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

Form 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2020**
- OR**
- ☐ **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 001-35964**

COTY INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

13-3823358
(I.R.S. Employer Identification No.)

350 Fifth Avenue,
New York, NY
(Address of principal executive offices)

10118
(Zip Code)

(212) 389-7300
Registrant's telephone number, including area code

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value	COTY	New York Stock Exchange

At October 30, 2020, 765,902,896 shares of the registrant's Class A Common Stock, \$0.01 par value, were outstanding.

COTY INC.
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

COTY INC. & SUBSIDIARIES **CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS** (In millions, except per share data) (Unaudited)

	Three Months Ended September 30,	
	2020	2019
Net revenues	\$ 1,124.1	\$ 1,411.2
Cost of sales	464.9	561.9
Gross profit	659.2	849.3
Selling, general and administrative expenses	583.4	806.7
Amortization expense	65.4	58.3
Restructuring costs	30.1	4.8
Acquisition and divestiture-related costs	46.3	—
Gain on divestitures and sale of brand assets	—	(84.5)
Operating (loss) income	(66.0)	64.0
Interest expense, net	62.1	63.1
Other (income) expense, net	(5.8)	2.3
Loss from continuing operations before income taxes	(122.3)	(1.4)
Provision (benefit) for income taxes on continuing operations	(244.9)	(18.2)
Net income from continuing operations	122.6	16.8
Net income from discontinued operations	104.7	39.5
Net income	227.3	56.3
Net income attributable to noncontrolling interests	0.4	2.8
Net income attributable to redeemable noncontrolling interests	5.5	1.2
Net income attributable to Coty Inc.	\$ 221.4	\$ 52.3
Amounts attributable to Coty Inc.		
Net income from continuing operations	116.7	12.8
Convertible Series B Preferred Stock dividends	(20.8)	—
Net income from continuing operations attributable to common stockholders	95.9	12.8
Net income from discontinued operations	104.7	39.5
Net income attributable to common stockholders	\$ 200.6	\$ 52.3
Earnings per common share		
Earnings from continued operations per common share - basic	\$ 0.13	\$ 0.02
Earnings from continued operations per common share - diluted	0.13	0.02
Earnings from discontinued operations - basic	0.13	0.05
Earnings from discontinued operations - diluted	0.11	0.05
Earnings per common share - basic	0.26	0.07
Earnings per common share - diluted	0.24	0.07
Weighted-average common shares outstanding:		
Basic	763.9	754.2
Diluted	916.7	758.9

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)
(Unaudited)

	Three Months Ended September 30,	
	2020	2019
Net income	\$ 227.3	\$ 56.3
Other comprehensive (loss) income:		
Foreign currency translation adjustment	(10.5)	(122.6)
Net unrealized derivative gain (loss) on cash flow hedges, net of taxes of \$(1.9) and \$0.2 during the three months ended, respectively	5.7	(1.2)
Pension and other post-employment benefits adjustment, net of tax of \$0.0 and \$0.0 during the three months ended, respectively	(1.2)	(0.8)
Total other comprehensive loss, net of tax	(6.0)	(124.6)
Comprehensive income (loss)	221.3	(68.3)
Comprehensive income attributable to noncontrolling interests:		
Net income	0.4	2.8
Foreign currency translation adjustment	(0.1)	—
Total comprehensive income attributable to noncontrolling interests	0.3	2.8
Comprehensive income attributable to redeemable noncontrolling interests:		
Net income	5.5	1.2
Comprehensive income (loss) attributable to Coty Inc.	\$ 215.5	\$ (72.3)

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except per share data)
(Unaudited)

	September 30, 2020	June 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 535.7	\$ 308.3
Restricted cash	39.6	43.7
Trade receivables—less allowances of \$56.5 and \$57.3, respectively	521.7	440.1
Inventories	727.7	678.2
Prepaid expenses and other current assets	388.1	411.6
Current assets held for sale	4,763.4	4,613.1
Total current assets	6,976.2	6,495.0
Property and equipment, net	1,051.2	1,081.6
Goodwill	4,023.7	3,973.9
Other intangible assets, net	4,423.5	4,372.1
Operating lease right-of-use assets	335.4	371.4
Deferred income taxes	900.1	362.4
Other noncurrent assets	70.0	72.4
TOTAL ASSETS	\$ 17,780.1	\$ 16,728.8
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,086.3	\$ 1,190.3
Accrued expenses and other current liabilities	1,289.4	1,111.6
Short-term debt and current portion of long-term debt	195.4	188.3
Current operating lease liabilities	92.6	105.0
Income and other taxes payable	29.2	33.8
Current liabilities held for sale	985.1	956.7
Total current liabilities	3,678.0	3,585.7
Long-term debt, net	8,134.8	7,892.1
Long-term operating lease liabilities	289.2	317.4
Pension and other post-employment benefits	405.5	400.3
Deferred income taxes	479.9	175.1
Other noncurrent liabilities	305.0	334.5
Total liabilities	13,292.4	12,705.1
COMMITMENTS AND CONTINGENCIES (See Note 19)		
CONVERTIBLE SERIES B PREFERRED STOCK , \$0.01 par value; 1.0 shares authorized; 1.0 and 0.8 issued and 1.0 and 0.8 and outstanding, respectively, at September 30, 2020 and June 30, 2020	979.0	715.8
REDEEMABLE NONCONTROLLING INTERESTS	83.1	79.1
EQUITY:		
Preferred Stock, \$0.01 par value; 20.0 shares authorized, 1.5 issued and outstanding at September 30, 2020 and June 30, 2020	—	—
Class A Common Stock, \$0.01 par value; 1,250.0 shares authorized, 831.2 and 830.6 issued and 765.7 and 765.1 outstanding, respectively, at September 30, 2020 and June 30, 2020	8.3	8.3
Additional paid-in capital	10,434.1	10,447.4
Accumulated deficit	(5,332.9)	(5,548.6)
Accumulated other comprehensive income	(462.1)	(456.2)
Treasury stock—at cost, shares: 65.5 at September 30, 2020 and June 30, 2020	(1,446.3)	(1,446.3)
Total Coty Inc. stockholders' equity	3,201.1	3,004.6
Noncontrolling interests	224.5	224.2
Total equity	3,425.6	3,228.8
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY	\$ 17,780.1	\$ 16,728.8

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three Months Ended September 30, 2020
(In millions, except per share data)
(Unaudited)

	Preferred Stock		Class A Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests	Convertible Series B Preferred Stock
	Shares	Amount	Shares	Amount				Shares	Amount					
BALANCE as previously reported —July 1, 2020	1.5	\$ —	830.6	\$ 8.3	\$ 10,447.4	\$ (5,548.6)	\$ (456.2)	65.5	\$ (1,446.3)	\$ 3,004.6	\$ 224.2	\$ 3,228.8	\$ 79.1	\$ 715.8
Adjustment due to the adoption of ASU No. 2016-13						(5.7)				(5.7)		(5.7)		
BALANCE as adjusted—July 1, 2020	<u>1.5</u>	<u>\$ —</u>	<u>830.6</u>	<u>\$ 8.3</u>	<u>\$ 10,447.4</u>	<u>\$ (5,554.3)</u>	<u>\$ (456.2)</u>	<u>65.5</u>	<u>\$ (1,446.3)</u>	<u>\$ 2,998.9</u>	<u>\$ 224.2</u>	<u>\$ 3,223.1</u>	<u>\$ 79.1</u>	<u>\$ 715.8</u>
Issuance of Preferred Stock										—		—		242.4
Exercise of employee stock options and restricted stock units			0.6		—					—		—		
Shares withheld for employee taxes					(1.0)					(1.0)		(1.0)		
Share-based compensation expense					6.2					6.2		6.2		
Changes in dividends accrued			—		0.8					0.8		0.8		
Dividends accrued- Convertible Series B Preferred Stock					(20.8)					(20.8)		(20.8)		20.8
Net income						221.4				221.4	0.4	221.8	5.5	
Other comprehensive loss							(5.9)			(5.9)	(0.1)	(6.0)		
Adjustment of redeemable noncontrolling interests to redemption value					1.5					1.5		1.5	(1.5)	
BALANCE—September 30, 2020	<u>1.5</u>	<u>\$ —</u>	<u>831.2</u>	<u>\$ 8.3</u>	<u>\$ 10,434.1</u>	<u>\$ (5,332.9)</u>	<u>\$ (462.1)</u>	<u>65.5</u>	<u>\$ (1,446.3)</u>	<u>\$ 3,201.1</u>	<u>\$ 224.5</u>	<u>\$ 3,425.6</u>	<u>\$ 83.1</u>	<u>\$ 979.0</u>

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three Months Ended September 30, 2019
(In millions, except per share data)
(Unaudited)

	Preferred Stock		Class A Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests	Convertible Series B Preferred Stock
	Shares	Amount	Shares	Amount				Shares	Amount					
BALANCE as previously reported—July 1, 2019	9.4	\$ 0.1	819.2	\$ 8.1	\$ 10,620.5	\$ (4,541.2)	\$ (58.8)	65.0	\$ (1,441.8)	\$ 4,586.9	\$ 6.5	\$ 4,593.4	\$ 451.8	\$ —
Adjustment due to the adoption of ASU No. 2016-16						(0.7)				(0.7)		(0.7)		
BALANCE as adjusted—July 1, 2019	9.4	\$ 0.1	819.2	\$ 8.1	\$ 10,620.5	\$ (4,541.9)	\$ (58.8)	65.0	\$ (1,441.8)	\$ 4,586.2	\$ 6.5	\$ 4,592.7	\$ 451.8	\$ —
Purchase of Class A Common Stock								0.5	(4.5)	(4.5)		(4.5)		
Exercise of employee stock options and restricted stock units			0.1	—	0.6					0.6		0.6		
Share-based compensation expense					6.2					6.2		6.2		
Dividends declared - Cash and Other (\$0.125 per common share)					(63.5)					(63.5)		(63.5)		
Dividends declared - Stock (\$0.125 per common share)					(30.9)					(30.9)		(30.9)		
Dividends settled in Shares of Class A Common Stock			3.2		30.9					30.9		30.9		
Net income						52.3				52.3	2.8	55.1	1.2	
Other comprehensive loss							(124.6)			(124.6)		(124.6)		
Distribution to noncontrolling interests, net										—		—	(1.9)	
Adjustments related to the sale of business					6.2					6.2		6.2	(360.4)	
Adjustment of redeemable noncontrolling interests to redemption value					(3.9)					(3.9)		(3.9)	3.9	
BALANCE—September 30, 2019	9.4	0.1	822.5	8.1	10,566.1	(4,489.6)	(183.4)	65.5	(1,446.3)	4,455.0	9.3	4,464.3	94.6	—

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 227.3	\$ 56.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	146.2	179.2
Non-cash lease expense	18.0	26.1
Deferred income taxes	(216.0)	(32.6)
Provision for bad debts	(3.4)	9.8
Provision for pension and other post-employment benefits	2.1	9.0
Share-based compensation	7.0	6.2
Gain on divestitures and sale of brand assets	—	(84.5)
Foreign exchange effects	16.9	2.0
Other	9.7	10.4
Change in operating assets and liabilities, net of effects from purchase of acquired companies and sale of business:		
Trade receivables	(149.7)	71.7
Inventories	(15.5)	(72.9)
Prepaid expenses and other current assets	9.2	(12.1)
Accounts payable	(103.9)	(103.2)
Accrued expenses and other current liabilities	152.6	4.0
Operating lease liabilities	(34.9)	(26.7)
Income and other taxes payable	(3.4)	4.4
Other noncurrent assets	9.7	(8.2)
Other noncurrent liabilities	(29.3)	1.0
Net cash provided by operating activities	42.6	39.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(70.9)	(86.4)
Proceeds from sale of business, net of cash disposed	27.0	25.6
Termination of currency swaps designated as net investment hedges	(37.6)	—
Net cash used in investing activities	(81.5)	(60.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from (repayments of) short-term debt, original maturity less than three months	1.6	(3.4)
Proceeds from revolving loan facilities	637.4	972.6
Repayments of revolving loan facilities	(554.2)	(776.5)
Repayments of term loans and other long-term debt	(48.3)	(46.1)
Dividend payment	(0.8)	(63.3)
Net proceeds from issuance of Class A Common Stock and Series A Preferred Stock	—	0.6
Payments for purchases of Class A Common Stock held as Treasury Stock	—	(4.5)
Proceeds from issuance of Convertible Series B Preferred Stock	227.2	—
Net proceeds from foreign currency contracts	3.3	5.3
Purchase of remaining mandatorily redeemable noncontrolling interest	—	(45.0)
Distributions to noncontrolling interests, redeemable noncontrolling interests and mandatorily redeemable financial instruments	(0.5)	(2.6)
All other	(1.5)	(0.4)
Net cash provided by financing activities	264.2	36.7

EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2.0)	(14.8)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	223.3	1.0
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	352.0	380.4
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	\$ 575.3	\$ 381.4
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the period for interest	\$ 44.3	\$ 57.7
Net cash (refunds)/payments for income taxes	(16.1)	39.7
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditure additions	\$ 46.0	\$ 67.2
Non-cash Common Stock dividend	—	30.9
Non-cash Preferred Stock dividend	20.8	—

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data)
(Unaudited)

1. DESCRIPTION OF BUSINESS

Coty Inc. and its subsidiaries (collectively, the “Company” or “Coty”) manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics, hair care products and skin & body related products throughout the world. Coty is a global beauty company with a rich entrepreneurial history and an iconic portfolio of brands.

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 2021” refer to the fiscal year ending June 30, 2021. When used in this Quarterly Report on Form 10-Q, the term “includes” and “including” means, unless the context otherwise indicates, including without limitation.

The Company’s sales generally increase during the second fiscal quarter as a result of increased demand associated with the winter holiday season. Financial performance, working capital requirements, sales, cash flows and borrowings generally experience variability during the three to six months preceding the holiday season. Product innovations, new product launches and the size and timing of orders from the Company’s customers may also result in variability.

On June 1, 2020, the Company entered into a definitive agreement with KKR Rainbow Aggregator (Asset) GP LLC (along with KKR Rainbow Aggregator L.P., “KKR”), regarding a strategic transaction (“Wella Transaction”) for the sale of Coty’s Professional and Retail Hair business, including the Wella, Clairol, OPI and ghd brands, (together, the “Wella Business”), valuing the businesses at \$4,300.0 on a cash- and debt-free basis. KKR will own 60% of this separately managed entity and Coty will own the remaining 40%. As a result of the above mentioned agreement, the Company’s financial statements present the Wella Business to be sold as discontinued operations and the related assets and liabilities as held for sale. Additionally, the Company recast its segment results due to the discontinued operations presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim Condensed Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and include the Company’s consolidated domestic and international subsidiaries. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these unaudited interim Condensed Consolidated Financial Statements and accompanying footnotes should be read in conjunction with the Company’s Consolidated Financial Statements as of and for the year ended June 30, 2020. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair presentation have been included in the Condensed Consolidated Financial Statements. The results of operations for the three months ended September 30, 2020 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending June 30, 2021. All dollar amounts (other than per share amounts) in the following discussion are in millions of United States (“U.S.”) dollars, unless otherwise indicated.

Restricted Cash

Restricted cash represents funds that are not readily available for general purpose cash needs due to contractual limitations. Restricted cash is classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. As of September 30, 2020 and June 30, 2020, the Company had restricted cash of \$39.6 and \$43.7, respectively, included in Restricted cash in the Condensed Consolidated Balance Sheets. The Restricted cash balance as of September 30, 2020 primarily provides collateral for certain bank guarantees on rent, customs and duty accounts and also consists of collections on factored receivables that remain unremitted to the factor as of September 30, 2020. Restricted cash is included as a component of Cash, cash equivalents and restricted cash in the Condensed Consolidated Statement of Cash Flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, the market value of inventory, the fair value of acquired assets and liabilities associated with acquisitions, the assessment of goodwill, other intangible assets and long-lived assets for impairment and income taxes. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates and assumptions. Significant changes, if any, in those estimates and assumptions resulting from continuing changes in the economic environment will be reflected in the Condensed Consolidated Financial Statements in future periods.

Tax Information

The effective income tax rate for the three months ended September 30, 2020 and 2019 was 200.2% and 1,300.0%. The positive effective tax rate for both periods results from reporting losses before income taxes and a benefit for income taxes. The change in the effective tax rate for the three months ended September 30, 2020, as compared with the three months ended September 30, 2019, is primarily due to a preliminary benefit of \$220.5 recorded in the current period and the US GAAP treatment of the Younique disposition in the prior period. The benefit recorded in the current period is the result of a tax rate differential on the deferred taxes recognized on the transfer of assets and liabilities, following the relocation of the Company's main principal location from Geneva to Amsterdam. This amount will be finalized when negotiations with the tax authorities are completed.

The effective income tax rates vary from the U.S. federal statutory rate of 21% due to the effect of (i) jurisdictions with different statutory rates, (ii) adjustments to the Company's unrealized tax benefits ("UTBs") and accrued interest, (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes.

As of September 30, 2020 and June 30, 2020, the gross amount of UTBs was \$281.2 and \$277.9, respectively. As of September 30, 2020, the total amount of UTBs that, if recognized, would impact the effective income tax rate is \$154.5. As of September 30, 2020 and June 30, 2020, the liability associated with UTBs, including accrued interest and penalties, was \$175.3 and \$170.7, respectively, which was recorded in Income and other taxes payable and Other non-current liabilities in the Condensed Consolidated Balance Sheets. The total interest and penalties recorded in the Condensed Consolidated Statements of Operations related to UTBs was \$1.3 and \$1.4 for the three months ended September 30, 2020 and 2019, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of September 30, 2020 and June 30, 2020 was \$20.8 and \$19.3, respectively. On the basis of the information available as of September 30, 2020, it is reasonably possible that a decrease of up to \$36.0 in UTBs may occur within 12 months as a result of projected resolutions of global tax examinations and a potential lapse of the applicable statutes of limitations.

Factoring of Receivables

The Company factors a portion of its trade receivables with unrelated third-party factoring companies on both a recourse and non-recourse basis. The Company has entered into factoring agreements with financial institutions and eligible trade receivables are purchased by the relevant financial institution for cash at net invoice value less a factoring fee. Pursuant to the factoring agreements, the Company acts as collections agent for the financial institution and is responsible for the collection and remittance to the financial institution of all customer payments related to trade receivables factored under these arrangements. For certain customer receivables factored, the Company will retain a recourse obligation of up to 10 percent of the respective invoice's net invoice value, payable to the financial institution if the customer's payment is not received by the contractual due date. The Company accounts for trade receivable transfers under the factoring agreements as sales and derecognizes the sold receivables from the Condensed Consolidated Balance Sheets. The fair value of sold receivables approximated their book value due to their short-term nature. The Company estimated that the fair value of its servicing responsibilities was not material. Cash received from the selling of receivables under the factoring arrangements is presented as a change in trade receivables within the operating activities section of the Condensed Consolidated Statements of Cash Flows.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13 and ASU 2018-19, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU No. 2016-13”), which requires that a financial asset (or a group of financial assets) measured at an amortized cost basis be presented at the net amount expected to be collected. This approach to estimating credit losses applies to most financial assets measured at amortized cost and certain other instruments, including but not limited to, trade and other receivables. The Company adopted this guidance in the first quarter of fiscal 2021 and the cumulative effect adjustment from adoption was immaterial to the Company's Condensed Consolidated Financial Statements. On initial recognition, the Company recorded an after-tax cumulative effect decrease to retained earnings of \$5.7 (\$6.6 pre-tax) as of the beginning of fiscal 2021.

On July 1, 2020, the Company adopted Accounting Standards Update No. 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements (Topic 820)*, which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The adoption of this new standard had no impact on the Company's Condensed Consolidated Financial Statements.

3. DISCONTINUED OPERATIONS

On June 1, 2020, the Company entered into a definitive agreement with Rainbow UK Bidco Limited (“KKR Bidco”), regarding a strategic transaction for the sale of Coty's Professional and Retail Hair business, including the Wella, Clairol, OPI and ghd brands (together, the “Wella Business”), valuing the businesses at \$4,300.0 on a cash- and debt-free basis. KKR will own 60% of this separately managed business and Coty will own the remaining 40%. The transaction is expected to close during the second quarter of fiscal 2021.

On June 1, 2020, the Company and KKR Bidco also entered into a Separation Agreement, which sets forth the terms and conditions on which the Wella Business will be separated from the Company.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Wella Business are presented as discontinued operations and, as such, have been excluded from both continuing operations and segment results for all periods presented. Additionally, the Wella Business assets and liabilities which will be included in the sale are presented as assets and liabilities held for sale in the Condensed Consolidated Balance Sheets. The Wella Business historically comprised the Professional Beauty reportable segment and the Retail Hair business was historically included in the Americas, EMEA and Asia Pacific reportable segments.

The following table has selected financial information included in Net income from discontinued operations for the Wella Business.

	Three Months Ended September 30,	
	2020	2019
Net revenues	\$ 566.4	\$ 531.6
Cost of sales	181.0	176.5
Gross profit	385.4	\$ 355.1
Selling, general and administrative expenses	240.0	265.9
Amortization expense	—	26.0
Restructuring costs	—	1.2
Operating income	145.4	62.0
Interest expense, net ^(a)	11.8	14.3
Other (income) expense, net	0.1	(0.1)
Income from discontinued operations before income taxes	133.5	47.8
Income tax on discontinued operations	28.8	8.3
Net income from discontinued operations	\$ 104.7	\$ 39.5

^(a) Interest expense was allocated to the discontinued operations due to a requirement in our Credit Agreement that cash generated from the divestiture of any businesses through March 31, 2021 will be utilized to reduce our debt, other than a maximum of \$500.0 that will be used to fund operations.

The following is selected financial information included in cash flows from discontinued operations for the Wella Business held for sale:

	Three Months Ended September 30,	
	2020	2019
NON-CASH OPERATING ITEMS		
Depreciation and amortization	\$ —	\$ 36.3
CASH FLOW FROM INVESTING ACTIVITIES		
Capital Expenditures	\$ 4.7	\$ 7.9

The major components of assets and liabilities of the Wella Business held for sale are provided below. The assets and liabilities held for sale will evolve up to the closing date for normal operational changes as well as contractual adjustments

including the finalization of local implementation agreements impacting the separation of the Wella Business in various countries.

