

COTY INC. & SUBSIDIARIES
UNAUDITED SUPPLEMENTAL FINANCIAL INFORMATION

Overview

On June 1, 2020, the Company entered into a definitive agreement with Rainbow UK Bidco Limited (“KKR Bidco”) (an affiliate of funds and/or separately managed accounts (“KKR Funds”) advised and/or managed by Kolberg Kravis Roberts & Co. L.P. and its affiliates (“KKR”)), regarding a transaction (the “Wella Transaction”) for the sale of Coty’s Professional and Retail Hair business, including the Wella, Clairol, OPI and ghd brands (together, “Wella Business”). The Wella Business will be separated from Coty as a stand-alone, separately managed business, of which KKR Funds will own approximately 60% and Coty will own the remaining approximately 40%. The Company expects to complete this transaction by the end of December 2020.

As part of the separation, through a separate transitional service agreement and related agreements to be entered into at closing of the sale (the “Wella TSA”), Coty will provide ongoing financial, distribution, operations and other services for the Wella Business, in certain cases for up to 24 months following the closing of the sale, subject to an extension for a period of up to three months for certain transition services. The Wella Business will be presented in our financial statements as discontinued operations until the Wella Transaction closes. Under the discontinued operations accounting rules only directly attributable revenues and costs are included for the Wella Business.

This financial information provides revised historical Consolidated information, along with selected annual and quarterly financial information tables for the first three quarters of fiscal year 2020 and the fiscal year 2019, reflecting the above changes. In addition, segment information for the first three quarters of fiscal year 2020 is included. This financial information in no way revises or restates the previously filed Consolidated Statements of Comprehensive Income, Consolidated Balance Sheets, Consolidated Statements of Shareholders' Equity or Consolidated Statements of Cash Flows on a total basis for the Company for any period.

Fiscal Year 2020 Changes

The changes due to discontinued operations and held for sale accounting were reflected in the consolidated financial statements and segment reporting beginning in the fourth quarter of fiscal year 2020, starting with the Form 10-K that was issued on August 27, 2020. Reporting changes for the above items were reflected for fiscal year 2018 through fiscal year 2020. This document provides revised net revenues and operating income for continuing operations for the 2019 fiscal year and the first three quarters of fiscal 2020. The continuing operations represent the Company’s ongoing business after the Wella Business is sold.

The Company operates on a fiscal year basis with a year-end of June 30. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year. For example, references to “fiscal 2020” refer to the fiscal year ended June 30, 2020.

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(in millions)	Three Months Ended			Fiscal Year to Date
	March 31,	December 31,	September 30,	June 30,
	2020	2019	2019 ^(c)	2019 ^(c)
Net revenues from continuing operations	\$ 1,062.5	\$ 1,683.7	\$ 1,411.2	\$ 6,287.9
Operating (loss) income from continuing operations	\$ (299.5)	\$ (80.5)	\$ 64.0	\$ (3,688.4)
Operating loss (income) from continuing operations margin	(28.2%)	(4.8%)	4.5%	(58.7%)
Adjusted operating (loss) income from continuing operations ^(a)	\$ (68.2)	\$ 176.4	\$ 65.4	\$ 490.8
Adjusted operating (loss) income from continuing operations margin %	(6.4%)	10.5%	4.6%	7.8%
Ongoing adjustments:				
Cost recovery from Wella Business, TSA fees ^(b)	\$ 13.0	\$ 13.0	\$ 13.0	\$ 52.2
Ongoing Coty adjusted operating (loss) income	\$ (55.2)	\$ 189.4	\$ 78.4	\$ 543.0
Ongoing Coty adjusted operating (loss) income margin %	(5.2%)	11.2%	5.6%	8.6%
Depreciation from continuing operations	\$ 93.0	\$ 91.2	\$ 84.6	\$ 331.8

^(a) The reported Operating (loss) income from continuing operations reconciles to the Adjusted operating (loss) income from continuing operations and the adjustments primarily include restructuring and business realignment costs, costs related to acquisitions and divestitures, asset impairment charges and amortization expense. The reconciliations are disclosed below.

