

**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 DECEMBER 31, 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 February 2, 2021, 766,795,502 shares of the registrant's Class A Common Stock, \$0.01 par value, were outstanding.

COTY INC.
INDEX TO FORM 10-Q

	<u>Page</u>
<u>Part I:</u>	
<u>FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the three and six months ended December 31, 2020 and 2019</u>	<u>1</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended December 31, 2020 and 2019</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets as of December 31, 2020 and June 30, 2020</u>	<u>3</u>
<u>Condensed Consolidated Statements of Equity for the three and six months ended December 31, 2020 and 2019</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the three and six months ended December 31, 2020 and 2019</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>33</u>
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>58</u>
<u>Item 4.</u>	
<u>Controls and Procedures</u>	<u>59</u>
<u>Part II:</u>	
<u>OTHER INFORMATION</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	<u>59</u>
<u>Item 1A.</u>	
<u>Risk Factors</u>	<u>59</u>
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>59</u>
<u>Item 6.</u>	
<u>Exhibits</u>	<u>60</u>
<u>Signatures</u>	<u>61</u>

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 December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Net revenues	\$ 1,415.6	\$ 1,683.7	\$ 2,539.7	\$ 3,094.9
Cost of sales	584.0	632.3	1,048.9	1,194.2
Gross profit	831.6	1,051.4	1,490.8	1,900.7
Selling, general and administrative expenses	641.5	916.4	1,224.9	1,723.1
Amortization expense	61.8	50.8	127.2	109.1
Restructuring costs	59.6	128.7	89.7	133.5
Acquisition and divestiture-related costs	51.7	36.0	98.0	36.0
Gain on divestitures and sale of brand assets	—	—	—	(84.5)
Operating income (loss)	17.0	(80.5)	(49.0)	(16.5)
Interest expense, net	59.2	58.4	121.3	121.5
Other expense, net	17.6	1.4	11.8	3.7
Loss from continuing operations before income taxes	(59.8)	(140.3)	(182.1)	(141.7)
Benefit for income taxes on continuing operations	(40.8)	(39.0)	(285.7)	(57.2)
Net (loss) income from continuing operations	(19.0)	(101.3)	103.6	(84.5)
Net (loss) income from discontinued operations	(235.6)	84.9	(130.9)	124.4
Net (loss) income	(254.6)	(16.4)	(27.3)	39.9
Net (loss) income attributable to noncontrolling interests	(2.5)	0.5	(2.1)	3.3
Net income attributable to redeemable noncontrolling interests	0.2	4.2	5.7	5.4
Net (loss) income attributable to Coty Inc.	\$ (252.3)	\$ (21.1)	\$ (30.9)	\$ 31.2
Amounts attributable to Coty Inc.				
Net (loss) income from continuing operations	(16.7)	(106.0)	100.0	(93.2)
Convertible Series B Preferred Stock dividends	(23.1)	—	(43.9)	—
Net (loss) income from continuing operations attributable to common stockholders	(39.8)	(106.0)	56.1	(93.2)
Net (loss) income from discontinued operations	(235.6)	84.9	(130.9)	124.4
Net (loss) income attributable to common stockholders	\$ (275.4)	\$ (21.1)	(74.8)	31.2
(Loss) earnings per common share				
(Loss) earnings from continued operations per common share - basic	\$ (0.05)	\$ (0.14)	\$ 0.07	\$ (0.12)
(Loss) earnings from continued operations per common share - diluted	(0.05)	(0.14)	0.07	(0.12)
(Loss) earnings from discontinued operations - basic	(0.31)	0.11	(0.17)	0.16
(Loss) earnings from discontinued operations - diluted	(0.31)	0.11	(0.17)	0.16
(Loss) earnings per common share - basic	(0.36)	(0.03)	(0.10)	0.04
(Loss) earnings per common share - diluted	(0.36)	(0.03)	(0.10)	0.04
Weighted-average common shares outstanding:				
Basic	764.6	758.1	764.3	756.1
Diluted	764.6	758.1	926.6	761.2

See notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Net (loss) income	\$ (254.6)	\$ (16.4)	\$ (27.3)	\$ 39.9
Other comprehensive income (loss):				
Foreign currency translation adjustment	139.6	102.0	129.1	(20.6)
Net unrealized derivative gain (loss) on cash flow hedges, net of taxes of \$(2.9) and \$(1.8), and \$(4.8) and \$(1.6) during the three and six months ended, respectively	9.7	6.3	15.4	5.1
Pension and other post-employment benefits adjustment, net of tax of \$4.3 and \$0.0, and \$4.3 and \$0.0 during the three and six months ended, respectively	(13.5)	(2.3)	(14.7)	(3.1)
Total other comprehensive income (loss), net of tax	135.8	106.0	129.8	(18.6)
Comprehensive (loss) income	(118.8)	89.6	102.5	21.3
Comprehensive income attributable to noncontrolling interests:				
Net (loss) income	(2.5)	0.5	(2.1)	3.3
Foreign currency translation adjustment	0.2	0.1	0.1	0.1
Total comprehensive (loss) income attributable to noncontrolling interests	(2.3)	0.6	(2.0)	3.4
Comprehensive income attributable to redeemable noncontrolling interests:				
Net income	0.2	4.2	5.7	5.4
Comprehensive (loss) income attributable to Coty Inc.	\$ (116.7)	\$ 84.8	\$ 98.8	\$ 12.5

See notes to Condensed Consolidated Financial Statements.

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

	December 31, 2020	June 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 549.1	\$ 308.3
Restricted cash	56.2	43.7
Trade receivables—less allowances of \$55.9 and \$57.3, respectively	531.7	440.1
Inventories	626.1	678.2
Prepaid expenses and other current assets	454.4	411.6
Current assets held for sale	—	4,613.1
Total current assets	2,217.5	6,495.0
Property and equipment, net	1,012.4	1,081.6
Goodwill	4,151.1	3,973.9
Other intangible assets, net	4,494.5	4,372.1
Equity investments	1,186.5	—
Operating lease right-of-use assets	343.7	371.4
Deferred income taxes	693.8	362.4
Other noncurrent assets	60.3	72.4
TOTAL ASSETS	\$ 14,159.8	\$ 16,728.8
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,154.3	\$ 1,190.3
Accrued expenses and other current liabilities	1,450.5	1,111.6
Short-term debt and current portion of long-term debt	201.2	188.3
Current operating lease liabilities	88.0	105.0
Income and other taxes payable	89.1	33.8
Current liabilities held for sale	—	956.7
Total current liabilities	2,983.1	3,585.7
Long-term debt, net	5,139.9	7,892.1
Long-term operating lease liabilities	293.4	317.4
Pension and other post-employment benefits	414.7	400.3
Deferred income taxes	527.8	175.1
Other noncurrent liabilities	423.9	334.5
Total liabilities	9,782.8	12,705.1
COMMITMENTS AND CONTINGENCIES (See Note 20)		
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 December 31, 2020 and June 30, 2020	1,002.2	715.8
REDEEMABLE NONCONTROLLING INTERESTS	79.5	79.1
EQUITY:		
Preferred Stock, \$0.01 par value; 20.0 shares authorized, 1.5 issued and outstanding at December 31, 2020 and June 30, 2020	—	—
Class A Common Stock, \$0.01 par value; 1,250.0 shares authorized, 831.6 and 830.6 issued and 766.1 and 765.1 outstanding, respectively, at December 31, 2020 and June 30, 2020	8.3	8.3
Additional paid-in capital	10,427.1	10,447.4
Accumulated deficit	(5,585.2)	(5,548.6)
Accumulated other comprehensive income	(326.5)	(456.2)
Treasury stock—at cost, shares: 65.5 at December 31, 2020 and June 30, 2020	(1,446.3)	(1,446.3)
Total Coty Inc. stockholders' equity	3,077.4	3,004.6
Noncontrolling interests	217.9	224.2
Total equity	3,295.3	3,228.8
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY	\$ 14,159.8	\$ 16,728.8

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Six Months Ended December 31, 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	1.5	\$ —	830.6	\$ 8.3	\$ 10,447.4	\$ (5,554.3)	\$ (456.2)	65.5	\$ (1,446.3)	\$ 2,998.9	\$ 224.2	\$ 3,223.1	\$ 79.1	\$ 715.8
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)		
Distribution to noncontrolling interests, net										—		—	—	
Adjustment of redeemable noncontrolling interests to redemption value					1.5					1.5		1.5	(1.5)	
BALANCE—September 30, 2020	1.5	\$ —	831.2	\$ 8.3	\$ 10,434.1	\$ (5,332.9)	\$ (462.1)	65.5	\$ (1,446.3)	\$ 3,201.1	\$ 224.5	\$ 3,425.6	\$ 83.1	\$ 979.0
Exercise of employee stock options and restricted stock units			0.4		—					—		—		
Shares withheld for employee taxes					(0.9)					(0.9)		(0.9)		
Share-based compensation expense					14.4					14.4		14.4		
Changes in dividends accrued					0.4					0.4		0.4		
Dividends accrued- Convertible Series B Preferred Stock					(23.2)					(23.2)		(23.2)		23.2
Net income (loss)						(252.3)				(252.3)	(2.5)	(254.8)	0.3	
Other comprehensive loss							135.6			135.6	0.2	135.8		
Distribution to noncontrolling interests, net										—	(4.3)	(4.3)	(2.1)	
Adjustment of redeemable noncontrolling interests to redemption value					1.8					1.8		1.8	(1.8)	
Equity Investment contribution for share-based compensation					0.5					0.5		0.5		
BALANCE—December 31, 2020	1.5	\$ —	831.6	\$ 8.3	\$ 10,427.1	\$ (5,585.2)	\$ (326.5)	65.5	\$ (1,446.3)	\$ 3,077.4	\$ 217.9	\$ 3,295.3	\$ 79.5	\$ 1,002.2

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Six Months Ended December 31, 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	—
Exercise of employee stock options and restricted stock units			1.1		1.5					1.5		1.5		
Shares withheld for employee taxes					(3.5)					(3.5)		(3.5)		
Share-based compensation expense					10.3					10.3		10.3		
Dividends declared - Cash and Other					(66.1)					(66.1)		(66.1)		
Dividends (\$0.125 per common share)					(29.3)					(29.3)		(29.3)		
Dividends settled in Shares of Class A Common Stock			2.4	0.2	29.3					29.5		29.5		
Net (loss) income						(21.1)				(21.1)	0.5	(20.6)	4.2	
Other comprehensive income							105.9			105.9	0.1	106.0		
Distribution to noncontrolling interests, net										—		—	(10.7)	
Adjustment of redeemable noncontrolling interests to redemption value					(10.5)					(10.5)		(10.5)	10.5	
BALANCE—December 31, 2019	9.4	\$ 0.1	826.0	\$ 8.3	\$ 10,497.8	\$ (4,510.7)	\$ (77.5)	65.5	\$ (1,446.3)	\$ 4,471.7	\$ 9.9	\$ 4,481.6	\$ 98.6	\$ —

See notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (27.3)	\$ 39.9
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	289.7	357.3
Non-cash lease expense	41.2	51.8
Deferred income taxes	(299.6)	(50.4)
Provision for bad debts	(6.4)	26.0
Provision for pension and other post-employment benefits	7.7	18.3
Share-based compensation	22.3	16.5
Gain on divestitures and sale of brand assets	—	(84.5)
Loss on sale of business in discontinued operations	219.1	—
Foreign exchange effects	31.7	5.4
Other	38.7	20.4
Change in operating assets and liabilities, net of effects from purchase of acquired companies and sale of business:		
Trade receivables	(178.6)	12.3
Inventories	113.8	85.3
Prepaid expenses and other current assets	(73.8)	3.5
Accounts payable	(61.8)	(118.9)
Accrued expenses and other current liabilities	283.3	195.9
Operating lease liabilities	(79.2)	(53.7)
Income and other taxes payable	98.0	(19.3)
Other noncurrent assets	29.2	(29.2)
Other noncurrent liabilities	24.7	(14.6)
Net cash provided by operating activities	472.7	462.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(111.6)	(145.0)
Proceeds from sale of long term assets	2.1	—
Proceeds from sale of business, net of cash disposed	27.0	25.6
Proceeds from sale of discontinued business, net of cash disposed	2,386.2	—
Return of capital from equity investments	448.0	—
Termination of currency swaps designated as net investment hedges	(37.6)	—
Net cash provided by (used in) investing activities	2,714.1	(119.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from (repayments of) short-term debt, original maturity less than three months	1.2	(4.0)
Proceeds from revolving loan facilities	1,376.2	1,448.5
Repayments of revolving loan facilities	(2,426.1)	(1,540.8)
Repayments of term loans and other long-term debt	(2,113.7)	(93.0)
Dividend payment	(1.5)	(130.4)
Net proceeds from issuance of Class A Common Stock and Series A Preferred Stock	—	2.1
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	12.6	10.8

Purchase of remaining mandatorily redeemable noncontrolling interest	—	(45.0)
Distributions to noncontrolling interests, redeemable noncontrolling interests and mandatorily redeemable financial instruments	(6.3)	(20.1)
All other	(2.4)	(4.3)
Net cash used in financing activities	(2,932.8)	(380.7)
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(0.7)	(2.8)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	253.3	(40.9)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	352.0	380.4
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	\$ 605.3	\$ 339.5
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the period for interest	\$ 133.7	\$ 143.9
Net cash (refunds)/payments for income taxes	(10.6)	78.0
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditure additions	\$ 40.3	\$ 79.9
Non-cash Common Stock dividend	—	60.2
Non-cash Preferred Stock dividend	43.9	—

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 November 30, 2020, the Company completed the previously announced strategic transaction with Rainbow UK Bidco Limited (“KKR Bidco”) (an affiliate of funds and/or separately managed accounts (“KKR Funds”) advised and/or managed by Kolberg Kravis Roberts & Co. L.P. and its affiliates (“KKR”)), for the sale of a majority stake in Coty’s Professional and Retail Hair business, including the Wella, Clairol, OPI and ghd brands, (together, the “Wella Business”). As a result Coty will own a 40% stake in Rainbow JVCO LTD and subsidiaries (together, “Wella”). See Note 5—Business Combinations, Asset Acquisitions and Divestitures for information on the strategic transaction.

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 and six months ended December 31, 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 December 31, 2020 and June 30, 2020, the Company had restricted cash of \$56.2 and \$43.7, respectively, included in Restricted cash in the Condensed Consolidated Balance Sheets. The Restricted cash balance as of December 31, 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 December 31, 2020. Restricted cash is included as a component of Cash, cash equivalents and restricted cash in the Condensed Consolidated Statement of Cash Flows.

Equity Investments

The Company elected the fair value option to account for its investment in the Wella Business. The fair value is updated on a quarterly basis. The investments are classified within Level 3 in the fair value hierarchy because the Company estimates the fair value of the investments using either the market approach and/or income approach. Changes in the fair value of equity investments under the fair value option are recorded in the Condensed Consolidated Statements of Operations (see Note 9—Equity Investments).

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 fair value of equity investments, 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 December 31, 2020 and 2019 was 68.2% and 27.8%, respectively and 156.9% and 40.4% for the six months ended December 31, 2020 and 2019, respectively. The positive effective tax rate for the three and six months ended December 31, 2020 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 December 31, 2020, as compared with the three months ended December 31, 2019, is primarily due to the resolution of foreign uncertain tax positions of \$16.8 in the current period. The change in the effective tax rate for the six months ended December 31, 2020, as compared with the six months ended December 31, 2019, is primarily due to a preliminary benefit of \$220.5 recorded in the first quarter of fiscal 2021 and the U.S. GAAP treatment of the Younique disposition in the prior period. The benefit recorded in the first quarter of fiscal 2021 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 December 31, 2020 and June 30, 2020, the gross amount of UTBs was \$325.1 and \$277.9, respectively. As of December 31, 2020, the total amount of UTBs that, if recognized, would impact the effective income tax rate is \$200.1. As of December 31, 2020 and June 30, 2020, the liability associated with UTBs, including accrued interest and penalties, was \$222.2 and \$170.7, respectively, which was recorded in Income and other taxes payable and Other noncurrent liabilities in the Condensed Consolidated Balance Sheets. The total interest and penalties recorded in the Condensed Consolidated Statements of Operations related to UTBs was \$(0.2) and \$(1.3) for the three months ended December 31, 2020 and 2019, respectively and \$1.0 and \$0.1 for the six months ended December 31, 2020 and 2019, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of December 31, 2020 and June 30, 2020 was \$22.0 and \$19.3, respectively. On the basis of the information available as of December 31, 2020, it is reasonably possible that a decrease of up to \$38.4 in UTBs may occur within twelve months as a result of projected resolutions of global tax examinations and a potential lapse of the applicable statutes of limitations.

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*, 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.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12") as part of its simplification initiative to reduce the cost and complexity in accounting for income taxes. ASU 2019-12 removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2019-12 effective July 1, 2020, on a prospective basis. The adoption of ASU 2019-12 did not have a material impact on the Company's Condensed Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, which simplifies the accounting for contract modifications made to replace LIBOR or other reference rates that are expected to be discontinued due to reference rate reform. The guidance provides optional expedients and exceptions for applying U.S. GAAP to these contract modifications if certain criterion are met. The amendment is available to be adopted immediately and the Company is evaluating the impact of applying this guidance on its existing derivative contracts, leases and other arrangements, as well as when to adopt this guidance.

3. DISCONTINUED OPERATIONS

As described in Note 1—Description of Business, on November 30, 2020, the Company completed the strategic transaction for the sale of a majority stake in the Wella Business.

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

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020 ^(b)	2019	2020 ^(b)	2019
Net revenues	\$ 419.9	\$ 661.3	\$ 986.3	\$ 1192.9
Cost of sales	141.5	227.0	322.5	403.5
Gross profit	278.4	434.3	663.8	789.4
Selling, general and administrative expenses	203.7	286.2	443.7	552.1
Amortization expense	—	26.0	—	52.0
Restructuring costs	(0.7)	6.2	(0.7)	7.4
Operating income	75.4	115.9	220.8	177.9
Interest expense, net ^(a)	9.5	12.7	21.3	27.0
Loss on sale of business	219.1	—	219.1	—
Other expense (income), net	(1.1)	(0.1)	(1.0)	(0.2)
Income from discontinued operations before income taxes	(152.1)	103.3	(18.6)	151.1
Income tax on discontinued operations	83.5	18.4	112.3	26.7
Net (loss) income from discontinued operations	<u>\$ (235.6)</u>	<u>\$ 84.9</u>	<u>\$ (130.9)</u>	<u>\$ 124.4</u>

^(a) Interest expense was allocated to the discontinued operations due to a requirement in the 2018 Coty Credit Agreement, as amended (defined in Note 12—Debt), 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 is reserved for reinvestment in the business.

^(b) As the sale of the Wella Business occurred on November 30, 2020, discontinued operations activity comprises of two and five months, respectively, for the three and six month periods ended December 31, 2020.

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

	Six Months Ended December 31,	
	2020 ^(a)	2019
NON-CASH OPERATING ITEMS		
Depreciation and amortization	\$ —	\$ 72.4
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	\$ 8.7	\$ 11.4

^(a) As the sale of the Wella Business occurred on November 30, 2020, discontinued operations activity comprises of five months for the six month period ended December 31, 2020.

The major components of assets and liabilities of the Wella Business held for sale are provided below.

	June 30, 2020 ^(a)
ASSETS	
Trade receivables	\$ 168.0
Inventories	269.2
Prepaid expenses and other current assets	134.9
Property and equipment, net	241.3
Goodwill	874.8
Other intangible assets, net	2,770.4
Operating lease right-of-use assets	73.4
Deferred income taxes	25.5
Other noncurrent assets	55.6
TOTAL ASSETS HELD FOR SALE	\$ 4,613.1
LIABILITIES	
Accounts payable	\$ 128.3
Accrued expenses and other current liabilities	236.4
Current operating lease liabilities	17.2
Income and other taxes payable	15.8
Long-term operating lease liabilities	65.9
Noncurrent deferred tax liabilities	324.8
Pension and other post-employment benefits	140.8
Other noncurrent liabilities	27.5
TOTAL LIABILITIES HELD FOR SALE	\$ 956.7

^(a) The sale of Wella closed on November 30, 2020. As such, there were no assets held for sale as of December 31, 2020. For the period ended on 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.

The loss on sale of the Wella Business included in Net (loss) income from discontinued operations in the Condensed Consolidated Statements of Operations was \$219.1 for the three months ended December 31, 2020. Cash proceeds received by the Company for the sale of its 60% stake in Wella were \$2,451.7 and the Company retained an equity interest of 40%, valued at \$1,634.5. The loss on sale reflects the net assets sold, taxes and other costs to sell the Wella Business.

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 Younique, LLC (“Younique”) are included in “Other.” See Note 5—Business Combinations, Asset Acquisitions and Divestitures for information on Younique 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 10—Goodwill and Other Intangible Assets, net.