	September 30, 2020 ^(a)	June 30, 2020 ^(a)
ASSETS		
Trade receivables	\$ 239.3	\$ 168.0
Inventories	252.8	269.2
Prepaid expenses and other current assets	138.1	134.9
Property and equipment, net	246.1	241.3
Goodwill	900.4	874.8
Other intangible assets, net	2,801.1	2,770.4
Operating lease right of use asset	115.4	73.4
Deferred income taxes	21.8	25.5
Other noncurrent assets	48.4	55.6
TOTAL ASSETS HELD FOR SALE	\$ 4,763.4	\$ 4,613.1
LIABILITIES		
Accounts payable	\$ 111.9	\$ 128.3
Accrued expenses and other current liabilities	233.4	236.4
Current operating lease liabilities	24.0	17.2
Income and other taxes payable	17.5	15.8
Long-term operating lease liabilities	92.9	65.9
Noncurrent deferred tax liabilities	322.3	324.8
Pension and other post-employment benefits	154.0	140.8
Other noncurrent liabilities	29.1	27.5
TOTAL LIABILITIES HELD FOR SALE	\$ 985.1	\$ 956.7

^(a) The Company expects that the transaction will close in the second quarter of fiscal 2021. As such, for the periods ending September 30, 2020 and June 30, 2020, all assets and liabilities held for sale are reported as current assets and liabilities held for sale on the Consolidated Balance Sheets.

4. SEGMENT REPORTING

Operating and reportable segments (referred to as “segments”) reflect the way the Company is managed and for which separate financial information is available and evaluated regularly by the Company’s chief operating decision maker (“CODM”) in deciding how to allocate resources and assess performance. The Company has designated its Chief Executive Officer as the CODM.

Due to discontinued operations presentation, the Company’s three remaining segments for its continuing operations are: Americas, EMEA, and Asia Pacific, excluding the discontinued retail hair operations in each segment. Americas, EMEA, and Asia Pacific include the businesses focused on prestige fragrances, prestige skin care, prestige cosmetics, mass color cosmetics, mass fragrance, mass skin care and body care, and are supported by central marketing teams.

Certain income and shared costs and the results of corporate initiatives are managed by Corporate. Corporate primarily includes restructuring and realignment costs, costs related to acquisition and divestiture activities and impairments of long lived assets, goodwill and intangibles that are not attributable to ongoing operating activities of the segments. The results of Yunique, LLC (“Yunique”) are included in “Other.” See Note 5—Business Combinations, Asset Acquisitions and Divestitures for information on Yunique and the divestiture, which was completed on September 16, 2019. Corporate costs are not used by the CODM to measure the underlying performance of the segments.

With the exception of goodwill, the Company does not identify or monitor assets by segment. The Company does not present assets by reportable segment since various assets are shared between reportable segments. The allocation of goodwill by segment is presented in Note 9—Goodwill and Other Intangible Assets, net.

SEGMENT DATA	Three Months Ended September 30,	
	2020	2019
Net revenues:		
Americas	\$ 470.6	\$ 488.8
EMEA	530.4	676.7
Asia Pacific	123.1	190.2
Other	—	55.5
Total	<u>\$ 1,124.1</u>	<u>\$ 1,411.2</u>
Operating income (loss):		
Americas	21.3	(17.5)
EMEA	13.0	28.2
Asia Pacific	(19.0)	8.5
Other	—	(10.9)
Corporate	(81.3)	55.7
Total	<u>\$ (66.0)</u>	<u>\$ 64.0</u>
Reconciliation:		
Operating (loss) income	(66.0)	64.0
Interest expense, net	62.1	63.1
Other (income) expense, net	(5.8)	2.3
Loss from continuing operations before income taxes	<u>\$ (122.3)</u>	<u>\$ (1.4)</u>

Presented below are the percentage of revenues associated with the Company's product categories:

PRODUCT CATEGORY	Three Months Ended September 30,	
	2020	2019
Fragrance	55.8 %	58.0 %
Color Cosmetics	30.2	29.4
Hair Care	0.3	0.3
Skin & Body Care	13.7	12.3
Total Coty Inc.	<u>100.0 %</u>	<u>100.0 %</u>

5. BUSINESS COMBINATIONS, ASSET ACQUISITIONS AND DIVESTITURES

Business Combinations and Asset Acquisitions

King Kylie Transaction

On November 18, 2019, the Company entered into a purchase agreement (the "Purchase Agreement") with King Kylie, LLC ("King Kylie"), a Delaware limited liability company, and the other parties listed as signatories to the Purchase Agreement (the "Seller Group Parties"), to build and further expand King Kylie's brands globally. Pursuant to the Purchase Agreement, on January 6, 2020, the Company acquired 51% of the equity interests in King Kylie from the applicable Seller Group Parties for a base purchase price of \$600.0 in cash. In addition, as contemplated by the Purchase Agreement, the Company entered into a Collaboration Agreement, pursuant to which, in exchange for a marketing fee and a license fee, it received the right and license to manufacture, advertise, promote, distribute and sell certain products of King Kylie and use certain intellectual property owned by or licensed to King Kylie in connection with the development, manufacture, labelling, packaging, advertising, display, distribution and sale of such products.

The Company estimated the preliminary fair value of acquired assets, liabilities and noncontrolling interest as of the date of acquisition based on information currently available. The preliminary fair values are substantially complete, with the exception of primarily accrued expenses and goodwill. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments may be recorded during the measurement period. The Company will reflect measurement period adjustments, if any, in the period in which the adjustments are recognized.

The following table summarizes the estimated allocation of the purchase price to the net assets as of the January 6, 2020 acquisition date:

	Estimated fair value ^(a)	Measurement period adjustments ^(b)	Estimated fair value as adjusted	Estimated useful life (in years)
Cash and cash equivalents	\$ 7.8	—	7.8	
Receivables	1.0	—	1.0	
Inventories	2.5	—	2.5	
Property, plant and equipment	3.6	—	3.6	
Collaboration agreement	369.0	—	369.0	20
License agreement	280.0	—	280.0	20
Customer relationships	27.0	—	27.0	1.5
Goodwill	128.6	—	128.6	Indefinite
Net other liabilities	(6.6)	—	(6.6)	
Total value	\$ 812.9	—	812.9	
Noncontrolling interest	212.9		212.9	
Total purchase price	\$ 600.0		\$ 600.0	

^(a) As previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

^(b) The Company recorded no measurement period adjustments in the first quarter of fiscal 2021.

Goodwill is not expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from integrating King Kylie's products into the Company's existing manufacturing and sales channels.

The fair value of the noncontrolling interest was estimated using the income approach applied to the projected cash flows of King Kylie. As King Kylie is a private company, the fair value measurement was based on significant inputs that are not observable in the market and thus, represent a Level 3 measurement.

Business Divestitures

Younique

On August 27, 2019, the Company entered into a Contribution and Redemption Agreement to transfer all of its membership interest in Foundation, which held the net assets of Younique, to an existing noncontrolling interest holder. On September 16, 2019 (the "Closing Date"), the Company completed the sale of all of its membership interest in Foundation. Consideration received at the Closing Date consisted of \$50.0 cash and a secured promissory note with a face value of \$27.9. The initial estimate of the pre-tax gain of \$84.5 was included in Gain on divestitures and sale of brand assets in the Condensed Consolidated statements of Operations for the three months ended September 30, 2019. During the fiscal year June 30, 2020, the Company recorded a final pre-tax gain of \$111.5 resulting from the sale. The final pre-tax gain is included in (Gain) loss on divestitures and sale of brand assets in the Consolidated Statements of Operations for the fiscal year ended June 30, 2020.

Younique's operations are included within Other and its results of operations through the Closing Date are included in the Consolidated Statements of Operations for the three months ended September 30, 2019.

6. ACQUISITION AND DIVESTITURE-RELATED COSTS

Acquisition-related costs, which are expensed as incurred, represent non-restructuring costs directly related to acquiring and integrating an entity, for both completed and contemplated acquisitions and can include finder's fees, legal, accounting, valuation, other professional or consulting fees, and other internal costs which can include compensation related expenses for dedicated internal resources. The Company recognized acquisition-related costs of \$0.0 and \$0.0 for the three months ended September 30, 2020 and 2019, respectively.

Divestiture-related costs, which are expensed as incurred, represent non-restructuring costs directly related to divesting and selling an entity, for both completed and contemplated divestitures. These costs can include legal, accounting, information technology, other professional or consulting fees and other internal costs. Internal costs can include compensation related expenses for dedicated internal resources. Additionally, for divestitures, we include write-offs of assets that are no longer recoverable and contract related costs due to the divestiture. The Company recognized divestiture-related costs of \$46.3 and \$0.0 for the three months ended September 30, 2020 and 2019, respectively. Divestiture-related costs incurred during the three months ended September 30, 2020 were primarily related to the definitive agreement with KKR regarding the strategic transaction for the sale of the Wella Business. See Note 1—Description of Business for information on the strategic transaction.

These costs have been recorded in Acquisition and divestiture-related costs in the Condensed Consolidated Statements of Operations.

7. RESTRUCTURING COSTS

Restructuring costs for the three months ended September 30, 2020 and 2019 are presented below:

	Three Months Ended September 30,	
	2020	2019
Transformation Plan	\$ 31.2	\$ 7.6
Other Restructuring	(1.1)	(2.8)
Total	<u>\$ 30.1</u>	<u>\$ 4.8</u>

Transformation Plan

In connection with the four-year plan announced on July 1, 2019 to drive substantial improvement and optimization in the Company's businesses (the "Turnaround Plan"), the Company has and expects to continue to incur restructuring and related costs. On May 11, 2020, the Company announced an expansion of the Turnaround Plan to further reduce fixed costs, (the "Transformation Plan"). Of the expected costs, the Company has incurred cumulative restructuring charges of \$187.8 related to approved initiatives through September 30, 2020, which have been recorded in Corporate.

Over the next three fiscal years, the Company expects to incur approximately \$140.0 of additional restructuring charges pertaining to the approved actions, primarily related to employee termination benefits, contract terminations and other exit-related costs.

The following table presents aggregate restructuring charges for the program:

	Severance and Employee Benefits	Fixed Asset Write- offs	Other Exit Costs	Total
Fiscal 2020	\$ 151.2	\$ (1.1)	\$ 6.5	\$ 156.6
Fiscal 2021	31.3	(0.4)	0.3	31.2
Cumulative through September 30, 2020	<u>\$ 182.5</u>	<u>\$ (1.5)</u>	<u>\$ 6.8</u>	<u>\$ 187.8</u>

The related liability balance and activity for the Transformation Plan restructuring costs are presented below:

	Severance and Employee Benefits	Fixed Asset Write- offs	Other Exit Costs	Total
Balance—July 1, 2020	\$ 131.9	\$ —	\$ 0.7	\$ 132.6
Restructuring charges	33.5	(0.4)	0.3	33.4
Payments	(19.6)	—	—	(19.6)
Changes in estimates	(2.2)	—	—	(2.2)
Non-cash utilization	—	0.4	—	0.4
Adjustment for liabilities reclassified to held for sale	(2.2)	—	—	(2.2)
Effect of exchange rates	4.0	—	—	4.0
Balance—September 30, 2020	<u>\$ 145.4</u>	<u>\$ —</u>	<u>\$ 1.0</u>	<u>\$ 146.4</u>

The Company currently estimates that the total remaining accrual of \$146.4 will result in cash expenditures of approximately \$119.3, \$26.3 and \$0.8 in fiscal 2021, 2022 and thereafter, respectively.

Other Restructuring

In connection with the acquisition and integration of the P&G Beauty Business (the “Global Integration Activities”), which are substantially completed, the Company recorded (income) expenses of \$(0.6) and \$(2.2) during the three months ended September 30, 2020 and 2019, respectively. The related liability balances were \$9.1 and \$10.4 at September 30, 2020 and June 30, 2020, respectively. The Company currently estimates that the total remaining accrual of \$9.1 will result in cash expenditures of \$5.6, \$1.2 and \$2.3 in fiscal 2021, 2022 and thereafter, respectively.

The Company executed a number of other legacy restructuring activities in prior years, which are substantially completed. The Company recognized (income) expenses, net, of \$(0.5) and \$(0.6) during the three months ended September 30, 2020 and 2019, respectively. The related liability balances were \$4.4 and \$4.1 at September 30, 2020 and June 30, 2020, respectively. The Company currently estimates that the total remaining accrual of \$4.4 will result in cash expenditures of \$4.2 and \$0.2 in fiscal 2021 and 2022, respectively.

8. INVENTORIES

Inventories as of September 30, 2020 and June 30, 2020 are presented below:

	September 30, 2020	June 30, 2020
Raw materials	\$ 145.7	\$ 148.6
Work-in-process	8.4	11.1
Finished goods	573.6	518.5
Total inventories	<u>\$ 727.7</u>	<u>\$ 678.2</u>

9. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of September 30, 2020 and June 30, 2020 is presented below:

	Americas	EMEA	APAC	Total
Gross balance at June 30, 2020	\$ 3,112.2	\$ 3,638.9	\$ 1,262.9	\$ 8,014.0
Accumulated impairments	(1,768.7)	(1,857.3)	(414.1)	(4,040.1)
Net balance at June 30, 2020	<u>\$ 1,343.5</u>	<u>\$ 1,781.6</u>	<u>\$ 848.8</u>	<u>\$ 3,973.9</u>
Changes during the period ended September 30, 2020				
Foreign currency translation	11.9	24.4	13.5	49.8
Gross balance at September 30, 2020	\$ 3,124.1	\$ 3,663.3	\$ 1,276.4	\$ 8,063.8
Accumulated impairments	(1,768.7)	(1,857.3)	(414.1)	(4,040.1)
Net balance at September 30, 2020	<u>\$ 1,355.4</u>	<u>\$ 1,806.0</u>	<u>\$ 862.3</u>	<u>\$ 4,023.7</u>

Other Intangible Assets, net

Other intangible assets, net as of September 30, 2020 and June 30, 2020 are presented below:

	September 30, 2020	June 30, 2020
Indefinite-lived other intangible assets	\$ 1,012.6	\$ 995.5
Finite-lived other intangible assets, net	3,410.9	3,376.6
Total Other intangible assets, net	<u>\$ 4,423.5</u>	<u>\$ 4,372.1</u>

The changes in the carrying amount of indefinite-lived other intangible assets are presented below:

	Trademarks	Total
Gross balance at June 30, 2020	\$ 1,909.0	1,909.0
Accumulated impairments	(913.5)	(913.5)
Net balance at June 30, 2020	<u>\$ 995.5</u>	<u>995.5</u>
Changes during the period ended September 30, 2020		
Foreign currency translation	\$ 17.1	17.1
Gross balance at September 30, 2020	\$ 1,926.1	1,926.1
Accumulated impairments	(913.5)	(913.5)
Net balance at September 30, 2020	<u>\$ 1,012.6</u>	<u>1,012.6</u>

Intangible assets subject to amortization are presented below:

	Cost	Accumulated Amortization	Accumulated Impairment	Net
June 30, 2020				
License agreements and collaboration agreements ^(a)	\$ 3,861.2	\$ (1,021.1)	\$ (19.6)	\$ 2,820.5
Customer relationships ^(a)	786.1	(427.3)	(5.5)	353.3
Trademarks	325.7	(154.0)	(0.5)	171.2
Product formulations and technology	86.2	(54.6)	—	31.6
Total	<u>\$ 5,059.2</u>	<u>\$ (1,657.0)</u>	<u>\$ (25.6)</u>	<u>\$ 3,376.6</u>
September 30, 2020				
License agreements and collaboration agreements	\$ 3,972.8	\$ (1,080.4)	\$ (19.6)	\$ 2,872.8
Customer relationships	795.9	(453.4)	(5.5)	337.0
Trademarks	329.4	(159.8)	(0.5)	169.1
Product formulations and technology	88.2	(56.2)	—	32.0
Total	<u>\$ 5,186.3</u>	<u>\$ (1,749.8)</u>	<u>\$ (25.6)</u>	<u>\$ 3,410.9</u>

^(a) Includes License agreements and Customer relationships of \$649.0 and \$27.0, respectively resulting from the King Kylie acquisition on January 6, 2020 (Refer to Note 5—Business Combinations, Asset Acquisitions and Divestitures).

Amortization expense was \$65.4 and \$58.3 for the three months ended September 30, 2020 and 2019, respectively.

10. LEASES

The Company leases office facilities under non-cancelable operating leases with terms generally ranging between 10 and 25 years. The Company utilizes these leased office facilities for use by its employees in countries in which the Company conducts its business. Leases are negotiated with third parties and, in some instances contain renewal, expansion and termination options. The Company also subleases certain office facilities to third parties when the Company no longer intends to utilize the space. None of the Company's leases restricts the payment of dividends or the incurrence of debt or additional lease obligations, or contain significant purchase options.

The following chart provides additional information about the Company's operating leases for the three months ended September 30, 2020:

Lease Cost:	Three Months Ended September 30,	
	2020	2019
Operating lease cost	\$ 19.2	\$ 26.4
Short-term lease cost	0.2	0.6
Variable lease cost	13.9	10.3
Sublease income	(1.5)	(2.2)
Net lease cost	\$ 31.8	\$ 35.1
Other information:		
Operating cash outflows from operating leases	\$ (31.4)	\$ (26.6)
Right-of-use assets obtained in exchange for lease obligations	\$ 8.0	\$ (26.1)
Weighted-average remaining lease term - real estate	6.8 years	7.6 years
Weighted-average discount rate - real estate leases	3.20 %	3.92 %

Future minimum lease payments for the Company's operating leases as of September 30, 2020 are as follows:

Fiscal Year Ending June 30,	
2021, remaining	\$ 82.5
2022	83.6
2023	57.8
2024	46.0
2025	35.5
Thereafter	116.5
Total future lease payments	421.9
Less: imputed interest	(40.1)
Total present value of lease liabilities	381.8
Current operating lease liabilities	92.6
Long-term operating lease liabilities	289.2
Total operating lease liabilities	\$ 381.8

Table excludes obligations for leases with original terms of 12 months or less which have not been recognized as ROU assets or liabilities in the Condensed Consolidated Balance Sheets.

11. DEBT

The Company's debt balances consisted of the following as of September 30, 2020 and June 30, 2020, respectively:

	September 30, 2020	June 30, 2020
Short-term debt	\$ 1.7	\$ —
2018 Coty Credit Agreement		
2018 Coty Revolving Credit Facility due April 2023	1,560.2	1,438.8
2018 Coty Term A Facility due April 2023	3,006.1	2,959.0
2018 Coty Term B Facility due April 2025	2,343.2	2,308.5
Senior Unsecured Notes		
2026 Dollar Notes due April 2026	550.0	550.0
2023 Euro Notes due April 2023	645.2	618.3
2026 Euro Notes due April 2026	293.3	281.1
Other long-term debt and capital lease obligations	0.5	0.6
Total debt	8,400.2	8,156.3
Less: Short-term debt and current portion of long-term debt	(195.4)	(188.3)
Total Long-term debt	8,204.8	7,968.0
Less: Unamortized debt issuance costs	(61.4)	(66.9)
Less: Discount on Long-term debt	(8.6)	(9.0)
Total Long-term debt, net	\$ 8,134.8	\$ 7,892.1

Short-Term Debt

The Company maintains short-term lines of credit and other short-term debt with financial institutions around the world. As of September 30, 2020, total short-term debt increased to \$1.7 from \$0.0 as of June 30, 2020. In addition, the Company had undrawn letters of credit of \$8.5 and \$6.0 and bank guarantees of \$45.2 and \$45.7 as of September 30, 2020 and June 30, 2020, respectively.

Long-Term Debt

On April 5, 2018, the Company issued senior unsecured notes in a private offering and entered into a new credit agreement (the "2018 Coty Credit Agreement"). The net proceeds of the offering of the notes, together with borrowings under the 2018 Coty Credit Agreement, were used to repay in full and refinance the indebtedness outstanding under the Company's previously existing long-term debt agreements and to pay accrued interest, related premiums, fees and expenses in connection therewith.

Offering of Senior Unsecured Notes

On April 5, 2018 the Company issued, at par, \$550.0 of 6.50% senior unsecured notes due 2026 (the "2026 Dollar Notes"), €550.0 of 4.00% senior unsecured notes due 2023 (the "2023 Euro Notes") and €250.0 of 4.75% senior unsecured notes due 2026 (the "2026 Euro Notes" and, together with the 2023 Euro Notes, the "Euro Notes," and the Euro Notes together with the 2026 Dollar Notes, the "Senior Unsecured Notes") in a private offering.

The Senior Unsecured Notes are senior unsecured debt obligations of the Company and will be *pari passu* in right of payment with all of the Company's existing and future senior indebtedness (including the 2018 Coty Credit Facilities described below). The Senior Unsecured Notes are guaranteed, jointly and severally, on a senior basis by the Guarantors (as later defined under "2018 Coty Credit Agreement"). The Senior Unsecured Notes are senior unsecured obligations of the Company and are effectively junior to all existing and future secured indebtedness of the Company to the extent of the value of the collateral securing such secured indebtedness. The related guarantees are senior unsecured obligations of each Guarantor and are effectively junior to all existing and future secured indebtedness of such Guarantor to the extent of the value of the collateral securing such indebtedness.

The 2026 Dollar Notes will mature on April 15, 2026. The 2026 Dollar Notes will bear interest at a rate of 6.50% per annum. Interest on the 2026 Dollar Notes is payable semi-annually in arrears on April 15 and October 15 of each year.

The 2023 Euro Notes will mature on April 15, 2023 and the 2026 Euro Notes will mature on April 15, 2026. The 2023 Euro Notes will bear interest at a rate of 4.00% per annum, and the 2026 Euro Notes will bear interest at a rate of 4.75% per annum. Interest on the Euro Notes is payable semi-annually in arrears on April 15 and October 15 of each year.