^(b) In order to illustrate to investors the impact of the cost recovery of Selling, general and administrative costs during the Wella TSA period, the Ongoing adjustment is based on contractual fee Coty will receive under the Wella TSA, net of directly attributable cost recorded in the discontinued business.

^(c) Includes the activity for Younique before its disposal on September 16, 2019.

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Non-GAAP Financial Measures

The Company presents adjusted operating (loss) income, adjusted operating (loss) income margin, Ongoing Coty adjusted operating (loss) income and Ongoing Coty adjusted operating (loss) income margin on a non-GAAP basis and specifies that these measures are non-GAAP by using the term “adjusted” or “ongoing”. By disclosing these non-GAAP financial measures, our management intends to provide investors with a supplemental comparison of our operating results and trends for the periods presented. Our management believes these measures are also useful to investors as such measures allow investors to evaluate our performance using the same metrics that our management uses to evaluate past performance and prospects for future performance. In calculating adjusted operating income, and adjusted operating income margin, the Company excludes the following items:

- Costs related to acquisition and divestiture activities: The Company excludes acquisition- and divestiture-related costs and the accounting impacts such as those related to transaction costs and costs associated with the revaluation of acquired inventory in connection with business combinations because these costs are unique to each transaction. Additionally, for divestitures, the Company excludes write-offs of assets that are no longer recoverable and contract related costs due to the divestiture. The nature and amount of such costs vary significantly based on the size and timing of the acquisitions and divestitures, and the maturities of the businesses being acquired or divested. Also, the size, complexity and/or volume of past transactions, which often drives the magnitude of such expenses, may not be indicative of the size, complexity and/or volume of any future acquisitions or divestitures.
- Restructuring and other business realignment costs: The Company excludes costs associated with restructuring and business structure realignment programs to allow for comparable financial results to historical operations and forward-looking guidance. In addition, the nature and amount of such charges vary significantly based on the size and timing of the programs. By excluding the above referenced expenses from the non-GAAP financial measures, management is able to further evaluate the Company’s ability to utilize existing assets and estimate their long-term value. Furthermore, management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of the Company’s operating performance.
- Asset impairment charges: The Company excludes the impact of asset impairments as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Loss/(Gain) on divestitures and sale of brand assets: The Company excludes the impact of Loss/(gain) on divestitures and sale of brand assets as such amounts are inconsistent in amount and frequency and are significantly impacted by the size of divestitures. Our management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Amortization expense: The Company excludes the impact of amortization of finite-lived intangible assets, as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of the Company’s operating performance. Although the Company excludes amortization of intangible assets from the non-GAAP expenses, management believes that it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.

In calculating Ongoing Coty adjusted operating (loss) income and Ongoing Coty adjusted operating (loss) income margin, the Company excludes the above items and the following item:

- Ongoing Adjustments: The Company made adjustments for a cost recovery that will occur under the Wella TSA, net of directly attributable costs recorded in the discontinued business. The cost recovery is based on a contractual fee Coty will receive under the Wella TSA. This cost recovery will partially offset a higher level of fixed costs that is required to support the TSA services. Such adjustment illustrates the level of profitability that we expect from our continuing business during the Wella TSA service period. The Company’s management believes that the adjustment of these items supplement the GAAP information with a measure that can be used to assess the sustainability of our operating performance.

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The Company has provided a quantitative reconciliation of the difference between the non-GAAP financial measures and the financial measures calculated and reported in accordance with GAAP. For a reconciliation of adjusted operating income to operating income and adjusted operating income margin to operating income margin, see the table entitled “Reconciliation of Reported Operating Income (Loss) to Adjusted Operating Income”.

These non-GAAP measures should not be considered in isolation, or as a substitute for, or superior to, financial measures calculated in accordance with GAAP.