SEGMENT DATA	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Net revenues:				
Americas	\$ 539.5	\$ 581.5	\$ 1,010.1	\$ 1,070.3
EMEA	708.9	908.0	1,239.3	1,584.7
Asia Pacific	167.2	194.2	290.3	384.4
Other	—	—	—	55.5
Total	<u>\$ 1,415.6</u>	<u>\$ 1,683.7</u>	<u>\$ 2,539.7</u>	<u>\$ 3,094.9</u>
Operating income (loss):				
Americas	31.6	21.5	52.8	4.0
EMEA	88.0	98.9	101.1	127.1
Asia Pacific	6.4	5.6	(12.7)	14.1
Other	—	—	—	(10.9)
Corporate	(109.0)	(206.5)	(190.2)	(150.8)
Total	<u>\$ 17.0</u>	<u>\$ (80.5)</u>	<u>\$ (49.0)</u>	<u>\$ (16.5)</u>
Reconciliation:				
Operating income (loss)	17.0	(80.5)	(49.0)	(16.5)
Interest expense, net	59.2	58.4	121.3	121.5
Other expense, net	17.6	1.4	11.8	3.7
Loss from continuing operations before income taxes	<u>\$ (59.8)</u>	<u>\$ (140.3)</u>	<u>\$ (182.1)</u>	<u>\$ (141.7)</u>

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

PRODUCT CATEGORY	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Fragrance	63.5 %	62.5 %	60.1 %	60.5 %
Color Cosmetics	23.8	25.4	26.7	27.3
Hair Care	0.3	0.4	0.3	0.3
Skin & Body Care	12.4	11.7	12.9	11.9
Total Coty Inc.	<u>100.0 %</u>	<u>100.0 %</u>	<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 fiscal 2021, other than allocating the goodwill as noted below.

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. Goodwill of \$66.6,

\$35.9 and \$26.1 is allocated to the Americas, EMEA, and Asia Pacific segments, respectively. The allocation of goodwill to segments was based on the relative fair values of expected future cash flows.

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

Wella Business

On November 30, 2020, the Company completed the strategic transaction with KKR for the sale of a majority stake in the Wella Business (see Note 3—Discontinued Operations). Following the sale, Coty deconsolidated the Wella Business as KKR owns approximately 60% of the separately managed business, and the Company owns the remaining 40%. Cash proceeds received for the sale of the 60% stake in Wella were \$2,451.7 (less cash disposed of \$65.5, resulted in net cash proceeds of \$2,386.2). The transaction is subject to working capital adjustments that are pending resolution.

Coty utilized \$2,015.5 of the net proceeds to pay down its Term Loans A and B on a pro rata basis and reserved \$500.0 for reinvestment in the Company's business (see Note 12—Debt).

As a result of the sale of the majority interest in Wella, the Company determined that it no longer had a controlling interest in the Wella Business. The Company, therefore, deconsolidated its ownership of the Wella assets and liabilities and no longer reported the assets and liabilities of Wella in its Condensed Consolidated Balance Sheet as of December 31, 2020. The operations of Wella were consolidated in the results of the Company through the date of sale. The Company accounted for its 40% stake in the Wella Business under the fair value option (see Note 9—Equity Investments).

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, which has been paid. 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 six months ended December 31, 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 Condensed Consolidated Statements of Operations for the six months ended December 31, 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 \$(0.5) and \$4.1 for the three months ended December 31, 2020 and 2019, respectively and \$(0.5) and \$4.1 for the six months ended December 31, 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, the Company includes write-offs of assets that are no longer recoverable and contract related costs due to the divestiture. The Company recognized divestiture-related costs of \$52.2 and \$31.9 for the three months ended December 31, 2020 and 2019, respectively and \$98.5 and \$31.9 for the six months ended December 31, 2020 and 2019, respectively. Divestiture-related costs incurred during the three and six months ended December 31, 2020 were primarily related to the strategic transaction with KKR for the sale of a majority stake in the Wella Business. See Note 5—Business Combinations, Asset Acquisitions and Divestitures 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 and six months ended December 31, 2020 and 2019 are presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Transformation Plan	\$ 62.5	\$ 131.8	\$ 93.7	\$ 139.4
Other Restructuring	(2.9)	(3.1)	(4.0)	(5.9)
Total	<u>\$ 59.6</u>	<u>\$ 128.7</u>	<u>\$ 89.7</u>	<u>\$ 133.5</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 \$250.3 related to approved initiatives through December 31, 2020, which have been recorded in Corporate.

Over the next three fiscal years, the Company expects to incur approximately \$80.0 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	93.7	(0.4)	0.4	93.7
Cumulative through December 31, 2020	<u>\$ 244.9</u>	<u>\$ (1.5)</u>	<u>\$ 6.9</u>	<u>\$ 250.3</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	109.7	(0.4)	0.4	109.7
Payments	(40.2)	—	(0.2)	(40.4)
Changes in estimates	(16.0)	—	—	(16.0)
Non-cash utilization	—	0.4	—	0.4
Adjustment for sale of the Wella Business	(0.6)	—	—	(0.6)
Effect of exchange rates	9.9	—	—	9.9
Balance—December 31, 2020	<u>\$ 194.7</u>	<u>\$ —</u>	<u>\$ 0.9</u>	<u>\$ 195.6</u>

The Company currently estimates that the total remaining accrual of \$195.6 will result in cash expenditures of approximately \$68.2, \$111.4 and \$16.0 in fiscal 2021, 2022 and thereafter, respectively.

Other Restructuring

The Company executed a number of other legacy restructuring activities in prior years, which are substantially completed. The Company recognized (income) expenses, net, of \$(2.9) and \$(3.1) during the three months ended December 31, 2020 and 2019, respectively and \$(4.0) and \$(5.9) for the six months ended December 31, 2020 and 2019, respectively. The related liability balances were \$7.8 and \$14.5 at December 31, 2020 and June 30, 2020, respectively. The Company currently estimates that the total remaining accrual of \$7.8 will result in cash expenditures of \$6.5 and \$1.3 in fiscal 2021 and 2022, respectively.

8. INVENTORIES

Inventories as of December 31, 2020 and June 30, 2020 are presented below:

	December 31, 2020	June 30, 2020
Raw materials	\$ 86.1	\$ 148.6
Work-in-process	6.8	11.1
Finished goods	533.2	518.5
Total inventories	<u>\$ 626.1</u>	<u>\$ 678.2</u>

9. EQUITY INVESTMENTS

On November 30, 2020, the Company completed the previously announced strategic transaction with KKR for the sale of a majority stake in Coty's Wella Business. As part of the transaction, Coty received cash proceeds of \$2,451.7, and retained a 40% stake in Wella. The Company initially computed the fair value of its retained noncontrolling interest investment based on the fair value of the Wella Business exchanged with KKR. This resulted in an initial fair value of \$1,634.5 for the retained noncontrolling interest investment in Wella. Immediately after closing, Wella drew down on their third party debt for \$1,282.4 and used \$448.0 of such funds to make a distribution to the Company, which the Company has accounted for as a return of capital. As of December 31, 2020, the fair value of the Company's investment in Wella was estimated to be \$1,186.5.

Beginning on December 1, 2020, the summarized financial information for such equity investment as of and for the period ended December 31, 2020 is as follows:

	Three and Six Months Ended December 31, 2020
Net revenues	\$ 215.2
Gross profit	147.0
Operating loss	(5.1)
Loss from operations before income taxes	(13.5)
Net loss from operations	(12.7)

10. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of December 31, 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 December 31, 2020				
Measurement period adjustments ^(a)	(62.0)	35.9	26.1	—
Foreign currency translation	53.8	84.5	38.9	177.2
Gross balance at December 31, 2020	\$ 3,104.0	\$ 3,759.3	\$ 1,327.9	\$ 8,191.2
Accumulated impairments	(1,768.7)	(1,857.3)	(414.1)	(4,040.1)
Net balance at December 31, 2020	<u>\$ 1,335.3</u>	<u>\$ 1,902.0</u>	<u>\$ 913.8</u>	<u>\$ 4,151.1</u>

^(a) Includes measurement period adjustments during the period ended December 31, 2020 in connection with the King Kylie acquisition (Refer to Note 5—Business Combinations, Asset Acquisitions and Divestitures).

Other Intangible Assets, net

Other intangible assets, net as of December 31, 2020 and June 30, 2020 are presented below:

	December 31, 2020	June 30, 2020
Indefinite-lived other intangible assets	\$ 1,032.3	\$ 995.5
Finite-lived other intangible assets, net	3,462.2	3,376.6
Total Other intangible assets, net	<u>\$ 4,494.5</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 December 31, 2020		
Foreign currency translation	36.8	36.8
Gross balance at December 31, 2020	\$ 1,945.8	\$ 1,945.8
Accumulated impairments	(913.5)	(913.5)
Net balance at December 31, 2020	<u>\$ 1,032.3</u>	<u>\$ 1,032.3</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>
December 31, 2020				
License agreements and collaboration agreements	\$ 4,101.1	\$ (1,157.4)	\$ (19.6)	\$ 2,924.1
Customer relationships	810.1	(467.1)	(5.5)	337.5
Trademarks	333.5	(164.1)	(0.5)	168.9
Product formulations and technology	91.2	(59.5)	—	31.7
Total	<u>\$ 5,335.9</u>	<u>\$ (1,848.1)</u>	<u>\$ (25.6)</u>	<u>\$ 3,462.2</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 \$61.8 and \$50.8 for the three months ended December 31, 2020 and 2019, respectively, and \$127.2 and \$109.1 for the six months ended December 31, 2020 and 2019, respectively.