Upon the occurrence of certain change of control triggering events with respect to a series of Senior Unsecured Notes, the Company will be required to offer to repurchase all or part of the Senior Unsecured Notes of such series at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the purchase date applicable to such Senior Unsecured Notes.

The Senior Unsecured Notes contain customary covenants that place restrictions in certain circumstances on, among other things, incurrence of liens, entry into sale or leaseback transactions, sales of all or substantially all of the Company's assets and certain merger or consolidation transactions. The Senior Unsecured Notes also provide for customary events of default.

2018 Coty Credit Agreement

On April 5, 2018, the Company entered into the 2018 Coty Credit Agreement, which amended and restated the prior Coty Credit Agreement. The 2018 Coty Credit Agreement provides for (a) the incurrence by the Company of (1) a senior secured term A facility in an aggregate principal amount of (i) \$1,000.0 denominated in U.S. dollars and (ii) €2,035.0 denominated in euros (the "2018 Coty Term A Facility") and (2) a senior secured term B facility in an aggregate principal amount of (i) \$1,400.0 denominated in U.S. dollars and (ii) €850.0 million denominated in euros (the "2018 Coty Term B Facility") and (b) the incurrence by the Company and Coty B.V., a Dutch subsidiary of the Company (the "Dutch Borrower" and, together with the Company, the "Borrowers"), of a senior secured revolving facility in an aggregate principal amount of \$3,250.0 denominated in U.S. dollars, specified alternative currencies or other currencies freely convertible into U.S. dollars and readily available in the London interbank market (the "2018 Coty Revolving Credit Facility") (the 2018 Coty Term A Facility, together with the 2018 Coty Term B Facility and the 2018 Coty Revolving Credit Facility, the "2018 Coty Credit Facilities"). Initial borrowings under the 2018 Coty Term Loan B Facility were issued at a 0.250% discount.

The 2018 Coty Credit Agreement provides that with respect to the 2018 Coty Revolving Credit Facility, up to \$150.0 is available for letters of credit and up to \$150.0 is available for swing line loans. The 2018 Coty Credit Agreement also permits, subject to certain terms and conditions, the incurrence of incremental facilities thereunder in an aggregate amount of (i) \$1,700.0 plus (ii) an unlimited amount if the First Lien Net Leverage Ratio (as defined in the 2018 Coty Credit Agreement), at the time of incurrence of such incremental facilities and after giving effect thereto on a pro forma basis, is less than or equal to 3.00 to 1.00.

The obligations of the Company under the 2018 Coty Credit Agreement are guaranteed by the material wholly-owned subsidiaries of the Company organized in the U.S., subject to certain exceptions (the "Guarantors") and the obligations of the Company and the Guarantors under the 2018 Coty Credit Agreement are secured by a perfected first priority lien (subject to permitted liens) on substantially all of the assets of the Company and the Guarantors, subject to certain exceptions. The Dutch Borrower does not guarantee the obligations of the Company under the 2018 Coty Credit Agreement or grant any liens on its assets to secure any obligations under the 2018 Coty Credit Agreement.

On June 27, 2019, the Company entered into an amendment ("2019 Amendment") to the 2018 Coty Credit Agreement. The 2019 Amendment modified the 2018 Coty Credit Agreement by amending the financial covenants to (i) delay until March 31, 2022 the total net leverage ratio step down from 5.25 to 5.0 (as further described in the *Covenants* section below), (ii) extend the applicable window for certain cost savings add-backs in the calculation of Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") for purpose of determining the total net leverage ratio, and (iii) amend the determination of the exchange rate to be used for purposes of calculating "Total Indebtedness" (as defined in the 2018 Coty Credit Agreement) for purposes of the total net leverage ratio, and decreasing the total commitments under the revolving credit facility by \$500.0 to \$2,750.0.

On April 29, 2020, the Company amended its existing credit agreement. The amendment (i) provides a net debt to EBITDA financial covenant "holiday" through March 31, 2021; (ii) establishes a minimum liquidity covenant through March 31, 2021 of \$350.0; and (iii) effectively places certain limitations on the ability to make certain investments and restricted payments (including limiting our ability to pay dividends in cash through March 31, 2021) and on incurring additional secured indebtedness. The amendment does not modify the applicable funding costs during the period through March 31, 2021.

Scheduled Amortization

The Company makes quarterly payments of 1.25% and 0.25%, of the initial aggregate principal amounts of the 2018 Coty Term A Facility and the 2018 Coty Term B Facility, respectively. The remaining balance of the initial aggregate principal amounts of the 2018 Coty Term A Facility and the 2018 Coty Term B Facility will be payable on the maturity date for each facility, respectively.

Interest

The 2018 Coty Credit Agreement facilities will bear interest at rates equal to, at the Company's option, either:

- LIBOR of the applicable qualified currency, of which the Company can elect the applicable one, two, three, six or twelve month rate, plus the applicable margin; or

- Alternate base rate (“ABR”) plus the applicable margin.

In the case of the 2018 Coty Revolving Credit Facility and the 2018 Coty Term A Facility, the applicable margin means the lesser of a percentage per annum to be determined in accordance with the leverage-based pricing grid and the debt rating-based grid below:

Pricing Tier	Total Net Leverage Ratio:	LIBOR plus:	Alternative Base Rate Margin:
1.0	Greater than or equal to 4.75:1	2.000%	1.000%
2.0	Less than 4.75:1 but greater than or equal to 4.00:1	1.750%	0.750%
3.0	Less than 4.00:1 but greater than or equal to 2.75:1	1.500%	0.500%
4.0	Less than 2.75:1 but greater than or equal to 2.00:1	1.250%	0.250%
5.0	Less than 2.00:1 but greater than or equal to 1.50:1	1.125%	0.125%
6.0	Less than 1.50:1	1.000%	—%

Pricing Tier	Debt Ratings S&P/Moody’s:	LIBOR plus:	Alternative Base Rate Margin:
5.0	Less than BB+/Ba1	2.000%	1.000%
4.0	BB+/Ba1	1.750%	0.750%
3.0	BBB-/Baa3	1.500%	0.500%
2.0	BBB/Baa2	1.250%	0.250%
1.0	BBB+/Baa1 or higher	1.125%	0.125%

In the case of the U.S. dollar portion of the 2018 Coty Term B Facility, the applicable margin means 2.25% per annum, in the case of LIBOR loans, and 1.25% per annum, in the case of ABR loans. In the case of the Euro portion of the 2018 Coty Term B Facility, the applicable margin means 2.50% per annum, in the case of EURIBOR loans. In no event will LIBOR be deemed to be less than 0.00% per annum.

Fair Value of Debt

	September 30, 2020		June 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2018 Coty Credit Agreement	\$ 6,909.5	\$ 6,334.3	\$ 6,706.3	\$ 5,962.3
Senior Unsecured Notes	1,488.5	1,206.6	1,449.4	1,270.3

The Company uses the market approach to value the 2018 Coty Credit Agreement and the Senior Unsecured Notes. The Company obtains fair values from independent pricing services to determine the fair value of these debt instruments. Based on the assumptions used to value these liabilities at fair value, these debt instruments are categorized a Level 2 in the fair value hierarchy.

Debt Maturities Schedule

Aggregate maturities of the Company’s long-term debt, including the current portion of long-term debt and excluding capital lease obligations as of September 30, 2020, are presented below:

Fiscal Year Ending June 30,

2021, remaining	\$ 145.0
2022	193.3
2023	4,939.0
2024	24.0
2025	2,253.4
Thereafter	843.3
Total	\$ 8,398.0

Covenants

The 2018 Coty Credit Agreement contains affirmative and negative covenants. The negative covenants include, among other things, limitations on debt, liens, dispositions, investments, fundamental changes, restricted payments and affiliate transactions. With certain exceptions as described below, the 2018 Coty Credit Agreement, as amended, includes a financial covenant that requires us to maintain a Total Net Leverage Ratio (as defined below), equal to or less than the ratios shown below for each respective test period.

Quarterly Test Period Ending	Total Net Leverage Ratio (as amended April 29, 2020) ^(a)
September 30, 2020 through March 31, 2021	N/A (not tested) ^(b)
June 30, 2021 through December 31, 2021	5.25 to 1.00
March 31, 2022	5.00 to 1.00
June 30, 2022	4.75 to 1.00
September 30, 2022	4.50 to 1.00
December 31, 2022	4.25 to 1.00
March 31, 2023 through June 30, 2023	4.00 to 1.00

^(a) Total Net Leverage Ratio means, as of any date of determination, the ratio of: (a) (i) Total Indebtedness minus (ii) unrestricted and Cash Equivalents of the Parent Borrower and its Restricted Subsidiaries as determined in accordance with GAAP to (b) Adjusted EBITDA for the most recently ended Test Period (each of the defined terms, including Adjusted EBITDA, used within the definition of Total Net Leverage Ratio have the meanings ascribed to them within the 2018 Coty Credit Agreement, as amended). Adjusted EBITDA, as defined in the 2018 Coty Credit Agreement, as amended, includes certain add backs related to cost savings, unusual events such as COVID-19, operating expense reductions and future unrealized synergies subject to certain limits and conditions as specified in the 2018 Coty Credit Agreement, as amended.

^(b) The 2018 Coty Credit Agreement, as amended, establishes a quarterly minimum liquidity covenant for this period of \$350.0. As of September 30, 2020, the current immediate liquidity was \$1,721.7.

In the four fiscal quarters following the closing of any Material Acquisition (as defined in the 2018 Coty Credit Agreement, as amended), including the fiscal quarter in which such Material Acquisition occurs, the maximum Total Net Leverage Ratio shall be the lesser of (i) 5.95 to 1.00 and (ii) 1.00 higher than the otherwise applicable maximum Total Net Leverage Ratio for such quarter (as set forth in the table above). Immediately after any such four fiscal quarter period, there shall be at least two consecutive fiscal quarters during which our Total Net Leverage Ratio is no greater than the maximum Total Net Leverage Ratio that would otherwise have been required in the absence of such Material Acquisition, regardless of whether any additional Material Acquisitions are consummated during such period. On January 6, 2020, the Company entered into a purchase agreement for the King Kylie Transaction, which constituted a Material Acquisition. As such, per the 2018 Coty Credit Agreement, as amended, the maximum Total Net Leverage Ratio for the quarter ended September 30, 2020 is 5.95.

As of September 30, 2020, the Company was in compliance with all covenants contained within the 2018 Coty Credit Agreement, as amended.

12. INTEREST EXPENSE, NET

Interest expense, net for the three months ended September 30, 2020 and 2019 is presented below:

	Three Months Ended September 30,	
	2020	2019
Interest expense	\$ 59.0	\$ 61.2
Foreign exchange losses, net of derivative contracts	4.4	3.8
Interest income	(1.3)	(1.9)
Total interest expense, net	\$ 62.1	\$ 63.1

13. EMPLOYEE BENEFIT PLANS

As part of the Turnaround Plan, the Company concluded that restructuring actions resulted in a significant reduction of future services of active employees in certain of our non-U.S. pension plans. As a result, the Company recognized curtailment gains of \$5.3 during the period ended September 30, 2020. The impact of the curtailment activity on the current and prior comparative periods is included in Other expense, net in the Consolidated Statements of Operations.

The components of net periodic benefit cost for pension plans and other post-employment benefit plans recognized in the Condensed Consolidated Statements of Operations are presented below:

	Three Months Ended September 30,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2020	2019	2020	2019	2020	2019	2020	2019
Service cost	\$ —	\$ —	\$ 6.7	\$ 9.5	\$ 0.3	\$ 0.5	\$ 7.0	\$ 10.0
Interest cost	0.1	0.1	2.5	2.3	0.3	0.4	2.9	2.8
Expected return on plan assets	—	—	(1.9)	(2.1)	—	—	(1.9)	(2.1)
Amortization of prior service credit	—	—	(0.1)	(0.2)	(0.9)	(1.6)	(1.0)	(1.8)
Amortization of net loss	0.4	0.1	—	—	—	—	0.4	0.1
Curtailment gain recognized	—	—	(5.3)	—	—	—	(5.3)	—
Net periodic benefit cost (credit)	<u>\$ 0.5</u>	<u>\$ 0.2</u>	<u>\$ 1.9</u>	<u>\$ 9.5</u>	<u>\$ (0.3)</u>	<u>\$ (0.7)</u>	<u>\$ 2.1</u>	<u>\$ 9.0</u>

Net periodic benefit costs include amounts related to discontinued operations of \$3.7 and \$3.6 for the three months ended September 30, 2020 and 2019, respectively.

14. DERIVATIVE INSTRUMENTS

Foreign Exchange Risk Management

The Company is exposed to foreign currency exchange fluctuations through its global operations. The Company may reduce its exposure to fluctuations in the cash flows associated with changes in foreign exchange rates by creating offsetting positions through the use of derivative instruments and also by designating foreign currency denominated borrowings and cross-currency swaps as hedges of net investments in foreign subsidiaries. The Company expects that through hedging, any gain or loss on the derivative instruments would generally offset the expected increase or decrease in the value of the underlying forecasted transactions. The Company entered into foreign exchange forward contracts for which hedge accounting treatment has been applied, which the Company anticipates realizing in the Condensed Consolidated Statements of Operations through fiscal 2021. In September 2020, the Company terminated its existing net investment cross currency swap derivatives with notional amount of \$550.0 in exchange for cash payment of \$37.6. Cash paid due to the termination of the cross currency swap derivatives is included in investing activities in the Condensed Consolidated Statements of Cash Flows. The related loss from this termination is included in AOCI/(L) until the sale or substantial liquidation of the underlying net investments.

Interest Rate Risk Management

The Company is exposed to interest rate fluctuations related to its variable rate debt instruments. The Company may reduce its exposure to fluctuations in the cash flows associated with changes in the variable interest rates by entering into offsetting positions through the use of derivative instruments, such as interest rate swap contracts. The interest rate swap contracts result in recognizing a fixed interest rate for the portion of the Company's variable rate debt that was hedged. This will reduce the negative and positive impacts of changes in the variable rates over the term of the contracts. Hedge effectiveness of interest rate swap contracts is based on a long-haul hypothetical derivative methodology and includes all changes in value.

During September 2019, the Company entered into incremental interest rate swap contracts in the notional amount of \$1,000.0, which extended the maturity of the interest rate swap portfolio from 2021 through 2023. These interest rate swaps are designated and qualify as cash flow hedges. As of September 30, 2020 and June 30, 2020, the Company had interest rate swap contracts designated as effective hedges in the notional amount of \$3,000.0 and \$3,000.0, respectively.

Derivative and non-derivative financial instruments which are designated as hedging instruments:

The accumulated gain on foreign currency borrowings classified as net investment hedges in the foreign currency translation adjustment component of AOCI/(L) was \$88.8 and \$261.9 as of September 30, 2020 and June 30, 2020, respectively.

The accumulated loss on derivative instruments classified as net investment hedges in the foreign currency translation adjustment component of AOCI/(L) was \$(37.6) and \$(12.5) as of September 30, 2020 and June 30, 2020, respectively.

The amount of gains and losses recognized in Other comprehensive income (loss) (“OCI”) in the Condensed Consolidated Balance Sheets related to the Company’s derivative and non-derivative financial instruments which are designated as hedging instruments is presented below:

Gain (Loss) Recognized in OCI	Three Months Ended September 30,	
	2020	2019
Foreign exchange forward contracts	\$ (1.2)	\$ 0.4
Interest rate swap contracts	0.2	(0.5)
Cross-currency swap contracts	(25.1)	3.9
Net investment hedge	(173.1)	157.3

The accumulated loss on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was \$(37.3) and \$(43.0) as of September 30, 2020 and June 30, 2020, respectively. The estimated net loss related to these effective hedges that is expected to be reclassified from AOCI/(L) into earnings, net of tax, within the next twelve months is \$(23.4). As of September 30, 2020, all of the Company’s remaining foreign currency forward contracts designated as hedges were highly effective.

The amount of gains and losses reclassified from AOCI/(L) to the Condensed Consolidated Statements of Operations related to the Company’s derivative financial instruments which are designated as hedging instruments is presented below:

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow Hedging Relationships	Three Months Ended September 30,			
	2020		2019	
	Net revenues	Interest expense, net	Net revenues	Interest expense, net
Foreign exchange forward contracts:				
Amount of gain (loss) reclassified from AOCI into income	\$ 1.0	\$ —	\$ —	\$ —
Interest rate swap contracts:				
Amount of gain (loss) reclassified from AOCI into income	—	(9.8)	—	0.9

Derivatives not designated as hedging:

The amount of gains and losses related to the Company’s derivative financial instruments not designated as hedging instruments is presented below:

Condensed Consolidated Statements of Operations		Three Months Ended September 30,	
Classification of Gain (Loss) Recognized in Operations		2020	2019
Foreign exchange contracts	Selling, general and administrative expenses	\$ 0.1	\$ (0.5)
Foreign exchange contracts	Interest expense, net	5.3	4.7
Foreign exchange contracts	Other expense, net	(0.3)	(0.1)

15. EQUITY AND CONVERTIBLE PREFERRED STOCK

Common Stock

As of September 30, 2020, the Company’s common stock consisted of Class A Common Stock with a par value of \$0.01 per share. The holders of Class A Common Stock are entitled to one vote per share. As of September 30, 2020, total authorized shares of Class A Common Stock was 1,250.0 million and total outstanding shares of Class A Common Stock was 765.7 million.

As of September 30, 2020, the Company’s largest stockholder was Cottage Holdco B.V., which owned approximately 61% of Coty’s outstanding Class A Common Stock. Cottage Holdco B.V., a wholly-owned subsidiary of JAB Cosmetics B.V. (“JABC”), is indirectly controlled by Lucrecia SE, Agnaten SE and JAB Holdings B.V. (“JAB”). During the three months ended September 30, 2020, JABC did not acquire any shares of Class A Common Stock.

Series A and A-1 Preferred Stock

As of September 30, 2020, total authorized shares of preferred stock are 20.0 million. There are two classes of Preferred Stock, Series A Preferred Stock and Series A-1 Preferred Stock, both with a par value of \$0.01 per share.

As of September 30, 2020, total authorized, issued and outstanding shares of Series A Preferred Stock were 1.5 million, and Series A-1 Preferred Stock were nil. Series A Preferred Stock and Series A-1 Preferred Stock are not entitled to receive any dividends and have no voting rights except as required by law.

As of September 30, 2020, the Company has nil Series A and Series A-1 Preferred Stock classified as equity or as a liability recorded in Other noncurrent liabilities in the Condensed Consolidated Balance Sheet.

Convertible Series B Preferred Stock

On May 11, 2020, the Company entered into an Investment Agreement with KKR Aggregator (the “Investor”), relating to the issuance and sale by the Company to the Investor of up to 1,000,000 shares of the Company’s new Convertible Series B Preferred Stock, par value \$0.01 per share (the “Series B Preferred Stock”), for an aggregate purchase price of up to \$1,000.0, or \$1,000 per share (the “Issuance”). The Issuance was proposed to be issued in two tranches: (i) an initial issuance of 750,000 shares of Series B Preferred Stock (the “Initial Issuance”) and (ii) a subsequent issuance of 250,000 shares of Series B Preferred Stock (the “Second Issuance”), which was subject to the execution and delivery of a definitive purchase agreement between the Company and the Investor or certain of its affiliates in respect of the Wella Business.

On May 26, 2020 (the “Closing Date”), the Company and the Investor completed the issuance and sale of 750,000 shares of the Company’s Series B Preferred Stock for an aggregate purchase price of \$750.0. On July 31, 2020, the Company completed the previously announced issuance and sale of 250,000 shares of the Company’s Series B Preferred Stock to the Investor for an aggregate purchase price of \$250.0.

Cumulative preferred dividends accrue daily on the Series B Preferred Stock at a rate of 9.0% per year. The Series B Preferred Stock had accrued unpaid dividends of \$27.3 and \$6.5 as of September 30, 2020 and June 30, 2020, respectively. There were no dividends paid in relation to the Series B Preferred Stock in the three months ended September 30, 2020.

Treasury Stock

Share Repurchase Program

Since February 2014, the Board has authorized the Company to repurchase its Class A Common Stock under approved repurchase programs. On February 3, 2016, the Board authorized the Company to repurchase up to \$500.0 of its Class A Common Stock (the “Incremental Repurchase Program”). Repurchases may be made from time to time at the Company’s discretion, based on ongoing assessments of the capital needs of the business, the market price of its Class A Common Stock, and general market conditions. For the three months ended September 30, 2020, the Company did not repurchase any shares of its Class A Common Stock. As of September 30, 2020, the Company had authority for \$396.8 remaining under the Incremental Repurchase Program.

Other Repurchases

There were no other stock repurchases during the three months ended September 30, 2020. The Company repurchased 0.5 million shares of its Class A Common Stock for \$4.5 during the three months ended September 30, 2019 in connection with the exit of an executive in September 2019.

Dividends

On April 29, 2020, the Board of Directors suspended the payment of dividends, in keeping with the 2018 Coty Credit Agreement, as amended, which is expected to last through April 21, 2021 or until such later date that a Net debt to Adjusted EBITDA of 4x is reached.

During fiscal 2020, prior to the Board’s decision to suspend the payment of dividends, the Company maintained a Stock Dividend Reinvestment Program and had registered a total of 19.3 shares of Class A Common Stock for purchase under the program. All holders of records of Class A Common Stock had the opportunity to participate in the program; if a holder elected to participate in the program fifty percent (50%) of their cash dividends were reinvested in additional shares of Class A Common Stock.

The change in dividends accrued recorded to additional paid-in capital (“APIC”) in the Condensed Consolidated Balance Sheet as of September 30, 2020 were \$0.8, consisting of \$0.8 of dividends no longer expected to vest as a result of forfeitures of outstanding RSUs. In addition to the activity noted above, the Company made a payment of \$0.8 for the previously accrued dividends on RSUs that vested during the three months ended September 30, 2020. Thus, total dividends settled in cash during the three months ended September 30, 2020 were \$0.8.

Total accrued dividends on unvested RSUs and phantom units of \$2.0 and \$3.0 are included in Accrued expenses and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of September 30, 2020.

