss, if any.

Item 1A. Risk Factors

There have been no material changes in the Company’s risk factors from those disclosed in our Annual Report on Form 10-K for fiscal year ended October 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The Company's share repurchase activity during the three-month period ended January 31, 2015, was as follows:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs |
|--------------------|----------------------------------|------------------------------|--|---|
| 11/1/14 - 11/30/14 | — | \$— | — | \$ 185,700,000 |
| 12/1/14 - 12/31/14 | — | \$— | — | \$ 185,700,000 |
| 1/1/15 - 1/31/15 | 100,000 | \$ 159.96 | 100,000 | \$ 169,700,000 |
| Total | 100,000 | \$ 159.96 | 100,000 | |

The transactions described in the table above represent the repurchase of the Company's common stock on the New York Stock Exchange as part of the share repurchase program approved by the Company's Board of Directors in December 2011 (2012 Share Repurchase Program). The program as amended in December 2012 and December 2013 provides authorization for a total of \$500.0 million. Purchases under the 2012 Share Repurchase Program may be made from time-to-time on the open market at prevailing market prices or in privately negotiated transactions and are subject to a review of the circumstances in place at the time and will be made from time to time as permitted by securities laws and other legal requirements. This program has no expiration date and may be discontinued at any time. At January 31, 2015, the remaining repurchase authorization under the 2012 Share Repurchase Program was approximately \$169.7 million.

Item 6. Exhibits

| Exhibit Number | Description |
|-------------------|---|
| 11* | Calculation of Earnings Per Share |
| 31.1 | Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 |
| 31.2 | Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 |
| 32.1 | Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350 |
| 32.2 | Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350 |
| 101 | The following materials from the Company's Quarterly Report on Form 10-Q for the period ended January 31, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income for the three months ended January 31, 2015 and 2014, (ii) Consolidated Statements of Comprehensive Income (Loss) for the three months ended January 31, 2015 and 2014, (iii) Consolidated Condensed Balance Sheets at January 31, 2015 and October 31, 2014, (iv) Consolidated Condensed Statements of Cash Flows for the three months ended January 31, 2015 and 2014 and (v) related notes to consolidated condensed financial statements. |

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Cooper Companies, Inc.
(Registrant)

Date: March 6, 2015

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

| Index of Exhibits | | Page No |
|-------------------|---|---------|
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| * | The information called for in this Exhibit is provided in Note 8. Earnings Per Share to the Consolidated Condensed Financial Statements in this report. | |