11. 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 and six months ended December 31, 2020:

Lease Cost:	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Operating lease cost	\$ 19.8	\$ 25.4	\$ 39.0	\$ 51.8
Short-term lease cost	0.2	0.7	0.4	1.3
Variable lease cost	16.4	10.0	30.3	20.3
Sublease income	(3.0)	(2.4)	(4.5)	(4.6)
Net lease cost	\$ 33.4	\$ 33.7	\$ 65.2	\$ 68.8
Other information:				
Operating cash outflows from operating leases	\$ (48.5)	\$ (24.8)	\$ (79.9)	\$ (51.4)
Right-of-use assets obtained in exchange for lease obligations	\$ 2.8	\$ 23.8	\$ 10.8	\$ (2.3)
Weighted-average remaining lease term - real estate			6.4	7.5
Weighted-average discount rate - real estate leases			3.49 %	3.23 %

Future minimum lease payments for the Company's operating leases as of December 31, 2020 are as follows:

Fiscal Year Ending June 30,	
2021, remaining	\$ 56.3
2022	81.8
2023	66.6
2024	53.6
2025	40.8
Thereafter	129.2
Total future lease payments	428.3
Less: imputed interest	(46.9)
Total present value of lease liabilities	381.4
Current operating lease liabilities	88.0
Long-term operating lease liabilities	293.4
Total operating lease liabilities	\$ 381.4

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

12. DEBT

The Company's debt balances consisted of the following as of December 31, 2020 and June 30, 2020, respectively:

	December 31, 2020	June 30, 2020
Short-term debt	\$ 1.4	\$ —
2018 Coty Credit Agreement		
2018 Coty Revolving Credit Facility due April 2023	456.0	1,438.8
2018 Coty Term A Facility due April 2023	1,906.5	2,959.0
2018 Coty Term B Facility due April 2025	1,494.0	2,308.5
Senior Unsecured Notes		
2026 Dollar Notes due April 2026	550.0	550.0
2023 Euro Notes due April 2023	676.1	618.3
2026 Euro Notes due April 2026	307.3	281.1
Other long-term debt and capital lease obligations	0.4	0.6
Total debt	5,391.7	8,156.3
Less: Short-term debt and current portion of long-term debt	(201.2)	(188.3)
Total Long-term debt	5,190.5	7,968.0
Less: Unamortized debt issuance costs	(45.5)	(66.9)
Less: Discount on Long-term debt	(5.1)	(9.0)
Total Long-term debt, net	\$ 5,139.9	\$ 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 December 31, 2020, total short-term debt increased to \$1.4 from \$0.0 as of June 30, 2020. In addition, the Company had undrawn letters of credit of \$15.7 and \$6.0 and bank guarantees of \$27.3 and \$45.7 as of December 31, 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 million of 4.00% senior unsecured notes due 2023 (the "2023 Euro Notes") and €250.0 million 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 million denominated in U.S. dollars and (ii) €2,035.0 million 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 million 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 million 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 million is available for letters of credit and up to \$150.0 million 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 million 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 million to \$2,750.0 million.

On April 29, 2020, the Company amended its existing credit agreement. The amendment (i) provided a net debt to EBITDA financial covenant "holiday" through March 31, 2021; (ii) established a minimum liquidity covenant through March 31, 2021 of \$350.0 million, which increased to \$500.0 million for the prepayment event noted below; and (iii) effectively placed 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 did not modify the applicable funding costs during the period through March 31, 2021.

On November 30, 2020, the Company completed the strategic transaction with KKR for the sale of a majority stake in the Wella Business. As part of the transaction, Coty received cash proceeds of \$2,451.7 million for the sale of its 60% stake in Wella and its pro rata share of Wella's return of capital distribution of \$448.0 million, and retained a 40% stake in Wella (see Note 5—Business Combinations, Asset Acquisitions and Divestitures). In accordance with the 2018 Coty Credit Agreement, as amended, the Company utilized \$2,015.5 million of the net proceeds to pay down its Term Loans A and B on a pro rata basis and reserved \$500.0 million for reinvestment in the business, as defined in the 2018 Coty Credit Agreement, as amended, ("the Reinvestment Balance"). If the Reinvestment Balance is not reinvested within twelve months, the Company is required to use the remainder to pay down its Term Loans A and B on a pro rata basis. As a result of the prepayments, the outstanding balances of Term Loans A and B were reduced by \$1,135.7 million and \$879.8 million, respectively, and the Company wrote off \$10.7 million of unamortized deferred financing fees and \$3.1 million of unamortized original issue debt discounts. The write-offs of the unamortized deferred financing fees and unamortized

original issue debt discounts are included in Other expense, net in the Condensed Consolidated Statements of Operations. Additionally, in accordance with the 2018 Coty Credit Agreement, as amended, as a result of the prepayments, the minimum liquidity covenant increased from \$350.0 to \$500.0.

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

	December 31, 2020		June 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2018 Coty Credit Agreement	\$ 3,856.5	\$ 3,664.8	\$ 6,706.3	\$ 5,962.3
Senior Unsecured Notes	1,533.4	1,482.0	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 December 31, 2020, are presented below:

Fiscal Year Ending June 30,

2021, remaining	\$	99.8
2022		199.5
2023		2,800.4
2024		24.4
2025		1,408.5
Thereafter		857.3
Total	\$	5,389.9

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)
December 31, 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 \$500.0. As of December 31, 2020, the immediate liquidity was \$2,832.1.

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 December 31, 2020 is 5.95.

As of December 31, 2020, the Company was in compliance with all covenants contained within the 2018 Coty Credit Agreement, as amended.

13. INTEREST EXPENSE, NET

Interest expense, net for the three and six months ended December 31, 2020 and 2019, respectively, is presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Interest expense	\$ 60.6	\$ 53.6	\$ 119.6	\$ 114.7
Foreign exchange (gains) losses, net of derivative contracts	(0.7)	4.8	3.7	8.7
Interest income	(0.7)	—	(2.0)	(1.9)
Total interest expense, net	<u>\$ 59.2</u>	<u>\$ 58.4</u>	<u>\$ 121.3</u>	<u>\$ 121.5</u>

14. EMPLOYEE BENEFIT PLANS

As part of the Transformation 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 for the six months ended December 31, 2020. The impact of the curtailment activity on the current and prior comparative periods is included in Other expense, net in the Condensed 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 December 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2020	2019	2020	2019	2020	2019	2020	2019
Service cost	\$ —	\$ —	\$ 5.2	\$ 9.2	\$ 0.3	\$ 0.4	\$ 5.5	\$ 9.6
Interest cost	0.1	0.3	2.2	2.3	0.3	0.6	2.6	3.2
Expected return on plan assets	—	—	(1.8)	(2.1)	—	—	(1.8)	(2.1)
Amortization of prior service credit	—	—	(0.1)	(0.2)	(0.8)	(1.5)	(0.9)	(1.7)
Amortization of net loss	0.3	0.3	(0.1)	—	—	—	0.2	0.3
Net periodic benefit cost (credit)	<u>\$ 0.4</u>	<u>\$ 0.6</u>	<u>\$ 5.4</u>	<u>\$ 9.2</u>	<u>\$ (0.2)</u>	<u>\$ (0.5)</u>	<u>\$ 5.6</u>	<u>\$ 9.3</u>

	Six Months Ended December 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2020	2019	2020	2019	2020	2019	2020	2019
Service cost	\$ —	\$ —	\$ 11.9	\$ 18.7	\$ 0.6	\$ 0.9	\$ 12.5	\$ 19.6
Interest cost	0.2	0.4	4.7	4.6	0.6	1.0	5.5	6.0
Expected return on plan assets	—	—	(3.7)	(4.2)	—	—	(3.7)	(4.2)
Amortization of prior service credit	—	—	(0.2)	(0.4)	(1.7)	(3.1)	(1.9)	(3.5)
Amortization of net loss	0.7	0.4	(0.1)	—	—	—	0.6	0.4
Curtailment gain recognized	—	—	(5.3)	—	—	—	(5.3)	—
Net periodic benefit cost (credit)	<u>\$ 0.9</u>	<u>\$ 0.8</u>	<u>\$ 7.3</u>	<u>\$ 18.7</u>	<u>\$ (0.5)</u>	<u>\$ (1.2)</u>	<u>\$ 7.7</u>	<u>\$ 18.3</u>

Net periodic benefit costs include amounts related to discontinued operations of \$2.5 and \$3.6 for the three months ended December 31, 2020 and 2019, respectively, and \$6.2 and \$7.2 for the six months ended December 31, 2020 and 2019, respectively.

15. 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 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.

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. The related loss from this termination is included in AOCI/(L) until the sale or substantial liquidation of the underlying net investments.

On December 1, 2020, as part of the divestiture, the Company entered into a novation agreement with Wella to assign all existing foreign exchange forward contracts and related obligations originally executed by the Company in connection with the Wella Business.

In December 2020, the Company applied \$2,015.5 in proceeds from the Wella transaction to pay down existing U.S. dollar and foreign currency denominated debt obligations. As a result, foreign currency denominated borrowings designated as net investment hedges decreased from nominal exposures of €3,591.0 million at June 30, 2020 to €2,804.8 million as of December 31, 2020.

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.

In December 2020, the Company terminated certain existing interest rate swaps with notional amount of \$600.0 in exchange for cash payment of \$4.0. The related loss from this termination is included in Interest expense, net in the Condensed Consolidated Statements of Operations. As of December 31, 2020 and June 30, 2020, the Company had interest rate swap contracts designated as effective hedges in the notional amount of \$2,400.0 and \$3,000.0, respectively.

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

The accumulated (loss)/gain on foreign currency borrowings classified as net investment hedges in the foreign currency translation adjustment component of AOCI/(L) was \$(85.6) and \$261.9 as of December 31, 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 December 31, 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 December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Foreign exchange forward contracts	\$ 0.8	\$ (1.0)	\$ (0.4)	\$ (0.6)
Interest rate swap contracts	0.2	4.1	0.4	3.6
Cross-currency swap contracts	—	(22.6)	(25.1)	(18.7)
Net investment hedge	(174.4)	(99.3)	(347.5)	58.0

The accumulated loss on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was \$(27.6) and \$(43.0) as of December 31, 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 \$(13.4).

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 December 31,				Six Months Ended December 31,			
	2020		2019		2020		2019	
	Net revenues	Interest expense, net	Net revenues	Interest expense, net	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	—	(11.5)	—	(1.2)	—	(21.3)	—	(0.3)

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 Classification of Gain (Loss) Recognized in Operations		Three Months Ended December 31,		Six Months Ended December 31,	
		2020	2019	2020	2019
Foreign exchange contracts	Selling, general and administrative expenses	\$ —	\$ —	\$ 0.1	\$ (0.5)
Foreign exchange contracts	Interest expense, net	10.9	6.6	16.2	11.3
Foreign exchange contracts	Other expense, net	(0.1)	(0.2)	(0.4)	(0.3)

16. EQUITY AND CONVERTIBLE PREFERRED STOCK

Common Stock

As of December 31, 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 December 31, 2020, total authorized shares of Class A Common Stock was 1,250.0 million and total outstanding shares of Class A Common Stock was 766.1 million.

As of December 31, 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 and six months ended December 31, 2020, JABC did not acquire any shares of Class A Common Stock.

Series A and A-1 Preferred Stock

As of December 31, 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 December 31, 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 December 31, 2020, the Company has \$0.5 Series A Preferred Stock classified 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 \$50.5 and \$6.5 as of December 31, 2020 and June 30, 2020, respectively. There were no dividends paid in relation to the Series B Preferred Stock in the six months ended December 31, 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 and six months ended December 31, 2020, the Company did not repurchase any shares of its Class A Common Stock. As of December 31, 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 and six months ended December 31, 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 December 31, 2020 were \$1.2, consisting of \$1.2 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 \$1.5 for the previously accrued dividends on RSUs that vested during the six months ended December 31, 2020. Thus, total dividends settled in cash during the six months ended December 31, 2020 were \$1.5.