Accumulated Other Comprehensive Income (Loss)

		Foreign Currency Translation Adjustments			
	Loss on Cash Flow Hedges	Gain (loss) on Net Investment Hedge	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans ^(a)	Total
Balance—July 1, 2020	\$ (43.0)	\$ 261.9	\$ (683.8)	\$ 8.7	\$ (456.2)
Other comprehensive (loss) income before reclassifications	(1.0)	(210.7)	200.3	—	(11.4)
Net amounts reclassified from AOCI/(L)	6.7	—	—	(1.2)	5.5
Net current-period other comprehensive income (loss)	5.7	(210.7)	200.3	(1.2)	(5.9)
Balance—September 30, 2020	<u>\$ (37.3)</u>	<u>\$ 51.2</u>	<u>\$ (483.5)</u>	<u>\$ 7.5</u>	<u>\$ (462.1)</u>

^(a) For the three months ended September 30, 2020, net amounts reclassified from AOCI/(L) related to pensions and other post-employment benefit plans included amortization of prior service credits and actuarial loss of \$1.2, net of tax of \$0.0.

		Foreign Currency Translation Adjustments			
	Loss on Cash Flow Hedges	Gain on Net Investment Hedge	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans	Total
Balance—July 1, 2019	\$ (13.3)	\$ 214.8	\$ (257.4)	\$ (2.9)	\$ (58.8)
Other comprehensive (loss) income before reclassifications	(0.5)	161.2	(283.8)	—	(123.1)
Net amounts reclassified from AOCI/(L)	(0.7)	—	—	(0.8)	(1.5)
Net current-period other comprehensive (loss) income	(1.2)	161.2	(283.8)	(0.8)	(124.6)
Balance—September 30, 2019	<u>\$ (14.5)</u>	<u>\$ 376.0</u>	<u>\$ (541.2)</u>	<u>\$ (3.7)</u>	<u>\$ (183.4)</u>

16. SHARE-BASED COMPENSATION PLANS

Share-based compensation expense is recognized on a straight-line basis over the requisite service period. Total share-based compensation is shown in the table below:

	Three Months Ended September 30,	
	2020	2019
Equity plan expense ^(a)	\$ 4.9	\$ 4.4
Equity plan modified and cash settled	0.9	—
Liability plan (income) expense	(0.1)	—
Total share-based compensation expense	<u>\$ 5.7</u>	<u>\$ 4.4</u>

^(a) Equity Plan share-based compensation expense of \$6.2 and \$6.3 were recorded to additional paid in capital and presented in the Condensed Consolidated Statement of Equity for the three months ended September 30, 2020 and 2019, respectively. Of the \$6.2 and \$6.3, \$1.3 and \$1.9 were reclassified to discontinued operations.

The share-based compensation expense for the three months ended September 30, 2020 and 2019, respectively, of \$5.7 and \$4.4 includes \$6.4 and \$6.9 expense offset by \$(0.7) and \$(2.5), respectively, primarily due to significant executive forfeitures of share-based compensation instruments.

As of September 30, 2020, the total unrecognized share-based compensation expense related to stock options, Series A Preferred Stock, restricted stock, restricted stock units and other share awards is \$20.4, \$0.0, \$0.0 and \$60.0, respectively. The unrecognized share-based compensation expense related to stock options, Series A Preferred stock, restricted stock, restricted stock units and other share awards is expected to be recognized over a weighted-average period of 3.19, 0.00, 0.00 and 3.24 years, respectively.

Restricted Share Units and Other Share Awards

The Company granted nil shares of RSUs and other share awards during the three months ended September 30, 2020. The Company recognized share-based compensation expense of \$5.3 and \$3.6 for the three months ended September 30, 2020 and 2019, respectively.

Restricted Stock

The Company granted no shares of restricted stock and other share awards during the three months ended September 30, 2020. The Company recognized share-based compensation expense of \$(0.1) and nil for the three months ended September 30, 2020 and 2019, respectively.

Series A Preferred Stock and Series A-1 Preferred Stock

The Company granted no shares of Series A Preferred Stock and no shares of Series A-1 Preferred Stock during the three months ended September 30, 2020. The Company recognized share-based compensation expense (income) of \$(0.1) and \$0.5 for the three months ended September 30, 2020 and 2019, respectively.

Non-Qualified Stock Options

The Company granted no non-qualified stock options during the three months ended September 30, 2020. The Company recognized share-based compensation expense of \$0.6 and \$0.3 for the three months ended September 30, 2020 and 2019, respectively.

17. NET INCOME ATTRIBUTABLE TO COTY INC. PER COMMON SHARE

Reconciliation between the numerators and denominators of the basic and diluted income per share ("EPS") computations is presented below:

	Three Months Ended September 30,	
	2020	2019
	(in millions, except per share data)	
Amounts attributable to Coty Inc.:		
Net income from continuing operations	116.7	12.8
Convertible Series B Preferred Stock dividends	(20.8)	—
Net income from continuing operations attributable to common stockholders	95.9	12.8
Net income from discontinued operations, net of tax	104.7	39.5
Net income attributable to common stockholders	\$ 200.6	\$ 52.3
Weighted-average common shares outstanding:		
Weighted-average common shares outstanding—Basic	763.9	754.2
Effect of dilutive stock options and Series A/A-1 Preferred Stock ^(a)	—	1.1
Effect of restricted stock and RSUs ^(b)	1.4	3.6
Effect of Convertible Series B Preferred Stock	151.4	—
Weighted-average common shares outstanding—Diluted	916.7	758.9
Earnings per common share		
Earnings from continued operations per common share - basic	\$ 0.13	\$ 0.02
Earnings from continued operations per common share - diluted	\$ 0.13	\$ 0.02
Earnings from discontinued operations - basic	\$ 0.13	\$ 0.05
Earnings from discontinued operations - diluted	\$ 0.11	\$ 0.05
Earnings per common share - basic	\$ 0.26	\$ 0.07
Earnings per common share - diluted	\$ 0.24	\$ 0.07

^(a) For the three months ended September 30, 2020 and 2019, outstanding stock options and Series A Preferred Stock with purchase or conversion rights to purchase 16.8 and 24.3 million shares of Common Stock, respectively, were excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

^(b) For the three months ended September 30, 2020 and 2019, there were 10.9 and 0.6 million anti-dilutive RSUs, respectively, excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

18. MANDATORILY REDEEMABLE FINANCIAL INTERESTS AND REDEEMABLE NONCONTROLLING INTERESTS

Mandatorily Redeemable Financial Interest

United Arab Emirates subsidiary

The Company is required under a shareholders agreement (the "U.A.E. Shareholders Agreement") to purchase all of the shares held by the noncontrolling interest holder equal to 25% of the outstanding shares of a certain subsidiary in the United Arab Emirates (the "U.A.E. subsidiary") at the termination of the agreement on December 31, 2020. The Company has determined such shares to be a mandatorily redeemable financial interest ("MRFI") that is recorded as a liability. The liability is calculated based upon a pre-determined formula in accordance with the related U.A.E. Shareholders Agreement. As of September 30, 2020 and June 30, 2020, the liability amounted to \$7.5 and \$8.8, respectively.

Redeemable Noncontrolling Interests

Subsidiary in the Middle East

As of September 30, 2020, the noncontrolling interest holder in the Company's subsidiary in the Middle East ("Middle East Subsidiary") had a 25% ownership share. The Company adjusts the RNCI to redemption value at the end of each reporting period with changes recognized as adjustments to APIC. The Company recognized \$83.1 and \$79.1 as the RNCI balances as of September 30, 2020 and June 30, 2020, respectively.

19. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is involved, from time to time, in various litigation, administrative and other legal proceedings, including regulatory actions, incidental or related to its business, including consumer class or collective actions, personal injury (including asbestos related claims), intellectual property, competition, compliance and advertising claims litigation and disputes, among others (collectively, "Legal Proceedings"). While the Company cannot predict any final outcomes relating thereto, management believes that the outcome of current Legal Proceedings will not have a material effect upon its business, prospects, financial condition, results of operations, cash flows or the trading price of the Company's securities. However, management's assessment of the Company's current Legal Proceedings is ongoing, and could change in light of the discovery of additional facts with respect to Legal Proceedings not presently known to the Company, further legal analysis, or determinations by judges, arbitrators, juries or other finders of fact or deciders of law which are not in accord with management's evaluation of the probable liability or outcome of such Legal Proceedings. From time to time, the Company is in discussions with regulators, including discussions initiated by the Company, about actual or potential violations of law in order to remediate or mitigate associated legal or compliance risks and liabilities or penalties. As the outcomes of such proceedings are unpredictable, the Company can give no assurance that the results of any such proceedings will not materially affect its reputation, business, prospects, financial condition, results of operations, cash flows or the trading price of its securities.

Certain Litigation. A purported stockholder class action complaint concerning the tender offer by Cottage Holdco B.V. (the "Cottage Tender Offer") and the Schedule 14D-9, captioned Rumsey v. Coty, Inc., et al., Case No. 1:19-cv-00650-LPS, was filed by a putative stockholder against the Company and certain current and former directors of the Company in the U.S. District Court for the District of Delaware, but has not yet been served. The plaintiff alleges that the Company's Schedule 14D-9 omits certain information, including, among other things, certain financial data and certain analyses underlying the opinion of Centerview Partners LLC. The plaintiff asserts claims under the federal securities laws and seeks, among other things, injunctive and/or monetary relief.

A second consolidated purported stockholder class action and derivative complaint concerning the Cottage Tender Offer and the Schedule 14D-9 is pending against certain current and former directors of the Company, JAB Holding Company, S.à.r.l., JAB Holdings B.V., JAB Cosmetics B.V., and Cottage Holdco B.V. in the Court of Chancery of the State of Delaware. The Company was named as a nominal defendant. The case, which was filed on May 6, 2019, was captioned Massachusetts Laborers' Pension Fund v. Harf et al., Case No. 2019-0336-AGB. On June 14, 2019, plaintiffs in the consolidated action filed a Verified Amended Class Action and Derivative Complaint ("Amended Complaint"). After defendants responded to the Amended Complaint, on October 21, 2019, plaintiffs filed a Verified Second Amended Class Action and Derivative Complaint (the "Second Amended Complaint"), alleging that the directors and JAB Holding Company, S.à.r.l., JAB Holdings B.V., JAB Cosmetics B.V., and Cottage Holdco B.V. breached their fiduciary duties to the Company's stockholders and breached the Stockholders Agreement. The Second Amended Complaint seeks, among other things, monetary relief. On November 21, 2019, the defendants moved to dismiss certain claims asserted in the Second Amended Complaint, and certain of the director defendants also answered the complaint. On May 7, 2020, plaintiffs stipulated to the dismissal without prejudice of JAB Holding Company, S.à.r.l. from the action. On August 17, 2020, the court denied the remaining motions to dismiss. A further scheduling order has not yet been entered.

A purported stockholder class action complaint, alleging violations of the US securities laws in connection with the P&G beauty brands acquisition and the King Kylie transaction is pending against the Company as well as certain current and former officers of the Company in the U.S. District Court for the Southern District of New York. The case, which was filed on September 4, 2020, was captioned Crystal Garrett-Evans v. Coty Inc. et al., Case No. 1:20-cv-07277. The plaintiff asserts claims under the federal securities laws and seeks, among other things, injunctive and/or monetary relief. This case remains at an early stage.

At this time, we cannot reasonably estimate a range of loss, if any, not covered by available insurance, that may result given the current status of these lawsuits.

Brazilian Tax Assessments

In connection with a local tax audit of one of the Company's subsidiaries in Brazil, the Company was notified of tax assessments issued in March of 2018. The assessments relate to local sales tax credits, which the Treasury Office of the State of Goiás considers as improperly registered for 2016-2017 tax periods. These tax assessments, including estimated interest and penalties, through September 30, 2020 amount to a total of R\$249.0 million (approximately \$44.2 as of September 30, 2020). Additionally, the Company received tax assessments related to tax years 2017-2019 during August 2020. These additional tax assessments, including estimated interest and penalties, through September 30, 2020 amount to a total R\$579.0 million (approximately \$102.8 as of September 30, 2020). The Company is seeking a favorable administrative decision on the tax enforcement actions filed by the Treasury Office of the State of Goiás. The Company believes it has meritorious defenses and it has not recognized a loss for these assessments as the Company does not believe a loss is probable.

In connection with a federal tax audit of one of the Company's subsidiaries in Brazil, the Company was notified of tax assessments issued in October of 2020. The assessments relate to federal excise taxes, which the Treasury Office of the Brazil's Internal Revenue Service considers as improperly calculated for the period from February 2016 to December 2017. These tax assessments, including estimated interest and penalties, through September 30, 2020 amount to a total of R\$334.8 million (approximately \$59.4 as of September 30, 2020). The Company is seeking a favorable administrative decision on the tax enforcement actions filed by the Treasury Office of the Brazil's Internal Revenue Service. The Company believes it has meritorious defenses and it has not recognized a loss for these assessments as the Company does not believe a loss is probable.

20. RELATED PARTY TRANSACTIONS

Contribution Agreement

In July 2020, in connection with a one-time sign-on award of restricted stock units to be granted to the Chief Executive Officer ("CEO") in January 2021, Cottage Holdco B.V., has agreed to transfer to the CEO (either directly or through contributing to the Company) one-half of the total number of shares of Common Stock owed to the CEO if and when the award vests.

Relationship with KKR

As noted in Note 15—Equity and Convertible Preferred Stock., in fiscal 2020 KKR Aggregator purchased Series B Preferred Stock. This preferred stock conveys to KKR Aggregator the right to designate two directors to the Company's Board of Directors and voting rights on an as-converted basis. Assuming full conversion of the preferred stock and no other changes to the Company's capitalization, KKR Aggregator would be the second largest shareholder, with a 17% stake.

In June of 2020, KKR Bidco and Coty entered into a separate definitive agreement regarding a strategic transaction ("Wella Transaction") for the sale of the Company's Professional and Retail Hair business. KKR will own 60% of this separately managed entity and Coty will own the remaining 40%.

During fiscal 2021, fees of \$7.6 were incurred with KKR in connection with the second closing of the Series B Preferred Stock; these fees reduced the carrying value of the stock.

The Company also entered into agreements with KKR for potential consulting and advisory services. No fees were incurred under such agreements in fiscal 2021.

From time to time, certain funds held by KKR may hold the Company's Notes. These funds may receive principal and interest payments on the same terms as other investors in the Company's Notes.

21. SUBSEQUENT EVENTS

The Company was notified of tax assessments issued in October 2020 in connection with a federal tax audit of the Company's subsidiaries in Brazil. See Note 19—Commitments and Contingencies for more information.

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

The following discussion and analysis of the financial condition and results of operations of Coty Inc. and its consolidated subsidiaries, should be read in conjunction with the information contained in the Condensed Consolidated Financial Statements and related notes included elsewhere in this document, and in our other public filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 ("Fiscal 2020 Form 10-K"). When used in this discussion, the terms "Coty," the "Company," "we," "our," or "us" mean, unless the context otherwise indicates, Coty Inc. and its majority and wholly-owned subsidiaries. Also, when used in this Quarterly Report on Form 10-Q, the term "includes" and "including" means, unless the context otherwise indicates, including without limitation. The following report includes certain non-GAAP financial measures. See "Overview—Non-GAAP Financial Measures" for a discussion of non-GAAP financial measures and how they are calculated.

All dollar amounts in the following discussion are in millions of United States ("U.S.") dollars, unless otherwise indicated.

More information about potential risks and uncertainties that could affect our business and financial results is included under the heading "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q and other periodic reports we have filed and may file with the SEC from time to time.

Forward-looking Statements

Certain statements in this Form 10-Q are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, the impact of COVID-19 and potential recovery scenarios, the Company's Transformation Plan (as defined below), strategic planning, targets, segment reporting and outlook for future reporting periods (including the extent and timing of revenue, expense and profit trends and changes in operating cash flows and cash flows from operating activities and investing activities), the sale of the Professional and Retail Hair business, including the Wella, Clairol, OPI and ghd brands (the "Wella Business") and the investment by Rainbow UK Bidco Limited ("KKR Bidco") an affiliate of funds and/or separately managed accounts advised and/or managed by Kohlberg Kravis Roberts & Co. L.P. and its affiliates (collectively, "KKR") in connection with the standalone business (the "Wella Transaction"), including timing of the Wella Transaction and the use of proceeds from the Wella Transaction, the Company's future operations and strategy (including the expected implementation and related impact of its strategic priorities), ongoing and future cost efficiency and restructuring initiatives and programs, strategic transactions (including their expected timing and impact), the Company's capital allocation strategy and payment of dividends (including suspension of dividend payments and the duration thereof), investments, licenses and portfolio changes, synergies, savings, performance, cost, timing and integration of acquisitions, including the King Kylie Transaction, and the announced pending transaction with Kim Kardashian West, future cash flows, liquidity and borrowing capacity, timing and size of cash outflows and debt deleveraging, the availability of local government funding or reimbursement programs in connection with COVID-19 (including expected timing and amounts), the timing and extent of any future impairments, and synergies, savings, impact, cost, timing and implementation of the Company's Transformation Plan, including operational and organizational structure changes, operational execution and simplification initiatives, fixed cost reductions, supply chain changes, e-commerce and digital initiatives, and the priorities of senior management. These forward-looking statements are generally identified by words or phrases, such as "anticipate", "are going to", "estimate", "plan", "project", "expect", "believe", "intend", "foresee", "forecast", "will", "may", "should", "outlook", "continue", "temporary", "target", "aim", "potential", "goal" and similar words or phrases. These statements are based on certain assumptions and estimates that we consider reasonable, but are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual events or results (including our financial condition, results of operations, cash flows and prospects) to differ materially from such statements, including risks and uncertainties relating to:

- the impact of COVID-19 (or future similar events), including demand for the Company's products, illness, quarantines, government actions, facility closures, store closures or other restrictions in connection with the COVID-19 pandemic, and the extent and duration thereof, related impact on our ability to meet customer needs and on the ability of third parties on which we rely, including our suppliers, customers, contract manufacturers, distributors, contractors, commercial banks, joint-venture partners, to meet their obligations to us, in particular collections from customers, the extent that government funding and reimbursement programs in connection with COVID-19 are available to us, and the ability to successfully implement measures to respond to such impacts;
- our ability to successfully implement our multi-year Transformation Plan, including our management realignment, reporting structure changes, operational and organizational changes, and the initiatives to further reduce our cost base, and to develop and achieve our global business strategies (including mix management, select price increases, more disciplined promotions, and foregoing low value sales), compete effectively in the beauty industry and achieve the benefits contemplated by our strategic initiatives (including revenue growth, cost control, gross margin growth and

debt deleveraging) and successfully implement our strategic priorities (including innovation performance in prestige and mass channels, strengthening our positions in core markets, accelerating our digital and e-commerce capabilities, building on our skincare portfolio, and expanding our presence in China) in each case within the expected time frame or at all;

- the timing, costs and impacts of the Wella Transaction or other divestitures, and the amount and use of proceeds from any such transactions;
- our ability to successfully implement the separation of the Wella Business;
- our ability to anticipate, gauge and respond to market trends and consumer preferences, which may change rapidly, and the market acceptance of new products, including new products related to Kylie Jenner's existing beauty business, any relaunched or rebranded products and the anticipated costs and discounting associated with such relaunched and rebrands, and consumer receptiveness to our current and future marketing philosophy and consumer engagement activities (including digital marketing and media);
- use of estimates and assumptions in preparing our financial statements, including with regard to revenue recognition, income taxes (including the expected timing and amount of the release of any tax valuation allowance), the assessment of goodwill, other intangible and long-lived assets for impairments, the market value of inventory, and the fair value of acquired assets and liabilities associated with acquisitions;
- the impact of any future impairments;
- managerial, transformational, operational, regulatory, legal and financial risks, including diversion of management attention to and management of cash flows, expenses and costs associated with the Company's response to COVID-19, the Transformation Plan, the Wella Transaction and related transition services ("Wella TSA"), the integration of the King Kylie Transaction, and future strategic initiatives, and, in particular, our ability to manage and execute many initiatives simultaneously including any resulting complexity, employee attrition or diversion of resources;
- future divestitures and the impact thereof on, and future acquisitions (including the pending transaction with Kim Kardashian West), new licenses and joint ventures and the integration thereof with, our business, operations, systems, financial data and culture and the ability to realize synergies, avoid future supply chain and other business disruptions, reduce costs (including through our cash efficiency initiatives), avoid liabilities and realize potential efficiencies and benefits (including through our restructuring initiatives) at the levels and at the costs and within the time frames contemplated or at all;
- increased competition, consolidation among retailers, shifts in consumers' preferred distribution and marketing channels (including to digital and prestige channels), distribution and shelf-space resets or reductions, compression of go-to-market cycles, changes in product and marketing requirements by retailers, reductions in retailer inventory levels and order lead-times or changes in purchasing patterns, impact from COVID-19 on retail revenues, and other changes in the retail, e-commerce and wholesale environment in which we do business and sell our products and our ability to respond to such changes;
- our and our joint ventures', business partners' and licensors' abilities to obtain, maintain and protect the intellectual property used in our and their respective businesses, protect our and their respective reputations (including those of our and their executives or influencers) and public goodwill, and defend claims by third parties for infringement of intellectual property rights;
- any change to our capital allocation and/or cash management priorities, including any change in our dividend policy or, if our Board declares dividends, our stock dividend reinvestment program (the "Stock Dividend Reinvestment Program");
- any unanticipated problems, liabilities or integration or other challenges associated with a past or future acquired business, joint ventures or strategic partnerships which could result in increased risk or new, unanticipated or unknown liabilities, including with respect to environmental, competition and other regulatory, compliance or legal matters;
- our international operations and joint ventures, including enforceability and effectiveness of our joint venture agreements and reputational, compliance, regulatory, economic and foreign political risks, including difficulties and costs associated with maintaining compliance with a broad variety of complex local and international regulations;
- our dependence on certain licenses (especially in the fragrance category) and our ability to renew expiring licenses on favorable terms or at all;

- our dependence on entities performing outsourced functions, including outsourcing of distribution functions, and third-party manufacturers, logistics and supply chain suppliers, and other suppliers, including third-party software providers, web-hosting and e-commerce providers;
- administrative, product development and other difficulties in meeting the expected timing of market expansions, product launches and marketing efforts;
- global political and/or economic uncertainties, disruptions or major regulatory or policy changes, and/or the enforcement thereof that affect our business, financial performance, operations or products, including the impact of Brexit (and business or market disruption arising from a “hard Brexit”), the current U.S. administration and upcoming election, changes in the U.S. tax code, and recent changes and future changes in tariffs, retaliatory or trade protection measures, trade policies and other international trade regulations in the U.S., the European Union and Asia and in other regions where we operate;
- currency exchange rate volatility and currency devaluation;
- the number, type, outcomes (by judgment, order or settlement) and costs of current or future legal, compliance, tax, regulatory or administrative proceedings, investigations and/or litigation, including litigation relating to the tender offer by Cottage Holdco B.V. (the “Cottage Tender Offer”) and product liability cases (including asbestos);
- our ability to manage seasonal factors and other variability and to anticipate future business trends and needs;
- disruptions in operations, sales and in other areas, including due to disruptions in our supply chain, restructurings and other business alignment activities, the Wella Transaction and related carve-out and transition activities, manufacturing or information technology systems, labor disputes, extreme weather and natural disasters, impact from COVID-19 or similar global public health events, and the impact of such disruptions on our ability to generate profits, stabilize or grow revenues or cash flows, comply with our contractual obligations and accurately forecast demand and supply needs and/or future results;
- restrictions imposed on us through our license agreements, credit facilities and senior unsecured bonds or other material contracts, our ability to generate cash flow to repay, refinance or recapitalize debt and otherwise comply with our debt instruments, and changes in the manner in which we finance our debt and future capital needs;
- increasing dependency on information technology, including as a result of remote working in response to COVID-19, and our ability to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, including ransomware attacks, costs and timing of implementation and effectiveness of any upgrades or other changes to information technology systems, and the cost of compliance or our failure to comply with any privacy or data security laws (including the European Union General Data Protection Regulation (the “GDPR”), the California Consumer Privacy Act and the Brazil General Data Protection Law) or to protect against theft of customer, employee and corporate sensitive information;
- our ability to attract and retain key personnel and the impact of senior management transitions and organizational structure changes;
- the distribution and sale by third parties of counterfeit and/or gray market versions of our products;
- the impact of our Transformation Plan as well as the Wella Transaction on our relationships with key customers and suppliers and certain material contracts;
- our relationship with Cottage Holdco B.V., as our majority stockholder, and its affiliates, and any related conflicts of interest or litigation;
- our relationship with KKR, whose affiliates KKR Rainbow Aggregator L.P. (“KKR Aggregator”) and KKR Bidco are respectively a significant stockholder in Coty and an investor in the Wella Business, and any related conflicts of interest or litigation;
- future sales of a significant number of shares by our majority stockholder or the perception that such sales could occur; and
- other factors described elsewhere in this document and in documents that we file with the Securities and Exchange Commission (the “SEC”) from time to time.