To the extent that the Company provides guidance, it does so only on a non-GAAP basis and does not provide reconciliations of such forward-looking non-GAAP measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including adjustments that could be made for restructuring, integration and acquisition-related expenses, amortization expenses, adjustments to inventory, and other charges reflected in our reconciliation of historic numbers, the amount of which, based on historical experience, could be significant.

COTY INC. & SUBSIDIARIES
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RECONCILIATION OF REPORTED OPERATING (LOSS) INCOME TO ADJUSTED OPERATING (LOSS) INCOME

CONTINUING OPERATIONS

(in millions)	Three Months Ended			Fiscal Year to Date
	March 31,	December 31,	September 30,	June 30,
	2020	2019	2019	2019
Reported operating (loss) income	\$ (299.5)	\$ (80.5)	\$ 64.0	\$ (3,688.4)
% of Net revenues	(28.2%)	(4.8%)	4.5%	(58.7%)
Asset impairment charges ^(a)	40.4	—	—	3,729.0
Amortization expense ^(b)	61.6	50.7	58.3	246.7
Restructuring and other business realignment costs ^(c)	80.0	170.2	27.6	203.5
Acquisition- and divestiture-related costs ^(d)	49.3	36.0	—	—
(Gain) loss on divestitures and sale of brand assets ^(e)	—	—	(84.5)	—
Total adjustments to reported operating (loss) income	231.3	256.9	1.4	4,179.2
Adjusted operating (loss) income	\$ (68.2)	\$ 176.4	\$ 65.4	\$ 490.8
% of Net revenues	(6.4%)	10.5%	4.6%	7.8%

a. In the three months ended March 31, 2020, December 31, 2019 and September 30, 2019, we incurred asset impairment charges of \$40.4, \$0.0, and \$0.0, respectively, primarily related to other indefinite-lived intangible assets in Corporate. In fiscal 2019, we incurred \$3,729.0 of asset impairment charges primarily due to: \$3,307.5 related to goodwill; \$389.8 related to indefinite-lived other intangible assets; \$19.7 on finite-lived other intangible assets; and \$12.0 related to a Corporate investment.

b. In the three months ended March 31, 2020, December 31, 2019 and September 30, 2019, we incurred amortization expense of \$61.6, \$50.7, and \$58.3, respectively. In fiscal 2019, we incurred \$246.7 of amortization expense.

In the three months ended March 31, 2020, amortization expense of \$24.3, \$31.1 and \$6.2 was reported in the Americas, EMEA and Asia Pacific segments, respectively. In the three months ended December 31, 2019, amortization expense of \$12.7, \$31.8 and \$6.2 was reported in the Americas, EMEA and Asia Pacific segments, respectively. In the three months ended September 30, 2019, amortization expense of \$12.7, \$31.9, \$6.3 and \$7.4 was reported in the Americas, EMEA, Asia Pacific and Other segments, respectively. In fiscal 2019, amortization expense of \$53.9, \$133.3, \$24.6, and \$34.9 was reported in the Americas, EMEA, Asia Pacific and Other segments, respectively.

c. In the three months ended March 31, 2020, December 31, 2019 and September 30, 2019, we incurred restructuring and other business realignment costs of \$80.0, \$170.2, and \$27.6, respectively. In the three months ended March 31, 2020, we incurred restructuring savings of \$(8.0), primarily related to changes in estimate in our restructuring plans, offset by additional costs related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations, and business realignment costs of \$88.0 primarily related to Global Integration Activities and our Transformation Plan. In the three months ended December 31, 2019, we incurred restructuring costs of \$128.7, and business realignment costs of \$41.5 primarily related to our Transformation Plan. In the three months ended September 30, 2019, we incurred restructuring costs of \$4.8, and business realignment costs of \$22.8 primarily related to our Transformation Plan.