Total accrued dividends on unvested RSUs and phantom units of \$1.8 and \$2.2 are included in Accrued expenses and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of December 31, 2020.

Accumulated Other Comprehensive Income (Loss)

	Loss on Cash Flow Hedges	Foreign Currency Translation Adjustments		Pension and Other Post-Employment Benefit Plans ^(a)	Total
		Gain (loss) on Net Investment Hedge	Other Foreign Currency Translation Adjustments		
Balance—July 1, 2020	\$ (43.0)	\$ 261.9	\$ (683.8)	\$ 8.7	\$ (456.2)
Other comprehensive (loss) income before reclassifications	(0.2)	(385.1)	514.1	—	128.8
Net amounts reclassified from AOCI/(L)	15.6	—	—	(14.7)	0.9
Net current-period other comprehensive income (loss)	15.4	(385.1)	514.1	(14.7)	129.7
Balance—December 31, 2020	<u>\$ (27.6)</u>	<u>\$ (123.2)</u>	<u>\$ (169.7)</u>	<u>\$ (6.0)</u>	<u>\$ (326.5)</u>

^(a) For the six months ended December 31, 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 \$14.7, net of tax of \$4.3.

	Loss on Cash Flow Hedges	Foreign Currency Translation Adjustments		Pension and Other Post-Employment Benefit Plans	Total
		Gain on Net Investment Hedge	Other Foreign Currency Translation Adjustments		
Balance—July 1, 2019	\$ (13.3)	\$ 214.8	\$ (257.4)	\$ (2.9)	\$ (58.8)
Other comprehensive income (loss) before reclassifications	4.9	39.3	(60.0)	—	(15.8)
Net amounts reclassified from AOCI/(L)	0.2	—	—	(3.1)	(2.9)
Net current-period other comprehensive income (loss)	5.1	39.3	(60.0)	(3.1)	(18.7)
Balance—December 31, 2019	<u>\$ (8.2)</u>	<u>\$ 254.1</u>	<u>\$ (317.4)</u>	<u>\$ (6.0)</u>	<u>\$ (77.5)</u>

17. 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 December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
Equity plan expense ^(a)	\$ 13.7	\$ 8.6	\$ 18.6	\$ 13.0
Equity plan modified and cash settled	—	—	0.9	—
Liability plan (income) expense	0.8	—	0.7	—
Fringe expense	0.4	1.0	0.4	1.0
Total share-based compensation expense	<u>\$ 14.9</u>	<u>\$ 9.6</u>	<u>\$ 20.6</u>	<u>\$ 14.0</u>

^(a) Equity plan share-based compensation expense of \$14.4 and \$10.3, and \$20.6 and \$16.5 were recorded to additional paid in capital and presented in the Condensed Consolidated Statements of Equity for the three and six months ended December 31, 2020 and 2019, respectively. Of the \$14.4 and \$10.3 for the three months ended December 31, 2020 and 2019, respectively, \$0.7 and \$1.7, respectively, were reclassified to discontinued operations. Of the \$20.6 and \$16.5 for the six months ended December 31, 2020 and 2019, respectively, \$2.0 and \$3.5, respectively, were reclassified to discontinued operations.

The share-based compensation expense for the three and six months ended December 31, 2020 of \$14.9 and \$20.6, respectively, includes \$17.3 and \$23.7 expense offset by \$(2.4) and \$(3.1) income, respectively, primarily due to significant executive forfeitures of share-based compensation instruments. The share-based compensation expense for the three and six months ended December 31, 2019 of \$9.6 and \$14.0, respectively, includes \$9.6 and \$16.5 expense offset by nil and \$2.5 income, respectively, primarily due to significant executive forfeitures of share-based compensation instruments.

As of December 31, 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 \$16.3, \$0.0, \$2.6 and \$69.8, 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 3.01, 0.00, 2.43 and 2.85 years, respectively.

Restricted Share Units and Other Share Awards

The Company granted 8.7 and 8.7 shares of RSUs and other share awards during the three and six months ended December 31, 2020, respectively. The Company recognized share-based compensation expense of \$11.8 and \$6.8 for the three months ended December 31, 2020 and 2019, respectively and \$17.1 and \$10.5 for the six months ended December 31, 2020 and 2019, respectively.

Restricted Stock

The Company granted no shares of restricted stock and other share awards during the three and six months ended December 31, 2020. The Company recognized share-based compensation expense of \$0.6 and nil for the three months ended December 31, 2020 and 2019, respectively and \$0.5 and nil for the six months ended December 31, 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 and six months ended December 31, 2020. The Company recognized share-based compensation expense (income) of \$0.5 and \$0.5 for the three months ended December 31, 2020 and 2019, respectively and \$0.4 and \$1.0 for the six months ended December 31, 2020 and 2019, respectively.

Non-Qualified Stock Options

The Company granted no non-qualified stock options during the three and six months ended December 31, 2020. The Company recognized share-based compensation expense of \$2.0 and \$2.3 for the three months ended December 31, 2020 and 2019, respectively and \$2.6 and \$2.6 for the six months ended December 31, 2020 and 2019, respectively.

18. NET (LOSS) 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 December 31,		Six Months Ended December 31,	
	2020	2019	2020	2019
	(in millions, except per share data)			
Amounts attributable to Coty Inc.:				
Net (loss) income from continuing operations	\$ (16.7)	\$ (106.0)	\$ 100.0	\$ (93.2)
Convertible Series B Preferred Stock dividends	(23.1)	—	(43.9)	—
Net (loss) income from continuing operations attributable to common stockholders	(39.8)	(106.0)	56.1	(93.2)
Net (loss) income from discontinued operations, net of tax	(235.6)	84.9	(130.9)	124.4
Net (loss) income attributable to common stockholders	\$ (275.4)	\$ (21.1)	\$ (74.8)	\$ 31.2
Weighted-average common shares outstanding:				
Weighted-average common shares outstanding—Basic	764.6	758.1	764.3	756.1
Effect of dilutive stock options and Series A/A-1 Preferred Stock ^(a)	—	—	—	1.5
Effect of restricted stock and RSUs ^(b)	—	—	4.2	3.6
Effect of Convertible Series B Preferred Stock	—	—	158.1	—
Weighted-average common shares outstanding—Diluted	764.6	758.1	926.6	761.2
(Loss) earnings per common share				
(Loss) earnings from continued operations per common share - basic	\$ (0.05)	\$ (0.14)	\$ 0.07	\$ (0.12)
(Loss) earnings from continued operations per common share - diluted	(0.05)	(0.14)	0.07	(0.12)
(Loss) earnings from discontinued operations - basic	(0.31)	0.11	(0.17)	0.16
(Loss) earnings from discontinued operations - diluted	(0.31)	0.11	(0.17)	0.16
(Loss) earnings per common share - basic	(0.36)	(0.03)	(0.10)	0.04
(Loss) earnings per common share - diluted	(0.36)	(0.03)	(0.10)	0.04

^(a) For the three months ended December 31, 2020 and 2019, outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase shares of Common Stock were excluded in the computation of diluted loss per share due to the net loss incurred during the period. For the six months ended December 31, 2020 and 2019, outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase 16.0 million and 24.8 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 December 31, 2020 and 2019, RSUs were excluded in the computation of diluted loss per share due to the net loss incurred during the period. For the six months ended December 31, 2020 and 2019, there were 8.5 million and 2.9 million anti-dilutive RSUs, respectively, excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

19. MANDATORILY REDEEMABLE FINANCIAL INTERESTS AND REDEEMABLE NONCONTROLLING INTERESTS

Mandatorily Redeemable Financial Interest

United Arab Emirates subsidiary

The Company is required under the 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, which is currently pending final settlement and transition. 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 and is currently pending final settlement. As of December 31, 2020 and June 30, 2020, the liability amounted to \$7.0 and \$8.8, respectively.

Redeemable Noncontrolling Interests

Subsidiary in the Middle East

As of December 31, 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 \$79.5 and \$79.1 as the RNCI balances as of December 31, 2020 and June 30, 2020, respectively.

20. 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 was not 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. On January 24, 2021, the plaintiff voluntarily dismissed the action.

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 U.S. securities laws in connection with the P&G beauty brands acquisition 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, is captioned Crystal Garrett-Evans v. Coty Inc. et al., Case No. 1:20-cv-07277. On November 23, 2020, the court appointed the individual Susan Nock as lead plaintiff and the Rosen Firm as lead counsel. Plaintiff filed an amended complaint on January 22, 2021. The Amended Complaint asserts claims under the federal securities laws and seeks, among other things, monetary relief. This case remains at an early stage.

A second purported stockholder class action and derivative complaint, alleging violations of the U.S. securities laws in connection with the P&G beauty brands acquisition and the Kylie Brands transaction as well as claims for breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets by certain current and former officers and directors of the Company, is pending in the U.S. District Court for the Southern District of New York. The case, which was filed on November 17, 2020, is captioned *Chris Lewis v. Becht et al.*, Case No. 1:20-cv-09685. The Company was named as a nominal defendant. The plaintiff asserts claims under the federal securities laws, as well as claims for breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, and seeks, among other things, injunctive and/or monetary relief. This case remains at an early stage.

A complaint alleging various claims including breach of contract and violations of the California Trade Secrets Act is pending against the Company and King Kylie LLC (“King Kylie”) in the Superior Court of the State of California, County of Los Angeles. The case, which was filed on June 30, 2020, is captioned *Seed Beauty, LLC et al., v. Coty Inc., et al.*, Case No. 20VECV00721 (the “Seed Action”). The plaintiffs, Seed Beauty, LLC and BETA Beauty, LLC (collectively, “Seed”) sought a temporary restraining order to enjoin the Company and King Kylie from discussing or using certain alleged Seed trade secrets. The court denied this request. Discovery is underway with respect to Seed’s anticipated motion for a preliminary injunction. Defendants have moved to compel the action to arbitration, and those motions are pending.

In addition, following the announcement of the potential deal between the Company and KKW Beauty, LLC (“KKW”), Seed commenced a lawsuit against KKW in the Superior Court of the State of California, County of Los Angeles. The case, which was filed June 19, 2020, is captioned *Seed Beauty, LLC et al., v. KKW Beauty, LLC*, Case No. 20VECV00684, and is before the same court as the Seed Action. Seed secured a temporary restraining order prohibiting KKW from sharing with the Company certain alleged Seed trade secrets related to the business relationship between Seed and KKW, as contained in certain documents filed in the action under seal. The Company is not a party to this action but the temporary restraining order imposed on KKW has been extended to the Company. Discovery is underway with respect to Seed’s anticipated motion for preliminary injunction. KKW has moved to compel the action to arbitration, and that motion is pending.