All forward-looking statements made in this document are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this document, and we do not undertake any obligation, other than as may be required by applicable law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise.

Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance unless expressed as such, and should only be viewed as historical data.

Industry, Ranking and Market Data

Unless otherwise indicated, information contained in this Quarterly Report on Form 10-Q concerning our industry and the markets in which we operate, including our general expectations about our industry, market position, market opportunity and market sizes, is based on data from various sources including internal data and estimates as well as third-party sources widely available to the public, such as independent industry publications, government publications, reports by market research firms or other published independent sources and on our assumptions based on that data and other similar sources. We did not fund and are not otherwise affiliated with the third-party sources that we cite. Industry publications and other published sources generally state that the information contained therein has been obtained from third-party sources believed to be reliable. Internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate and management's understanding of industry conditions, and such information has not been verified by any independent sources. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we generally believe the market, industry and other information included in this Quarterly Report on Form 10-Q to be the most recently available and to be reliable, such information is inherently imprecise and we have not independently verified any third-party information or verified that more recent information is not available.

Our fiscal year ends on 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 2021" refer to the fiscal year ending June 30, 2021. Any reference to a year not preceded by "fiscal" refers to a calendar year.

OVERVIEW

We are one of the world's largest beauty companies, with an iconic portfolio of brands across fragrance, color cosmetics, and skin and body care. Through targeted strategic transactions, we have strengthened and diversified our presence across the countries, categories and channels in which we compete, building a strong beauty platform. The King Kylie transaction and the pending transaction with Kim Kardashian West complement our existing portfolio as personality-led DTC business models with strong social media engines. As we continue to transform our Company, we are focused on the fragrance, color cosmetics and skin care categories, in both our prestige and mass beauty businesses, and strengthening our e-commerce presence.

The divestiture of the Younique business in September 2019 and the strategic Wella Transaction are reflections of our intent to focus on our core go-to-market competencies and to simultaneously deleverage our balance sheet. By retaining a 40% interest in the Wella Business following the closing of the Wella Transaction, we are able to benefit from the potential upside of the stand-alone business in the longer term, both through our partial ownership of the ongoing profit and cash flows and through a potential divestiture at a later stage.

Our recent management changes demonstrate a commitment to our continued transformation, including strengthening our focus on luxury cosmetics and skincare, building out our presence in Asia, and accelerating our digital and e-commerce capabilities. We expect that our strategy will continue to develop under the direction of our new management team.

COVID-19 Impacts Update

The COVID-19 pandemic has, and is expected to continue to have, material effects on all our product categories across all segments and geographies. The continuing sporadic containment measures adopted worldwide to address the pandemic have contributed to a significant decline in volume trends, albeit with some emerging evidence of recovery during the first quarter of fiscal 2021. In particular, demand for prestige products sold in retail malls and the travel retail channel continues to be more significantly impacted by temporary closures of non-essential businesses and social distancing measures, although this is being partially offset by growth in beauty product sales online. Many of our mass products are offered in other channels, such as drug and grocery stores, that continue to operate as essential businesses. However, social distancing measures continue to negatively affect sales volumes for these product categories as well.

As previously reported, we have implemented several key measures in response to the COVID-19 pandemic which continue to be in place. We have also amplified our Transformation Plan, discussed below, to address the potentially longer-lasting impacts of the COVID-19, the lockdown and a possible recession resulting from COVID-19 in many markets.

We anticipate continued negative pressure on sales until COVID-19 containment measures are discontinued across all regions and normal consumer traffic resumes on a consistent basis. We currently expect that any easing of containment measures and recovery of the impacted sectors of the economy will be gradual and uneven, as regions face resurgence of COVID-19 and related uncertainties. As a result, we anticipate that consumer spending habits and consumer confidence will continue to shift, causing future sales and volume trends to be non-linear. After the resumption of more typical business conditions, the economics of developing, producing, launching, supporting and discontinuing products will continue to impact the timing of our sales and operating performance each period. In addition, as product life cycles shorten, results are driven primarily by successfully developing, introducing and marketing new, innovative products.

Exclusive of the ongoing effects of the COVID-19 pandemic, and despite maintenance in the current quarter of market share in the Americas region, our global share trends in the mass color cosmetics categories in which we compete continue to

decline. However, CoverGirl experienced an incremental increase in shelf space due to the expansion to new retail customer's stores. Sally Hansen continues to show positive trends over multiple financial periods. In addition, sales from the e-commerce channel, particularly in the Americas, continue to accelerate. Overall, as certain markets and geographies reopen sales channels, we have seen considerable volume improvements during the first quarter of fiscal 2021. However, our revenues continue to be below the comparable period in the prior year.

Transformation Plan Update

As previously reported, we are implementing a comprehensive transformation agenda (the "Transformation Plan"), which aims to stabilize and gradually accelerate revenue growth, improve our profitability through gross margin growth and cost control, optimizing our operating model for speed and agility, accelerate e-commerce and digital growth, and deleverage our balance sheet. This Transformation Plan is designed to adjust our cost base to allow us to exit the post-COVID recovery phase as a financially and operationally stronger, more nimble company, which is well positioned to capture growth opportunities. We expect to incur cash costs consistent with the previously announced estimate. We are continually reviewing ways to accelerate and amplify the transformation of the Company, including through the implementation of additional initiatives in connection with our Transformation Plan. These organizational, business and structural changes are still being operationalized, which introduces additional complexity as we roll out several initiatives simultaneously, such as the separation of the Wella Business and the obligations under the related Wella TSA in connection with the Wella Transaction.

Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with GAAP, we use non-GAAP financial measures for continuing operations and Coty Inc. including Adjusted operating income (loss), Adjusted net income (loss), and Adjusted net income (loss) attributable to Coty Inc. to common stockholders (collectively, the "Adjusted Performance Measures"). The reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in tables below. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Three Months Ended September 30, 2020 As Compared To Three Months Ended September 30, 2019." These non-GAAP financial measures should not be considered in isolation from, or as a substitute for or superior to, financial measures reported in accordance with GAAP. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all the items associated with the operations of the business as determined in accordance with GAAP. Other companies, including companies in the beauty industry, may calculate similarly titled non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Despite the limitations of these non-GAAP financial measures, our management uses the Adjusted Performance Measures as key metrics in the evaluation of our performance and annual budgets and to benchmark performance of our business against our competitors. The following are examples of how these Adjusted Performance Measures are utilized by our management:

- strategic plans and annual budgets are prepared using the Adjusted Performance Measures;
- senior management receives a monthly analysis comparing budget to actual operating results that is prepared using the Adjusted Performance Measures; and
- senior management's annual compensation is calculated, in part, by using some of the Adjusted Performance Measures.

In addition, our financial covenant compliance calculations under our debt agreements are substantially derived from these Adjusted Performance Measures.

Our management believes that Adjusted Performance Measures are useful to investors in their assessment of our operating performance and the valuation of the Company. In addition, these non-GAAP financial measures address questions we routinely receive from analysts and investors and, in order to ensure that all investors have access to the same data, our management has determined that it is appropriate to make this data available to all investors. The Adjusted Performance Measures exclude the impact of certain items (as further described below) and provide supplemental information regarding our operating performance. 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. We provide disclosure of the effects of these non-GAAP financial measures by presenting the corresponding measure prepared in conformity with GAAP in our financial statements, and by providing a reconciliation to the corresponding GAAP measure so that investors may understand the adjustments made in arriving at the non-GAAP financial measures and use the information to perform their own analyses.

Adjusted operating income from continuing operations excludes restructuring costs and business structure realignment programs, amortization, acquisition- and divestiture-related costs and acquisition accounting impacts, asset impairment charges and other adjustments as described below. We do not consider these items to be reflective of our core operating performance due to the variability of such items from period-to-period in terms of size, nature and significance. They are primarily incurred

to realign our operating structure and integrate new acquisitions, and exclude divestitures, and fluctuate based on specific facts and circumstances. Additionally, Adjusted net income attributable to Coty Inc. and Adjusted net income attributable to Coty Inc. per common share are adjusted for certain interest and other (income) expense as described below and the related tax effects of each of the items used to derive Adjusted net income as such charges are not used by our management in assessing our operating performance period-to-period.

Adjusted Performance Measures reflect adjustments based on the following items:

- Costs related to acquisition and divestiture activities: We have excluded 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, we exclude 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: We have excluded 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 referenced expenses from our non-GAAP financial measures, our management is able to further evaluate our ability to utilize existing assets and estimate their long-term value. Furthermore, 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.
- Asset impairment charges: We have excluded 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.
- Amortization expense: We have excluded 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. 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. Although we exclude amortization of intangible assets from our non-GAAP expenses, our 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.
- Loss/(Gain) on divestitures and sale of brand assets: We have excluded 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.
- Interest (income) expense: We have excluded foreign currency impacts associated with acquisition-related and debt financing-related forward contracts, as well as debt financing transaction costs as the nature and amount of such charges are not consistent and are significantly impacted by the timing and size of such transactions.
- Other expense (income): We have excluded the impact of costs incurred for legal and advisory services rendered in connection with the tender offer that was in fiscal 2019 initiated by certain of our shareholders. Our management believes these costs do not reflect our underlying ongoing business, and the adjustment of such costs helps investors and others compare and analyze performance from period to period. We have also excluded the impact of pension curtailment (gains) and losses and pension settlements as such events are triggered by our restructuring and other business realignment activities and the amount of such charges vary significantly based on the size and timing of the programs.
- Loss on early extinguishment of debt: We have excluded loss on extinguishment of debt as this represents a non-cash charge, and the amount and frequency of such charges is not consistent and is significantly impacted by the timing and size of debt financing transactions.
- Noncontrolling interest: This adjustment represents the after-tax impact of the non-GAAP adjustments included in Net income attributable to noncontrolling interests based on the relevant non-controlling interest percentage.

- **Tax:** This adjustment represents the impact of the tax effect of the pretax items excluded from Adjusted net income. The tax impact of the non-GAAP adjustments is based on the tax rates related to the jurisdiction in which the adjusted items are received or incurred. Additionally, adjustments are made for the tax impact of any intra-entity transfer of assets and liabilities.

While acquiring brands and licenses comprises a part of our overall growth strategy, along with targeting organic growth opportunities, we have excluded acquisition-related costs and acquisition accounting impacts in connection with business combinations because these costs are unique to each transaction and the amount and frequency are not consistent and are significantly impacted by the timing and size of our acquisitions. Our management assesses the success of an acquisition as a component of performance using a variety of indicators depending on the size and nature of the acquisition, including:

- the scale of the combined company by evaluating consolidated and segment financial metrics;
- the expansion of product offerings by evaluating segment, brand, and geographic performance and the respective strength of the brands;
- the evaluation of share expansion in categories and geographies;
- the earnings per share accretion and substantial incremental free cash flow generation providing financial flexibility for us; and
- the comparison of actual and projected results, including achievement of projected synergies, post integration; provided that timing for any such comparison will depend on the size and complexity of the acquisition.

Constant Currency

We operate on a global basis, with the majority of our net revenues generated outside of the U.S. Accordingly, fluctuations in foreign currency exchange rates can affect our results of operations. Therefore, to supplement financial results presented in accordance with GAAP, certain financial information is presented in “constant currency”, excluding the impact of foreign currency exchange translations to provide a framework for assessing how our underlying businesses performed excluding the impact of foreign currency exchange translations. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency information by translating current and prior-period results for entities reporting in currencies other than U.S. dollars into U.S. dollars using prior year foreign currency exchange rates. The constant currency calculations do not adjust for the impact of revaluing specific transactions denominated in a currency that is different to the functional currency of that entity when exchange rates fluctuate. The constant currency information we present may not be comparable to similarly titled measures reported by other companies.

Basis of Presentation of Acquisitions, Divestitures and Terminations

During the period when we complete an acquisition, divestiture or early license termination, the financial results of the current year period are not comparable to the financial results presented in the prior year period. When explaining such changes from period to period and to maintain a consistent basis between periods, we exclude the financial contribution of: (i) the acquired brands or businesses in the current year period until we have twelve months of comparable financial results and (ii) the divested brands or businesses or early terminated brands, to maintain comparable financial results with the current fiscal year period. Acquisitions, divestitures and early license terminations that would impact the comparability of financial results between periods presented in the Management’s Discussion and Analysis of Financial Condition and Results of Operations are shown in the table below.

Period of acquisition, divestiture, or termination	Acquisition, divestiture, or termination	Impact on basis of presentation
First quarter fiscal 2020	<i>Divestiture:</i> Yunique - the divestiture of the interest in Foundation, which holds the net assets for Yunique	First quarter fiscal year 2020 net revenue excluded.
Third quarter fiscal 2020	<i>Acquisition:</i> King Kylie Transaction - the acquisition of 51% interest in King Kylie LLC	First quarter fiscal year 2021 net revenue excluded.

When used herein, the term “Acquisitions” and “Divestitures” or “Acquisition” and “Divestiture”, as applicable, refer to the net revenues of the related acquisitions or divestitures and early license terminations shown above, during the period that is not comparable as a result of such acquisitions or divestitures and early license terminations.

Financial results for the Wella Business for fiscal years 2020 and 2019 are presented as discontinued operations.

Unless otherwise noted, the following section pertains to the results of continuing operations.

THREE MONTHS ENDED SEPTEMBER 30, 2020 AS COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2019

NET REVENUES

In the three months ended September 30, 2020, net revenues decreased 20.3%, or \$287.1, to \$1,124.1 from \$1,411.2 in the three months ended September 30, 2019. Excluding the impact of the Acquisition and the Divestiture, total net revenues decreased 19%, or \$256.8, to \$1,098.9 in the three months ended September 30, 2020 from \$1,355.7 in the three months ended September 30, 2019, reflecting a decrease in unit volume of 5%, and a negative price and mix impact of 14%. The overall decrease in net revenues primarily reflects the impact of the ongoing COVID-19 pandemic. The pandemic continued to have the highest impact on our prestige products, due to the closure of travel retail and reduced traffic in certain luxury retail channels, while the impact to the mass category brands sold in drug and grocery stores, although significant due to social distancing directives, was relatively mitigated due to these distribution channels mostly remaining open.

The gradual reopening of retail malls and travel retail channels across all regions, coupled with continued e-commerce growth, contributed to improvements in net revenues as compared to the fourth quarter of fiscal 2020, with the most notable improvements in the Americas. Travel retail channels remained challenged, especially in EMEA and Asia Pacific, due to travel restrictions and significantly decreased leisure travel, which had a negative impact on prestige product categories.

Net Revenues by Segment

(in millions)	Three Months Ended September 30,		Change %
	2020	2019	
NET REVENUES			
Americas	\$ 470.6	\$ 488.8	(4) %
EMEA	530.4	676.7	(22) %
Asia Pacific	123.1	190.2	(35) %
Other	—	55.5	(100) %
Total	\$ 1,124.1	\$ 1,411.2	(20) %

Americas

In the three months ended September 30, 2020, net revenues from the Americas segment decreased 4%, or \$18.2 to \$470.6 compared to \$488.8 in the three months ended September 30, 2019. Excluding the impact of the Acquisition, net revenues from the Americas segment decreased 9%, or \$43.4, to \$445.4 in the three months ended September 30, 2020, from \$488.8 in the three months ended September 30, 2019 reflecting an increase in unit volume of 9% and a negative foreign currency exchange translation impact of 4%, offset by a negative price and mix impact of 14%. The decrease in net revenues primarily reflects:

- (i) lower net revenues due to the COVID-19 pandemic, impacting primarily Color Cosmetics product categories across the segment due to reduced customer traffic in retail malls, professional salons and travel retail channels primarily in Latin America (excluding Brazil), the United States, and Canada;
- (ii) negative category trends in the United States and Latin America for mass color cosmetics and mass fragrances, primarily impacting the *Covergirl* and *Rimmel* brands; and
- (iii) lower net revenues due to strategic focus on reducing value distribution in the United States and the impact of distributor changes in Latin America.

These decreases in net revenue were partially offset by the following:

- (i) an increase in net revenues from *Sally Hansen* products, primarily in the United States, which continues to benefit as professional salons remain closed or operating under restrictions. *Sally Hansen* has had continued success across its core sub-brands as well as incremental net revenues from the launch of *Sally Hansen Good.Kind.Pure* and *Sally Hansen Miracle Gel* in prior periods;
- (ii) an increase in net revenues related to e-commerce, primarily in the United States, Brazil, and Canada;
- (iii) an increase in net revenues from the *Monange* brand which benefited from significant channel replenishment demand in the current quarter; and
- (iv) an increase in net revenues from the successful launch of *Marc Jacobs Perfect* in the current quarter.

EMEA

In the three months ended September 30, 2020, net revenues from the EMEA segment decreased 22%, or \$146.3, to \$530.4 from \$676.7 in the three months ended September 30, 2019, reflecting a decrease in unit volume of 17%, a positive foreign currency exchange translation impact of 3%, and a negative price and mix impact of 8%. The decrease in net revenues primarily reflects:

- i. lower net revenues due to the COVID-19 pandemic, impacting all product categories across the segment with the highest impact on prestige products due to reduced customer traffic in retail malls and travel retail channels. Travel retail channels in particular continue to be significantly impacted due to restrictions in airports and other travel hubs. The impact to the mass category brands sold in drug and grocery stores, although significant due to social distancing directives and reprioritization at the retailers, was relatively mitigated due to these distribution channels mostly remaining open;
- ii. negative category and share trends across EMEA relating to color cosmetics and mass fragrance; and
- iii. lower net revenues in the Russian market due to a dispute with a primary distributor which was resolved by the end of the quarter.

These decreases were partially offset by net revenue increases across EMEA resulting from the successful launch of new luxury fragrances, including *Hugo Boss Alive* and *Boss Bottled*, as well as continued growth of e-commerce sales.

Asia Pacific

In the three months ended September 30, 2020, net revenues from the Asia Pacific segment decreased 35%, or \$67.1, to \$123.1 from \$190.2 in the three months ended September 30, 2019, reflecting a decrease in unit volume of 30%, a positive foreign currency exchange translation impact of 1%, and a negative price and mix impact of 6%. The decrease in net revenues primarily reflects:

- i. lower net revenues due to the COVID-19 pandemic, impacting all product categories across the segment, with the highest impact on the prestige category due to the closure of retail malls and travel retail channels. The impact to the mass category, primarily in color cosmetic brands sold in drug and grocery stores, although significant due to social distancing directives, was relatively mitigated due to these distribution channels mostly remaining open;
- ii. lower net revenues due to management decision at the start of the calendar year to reduce the reliance on the value distribution channel for prestige brands in order to maintain brand integrity across the Asia Pacific region;
- iii. lower net revenues in the mass channel, including *Max Factor* and *Rimmel* brands, primarily related to customer optimization of inventory levels in China; and
- iv. lower net revenues due to shift in product mix from prestige to mass categories across certain markets in the region, as luxury products were more negatively impacted by the pandemic.

These decreases were partially offset by net revenue increases across the region resulting from the continued growth of e-commerce sales as well as market share improvement in China, Thailand, Singapore, and Malaysia resulting from the addition of new distribution channels.