In fiscal 2019, we incurred restructuring and other business realignment costs of \$203.5 million. We incurred restructuring costs of \$34.2 primarily related to the Global Integration Activities and 2018 Restructuring Actions, included in the Consolidated Statements of Operations. We incurred business realignment costs of \$169.3 primarily related to our Global Integration Activities and Transformation Plan.

d. In the three months ended March 31, 2020, December 31, 2019 and September 30, 2019, we incurred costs related to acquisition and divestiture activities of \$49.3, \$36.0 and \$0.0, respectively. These costs were primarily related to the Wella Business sale, the King Kylie Transaction and other contract related costs. These costs may include finder's fees, legal, accounting, valuation, and other professional or consulting fees, and other internal costs which may include compensation related expenses for dedicated internal resources.

e. In the three months ended March 31, 2020, December 31, 2019 and September 30, 2019, we recorded a Loss (gain) on divestitures and sale of brand assets of \$0.0, \$0.0 and \$(84.5), respectively. The gain recorded in the three months ended September, 2019 was a result of the divestiture of Younique.

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SUMMARY OF SELECTED FINANCIAL INFORMATION BY SEGMENT

CONTINUING OPERATIONS

\$ millions

Three Months Ended	Net Revenues	YOY Organic LFL	Operating (loss) income	Adjusted operating (loss) Income
September 30, 2019				
Americas	\$ 488.8	(9%)	\$ (17.5)	\$ (4.8)
EMEA	676.7	4%	28.2	60.1
Asia Pacific	190.2	5%	8.5	14.7
Other ^(a)	55.5	(32%)	(10.9)	(3.6)
Corporate	—	N/A	55.7	(1.0)
Total	\$ 1,411.2	(2%)	\$ 64.0	\$ 65.4
December 31, 2019				
Americas	\$ 581.5	(8%)	\$ 21.5	\$ 34.2
EMEA	908.0	1%	98.9	130.7
Asia Pacific	194.2	1%	5.6	11.8
Other ^(a)	—	N/A	—	—
Corporate	—	N/A	(206.5)	(0.3)
Total	\$ 1,683.7	(2%)	\$ (80.5)	\$ 176.4
March 31, 2020				
Americas	\$ 435.9	(19%)	\$ (40.3)	\$ (16.0)
EMEA	512.9	(20%)	(57.5)	(26.3)
Asia Pacific	113.7	(36%)	(31.4)	(25.2)
Other ^(a)	—	N/A	—	—
Corporate	—	N/A	(170.3)	(0.7)
Total	\$ 1,062.5	(22%)	\$ (299.5)	\$ (68.2)

^(a) Includes the activity for Younique before its disposal on September 16, 2019.

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RECONCILIATION OF REPORTED OPERATING (LOSS) INCOME TO ADJUSTED OPERATING (LOSS) INCOME

CONTINUING OPERATIONS

\$ millions

Three Months Ended	Operating (loss) income	Adjustments ^(b)	Adjusted operating (loss) Income
September 30, 2019			
Americas	\$ (17.5)	\$ (12.7)	\$ (4.8)
EMEA	28.2	(31.9)	60.1
Asia Pacific	8.5	(6.2)	14.7
Other ^(a)	(10.9)	(7.3)	(3.6)
Corporate	55.7	56.7	(1.0)
Total	\$ 64.0	\$ (1.4)	\$ 65.4
December 31, 2019			
Americas	\$ 21.5	\$ (12.7)	\$ 34.2
EMEA	98.9	(31.8)	130.7
Asia Pacific	5.6	(6.2)	11.8
Other ^(a)	—	—	—
Corporate	(206.5)	(206.2)	(0.3)
Total	\$ (80.5)	\$ (256.9)	\$ 176.4
March 31, 2020			
Americas	\$ (40.3)	\$ (24.3)	\$ (16.0)
EMEA	(57.5)	(31.2)	(26.3)
Asia Pacific	(31.4)	(6.2)	(25.2)
Other ^(a)	—	—	—
Corporate	(170.3)	(169.6)	(0.7)
Total	\$ (299.5)	\$ (231.3)	\$ (68.2)

^(a) Includes the activity for Younique before its disposal on September 16, 2019.

^(b) See “Reconciliation of Reported Operating Loss (Income) to Adjusted Operated (Loss) income” for a detailed description of adjusted items.