At this time, the Company 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 December 31, 2020 amount to a total of R\$317.7 million (approximately \$61.2 as of December 31, 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 December 31, 2020 amount to a total R\$571.4 million (approximately \$110.0 as of December 31, 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 December 31, 2020 amount to a total of R\$337.8 million (approximately \$65.0 as of December 31, 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.

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 November of 2020. The assessments relate to taxes related to interstate transfers, which the Treasury Office of the State of Minas Gerais considers as improperly calculated for 2016-2019 tax periods. These tax assessments, including estimated interest and penalties, through December 31, 2020 amount to a total of R\$143.2 million (approximately \$27.6 as of December 31, 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.

21. RELATED PARTY TRANSACTIONS

Contribution Agreement

In July 2020, in connection with a one-time sign-on award of restricted stock units expected to be granted to the Chief Executive Officer (“CEO”) in the third quarter of fiscal 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 16—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 accrued dividends through December 31, 2020) and no other changes to the Company's capitalization, KKR Aggregator would be the second largest shareholder, with a 21.9% stake. On November 16, 2020, KKR Aggregator and affiliated investment funds agreed to sell 146,057 shares of Series B Preferred Stock to HFS Holdings S.á r.l, a private limited liability company incorporated under the laws of Luxembourg that is beneficially owned by Peter Harf, a director of the Company. The transaction, which is subject to customary closing conditions, is expected to close on August 27, 2021.

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, which was completed on November 30, 2020. KKR owns 60% of this separately managed entity and Coty owns 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.

Wella

Coty owns 40% of the Wella Business as an equity investment and performs certain services to Wella.

In connection with the sale of the Wella Business, the Company and Wella entered into a Transitional Services Agreement ("TSA"). Subject to the terms of this TSA, the Company will perform services for Wella in exchange for related service fees. Such services include billing and collecting from Wella customers, certain logistics and warehouse services, as well as other administrative and systems support. The various services will be provided for a period of up to eighteen months and can be extended for another three month period. TSA fees and other fees earned for the month of December were \$14.7 and \$0.6, respectively. As of December 31, 2020, accounts receivable from and accounts payable to Wella of \$27.1 and \$101.3, respectively, were included in Prepaid expenses and other current assets and Accrued expenses and other current liabilities, respectively, in the Company's Condensed Consolidated Balance Sheets.

The Company has certain sublease arrangements with Wella after the sale. For the three months ended December 31, 2020, the Company reported sublease income of \$1.4 from Wella.

22. SUBSEQUENT EVENTS

KKW Beauty Business Transaction

On January 4, 2021, the Company completed the acquisition of a 20% ownership interest in the KKW beauty business. Total cash paid in the transaction totaled \$200.0.

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 impact of the Wella Transaction and the related transition services (the "Wella TSA"), the Company's future operations and strategy (including the expected implementation and related impact of its strategic priorities), ongoing and future cost efficiency, optimization 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 KKW Transaction, 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, the availability and widespread distribution of a safe and effective vaccine, 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;

- 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 or Kim Kardashian West's existing beauty businesses, any relaunched or rebranded products and the anticipated costs and discounting associated with such relaunches 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, the fair value of the equity investment, 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 TSA, the integration of the King Kylie Transaction and the KKW 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;
- the timing, costs and impacts of divestitures and the amount and use of proceeds from any such transactions;
- future divestitures and the impact thereof on, and future acquisitions, 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 (including our ability to expand our digital, direct-to-consumer and e-commerce capabilities within contemplated timeframes or at all);
- 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, and specifically in connection with the strategic partnerships with Kylie Jenner and Kim Kardashian, risks related to the entry into a new distribution channel, the potential for channel conflict, risks of retaining customers and key employees, difficulties of integration (or the risks associated with limiting integration), risks related to regulation of multi-level marketing business models, ability to protect trademarks and brand names, litigation or investigations by governmental authorities, and changes in law, regulations and policies that affect KKW Holdings, LLC's ("KKW Holdings") business or products, including risk that direct selling laws and regulations may be modified, interpreted or enforced in a manner that results in a negative impact to KKW Holdings' business model, revenue, sales force or business;
- 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 re-launches and marketing efforts, including in connection with new products related to Kylie Jenner's or Kim Kardashian West's existing beauty businesses;
- 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 related business or market disruption), the current U.S. administration and recent 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"), product liability cases (including asbestos), and litigation or investigations relating to the strategic partnerships with Kylie Jenner and Kim Kardashian West;
- 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 and recently completed Kim Kardashian West transactions complement our existing portfolio as personality-led DTC business models with strong social media engines. As we transform the Company, we continue to make progress on our strategic priorities, including digital and e-commerce acceleration, building out our presence in China, ongoing expansion into prestige cosmetics and skincare, and strengthening our core fragrance and cosmetics businesses through leading innovation and improved execution.

The divestiture of the Younique business in September 2019 and the completion of 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, 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 and travel restrictions adopted worldwide to address the pandemic have contributed to a significant decline in volume trends, albeit with some emerging evidence of recovery in the Americas and Asia during the first half of fiscal 2021. In particular, demand for color cosmetics products and products sold in 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, and the availability and widespread distribution of a safe and effective vaccine varies across regions. 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.

Transformation Plan Update

As previously reported, we are implementing a comprehensive transformation agenda (the “Transformation Plan”), which aims to stabilize and accelerate revenue growth, improve our profitability through gross margin growth and cost control, optimize 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. As a result, we are on track to exit fiscal 2021 with a higher level of cost savings than initially anticipated. These organizational, business and structural changes are still being operationalized, which introduces additional complexity as we roll out several initiatives simultaneously, including the ongoing obligations under the Wella TSA.

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 and Six months ended December 31, 2020 As Compared to Three and Six Months Ended December 31, 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. Additionally, we have excluded the write-off of deferred financing fees and discounts that resulted from the pay down of our term debt from the proceeds of the Wella sale, due to the requirements 2018 Coty Credit Agreement, as amended. 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> Younique - the divestiture of the interest in Foundation, which holds the net assets for Younique	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 and second 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 2021 and 2020 are presented as discontinued operations.

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

THREE MONTHS ENDED DECEMBER 31, 2020 AS COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2019

NET REVENUES

In the three months ended December 31, 2020, net revenues decreased 15.9%, or \$268.1, to \$1,415.6 from \$1,683.7 in the three months ended December 31, 2019. Excluding the impact of the Acquisition, total net revenues decreased 17%, or \$292.5, to \$1,391.2 in the three months ended December 31, 2020 from \$1,683.7 in the three months ended December 31, 2019, reflecting a decrease in unit volume of 15% and a negative price and mix impact of 3%, partially offset by a positive foreign currency exchange translation impact of 1%. The overall decrease in net revenues primarily reflects the impact of the ongoing COVID-19 pandemic, which continues to impact all product categories and regions. The pandemic continued to have a considerable impact on our prestige products, due mainly to continued restrictions on travel retail and reduced traffic in certain luxury retail channels. COVID-19 protocols such as mask-wearing, remote working arrangements, and social distancing have also contributed to reduced demand for several product categories, particularly mass color cosmetics.

The reopening of retail malls across regions, with the exception of Europe which continued to experience rolling lockdowns, coupled with continued e-commerce growth, contributed to overall improvements in net revenues as compared to the first quarter of fiscal 2021, 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 December 31,		Change %
	2020	2019	
NET REVENUES			
Americas	\$ 539.5	\$ 581.5	(7)%
EMEA	708.9	908.0	(22)%
Asia Pacific	167.2	194.2	(14)%
Total	\$ 1,415.6	\$ 1,683.7	(16)%

Americas

In the three months ended December 31, 2020, net revenues from the Americas segment decreased 7%, or \$42.0 to \$539.5 compared to \$581.5 in the three months ended December 31, 2019. Excluding the impact of the Acquisition, net revenues from the Americas segment decreased 11%, or \$64.9, to \$516.6 in the three months ended December 31, 2020, from \$581.5 in the three months ended December 31, 2019 reflecting an decrease in unit volume of 8% and a negative foreign currency exchange translation impact of 4%, offset by a positive price and mix impact of 1%. The decrease in net revenues primarily reflects:

- (i) lower net revenues due to negative brand and category trends for mass color cosmetics and mass fragrances, primarily impacting *Covergirl* and *Rimmel*;
- (ii) lower net revenues due to the COVID-19 pandemic, impacting primarily color cosmetic and mass fragrance product categories, mainly in the United States, Canada, and Latin America (excluding Brazil). In addition, rolling travel restrictions related due to COVID-19 have significantly affected prestige products in our travel retail channels across the segment; and
- (iii) lower net revenues due to overall decreased launch activities in the current period compared to prior period.

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

- (i) an increase in net revenues from the recent launches of *Marc Jacobs Perfect* and *Gucci Guilty*;
- (ii) an increase in net revenues related to e-commerce, primarily in the United States, Brazil, and Canada;
- (iii) an incremental increase in net revenues from the *Gucci* brand as a result of reduction in customer returns compared to the prior comparative period.

EMEA

In the three months ended December 31, 2020, net revenues from the EMEA segment decreased 22%, or \$199.1, to \$708.9 from \$908.0 in the three months ended December 31, 2019, reflecting a decrease in unit volume of 22%, a negative price and mix impact of 3%, and a positive foreign currency exchange translation impact of 3%. The decrease in net revenues primarily reflects:

- (i) lower net revenues due to the COVID-19 pandemic, impacting all product categories across the segment. Reduced customer traffic in retail malls contributed significantly to the overall decrease in the segment. Color cosmetics and mass categories experienced proportionately greater declines than prestige products. Travel retail channels also continue to be significantly impacted as new waves of COVID-19 outbreaks reintroduced restrictions in airports and other travel hubs. The pandemic also contributed to lower launch activity in the prestige category compared to the comparative prior year quarter; and
- (ii) decreased net revenues related to negative category and share trends in color cosmetics and mass fragrance, with somewhat greater resilience being shown in products related to lifestyle scenting, nails, and eyes categories.

These decreases were partially offset by net revenue increases across EMEA resulting from the continued growth of e-commerce sales and the continued success of launches in new luxury fragrances.