Other

Other consists of revenues from Younique, a business divested in Q1 of Fiscal 2020.

COST OF SALES

In the three months ended September 30, 2020, cost of sales decreased 17%, or \$97.0, to \$464.9 from \$561.9 in the three months ended September 30, 2019. Cost of sales as a percentage of net revenues increased to 41.4% in the three months ended September 30, 2020 from 39.8% in the three months ended September 30, 2019, resulting in a gross margin decrease of approximately 160 basis points, primarily reflecting:

- (i) negative gross margin impacts from changes in product and category mix, across all regions, as these markets experienced a relatively lower contribution of higher margin prestige products due to the pandemic and our Brazil market's proportionate share increased, negatively impacting gross margins due to its lower margin contribution;
- (ii) negative gross margin impact related to an unfavorable mix of prestige brands with higher minimum royalty rates.

These decreases were partially offset by improvements in freight and distribution costs driven by various productivity initiatives as compared to the comparative period, and positive currency impact.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended September 30, 2020, selling, general and administrative expenses decreased 28%, or \$223.3, to \$583.4 from \$806.7 in the three months ended September 30, 2019. Selling, general and administrative expenses as a percentage of net revenues decreased to 51.9% in the three months ended September 30, 2020 from 57.2% in the three months ended September 30, 2019, or approximately 530 basis points. This decrease primarily reflects:

- (i) 660 basis points related to lower advertising and consumer promotional costs as a percentage of net revenue as disciplined management of advertising and consumer promotion spending, entered to counter the COVID-19 pandemic, led to savings that outpaced the decline in net revenues;
- (ii) 110 basis points related to lower bad debt expense;

These decreases were partially offset by the following increases:

- (i) 130 basis points related to higher negative transactional impact from our exposure to foreign currency exchange fluctuations;
- (ii) 40 basis points related to other expenses, primarily due to costs associated with the disposal of fixed assets;
- (iii) 30 basis points related to higher logistics costs as a percentage of net revenue; and
- (iv) 20 basis points related to higher share-based compensation due to executive forfeitures of share-based compensation instruments in the prior year.

OPERATING INCOME (LOSS)

In the three months ended September 30, 2020, operating loss was \$66.0 compared to income of \$64.0 in the three months ended September 30, 2019. Operating margin, or operating loss as a percentage of net revenues, decreased to (5.9)% in the three months ended September 30, 2020 as compared to an operating income as a percentage of net revenues of 4.5% in the three months ended September 30, 2019. The operating margin declines are largely driven by the reduced sales volume due to the COVID-19 pandemic impacting demand, increased cost of sales as a percentage of net revenues in the current quarter, in addition to increased amortization expense, acquisition and divestiture related expenses, and restructuring and other business realignment costs as a percentage of net revenues.

Operating Income by Segment

(in millions)	Three Months Ended September 30,		Change %
	2020	2019	
Operating income (loss)			
Americas	\$ 21.3	\$ (17.5)	>100%
EMEA	13.0	28.2	(54) %
Asia Pacific	(19.0)	8.5	<(100%)
Other	—	(10.9)	100 %
Corporate	(81.3)	55.7	<(100%)
Total	\$ (66.0)	\$ 64.0	<(100%)

Americas

In the three months ended September 30, 2020, operating income for Americas was \$21.3 compared to a loss of \$17.5 in the three months ended September 30, 2019. Operating margin increased to 4.5% of net revenues in the three months ended September 30, 2020 as compared to (3.6)% in the three months ended September 30, 2019, driven primarily by reduced advertising and promotional spend in the current quarter. The variance is also impacted by the operating loss in the comparative quarter which was driven by significant media investments in the color cosmetics category.

EMEA

In the three months ended September 30, 2020, operating income for EMEA was \$13.0 compared to an income of \$28.2 in the three months ended September 30, 2019. Operating margin decreased to 2.5% of net revenues in the three months ended September 30, 2020 as compared to 4.2% in the three months ended September 30, 2019, driven by reduced sales volume due to the COVID-19 pandemic impacting demand and higher cost of goods sold as a percentage of net revenues. These were partially offset by lower selling, general, and administrative costs as a percentage of net revenues, largely driven by a significant decrease in advertising and promotional spend and a reduction in fixed costs.

Asia Pacific

In the three months ended September 30, 2020, operating loss for Asia Pacific was \$19.0 compared to an income of \$8.5 in the three months ended September 30, 2019. Operating margin decreased to (15.4)% of net revenues in the three months ended September 30, 2020 as compared to 4.5% in the three months ended September 30, 2019, primarily driven by reduced sales volume due to the COVID-19 pandemic impacting demand, higher cost of goods sold, higher selling and general administrative costs, and higher amortization expense as a percentage of net revenues.

Other

Other represents operating income (loss) from Younique, a business divested in Q1 of Fiscal 2020.

Corporate

Corporate primarily includes income and expenses not directly relating to our operating activities. These items are included in Corporate since we consider them to be Corporate responsibilities, and these items are not used by our management to measure the underlying performance of the segments.

In the three months ended September 30, 2020, the operating loss for Corporate was \$81.3 compared to income of \$55.7 in the three months ended September 30, 2019, as described under “Adjusted Operating Income for Coty Inc.” below. The increase to operating loss for Corporate was primarily driven by an increase in acquisition and divestiture related costs and an increase in restructuring and other business realignment costs as a percentage of net revenues. Additionally, the variance was amplified by the gain on divestiture of Younique, which was recognized in the comparative period.

Adjusted Operating Income (loss) by Segment

We believe that adjusted operating income (loss) by segment further enhances an investor’s understanding of our performance. See “Overview—Non-GAAP Financial Measures.” A reconciliation of reported operating income (loss) to adjusted operating income is presented below, by segment:

(in millions)	Three Months Ended September 30, 2020		
	Reported (GAAP)	Adjustments (a)	Adjusted (Non-GAAP)
Operating (loss) income			
Americas	\$ 21.3	\$ 26.1	\$ 47.4
EMEA	13.0	32.8	45.8
Asia Pacific	(19.0)	6.5	(12.5)
Other	—	—	—
Corporate	(81.3)	81.7	0.4
Total	\$ (66.0)	\$ 147.1	\$ 81.1

(in millions)	Three Months Ended September 30, 2019		
	Reported (GAAP)	Adjustments (a)	Adjusted (Non-GAAP)
Operating income (loss)			
Americas	\$ (17.5)	\$ 12.7	\$ (4.8)
EMEA	28.2	31.9	60.1
Asia Pacific	8.5	6.2	14.7
Other	(10.9)	7.3	(3.6)
Corporate	55.7	(56.7)	(1.0)
Total	\$ 64.0	\$ 1.4	\$ 65.4

- (a) See a reconciliation of reported operating income to adjusted operating income and a description of the adjustments under “Adjusted Operating Income for Coty Inc.” below. All adjustments are reflected in Corporate, except for amortization and asset impairment charges on goodwill, regional indefinite-lived intangible assets, and finite-lived intangible assets, which are reflected in the Americas, EMEA, Asia Pacific, and Other segments.

Adjusted Operating Income for Continuing Operations

We believe that adjusted operating income (loss) further enhances an investor’s understanding of our performance. See “Overview—Non-GAAP Financial Measures.” Reconciliation of reported operating income to adjusted operating income is presented below:

(in millions)	Three Months Ended September 30,		Change %
	2020	2019	
Reported operating income (loss)	\$ (66.0)	\$ 64.0	<(100%)
<i>% of net revenues</i>	<i>(5.9)%</i>	<i>4.5 %</i>	
Amortization expense	65.4	58.3	12 %
Acquisition and divestiture-related costs	46.3	—	N/A
Restructuring and other business realignment costs	35.4	27.6	28 %
Gain on divestitures and sale of brand assets	—	(84.5)	100 %
Total adjustments to reported operating income	147.1	1.4	>100%
Adjusted operating income	81.1	65.4	24 %
<i>% of net revenues</i>	<i>7.2 %</i>	<i>4.6 %</i>	

In the three months ended September 30, 2020, adjusted operating income increased approximately 24%, or \$15.7 to \$81.1 from \$65.4 in the three months ended September 30, 2019. Adjusted operating margin increased to 7.2% of net revenues in the three months ended September 30, 2020 from 4.6% in the three months ended September 30, 2019, primarily driven by an increase in adjustments related to costs incurred for acquisitions and divestitures, restructuring and other business realignment activities, and amortization, further discussed below, as well as reduced net revenues due to the COVID-19 pandemic.

Amortization Expense

In the three months ended September 30, 2020, amortization expense increased to \$65.4 from \$58.3 in the three months ended September 30, 2019. In the three months ended September 30, 2020, amortization expense of \$26.1, \$32.8, and \$6.5 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.

Acquisition and Divestiture Activities

In the three months ended September 30, 2020 we incurred \$46.3 of costs related to acquisition and divestiture activities. These costs were associated with the Wella Transaction.

In the three months ended September 30, 2019 there were no acquisition or divestiture-related charges incurred.

In all reported periods, all costs related to acquisition and divestiture activities were reported in Corporate.

Restructuring and Other Business Realignment Costs

We continue to analyze our cost structure, including opportunities to simplify and optimize operations. In connection with the four-year Turnaround plan announced on July 1, 2019 to drive substantial improvement and optimization in our business, we have and expect to continue to incur restructuring and other business realignment costs. On May 11, 2020 we announced an expansion of the Turnaround Plan to further reduce fixed costs, the Transformation Plan. We incurred \$276.4 of cash costs life-to-date as of September 30, 2020, which have been recorded in Corporate.

Prior to July 1, 2019, we incurred restructuring and related costs aimed at integrating and optimizing the combined organization following the acquisition of the P&G Beauty Business, which we refer to as the Global Integration Activities, and reducing fixed costs and enabling further investment in the business, which we refer to as the 2018 Restructuring Actions.

In the three months ended September 30, 2020, we incurred restructuring and other business structure realignment costs of \$35.4, as follows:

- We incurred restructuring costs of \$30.1 primarily for charges related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations; and
- We incurred business structure realignment costs of \$5.3 primarily related to the Transformation Plan and certain other programs. This amount includes \$5.3 reported in selling, general and administrative expenses, primarily related to severance, consulting costs and accelerated depreciation costs and nil reported in cost of sales in the Condensed Consolidated Statement of Operations.

In the three months ended September 30, 2019, we incurred restructuring and other business structure realignment costs of \$27.6 as follows:

- We incurred restructuring costs of \$4.8 primarily related to charges related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations; and
- We incurred business structure realignment costs of \$22.8 primarily related to our Global Integration Activities and certain other programs. This amount includes \$22.8 reported in selling, general and administrative expenses and nil reported in cost of sales in the Condensed Consolidated Statements of Operations, primarily due to costs incurred for the realignment of the business due to the P&G Beauty Business.

In all reported periods, all restructuring and other business realignment costs were reported in Corporate.

Gain on divestitures and sale of brand assets

In the three months ended September 30, 2020, there were no gains on divestitures or sales of brand assets.

In the three months ended September 30, 2019, the Company completed the divestiture of Younique resulting in a gain of \$84.5 included in Gain on divestitures and sale of brand assets in the Condensed Consolidated Statements of Operations. During the fiscal year ended June 30, 2020, the Company recorded a final pre-tax gain of \$111.5 resulting from the sale.

INTEREST EXPENSE, NET

In the three months ended September 30, 2020, net interest expense was \$62.1 as compared with \$63.1 in the three months ended September 30, 2019. This decrease is primarily due to the impact of transactional foreign exchange.

INCOME TAXES

The effective income tax rate for the three months ended September 30, 2020 and 2019 was 200.2% and 1,300.0%, respectively. The change in the effective tax rate for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, is primarily due to a preliminary benefit of \$220.5 recorded in the current period and the US GAAP treatment of the Younique disposition in the prior period. The benefit recorded in the current period is the result of a tax rate differential on the deferred taxes recognized on the transfer of assets and liabilities, following the relocation of our main principal location from Geneva to Amsterdam. This amount will be finalized when negotiations with the tax authorities are completed.

The effective rates vary from the blended rate of approximately 21% due to the effect of (i) jurisdictions with different statutory rates, (ii) adjustments to our unrecognized tax benefits and accrued interest, (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes. Our effective tax rate could fluctuate significantly and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

On March 27, 2020, the United States government passed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES" Act). The Company has analyzed the provisions, which include modifications to net operating loss limitations, modifications to the deductibility of business interest expense, as well as Alternative Minimum Tax ("AMT") credit acceleration, and interim reporting considerations and there is no impact to the current quarter.

Reconciliation of Reported (Loss) Income Before Income Taxes to Adjusted Income Before Income Taxes and Effective Tax Rates:

(in millions)	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	(Loss) Income Before Income Taxes	(Benefit) Provision for Income Taxes	Effective Tax Rate	(Loss) Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate
Reported (loss) before income taxes	\$ (122.3)	\$ (244.9)	200.2 %	\$ (1.4)	\$ (18.2)	1,300.0 %
Adjustments to reported operating income ^{(a) (b)}	147.1	33.0		85.9	13.9	
Gain on sale of business adjustment ^{(a) (b)}	—	—		(84.5)	4.8	
Tax impact from intra-entity transfer of assets ^(c)	—	220.5		—	—	
Other adjustments ^(b)	(5.3)	(1.1)		—	—	
Adjusted income before income taxes	\$ 19.5	\$ 7.5	38.5 %	\$ —	\$ 0.5	0.0 %

^(a) See a description of adjustments under “Adjusted Operating (Loss) Income for Continuing Operations.”

^(b) The tax effects of each of the items included in adjusted income are calculated in a manner that results in a corresponding income tax expense/provision for adjusted income. In preparing the calculation, each adjustment to reported income is first analyzed to determine if the adjustment has an income tax consequence. The provision for taxes is then calculated based on the jurisdiction in which the adjusted items are incurred, multiplied by the respective statutory rates and offset by the increase or reversal of any valuation allowances commensurate with the non-GAAP measure of profitability.

^(c) Tax benefit of \$220.5M is the result of a tax rate differential on the deferred taxes recognized on the transfer of assets and liabilities, following the relocation of our main principal location from Geneva to Amsterdam. This amount will be finalized when negotiations with the tax authorities are completed.

The adjusted effective tax rate was 38.5% for the three months ended September 30, 2020 compared to 0% for the three months ended September 30, 2019. The differences were primarily due to foreign uncertain tax positions recorded in the current year.

DISCONTINUED OPERATIONS

In the three months ended September 30, 2020, net revenues from discontinued operations increased by 6.5% or \$34.8 to \$566.4 from \$531.6. The increase in net revenues is primarily driven by reorders from the reopening and restocking of professional salons in the US, increased sales in Wella and Clairol retail channels driven by an ongoing trend of at-home self-care, as well as the continued growth of *ghd* products through the e-commerce channel across all geographical regions. This increase was partially offset by restrictions on salon operations due to social distancing protocols. Operating income was \$145.4 in the three months ended September 30, 2020 compared to \$62.0 in the three months ended September 30, 2019. This was primarily due to no amortization and depreciation charges in the current quarter (due to the accounting treatment of assets held for sale), as well as lower selling, general, and administrative expenses, primarily driven by decreases in advertising spend and travel expenses, and lower cost of goods sold as a percentage of net revenues in the current year.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net income attributable to Coty Inc. was income of \$221.4 in the three months ended September 30, 2020 as compared to income of \$52.3 in the three months ended September 30, 2019. This increase primarily reflects a tax benefit of \$220.5 which was the result of a tax rate differential on the deferred taxes recognized on the transfer of assets and liabilities, following the relocation of our main principal location from Geneva to Amsterdam.

We believe that adjusted net income (loss) attributable to Coty Inc. provides an enhanced understanding of our performance. See “Overview—Non-GAAP Financial Measures.”

(in millions)	Three Months Ended September 30,		Change %
	2020	2019	
Net income from Coty Inc. net of noncontrolling interests	\$ 221.4	\$ 52.3	>100%
Convertible Series B Preferred Stock dividends	(20.8)	—	N/A
Reported net income attributable to Coty Inc.	\$ 200.6	\$ 52.3	>100%
% of net revenues	12.6 %	2.7 %	
Adjustments to reported operating income ^(a)	147.1	28.7	>100%
Adjustment to other expense	(5.3)	—	N/A
Adjustments to noncontrolling interests ^(b)	(1.2)	(3.0)	60 %
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(257.6)	(27.5)	<(100%)
Adjusted net income attributable to Coty Inc.	\$ 83.6	\$ 50.5	66 %
% of net revenues	4.9 %	2.6 %	
Per Share Data			
Adjusted weighted-average common shares			
Basic	763.9	754.2	
Diluted ^(c)	916.7	758.9	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.11	\$ 0.07	
Diluted ^(c)	\$ 0.11	\$ 0.07	

^(a) See a description of adjustments under “Adjusted Operating Income for Coty Inc.”

^(b) The amounts represent the after-tax impact of the non-GAAP adjustments included in Net income attributable to noncontrolling interest based on the relevant noncontrolling interest percentage in the Condensed Consolidated Statements of Operations.

^(c) Diluted EPS is adjusted by the effect of dilutive securities, including awards under our equity compensation plans and the convertible Series B Preferred Stock. We use the if-converted method for calculating any potential dilutive effect of the convertible Series B Preferred Stock, which requires an adjustment to reverse the impact of the preferred stock dividends of \$20.8 on income applicable to common stockholders during the period.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of funds include cash expected to be generated from operations, borrowings from issuance of debt and committed and uncommitted lines of credit provided by banks and lenders in the U.S. and abroad.

Our cash flows are subject to seasonal variation throughout the year, including demands on cash made during our first fiscal quarter in anticipation of higher global sales during the second fiscal quarter and strong cash generation in the second fiscal quarter as a result of increased demand by retailers associated with the holiday season.

Our principal uses of cash are to fund planned operating expenditures, capital expenditures, business structure realignment expenditures, interest payments, acquisitions, dividends, share repurchases and any principal payments on debt. Working capital movements are influenced by the sourcing of materials related to the production of products. Cash and working capital management initiatives, including the phasing of vendor payments and factoring of trade receivables from time-to-time, may also impact the timing and amount of our operating cash flows.

We have utilized the cash proceeds from the issuance of convertible preferred shares to KKR Aggregator in order to pay down our revolving credit facility. As specified in our Credit Agreement, cash generated from the divestiture of any businesses through March 31, 2021 will be utilized to reduce debt, other than a maximum of \$500.0 that will be used to fund operations.

Our response to the impact of COVID-19

In response to the ongoing risks presented by the COVID-19 pandemic, we continue to utilize a number of measures to bolster our liquidity position and provide additional financial flexibility. Such measures include actively aligning operating

expenses to the current state of the business, including slowing down our production to adjust our inventories, the temporary compensation reductions for certain executives and for our non-executive board members, hiring and travel restrictions, and the reduction of advertising and consumer promotion costs for sales channels that are closed or heavily impacted by social distancing. We intend to utilize any tax payment deferrals that apply to us in specific jurisdictions. We will continue to actively manage our working capital to support our liquidity needs. During the quarter, KKR Aggregator purchased an additional \$250.0 of convertible preferred stock.

Due in part to these measures, our current cash position is favorable; as of September 30, 2020, we had \$1,721.7 of immediate liquidity, which consisted of available cash and cash equivalents and available borrowings under our 2018 Coty Revolving Credit Facility.

While the impact and duration of COVID-19 on our business is currently uncertain, as a result of the cash on hand, our amended debt covenants, and our plans to manage expenses, we believe we have sufficient liquidity and covenant headroom to meet our foreseeable business operating and recurring cash needs (including for debt service and capital expenditures). To address the potentially longer-lasting impacts of the COVID-19, potential lockdowns and a possible recession resulting from COVID-19 in many markets, we have implemented a plan to reduce our cost base, which does not vary with revenues, by 25%, including an adaptation of our supply network and organization as well as a reduction of certain discretionary expenses.

Debt

See Note 11—Debt in the notes to our Condensed Consolidated Financial Statements for additional information on our debt arrangements and prior period credit agreements.

Based on our credit agreement (the “2018 Coty Credit Agreement”), as amended, the calculation of our financial covenant for net debt excludes the impact of operating leases. In order to be consistent with our financial covenant, we will continue to report our net debt calculation excluding operating leases.

On April 29, 2020, we amended our existing credit agreement. The amendment (i) provides a Total Net Leverage Ratio financial covenant “holiday” through March 31, 2021; (ii) establishes a minimum liquidity covenant through March 31, 2021 of \$350 million; and (iii) effectively places certain limitations on the ability to make certain investments and restricted payments (including limiting our ability to pay dividends in cash through March 31, 2021) and on incurring additional indebtedness. The amendment does not modify the applicable funding costs during the period through March 31, 2021.

Factoring of Receivables

From time to time, we supplement the timing of our cash flows through the factoring of trade receivables. In this regard, we have entered into factoring arrangements with financial institutions.

The net amount utilized under the factoring facilities was \$164.5 and \$123.1 as of September 30, 2020 and June 30, 2020, respectively. The aggregate amount of trade receivable invoices factored on a worldwide basis amounted to \$191.2 and \$223.8 during the three months ended September 30, 2020 and 2019, respectively. Remaining balances due from factors amounted to \$2.6 and \$6.2 as of September 30, 2020 and June 30, 2020, respectively, and are included in Prepaid expenses and other current assets in the Consolidated Balance Sheets.

Cash Flows

	Three Months Ended September 30,	
	2020	2019
Condensed Consolidated Statements of Cash Flows Data: (in millions)		
Net cash provided by operating activities	\$ 42.6	\$ 39.9
Net cash used in investing activities	(81.5)	(60.8)
Net cash provided by financing activities	264.2	36.7

Net cash provided by operating activities

Net cash provided by operating activities was \$42.6 and \$39.9 for the three months ended September 30, 2020 and 2019, respectively. The increase in cash flows from operating activities of \$2.7 year over year was primarily driven by higher cash related net income of \$18.1 and higher inflows from changes in other noncurrent assets of \$17.9, offset by higher outflows from changes in other noncurrent liabilities of \$30.3 and slightly higher outflows from changes in net working capital of \$3.0.