Asia Pacific

In the three months ended December 31, 2020, net revenues from the Asia Pacific segment decreased 14%, or \$27.0, to \$167.2 from \$194.2 in the three months ended December 31, 2019, reflecting a decrease in unit volume of 30%, a positive foreign currency exchange translation impact of 3%, and a positive price and mix impact of 13%. 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 primarily due to an ongoing reduction in traffic in retail malls and travel retail channels. While restrictions in the region trended down during the second quarter of fiscal 2021, travel retail channels in particular continue to be significantly impacted due to fluctuating travel limitations and regional lockdown protocols.
- (ii) lower net revenues in the mass channel, primarily color cosmetics such as *Rimmel* and *Max Factor*, primarily related to lower market consumption mainly driven by consumer behavior changes partly attributable to the COVID-19 pandemic; and
- (iii) lower net revenues due to a reduction in the reliance on the value distribution channel for prestige brands in order to maintain brand integrity across the Asia Pacific region.

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

- (i) an increase in net revenue across the region resulting from the continued success of *Gucci Bloom* and the launch of *Gucci Face Foundation* and *Marc Jacobs Perfect* in the prestige category;
- (ii) an increase in net revenue related to travel retail in China, specifically due to reductions in travel restrictions within this country, and distribution expansion within this region for prestige cosmetics products; and
- (iii) an increase in net revenue related to continued growth of e-commerce sales.

COST OF SALES

In the three months ended December 31, 2020, cost of sales decreased 8%, or \$48.3, to \$584.0 from \$632.3 in the three months ended December 31, 2019. Cost of sales as a percentage of net revenues increased to 41.3% in the three months ended December 31, 2020 from 37.6% in the three months ended December 31, 2019, resulting in a gross margin decrease of approximately 370 basis points, primarily reflecting:

- (i) negative gross margin impacts from changes in product and regional mix, due to the pandemic;
- (ii) negative gross margin impact related to an unfavorable mix of prestige brands with higher minimum royalty rates and under-absorption of overhead costs in the period; and
- (iii) increased excess and obsolescence expense of mass color cosmetics and fragrance inventory due to the COVID-19 pandemic impacting demand.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended December 31, 2020, selling, general and administrative expenses decreased 30%, or \$274.9, to \$641.5 from \$916.4 in the three months ended December 31, 2019. Selling, general and administrative expenses as a percentage of net revenues decreased to 45.3% in the three months ended December 31, 2020 from 54.4% in the three months ended December 31, 2019, or approximately 910 basis points. This decrease primarily reflects:

- (i) 690 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) 150 basis points in administrative costs primarily related to a reduction in employee headcount, reductions in non-essential travel and meeting/conference expenses, and decreased professional service costs;
- (iii) 100 basis points related to lower bad debt expense;

These decreases were partially offset by increase of 50 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 December 31, 2020, operating income was \$17.0 compared to a loss of \$80.5 in the three months ended December 31, 2019. Operating margin, or operating loss as a percentage of net revenues, increased to 1.2% in the three months ended December 31, 2020 as compared to an operating loss as a percentage of net revenues of (4.8)% in the three months ended December 31, 2019. The improved operating margin is largely driven by decrease in restructuring expense as well as various initiatives to lower cost as part of management's plan to reduce advertising and promotional spend and certain discretionary costs.

Operating Income by Segment

(in millions)	Three Months Ended December 31,		Change %
	2020	2019	
Operating income (loss)			
Americas	\$ 31.6	\$ 21.5	47 %
EMEA	88.0	98.9	(11)%
Asia Pacific	6.4	5.6	14 %
Corporate	(109.0)	(206.5)	47 %
Total	\$ 17.0	\$ (80.5)	>100%

Americas

In the three months ended December 31, 2020, operating income for Americas was \$31.6 compared to income of \$21.5 in the three months ended December 31, 2019. Operating margin increased to 5.9% of net revenues in the three months ended December 31, 2020 as compared to 3.7% in the three months ended December 31, 2019, driven by lower selling, general, and administrative costs as a percentage of net revenues, and a significant decrease in advertising and promotional spend.

EMEA

In the three months ended December 31, 2020, operating income for EMEA was \$88.0 compared to income of \$98.9 in the three months ended December 31, 2019. Operating margin increased to 12.4% of net revenues in the three months ended December 31, 2020 as compared to 10.9% in the three months ended December 31, 2019, driven 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 December 31, 2020, operating income for Asia Pacific was \$6.4 compared to income of \$5.6 in the three months ended December 31, 2019. Operating margin increased to 3.8% of net revenues in the three months ended December 31, 2020 as compared to 2.9% in the three months ended December 31, 2019, driven by lower selling, general, and administrative costs as a percentage of net revenues, and largely driven by a significant decrease in advertising and promotional spend.

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 December 31, 2020, the operating loss for Corporate was \$109.0 compared to a loss of \$206.5 in the three months ended December 31, 2019, as described under “Adjusted Operating Income for Coty Inc.” below. The decrease to the operating loss for Corporate was primarily driven by a decrease in restructuring and other business realignment costs.

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:

Three Months Ended December 31, 2020			
(in millions)	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income (loss)			
Americas	\$ 31.6	\$ 25.3	\$ 56.9
EMEA	88.0	30.4	118.4
Asia Pacific	6.4	6.1	12.5
Corporate	(109.0)	109.6	0.6
Total	\$ 17.0	\$ 171.4	\$ 188.4
Three Months Ended December 31, 2019			
(in millions)	Reported (GAAP)	Adjustments (a)	Adjusted (Non-GAAP)
Operating income (loss)			
Americas	\$ 21.5	\$ 12.7	\$ 34.2
EMEA	98.9	31.8	130.7
Asia Pacific	5.6	6.2	11.8
Corporate	(206.5)	206.2	(0.3)
Total	\$ (80.5)	\$ 256.9	\$ 176.4

^(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 December 31,		Change %
	2020	2019	
Reported operating income (loss)	\$ 17.0	\$ (80.5)	>100%
<i>% of net revenues</i>	<i>1.2 %</i>	<i>(4.8)%</i>	
Amortization expense	61.8	50.8	22 %
Acquisition and divestiture-related costs	51.7	36.0	44 %
Restructuring and other business realignment costs	57.9	170.1	(66)%
Total adjustments to reported operating income	171.4	256.9	(33)%
Adjusted operating income	188.4	176.4	7 %
<i>% of net revenues</i>	<i>13.3 %</i>	<i>10.5 %</i>	

In the three months ended December 31, 2020, adjusted operating income increased approximately 7%, or \$12.0 to \$188.4 from \$176.4 in the three months ended December 31, 2019. Adjusted operating margin increased to 13.3% of net revenues in the three months ended December 31, 2020 from 10.5% in the three months ended December 31, 2019, primarily driven by an increase in adjustments related to amortization and costs incurred for acquisitions and divestitures, partially offset by decrease in adjustment related to restructuring and other business realignment activities.

Amortization Expense

In the three months ended December 31, 2020, amortization expense increased to \$61.8 from \$50.8 in the three months ended December 31, 2019. In the three months ended December 31, 2020, amortization expense of \$25.3, \$30.4, and \$6.1 was reported in the Americas, EMEA, and Asia Pacific segments, respectively. In the three months ended December 31, 2019, amortization expense of \$12.7, \$31.8, and \$6.3 was reported in the Americas, EMEA, and Asia Pacific segments, respectively. The increase was primarily driven by expenses recorded due to Kylie acquisition which was not recognized in the comparative period.

Acquisition and Divestiture Activities

In the three months ended December 31, 2020 we incurred \$51.7 of costs related to acquisition and divestiture activities. These costs were primarily associated with the Wella Transaction.

In the three months ended December 31, 2019, we incurred \$36.0 of costs related to acquisition and divestiture activities. These costs were partially driven by consulting and legal fees associated with the King Kylie purchase agreement, as well as consulting and legal fees associated with the process to explore strategic alternatives, including divestment, for the Professional Beauty business including associated hair brands sold by the Consumer Beauty division, as well as the Company's Brazilian operations.

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 \$313.9 of cash costs life-to-date as of December 31, 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 December 31, 2020, we incurred restructuring and other business structure realignment costs of \$57.9, as follows:

- We incurred restructuring costs of \$59.6 primarily related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations; and
- We had a credit in business structure realignment costs of \$1.7 primarily related to the Transformation Plan and certain other programs, which is reported in selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

In the three months ended December 31, 2019, we incurred restructuring and other business structure realignment costs of \$170.1 as follows:

- We incurred restructuring costs of \$128.7 primarily related to the Turnaround Plan, included in the Condensed Consolidated Statements of Operations; and
- We incurred business structure realignment costs of \$41.4 primarily related to the Turnaround Plan, included in Selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

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

INTEREST EXPENSE, NET

In the three months ended December 31, 2020, net interest expense was \$59.2 as compared with \$58.4 in the three months ended December 31, 2019. This increase is primarily due to the impact of transactional foreign exchange.

INCOME TAXES

The effective income tax rate for the three months ended December 31, 2020 and 2019 was 68.2% and 27.8%, respectively. The change in the effective tax rate for the three months ended December 31, 2020, as compared to the three months ended December 31, 2019, is primarily due to the resolution of foreign uncertain tax positions of \$16.8 in the current period.

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.

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

(in millions)	Three Months Ended December 31, 2020			Three Months Ended December 31, 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	\$ (59.8)	\$ (40.8)	68.2 %	\$ (140.3)	\$ (39.0)	27.8 %
Adjustments to reported operating income ^{(a) (b)}	171.4	48.3		256.9	49.7	
Other adjustments ^(b)	13.5	3.1		—	—	
Adjusted income before income taxes	\$ 125.1	\$ 10.6	8.5 %	\$ 116.6	\$ 10.7	9.2 %

^(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.

The adjusted effective tax rate was 8.5% for the three months ended December 31, 2020 compared to 9.2% for the three months ended December 31, 2019. The differences were primarily due to the jurisdictional mix of income.

DISCONTINUED OPERATIONS

In the three months ended December 31, 2020, net revenues from discontinued operations decreased by (36.5)% or \$(241.4) to \$419.9 from \$661.3. Excluding the impact of the month of December fiscal 2020 (due to the Wella sale completed on November 30, 2020), net revenues from discontinued operations decreased by (2.4)% or \$(10.2) to \$419.9 from \$430.1. The decrease in net revenues is primarily due to additional lockdowns and restrictions on salon operations due to social distancing protocols, mainly impacting *Wella Professional* sold to salons in France and UK. This decrease was partially offset by continued growth of *ghd* products through the e-commerce channel across all geographical regions, and increased *OPI* products reorders in U.S. from the reopening and restocking of professional salons and e-commerce channel driven by an ongoing trend of at-home self-care.

Operating income was \$75.4 in the three months ended December 31, 2020 compared to income of \$115.9 in the three months ended December 31, 2019. Excluding the impact of the month of December fiscal 2020, operating income was \$75.4 compared to an income of \$83.7. The decrease was primarily related to lower revenues and gross margin.