Higher cash related Net income of \$18.1 is the result of the reduction in costs due to our cost reduction activities, partially offset by the negative impacts of COVID-19 on our profitability and increased acquisition and divestiture-related costs. Changes in Other noncurrent liabilities and net working capital partially offset the higher inflows from changes in cash related Net income and Other noncurrent assets. Changes in Other noncurrent liabilities during the first three months of fiscal 2021 compared to fiscal 2020 contributed to higher outflows of \$30.3 primarily due to lower accruals for noncurrent bonuses compared to prior year. Changes in trade receivables contributed to lower inflows year over year of \$221.4 as a result of lower sales due to COVID-19 and lower inflows from factoring. Changes in Prepaid expenses and other current assets year over year included the positive current year impact from the collection of refunds related to tax overpayments. Changes in Accrued expenses and other current liabilities contributed to higher inflows year over year of \$148.6, which included the impacts of higher inflows from the positive impact of lower overall accruals and payments for certain customer sales related accruals, VAT liabilities and the timing of restructuring payments and accruals partially offset by outflows from changes in the accruals for consulting and legal fees. Fluctuations in other working capital accounts were in line with prior year.

Net cash used in investing activities

Net cash used in investing activities was \$81.5 and \$60.8 for the three months ended September 30, 2020 and 2019, respectively. The increase in net cash used in investing activities of \$20.7 in the first quarter of fiscal 2021 as compared with fiscal 2020 is primarily caused by the cash payment of \$37.6 that resulted from the termination of the net investment cross currency swap derivatives which did not occur in the prior year. Lower cash outflows for capital expenditures of \$15.5 million helped to partially offset the outflow from the termination of the cross currency swaps. Also, during the first quarter of fiscal 2021, we collected \$27.0 from the promissory note receivable associated with the prior year sale of the Younique business which was slightly higher than the net \$25.6 of proceeds from the sale that were collected in cash during the first quarter of fiscal 2020.

Net cash provided by financing activities

Net cash provided by financing activities during the three months ended September 30, 2020 and 2019 was \$264.2 and \$36.7, respectively. The increase in cash from financing activities of \$227.5 was primarily driven by the first quarter fiscal 2021 net proceeds of \$227.2 from the issuance and sale of additional Convertible Series B Preferred Stock in connection with the Investment Agreement with KKR Aggregator. Additionally, we had \$62.5 of lower cash outflows for dividend payments due to the suspension of dividend payments that began in the fourth quarter of fiscal 2020. Further, as a result of the prior year payment of \$45.0 during the first quarter of fiscal 2020 to purchase the remaining mandatorily redeemable noncontrolling interest in our Southeast Asian subsidiary, which did not reoccur in the current quarter, we had higher overall cash from financing activities. The impact of these higher inflows was partially offset by lower cash as a result of less net borrowings of \$112.9 on our revolving loan facilities.

Dividends

On April 29, 2020, our Board of Directors suspended the payment of dividends, in keeping with our 2018 Coty Credit Agreement, as amended. As we focus on preserving cash, we expect to suspend the payment of dividends through April 1, 2021 or until such later date that we reach a Net debt to Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") of 4x. Any determination to pay dividends in the future will be at the discretion of our Board of Directors.

Dividends on the Convertible Series B Preferred Stock are payable in cash, by increasing the amount of accrued dividends with respect to a share of Convertible Series B Preferred Stock, or any combination thereof, at the sole discretion of the Company.

For additional information on our dividends, see Note 15—Equity and Convertible Preferred Stock in the notes to our Condensed Consolidated Financial Statements.

Treasury Stock - Share Repurchase Program

For information on our Share Repurchase Program, see Note 15—Equity and Convertible Preferred Stock in the notes to our Condensed Consolidated Financial Statements.

Commitments and Contingencies

Mandatorily Redeemable Financial Interest

United Arab Emirates subsidiary

We are required under a shareholders agreement (the “U.A.E. Shareholders Agreement”) to purchase all of the shares held by the noncontrolling interest holder equal to 25% of a certain subsidiary in the United Arab Emirates (the “U.A.E. subsidiary”) at the termination of the agreement. We have determined such shares to be an MRFI that is recorded as a liability. The liability is calculated based upon a pre-determined formula in accordance with the U.A.E Shareholders Agreement. As of September 30, 2020 and June 30, 2020, the liability amounted to \$7.5 and \$8.8, respectively.

Redeemable Noncontrolling Interests

Noncontrolling interests, where we may be required to repurchase the noncontrolling interest under a put option or other contractual redemption requirement, are reported in the Condensed Consolidated Balance Sheet between liabilities and equity, as redeemable noncontrolling interests (“RNCI”). We adjust the RNCI to the higher of the redemption value or the carrying value (the acquisition date fair value adjusted for the noncontrolling interest’s share of net income (loss) and dividends) on each balance sheet date with changes recognized as an adjustment to additional paid-in capital (“APIC”).

Subsidiary in the Middle East

As of September 30, 2020, the noncontrolling interest holder in our subsidiary in the Middle East (“Middle East Subsidiary”) had a 25% ownership share. We recognized \$83.1 and \$79.1 as the RNCI balances as of September 30, 2020 and June 30, 2020, respectively.

Legal Contingencies

For information on our Brazilian tax assessments, see Note 19—Commitments and Contingencies in the notes to our Condensed Consolidated Financial Statements.

Off-Balance Sheet Arrangements

We had undrawn letters of credit of \$8.5 and \$6.0 and bank guarantees of \$45.2 and \$45.7 as of September 30, 2020 and June 30, 2020, respectively.

Contractual Obligations

Our principal contractual obligations and commitments as of September 30, 2020 are summarized in Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Contractual Obligations and Commitments,” of our Fiscal 2020 Form 10-K, except as noted above. For the three months ended September 30, 2020, there have been no material changes in our contractual obligations outside the ordinary course of business.

Critical Accounting Policies

We believe that the critical accounting policies listed below involve our more significant judgments, assumptions and estimates and, therefore, could have the greatest potential impact on our Condensed Consolidated Financial Statements:

- Revenue Recognition;
- Goodwill, Other Intangible Assets and Long-Lived Assets;
- Business Combinations;
- Inventory; and
- Income Taxes.

As of September 30, 2020, there have been no other material changes to the items disclosed as critical accounting policies and estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II—Item 7 of our Fiscal 2020 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our Fiscal 2020 Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer (the “CEO”) and our Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2020. Based on the evaluation of our disclosure controls and procedures as of September 30, 2020, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(f) of the Exchange Act during the first fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving our objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

For information on our legal matters, see Note 19—Commitments and Contingencies in the notes to our Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

We have disclosed information about the risk factors that could adversely affect our business in Part I, Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for fiscal 2020 and subsequent Quarterly Reports on Form 10-Q. There have been no material changes to these risk factors.

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

No shares of our Class A Common Stock were repurchased during the fiscal quarter ended September 30, 2020.

Item 6. Exhibits, Financial Statement Schedules.

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description
10.1	Settlement Agreement, dated July 31, 2020, between Coty Management B.V. and Fiona Hughes. [†]
10.2	Settlement Agreement, dated September 25, 2020, between Coty Management B.V. and Pascal Baltussen. [†]
21.1	List of significant subsidiaries.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

[†] Exhibit is a management contract or compensatory plan or arrangement.

SIGNATURES

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

COTY INC.

Date: November 6, 2020

By: /s/Sue Nabi

Name: Sue Nabi

Title: Chief Executive Officer

(Principal Executive Officer)

/s/Pierre-André Terisse

Name: Pierre-André Terisse

Title: Chief Operating Officer and Chief Financial Officer

(Principal Financial Officer)

THIS SETTLEMENT AGREEMENT is made on 31 July 2020

BETWEEN:

(1) **COTY MANAGEMENT B.V.**, a private limited liability company incorporated under the laws of the Netherlands, having its registered seat in Amsterdam, the Netherlands, and its office address at Schiphol Boulevard 393 Toren B, 1118 BJ Schiphol, the Netherlands, hereinafter: the **Company**; and

(2) **MS FIONA HUGHES**, born on 3 February 1973, hereinafter: the **Executive**;

The Company and the Executive together referred to as the **Parties** and each of them individually as the **Party**.

WHEREAS:

- i. the Executive entered into the Company's employment with effect from 1 March 2020 and currently holds the position of President Consumer Beauty Brands on the basis of an indefinite term employment agreement (the **Employment Agreement**);
- ii. the Parties now wish to terminate the Employment Agreement in accordance with the terms set out in this agreement;
- iii. the Parties emphasize that the reason for termination is not urgent cause (*dringende reden*) as referred to in article 7:678 of the Dutch Civil Code, nor any other reason attributable to the Executive, and that the initiative to terminate the Employment Agreement has been taken by the Company;
- iv. the Parties have discussed the terms and conditions of termination of the Executive's employment and corporate position(s) with the Company and/or with companies affiliated to the Company (the **Group**) and wish to hereby record their agreement in this respect in writing; and
- v. by concluding this settlement agreement, the Parties intend to reach a comprehensive settlement.

IT HAS BEEN AGREED AS FOLLOWS:

1. The Employment Agreement will terminate by mutual consent with effect from 1 February 2021 (the **Termination Date**).
 2. By signing this agreement, the Executive stands down or resigns, as the case may be, with effect from the signing date of this agreement from all other employment or corporate positions (collectively: the **Corporate Positions**) she holds with the Company and/or the Group, such as supervisory and management board positions, and all other positions that the Executive holds in her capacity as representative of the Company or the Group, like memberships to branch organisations, without cancelling the
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membership of the relevant members of the Company or the Group to those organisations. The Executive undertakes to sign such documentation and to take such actions as may be required to give effect to the foregoing.

3. The Executive will be released from her duties (*vrijgesteld van werkzaamheden*); with effect from the signing date of this agreement. The Executive will in the period up to the Termination Date remain available to answer questions and use such period to correctly and properly hand over her job. In the period up to the Termination Date, the Executive shall not perform any acts that she was authorized to perform pursuant to a power of attorney granted to her or otherwise.
 4. Subject to the provisions of this agreement, the Company will pay the Executive her regular salary and provide her with her regular benefits (including, without limitation, the benefits referred to in Article 7.7 of the Employment Agreement being one roundtrip to be booked before the Termination Date, provided that no trip has been made yet this calendar year) until the Termination Date. Article 7.5 of the Employment Agreement will continue to apply for the period and on the basis of the terms agreed in the Employment Agreement. The Executive will be entitled to annual tax return preparation assistance in accordance with article 7.6 of the Employment Agreement for the year 2020. . Any expenses not yet claimed and relating to the period up to the Termination Date will be reimbursed in accordance with the expense policies applicable within the Company from time to time, provided that a request for reimbursement will have been submitted to the Company ultimately on the Termination Date.
 5. Within one month after the Termination Date, and provided that the Executive has complied with all of the obligations following from this agreement and the Employment Agreement and has remained employed until the Termination Date, the Company will pay to the Executive a severance payment amounting to EUR 1,041,676 gross (the **Severance Payment**). The Severance Payment is deemed to include any compensation to which the Executive may be entitled in relation to the termination of her employment, including but not limited to any transition payment (*transitievergoeding*) as referred to in article 7:673 of the Dutch Civil Code, compensation for any part of the applicable notice period not having been observed, and compensation for loss of income and benefits of whatever nature relating to the Employment Agreement or any Corporate Positions, including the termination thereof, such as entitlements arising from the use of company property and contributions to private insurance and pension arrangements. The Severance Payment will be paid to the Executive in the Netherlands, less taxes and social security premiums.
 6. Within one month after the Termination Date, the Company will effect a normal final payment (*eindafrekening*), subject to the provisions of this agreement. The Executive will be deemed to have taken up all accrued outstanding holidays in the period up to the Termination Date. The Executive's pension will be made premium free (*premienvrij*) in accordance with the law and the rules of the relevant pension plans.
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7. Any loans or advance payments provided to the Executive by the Company and/or the Group become repayable as of the Termination Date. The amount of the loans or advance payments will be set-off (*verrekenen*) against any amount owed to the Executive by the Company and/or the Group. The Executive must immediately repay any amount thus remaining to the Company and/or the relevant company of the Group.
 8. For the financial year 2020, the Executive will be paid the second half of her H1 bonus of in total EUR 96,193 gross, which amount will be paid out as part of the October 2020 payroll.
 9. The Executive's rights under Coty's Equity & Long-Term Incentive Plan (the **ELTIP**) will be forfeited in accordance with the rules of the plan.
 10. Together with the payroll of November 2020 the Company will make a payment to the Executive of EUR 800,000 gross as compensation for loss of RSUs (the **RSU Compensation**). The RSU Compensation will be paid to the Executive in the Netherlands, less taxes and social security premiums.
 11. In relation to the Class A Common Stock (the **Shares**) purchased by the Executive under the Elite Investment Program (the **EIP**) and the Elite Subscription and Stock Option Agreement (the **Elite Agreement**), Parties agree that the Executive may sell at her discretion all Shares from the signing date of this agreement without any restrictions or obligations towards the Company or the Group, whether under the EIP, the Elite Agreement or otherwise (for the avoidance of doubt, provided that such sale is not in violation of insider trading rules or similar restrictions).
 12. The Executive confirms that, except for payment of the second half of her H1 bonus as mentioned in clause 8 and the compensation of EUR 800,000 as mentioned in clause 10, she has no further claims with regard to the ELTIP, the EIP, the Elite Agreement or any other incentive compensation, any other investments made under any share plan and/or share based benefits for any past or future period against the Company and/or the Group, the controlling shareholders and/or their ultimate beneficial owners.
 13. The Company will pay an amount of at maximum EUR 30,000 gross exclusive of VAT for fees incurred by the Executive in respect of legal and tax assistance in connection with the termination of the Employment Agreement. The Company shall pay all fees for legal and tax advice directly to her legal and tax adviser(s) upon receipt by the Company of (an) original specified invoice(s) in the name of the Executive, but marked payable by the Company. The Company will pay the invoice(s) within 1 month after receipt.
 14. Within one week after the signing date of this agreement, the Executive will return to the Company and/or any other party designated by the Company all property of the Company and/or the Group, and all other items made available to her by or on behalf of the Company and/or the Group in connection with the performance of her job, including, but not limited to: company car, smartphone, tablet, laptop, other computer equipment, any and all files, software and diskettes, credit cards, keys, documents, papers, records, notes, agenda, memoranda, plans, calendars, and other books and
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records of any kind and nature whatsoever containing information concerning the Company and/or the Group, their customers or operations. The Executive herewith confirms that she will not retain copies of any such property or other materials. The Executive confirms that she will until the date of return use any such company property in line with the rules and procedures applicable within the Company and/or the Group in that respect.

15. The Executive confirms that she will not disclose, divulge, or communicate any negative or damaging information about the Company and/or the Group, the controlling shareholders and/or their ultimate beneficial owners and the Company confirms that the Company and the Group will not disclose, divulge, or communicate any negative or damaging information about the Executive.
 16. The Executive will keep strictly secret and confidential the existence and contents of this agreement, as well as any other information relating to the settlement or the termination of the Employment Agreement, unless vis-à-vis the Executive's civil partner or legal advisor or in case this would be required for the proper implementation of this agreement or as a result of a legal obligation to disclose such information.
 17. Any confidentiality and intellectual property clauses as agreed upon between the Executive and the Company and/or the Group in the employment agreement and/or the confidentiality, non-competition and non-solicitation agreement signed by the Executive on 5 March 2020 (**RCA**) will remain in full force after the Termination Date in accordance with their terms.
 18. The non-compete undertakings as agreed upon between the Executive and the Company in clause 7 of the RCA will lapse as of the Termination Date. However, the non-solicitation and non-poaching undertakings as agreed upon between the Executive and the Company and/or the Group in the employment agreement and/or the RCA will remain in full force after the Termination Date in accordance with their terms and including the penalties agreed in case of violation. The Executive confirms that the Severance Payment provides reasonable compensation for these undertakings as meant in article 7:653, subsection 5 of the Dutch Civil Code.
 19. The Executive confirms that she will change any social media profiles (LinkedIn, Facebook, Twitter and any other relevant media being applicable) ultimately at the Termination Date, so that is unambiguously clear that the Executive is no longer employed by the Company. In addition, the Executive shall ensure that the information provided in any of her social media profiles concerning her employment with the Company is accurate, including but not limited to the position, tasks and responsibilities and the duration of the employment.
 20. Parties acknowledge that they have discussed all matters relating to the subject matter of this agreement and do not wish to leave any matters outside of the scope of this agreement. Except for the obligations set out in this Agreement, the Executive will have no further obligations towards the Company and the Group, while the Company and the Group will have no further obligations towards the Executive, either on the basis of the
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Employment Agreement, the termination thereof, the Corporate Positions, the termination thereof, the RCA, the ELTIP, the EIP, the Elite Agreement or on any other basis, and the Company, the Group and the Executive will fully and finally release each other (*finale kwijting verlenen*).

21. The Executive has been advised by the Company to seek professional legal advice before accepting the terms and conditions as laid down in this agreement, and the Executive confirms that she fully understands the terms and conditions of this agreement and is fully aware of all of the implications arising therefrom.
 22. The Executive declares that she has at the time of signing of this agreement not been made an offer of employment or engagement by another employer or has a concrete expectation of such offer being made and/or accepted such offer. This declaration is essential for the Company and to the extent the declaration given by the Executive is false, the Executive will not be entitled to the Severance Payment or the RSU Compensation, whilst all other provisions of this agreement remain in full force and effect.
 23. If the Executive becomes incapacitated for work before the Termination Date, this does not change the arrangements made in this agreement. If the Executive becomes ill prior to the Termination Date or within four weeks after the Termination Date, the Executive shall immediately report this to the Company in writing and provide her contact details. The Executive will be obliged to (i) report to the company doctor upon first request, (ii) at all times provide her full cooperation to applicable reintegration obligations, and (iii) provide the Company with all information which it needs to submit to the Executive Insurance Agency (*UWV*) or other relevant authorities in this respect. If the Executive does not comply with the applicable reintegration obligations, the right of continued payment of wages shall cease. If the Executive is eligible for benefit under the Dutch Sickness Benefit Act (*Ziektewet*) or Work and Income (Capacity for Work) Act (*WIA*) or the Return to Work (Partially Disabled Persons) Regulations (*WGA*), the Executive must strictly comply with the rules and regulations in respect of sickness and incapacity for work as issued by the UWV.
 24. All amounts payable under this agreement are gross amounts. The Executive will bear all regular wage tax and income tax, as well as any employee social security contributions due in relation to all the amounts payable and benefits granted under this agreement and indemnify and hold harmless the Company and any company of the Group for all these taxes and premiums payable in respect of such amounts provided that, where applicable, they have withheld and paid these taxes in the usual way. For the avoidance of doubt, this indemnification will not apply to any other taxes, interest and penalties payable by the Company and/or any company of the Group in respect of the amounts payable and benefits granted under this agreement.
 25. This agreement constitutes a settlement agreement (*vaststellingsovereenkomst*) in accordance with Article 7:900 and further of the Dutch Civil Code. The Parties to this agreement irrevocably waive their right to seek rescission and/or annulment of this agreement, it being understood that this will not prevent the Company from summarily
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dismissing the Executive prior to the Termination Date based on an urgent cause as meant in article 7:678 of the Dutch Civil Code. The Company is currently unaware of any facts of circumstances which may qualify as urgent cause. In case of lawful summary dismissal, the Executive will no longer be entitled to any financial right under this agreement with the exception of her regular salary and benefits until the last day of her employment. Notwithstanding the above, the Executive has the right to within two weeks after the date of this agreement, revoke her agreement to this settlement in accordance with article 7: 670b, subsection 2 of the Dutch Civil Code by means of a written statement to the Company to that effect.

26. This agreement represents the entire understanding and agreement reached between the Parties in respect of the termination of the Employment Agreement and Corporate Positions the RCA, the ELTIP, the EIP and the Elite Agreement. This agreement supersedes all previous agreements, both oral and in writing, including correspondence, in relation to such subject matters. Modifications and/or amendments to this agreement shall only be valid if agreed in writing between the Parties.
27. This agreement shall be governed by and construed in accordance with the laws of the Netherlands.
28. All disputes arising out of or in connection with this agreement shall be submitted in the first instance to the competent court in Amsterdam.

In witness whereof this agreement was executed in duplicate and signed by the Parties:

For Coty Management B.V.: For acceptance:

/s/ Anne Jaeckin

/s/ Fiona Hughes

Name: Anne Jaeckin Fiona Hughes

Date: 31 July 2020 Date: 31 July 2020

THIS SETTLEMENT AGREEMENT is made on 25 September 2020

BETWEEN:

- (1) **COTY MANAGEMENT B.V.**, a private limited liability company incorporated under the laws of the Netherlands, having its registered seat in Amsterdam, the Netherlands, and its office address at Schiphol Boulevard 393 Toren B, 1118 BJ Schiphol, the Netherlands, hereinafter: the **Company**; and
- (2) **PASCAL BALTUSSEN**, born on XXXX, residing at XXXX, hereinafter: the **Employee**;

The Company and the Employee together referred to as the **Parties** and each of them individually as the **Party**.

WHEREAS:

the Employee entered into the Company's employment with effect from 1 January 2020 as Chief Procurement Officer;

a difference of opinion has arisen between the Parties in relation to the policy of the Company which they have not been able to resolve;

the Parties have now come to the conclusion that termination of the employment is therefore inevitable;

the Parties emphasize that the reason for termination is not an urgent cause (*dringende reden*) as referred to in article 7:678 of the Dutch Civil Code, and that the initiative to terminate the employment has been taken by the Company;

the Parties have discussed the terms and conditions of termination of the Employee's employment and corporate position(s) with the Company and/or with companies affiliated to the Company (the **Group**) and wish to hereby record their agreement in this respect in writing; and

by concluding this settlement agreement, the Parties intend to reach a comprehensive settlement.

IT HAS BEEN AGREED AS FOLLOWS:

1. The employment between the Company and the Employee will terminate by mutual consent with effect from 20 October 2021 (the **Termination Date**). The agreement is based on the assumption that the employment agreement will not be terminated earlier than the Termination Date, due to behavior of Employee that qualifies as a reason for termination based on an urgent cause (*ontslag wegens dringende reden*) as defined in article 7:678 of the Dutch Civil Code. In case of such immediate termination prior to the Termination Date, Employee cannot derive any rights from this agreement
 2. The Employee is entitled to terminate the employment at an earlier date than the Termination Date with effect from the end of a calendar month (in which case the Termination Date for the purpose of this settlement agreement will be deemed to be such earlier end date). Parties agree that in that case, the Severance Payment as meant in clause 6 of this agreement will be increased by a gross amount equal to the gross base salary that the Employee would have received in respect of the period from the early termination date up to 20 October 2021, should the employment have continued until then.
 3. By signing this agreement, the Employee stands down or resigns, as the case may be, with effect from the signing date of this agreement, from all other employment or corporate positions he holds with the Company and/or the Group, such as supervisory and management board positions, and all other positions that the Employee holds in his capacity as representative of the Company or the Group, like memberships to branch organisations, without cancelling the membership of the relevant members of the Company or the Group to those organisations. The Employee undertakes to sign such documentation and to take such actions as may be required to give effect to the foregoing.
 4. The Employee will continue to be released from his duties (*vrijgesteld van werkzaamheden*). The Employee will in the period up to the Termination Date remain available to answers questions and use such period to correctly and properly hand over his job. In the period up to the Termination Date, the Employee shall not perform any acts that he was authorized to perform pursuant to a power of attorney granted to him or otherwise.
 5. Subject to the provisions of this agreement, the Company will pay the Employee his regular salary and provide him with his regular benefits, with the exception of expense allowances, until the Termination Date. Any expenses not yet claimed and relating to the period up to the date of this agreement will be reimbursed in accordance with the expense policies applicable within the Company from time to time, provided that a request for reimbursement will have been submitted to the Company ultimately on the Termination Date.
 6. Within one month after the Termination Date, and provided that the Employee has complied with all of the obligations following from this agreement and the employment agreement, the Company will pay to the Employee a severance payment equal to EUR 412,500 gross to be increased, if applicable, in accordance with clause 2 and/or clause 9
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(the **Severance Payment**). The Severance Payment is deemed to include any compensation to which the Employee may be entitled in relation to the termination of his employment, including but not limited to any transition payment (*transitievergoeding*) as referred to in article 7:673 of the Dutch Civil Code, compensation for any part of the applicable notice period not having been observed, and compensation for loss of income and benefits of whatever nature relating to the employment or any other positions held by the Employee with the Group, including the termination thereof, such as entitlements arising from the use of company property and contributions to private insurance and pension arrangements. The Severance Payment will be paid to the Employee in the Netherlands, less taxes and social security premiums.

7. Within one month after the Termination Date, the Company will effect a normal final payment (*eindafrekening*) in the Netherlands, subject to the provisions of this agreement. The Employee will be deemed to have taken up all accrued outstanding holidays in the period up to the Termination Date. The Employee's pension will be made premium free (*premienvrij*) in accordance with the law and the rules of the relevant pension plan. Any benefits, insurances and pension plans, if any, that Employee participates in pursuant to the employment agreement, will end on the Termination Date. For the avoidance of doubt, the Employee will be entitled to retain the sign on bonus of EUR 800,000 gross he received when he joined the Company in January 2020.
 8. Any loans or advance payments provided to the Employee by the Company and/or the Group become repayable as of the Termination Date. The amount of the loans or advance payments will be set-off (*verrekenen*) against any amount owed to the Employee by the Company and/or the Group. The Employee must immediately repay any amount thus remaining to the Company and/or the relevant company of the Group.
 9. The RSU sign-on award of 87,183 RSUs will vest with effect from 1 December 2020. On 19 October 2020, the Employee will receive the regular award under Coty's Equity & Long-Term Incentive Plan as per the existing agreement in accordance with the applicable terms. Should the Employee terminate his employment in accordance with clause 2 prior to the first vesting date of the grant, the full grant will be forfeited and instead a cash amount of EUR 240,000 gross will be added to the severance payment referred to under clause 6. No bonus payments will be made to the Employee for the year 2021 under the APP based on the decision made by Coty that no such bonus payments will be made for the year 2021. The Parties agree that should this decision be withdrawn and should a bonus payment for 2021 be awarded after all, this will also apply to the Employee on a pro-rated basis for time that the Employee will be employed for the fiscal year 2021. All further rights under the APP, Coty's Equity & Long-Term Incentive Plan and any other (equity based) incentive plans in which the Employee participates, will be forfeited. The Employee confirms that, except for the rights mentioned in this clause 9, he has no further claims with regard to any incentive compensation and/or share based benefits for any past or future period against the Company and/or the Group, the controlling shareholders and/or their ultimate beneficial owners.
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10. The Company will contribute an amount of at maximum EUR 14,000 gross exclusive of VAT towards legal fees incurred by the Employee in respect of legal assistance in connection with the termination of his employment, which amount shall be paid directly to his legal adviser(s) upon receipt by the Company of (an) original specified invoice(s) in the name of the Employee, but marked payable by the Company. The Company will make available to the Employee the agreed assistance of a tax advisor to assist the Employee with his income tax returns for the years 2019, 2020 and 2021.
 11. Ultimately on the date of this agreement, the Employee will return to the Company and/or any other party designated by the Company all property of the Company and/or the Group, and all other items made available to him by or on behalf of the Company and/or the Group in connection with the performance of his job, including, but not limited to: company car, smartphone, tablet, laptop, other computer equipment, any and all files, software and diskettes, credit cards, keys, documents, papers, records, notes, agenda, memoranda, plans, calendars, and other books and records of any kind and nature whatsoever containing information concerning the Company and/or the Group, their customers or operations. The Employee herewith confirms that he will not retain copies of any such property or other materials. The Employee confirms that he will until the date of return, use any company property in line with the rules and procedures applicable within the Company and/or the Group in that respect.
 12. The Parties will not disclose, divulge, or communicate any negative or damaging information about each other and in the case of the Employee also not about the Group, the controlling shareholders and/or their ultimate beneficial owners.
 13. The Parties will keep strictly secret and confidential the existence and contents of this agreement, as well as any other information relating to the settlement or the termination of the employment agreement, unless vis-à-vis the Employee's civil partner or the Parties' legal advisors or in case this would be required for the proper implementation of this agreement or as a result of a legal obligation to disclose such information.
 14. Any confidentiality and intellectual property clauses as agreed upon between the Employee and the Company and/or the Group in the employment agreement and/or the confidentiality, non-competition and non-solicitation agreement signed by the Employee (**RCA**) will remain in full force after the Termination Date in accordance with their terms and including the penalties agreed in case of violation. The non-compete undertakings as agreed upon between the Employee and the Company in paragraph 7 of the RCA will lapse as of the Termination Date. However, the non-solicitation and non-poaching undertakings in paragraph 8 of the RCA will remain in full force after the Termination Date in accordance with their terms and including the penalties agreed in case of violation. The Employee confirms that the Severance Payment in clause 6 provides a reasonable compensation for these undertakings as meant in article 7:653, subsection 5 of the Dutch Civil Code.
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15. The Employee confirms that he will change any social media profiles (LinkedIn, Facebook, Twitter and any other relevant media being applicable) ultimately at the Termination Date, so that is unambiguously clear that the Employee is no longer employed by the Company. In addition, the Employee shall ensure that the information provided in any of his social media profiles concerning his employment with the Company is accurate, including but not limited to the position, tasks and responsibilities and the duration of the employment.
 16. Whether or not Employee is granted a benefit pursuant to the applicable social security laws after the Termination Date or whether a punitive cut is applied, or such benefit is suspended, will not change this agreement. Any loss that Employee might suffer is deemed to be included in this agreement so that the Company will not be obliged to make any additional payment.
 17. Subject to the provisions of this agreement, the Employee hereby grants the Company and/or the Group full and final discharge as regards any rights or claims he may have towards them following from his employment and/or any other positions he holds with the Company and/or the Group, or the termination thereof.
 18. The Employee has been advised by the Company to seek professional legal advice before accepting the terms and conditions as laid down in this agreement, and the Employee confirms that he fully understands the terms and conditions of this agreement and is fully aware of all of the implications arising therefrom.
 19. If the Employee becomes incapacitated for work before the Termination Date, this does not change the arrangements made in this agreement. If the Employee becomes ill prior to the Termination Date or within four weeks after the Termination Date, the Employee shall immediately report this to the Company in writing and provide his contact details. The Employee will be obliged to (i) report to the company doctor upon first request, (ii) at all times provide his full cooperation to applicable reintegration obligations, and (iii) provide the Company with all information which it needs to submit to the Employee Insurance Agency (*UWV*) or other relevant authorities in this respect. If the Employee does not comply with the applicable reintegration obligations, the right of continued payment of wages shall cease. If the Employee is eligible for benefit under the Dutch Sickness Benefit Act (*Ziektewet*) or Work and Income (Capacity for Work) Act (*WIA*) or the Return to Work (Partially Disabled Persons) Regulations (*WGA*), the Employee must strictly comply with the rules and regulations in respect of sickness and incapacity for work as issued by the UWV.
 20. All amounts payable under this agreement are gross amounts. The Employee will bear all regular wage tax and income tax, as well as any employee social security contributions due in relation to all the amounts payable and benefits granted under this agreement and indemnify and hold harmless the Company and any company of the Group for all these taxes and premiums payable in respect of such amounts. For the avoidance of doubt, this
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indemnification will not apply to any other taxes, interest and penalties payable by the Company and/or any company of the Group in respect of the amounts payable and benefits granted under this agreement.

21. This agreement constitutes a settlement agreement (*vaststellingsovereenkomst*) in accordance with Article 7:900 and further of the Dutch Civil Code. The Parties to this agreement irrevocably waive their right to seek rescission and/or annulment of this agreement, it being understood that this will not prevent the Company from summarily dismissing the Employee prior to the Termination Date based on an urgent cause as meant in article 7:678 of the Dutch Civil Code in which case the Employee will no longer be entitled to any financial right under this agreement with the exception of his regular salary and benefits until the last day of his employment. Notwithstanding the above, the Employee has the right to within two weeks after the date of this agreement, revoke his agreement to this settlement in accordance with article 7: 670b, subsection 2 of the Dutch Civil Code by means of a written statement to the Company to that effect.
22. This agreement represents the entire understanding and agreement reached between the Parties in respect of the termination of the Employee's employment and corporate position(s) with the Company and/or the Group. This agreement supersedes all previous agreements, both oral and in writing, including correspondence, in relation to such subject matters. Modifications and/or amendments to this agreement shall only be valid if agreed in writing between the Parties.
23. This agreement shall be governed by and construed in accordance with the laws of the Netherlands.
24. All disputes arising out of or in connection with this agreement shall be submitted in the first instance to the competent court in Amsterdam.

In witness whereof this agreement was executed in duplicate and signed by the Parties:

For Coty International B.V.:

For acceptance:

/s/ Jaap Bruisma

/s/ Pascal Baltussen

Name: Jaap Bruisma

Pascal Baltussen

Date: 26 September 2020

Date: 26 September 2020

Coty Inc.
Subsidiary List
as of September 30, 2020

<u>Entity Name</u>	<u>Domestic Jurisdiction</u>
Coty Argentina S.A.	Argentina
Coty Australia Holdings PTY Ltd.	Australia
Coty Australia Legacy Pty. Limited	Australia
Coty Australia PTY. Limited	Australia
Gresham Cosmetics Pty Ltd	Australia
HFC Prestige International Australia PTY Ltd	Australia
Jemella Australia Pty Limited	Australia
Revolver Distribution PTY Ltd.	Australia
Coty Beauty Austria GmbH	Austria
HFC Prestige Products N.V.	Belgium
Coty Brasil Comércio Ltda	Brazil
Lancaster do Brasil Cosméticos Ltda.	Brazil
Savoy Indústria de Cosméticos S.A.	Brazil
HFC Prestige International Canada, Inc.	Canada
TJoy Holdings Co. Ltd.	Cayman Islands
Coty Cosméticos Chile Limitada	Chile
Coty China Holding Limited	China
Coty Hong Kong Distribution Ltd.	China
Coty International Trade (Shanghai) Co., Ltd.	China
Coty Prestige Shanghai Ltd.	China
HFC (Shanghai) Cosmetics Co., Ltd	China
GHD Trading (Shanghai) Co. Ltd.	China
Nanjing Yanting Trade Co. Ltd.	China
Suzhou Ganon Trading Co., Ltd.	China
Suzhou Jiahua Biochemistry Co. Ltd	China
HFC Prestige Service Costa Rica S.R.L.	Costa Rica
Coty Ceska republika, s.r.o.	Czechia
HFC Prestige International Denmark ApS	Denmark
Coty Holdings UK Limited	England and Wales
Quest Beauty Limited	England and Wales
HFC Prestige International Finland Oy	Finland
Coty S.A.S.	France
Coty France S.A.S.	France
Else France S.A.S.	France
Fragrance Production S.A.S.	France
GHD France S.á r.l.	France
HFC Prestige Holding France	France
Coty Beauty Germany GmbH	Germany
Coty Brands Management GmbH	Germany
Coty Germany Holding GmbH	Germany
Coty Services and Logistics GmbH	Germany
Ghd Deutschland GmbH	Germany
HFC Prestige Manufacturing Cologne Germany GmbH	Germany
HFC Prestige Manufacturing Germany GmbH	Germany
HFC Prestige Service Germany GmbH	Germany

Sebastian Europe GmbH	Germany
Wella Grundstuecks- und Vermoegensverwaltungs GmbH & Co. KG	Germany
Zadafo Verwaltungsgesellschaft mbH	Germany
Wella Hellas MEPE	Greece
Chi Chun Industrial Co. Ltd.	Hong Kong
Coty Hong Kong Limited	Hong Kong
Coty INT Hong Kong Limited	Hong Kong
Coty Prestige Shanghai (HK) Ltd.	Hong Kong
Coty Prestige Southeast Asia (HK) Limited	Hong Kong
GHD Hong Kong Limited	Hong Kong
Ming-De Investment Co. Ltd.	Hong Kong
Super Globe Holdings Ltd.	Hong Kong
Coty Hungary Kft.	Hungary
Coty India Beauty and Fragrance Products Private Limited	India
Wella India Private Limited	India
PT StarAsia Distributions Indonesia	Indonesia
PT. Coty Prestige Southeast Asia Indonesia	Indonesia
Coty Ireland Ltd.	Ireland
Coty UK&I Limited	Ireland
HFC Prestige Manufacturing Ireland Ltd.	Ireland
Coty Italia S.R.L.	Italy
GHD Italia S.r.l.	Italy
HFC Prestige Japan Godo Kaisha	Japan
OPI-Japan K.K.	Japan
Coty Korea Ltd.	Korea, Republic Of
HFC Prestige International Holding Luxembourg SARL	Luxembourg
HFC Prestige International Luxembourg SARL	Luxembourg
Coty INT Malaysia Sdn. Bhd.	Malaysia
Coty Prestige Southeast Asia (M) Sdn. Bhd.	Malaysia
Coty Beauty Mexico, S.A. de C.V.	Mexico
Coty México, S.A. de C.V.	Mexico
Galería Productora de Cosméticos, S. de R.L. de C.V.	Mexico
HFC Cosmetics S. de R.L. de C.V.	Mexico
HFC Prestige International S. de R.L. de C.V.	Mexico
Coty Lancaster S.A.M.	Monaco
Coty B.V.	Netherlands
Coty Global 1 B.V.	Netherlands
Coty Global 2 B.V.	Netherlands
Coty Global 3 B.V.	Netherlands
Coty Global 4 B.V.	Netherlands
Coty Global 5 B.V.	Netherlands
Coty Global Holdings B.V.	Netherlands
Coty Investments B.V.	Netherlands
Coty International B.V.	Netherlands
Coty International Holding B.V.	Netherlands
Coty Management B.V.	Netherlands
Coty Netherlands B.V.	Netherlands
Coty Operations B.V.	Netherlands
HFC Prestige International Netherlands Holding B.V.	Netherlands

Lancaster B.V.	Netherlands
HFC Prestige International New Zealand Limited	New Zealand
Jemella New Zealand Limited	New Zealand
HFC Prestige International Norway AS	Norway
Coty Prestige Southeast Asia Philippines, Inc.	Philippines
Coty Eastern Europe sp. z.o.o.	Poland
HFC Prestige Service Poland Sp. z.o.o.	Poland
Coty Beauty Portugal S.A.	Portugal
HFC Prestige International Puerto Rico LLC	Puerto Rico
Coty Cosmetics Romania SRL	Romania
LLC Capella	Russian Federation
Russwell Ltd	Russian Federation
Coty Arabia Trading Company LLC	Saudi Arabia
Coty Scot 1 LP	Scotland
Coty Scot 2 LP	Scotland
Coty Asia Pte. Ltd.	Singapore
Coty Operations Asia Pacific Pte. Ltd.	Singapore
Coty Prestige Southeast Asia Pte. Ltd.	Singapore
Coty Singapore Pte. Ltd.	Singapore
Coty Southeast Asia Pte. Limited	Singapore
HFC Prestige International Operations Switzerland SARL Singapore Branch	Singapore
HFC Prestige International Singapore Pte. Ltd.	Singapore
Coty Slovenská Republika s.r.o.	Slovakia
Coty Beauty South Africa (PTY) Ltd.	South Africa
Coty South Africa (Proprietary) Limited	South Africa
Good Hair Day South Africa (Proprietary) Limited	South Africa
Coty Beauty Spain, S.L.U.	Spain
Coty Spain S.L., Sociedad Unipersonal	Spain
GHD Spain, S A U	Spain
HFC Prestige International Sweden AB	Sweden
Coty International B.V. Swiss Branch	Switzerland
Coty International S.a.r.l.	Switzerland
HFC Prestige International Holding Switzerland Sàrl	Switzerland
HFC Prestige International Operations Switzerland Sàrl	Switzerland
Coty Beauty Swiss Sàrl	Switzerland
So Be Cosmetics S.A.	Switzerland
Coty Prestige (Taiwan) Ltd.	Taiwan, Province Of China
StarAsia Taiwan Co., Ltd.	Taiwan, Province Of China
Coty Prestige Southeast Asia (Thailand) Company Limited	Thailand
HFC Prestige Manufacturing (Thailand) Ltd.	Thailand
HFC Prestij Satış ve Dağıtım Ltd. Şti.	Turkey
Coty Distribution Emirates L.L.C.	United Arab Emirates
Coty Middle East Fzco	United Arab Emirates
Coty Regional Trading FZE	United Arab Emirates
HFC Prestige International Operations SARL	United Kingdom
Beamly Ltd.	United Kingdom
Beauty International Ltd.	United Kingdom
Bourjois Limited	United Kingdom
Coty Brands Group Limited	United Kingdom

Coty Export U.K. Ltd.	United Kingdom
Coty Manufacturing UK Ltd.	United Kingdom
Coty Services U.K. Ltd.	United Kingdom
Coty U.K. Limited	United Kingdom
Coty UK&I Ltd	United Kingdom
Del Laboratories (U.K.) Limited	United Kingdom
ghd BondCo plc	United Kingdom
GHD Group Holdings Limited	United Kingdom
GHD Group Limited	United Kingdom
GHD Holdings Limited	United Kingdom
HFC Prestige Manufacturing UK Ltd	United Kingdom
HFC Prestige Products Ltd.	United Kingdom
HFC Prestige Service UK Ltd	United Kingdom
Jemella Group (Holdings) Limited	United Kingdom
Jemella Group Limited	United Kingdom
Jemella Limited	United Kingdom
Lancaster Group, Ltd.	United Kingdom
Lion/Gloria Bidco Limited	United Kingdom
Lion/Gloria Holdco Limited	United Kingdom
Lion/Gloria Midco 2 Limited	United Kingdom
Lion/Gloria Midco 3 Limited	United Kingdom
Lion/Gloria Midco Limited	United Kingdom
Lion/Gloria Topco Limited	United Kingdom
Rimmel International Ltd.	United Kingdom
GHD Professional, North America, Inc.	United States - CA
HFC Prestige Products, Inc.	United States - CT
Beamly Inc.	United States - DE
Calvin Klein Cosmetic Corporation	United States - DE
Coty Brands Management Inc.	United States - DE
Coty Holdings, Inc.	United States - DE
Coty Holding TopCo US Branch	
Coty Inc.	United States - DE
Coty International LLC	United States - DE
Coty Operations Americas LLC	United States - DE
Coty US Holdings Inc.	United States - DE
Coty US LLC	United States - DE
DLI International Holding I LLC	United States - DE
DLI International Holding II Corp	United States - DE
Galleria Co.	United States - DE
Graham Webb International, Inc.	United States - DE
HFC Prestige International U.S. LLC	United States - DE
Launch Beauty LLC	United States - DE
O P I Products, Inc.	United States - DE
Rimmel Inc.	United States - DE
The Wella Corporation	United States - DE
Noxell Corporation	United States - MD
Coty Beauty Vietnam Company Limited	Viet Nam

Certification

I, Sue Nabi, certify that:

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

Date: November 6, 2020

/s/Sue Nabi

Sue Nabi
Chief Executive Officer

Certification

I, Pierre-André Terisse, certify that:

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

Date: November 6, 2020

/s/Pierre-André Terisse
Pierre-André Terisse
Chief Financial Officer and Chief Operating Officer

Certification
Pursuant to Rule 13a-14(b) or
Rule 15d-14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of Coty Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The quarterly report on Form 10-Q for the quarter ended December 31, 2018 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ Sue Nabi

Sue Nabi

Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and for no other purpose.

Certification
Pursuant to Rule 13a-14(b) or
Rule 15d-14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of Coty Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The quarterly report on Form 10-Q for the quarter ended December 31, 2018 (the “Report”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 6, 2020

/s/Pierre-André Terisse

Pierre-André Terisse

Chief Financial Officer and Chief Operating Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and for no other purpose.