The loss on sale of the Wella Business was \$219.1 for the three months ended December 31, 2020. Factored into the loss on sale are the proceeds received from the sale of our majority interest in Wella, the book value of net assets sold and costs to sell. The book value of net assets sold was impacted by the seasonal effects on certain portions of the Wella Business during the months leading up to the sale, resulting in increases in the net assets sold. Additionally, certain legal and tax structuring matters were finalized in the final month of the closing of the transaction, resulting in a reduction to certain deferred tax assets and liabilities that were transferred at the date of sale and an increase in the tax liabilities retained by us. As we finalize post-closing adjustments to the purchase consideration for working capital and other contractually specified items over the coming several months, there may be further adjustments to the purchase price and loss on sale.

In connection with the sale of a majority stake in the Wella Business, the Company recorded a tax cost of approximately \$55.2. This cost is a combination of cash taxes incurred as well as a deferred tax expense due to the utilization of net operating loss carryforwards, capital loss carryforwards, and foreign tax credits.

Net loss was \$235.6 in the three months ended December 31, 2020 compared to income of \$84.9 in the three months ended December 31, 2019. Excluding the impact of the month of December fiscal 2020, the net loss was \$235.6 compared to net income of \$83.6. The decrease was primarily due to the loss on sale of Wella Business of \$219.1.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net loss attributable to Coty Inc. was \$252.3 in the three months ended December 31, 2020 as compared to a loss of \$21.1 in the three months ended December 31, 2019. The increase in the loss is primarily driven by the loss on sale of the Wella Business of \$219.1 recognized in the current period.

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 December 31,		Change %
	2020	2019	
Net income from Coty Inc. net of noncontrolling interests	\$ (252.3)	\$ (21.1)	<(100%)
Convertible Series B Preferred Stock dividends	(23.1)	—	N/A
Reported net income attributable to Coty Inc.	\$ (275.4)	\$ (21.1)	<(100%)
<i>% of net revenues</i>	<i>(15.0)%</i>	<i>(0.9)%</i>	
Adjustments to reported operating income ^(a)	170.7	289.6	(41)%
Adjustments to Loss on Sale of Business	219.1	—	N/A
Adjustment to other expense	13.5	—	N/A
Adjustments to noncontrolling interests ^(b)	(3.3)	—	N/A
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	9.2	(63.3)	>100%
Adjusted net income attributable to Coty Inc.	\$ 133.8	\$ 205.2	(35)%
<i>% of net revenues</i>	<i>7.3 %</i>	<i>8.8 %</i>	
Per Share Data			
Adjusted weighted-average common shares			
Basic	764.6	758.1	
Diluted ^(c)	937.6	763.5	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.17	\$ 0.27	
Diluted ^(c)	\$ 0.17	\$ 0.27	

^(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 \$23.1 on income applicable to common stockholders during the period.

SIX MONTHS ENDED DECEMBER 31, 2020 AS COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2019

NET REVENUES

In the six months ended December 31, 2020, net revenues decreased 18%, or \$555.2, to \$2,539.7 from \$3,094.9 in the six months ended December 31, 2019. Excluding the impact of the Acquisition and the Divestiture, total net revenues decreased 18%, or \$549.3, to \$2,490.1 in the six months ended December 31, 2020 from \$3,039.4 in the six months ended December 31, 2019, reflecting a decrease in unit volume of 10%, and a negative price and mix impact of 8%. The overall decrease in net revenues primarily reflects lower net revenues due to the COVID-19 pandemic, impacting all product categories across the Company, with the highest impact on the 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.

Net Revenues by Segment

	Six Months Ended December 31,		
(in millions)	2020	2019	Change %
NET REVENUES			
Americas	\$ 1,010.1	\$ 1,070.3	(6)%
EMEA	1,239.3	1,584.7	(22)%
Asia Pacific	290.3	384.4	(25)%
Other	—	55.5	(100)%
Total	\$ 2,539.7	\$ 3,094.9	(18)%

Americas

In the six months ended December 31, 2020, net revenues from the Americas segment decreased 6%, or \$60.2, to \$1,010.1 from \$1,070.3 in the six months ended December 31, 2019. Excluding the impact of the Acquisition, net revenues from the Americas segment decreased 10%, or \$108.3, to \$962.0 in the six months ended December 31, 2020 from \$1,070.3 in the six months ended December 31, 2019, reflecting a decrease in unit volume of 1%, a negative foreign currency exchange translation impact of 4%, and a negative price and mix impact of 5%. The decrease in net revenues primarily reflects:

- (i) lower net revenues due to negative brand and category trends for mass color cosmetics and mass fragrances, primarily impacting *Covergirl* and *Rimmel*;
- (ii) lower net revenues due to the COVID-19 pandemic, impacting primarily color cosmetic and mass fragrance product categories, mainly in the United States, Canada, and Latin America (excluding Brazil). In addition, rolling travel restrictions related due to COVID-19 have significantly affected prestige products in our travel retail channels across the segment;
- (iii) lower net revenues due to overall decreased launch activities, reduced holiday exposure, and promotional activity in the current period compared to prior period; and
- (iv) lower net revenues due to declines in *Calvin Klein* as a result of decreased innovation and sell-through trends compared to the prior year.

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

- (i) an increase in net revenues from the recent launches of *Marc Jacobs Perfect* and *Gucci Guilty*;
- (ii) 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;
- (iii) an increase in net revenues in Brazil from *Monange* which benefited from significant channel replenishment demand in the current year, and continued success of *Diamond Gel* launch from *Risqué*;
- (iv) an incremental increase in net revenues from the *Gucci* brand as a result of reduction in customer returns; and
- (v) an increase in net revenues related to e-commerce, primarily in the United States, Brazil, and Canada.

EMEA

In the six months ended December 31, 2020, net revenues from the EMEA segment decreased 22%, or \$345.4, to \$1,239.3 from \$1,584.7 in the six months ended December 31, 2019, reflecting a decrease in unit volume of 20%, and a negative price and mix impact of 5%, partially offset by a positive foreign currency exchange translation impact of 3%. The decrease in net revenues primarily reflects:

- (i) lower net revenues due to the COVID-19 pandemic, impacting all product categories across the segment. Reduced customer traffic in retail malls contributed significantly to the overall decrease in the segment. Color cosmetics and mass categories experienced proportionately greater declines than prestige products. Travel retail channels also continue to be significantly impacted as new waves of COVID-19 outbreaks reintroduced restrictions in airports and other travel hubs. The pandemic also contributed to lower launch activity in the prestige category compared to the comparative period;

- (ii) decreased net revenues related to negative category and share trends in color cosmetics and mass fragrance, with somewhat greater resilience being shown in products related to lifestyle scenting, nails, and eyes categories; and
- (iii) lower net revenues due to the ongoing challenges with a key customer and distribution channel in Russia, primarily occurring in the first quarter of fiscal 2021.

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

Asia Pacific

In the six months ended December 31, 2020, net revenues from the Asia Pacific segment decreased 25%, or \$94.1, to \$290.3 from \$384.4 in the six months ended December 31, 2019, reflecting a decrease in unit volume of 30%, partially offset by a positive foreign currency exchange translation impact of 2%, and a positive price and mix impact of 3%. 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 primarily due to an ongoing reduction in traffic in retail malls and travel retail channels. While restrictions in the region trended down during the second quarter of fiscal 2021, travel retail channels in particular continue to be significantly impacted due to fluctuating travel limitations and regional lockdown protocols;
- (ii) lower net revenues due to a reduction in the reliance on the value distribution channel for prestige brands in order to maintain brand integrity across the Asia Pacific region; and
- (iii) lower net revenues in the mass channel, primarily color cosmetics such as *Rimmel* related to lower market consumption mainly driven by consumer behavior changes partly attributable to the COVID-19 pandemic, and *Max Factor* related to distribution interventions and lower market consumption mainly in China.

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

- (i) an increase in net revenue across the region resulting from the continued success of *Gucci Bloom* and the launch of *Gucci Face Foundation* and *Marc Jacobs Perfect* in the prestige category;
- (ii) an increase in net revenue related to travel retail in China specifically due to reductions in travel restrictions within this country, and distribution expansion within this region for prestige cosmetics products; and
- (iii) an increase in net revenue related to continued growth of e-commerce sales.

Other

Other consists of the net revenues from the Divestiture of Younique.

COST OF SALES

In the six months ended December 31, 2020, cost of sales decreased 12%, or \$145.3, to \$1,048.9 from \$1,194.2 in the six months ended December 31, 2019. Cost of sales as a percentage of net revenues increased to 41.3% in the six months ended December 31, 2020 from 38.6% in the six months ended December 31, 2019 resulting in a gross margin decrease of approximately 270 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) increased excess and obsolescence expense on inventory mainly impacting mass color cosmetics products, due to the COVID-19 pandemic affecting demand; and
- (iii) 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 six months ended December 31, 2020, selling, general and administrative expenses decreased 29%, or \$498.2, to \$1,224.9 from \$1,723.1 in the six months ended December 31, 2019. Selling, general and administrative expenses as a percentage of net revenues decreased to 48.2% in the six months ended December 31, 2020 from 55.7% in the six months ended December 31, 2019, or approximately 750 basis points. This decrease was primarily due to:

- (i) 680 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) 100 basis points related to lower bad debt expense;
- (iii) 80 basis points related to administrative costs primarily due to the decrease in compensation expense from reduction of employee headcount and bonus, reduction in non-essential travel impacted by COVID-19, and decreased professional tax and audit services costs due to completion of the sale of the Wella Business;

These decreases were partially offset by the following increases:

- (i) 60 basis points related to higher negative transactional impact from our exposure to foreign currency exchange fluctuations;
- (ii) 40 basis points related to higher share-based compensation due to executive forfeitures of share-based compensation instruments in the prior year;
- (iii) 20 basis points related to other expenses, primarily due to costs associated with the disposal of fixed assets.

OPERATING INCOME (LOSS)

In the six months ended December 31, 2020, operating loss was \$49.0 compared to a loss of \$16.5 in the six months ended December 31, 2019. Operating margin, or operating loss as a percentage of net revenues, decreased to (1.9)% in the six months ended December 31, 2020 as compared to an operating loss as a percentage of net revenues of (0.5)% in the six months ended December 31, 2019. The operating margin decline is 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 period, in addition to increased amortization expense, and acquisition and divestiture related expenses. These are offset by decrease in restructuring expense as well as various initiatives to lower cost as part of management's plan to cut down advertising and promotional spend and certain discretionary costs.

Operating Income (Loss) by Segment

(in millions)	Six Months Ended December 31,		Change %
	2020	2019	
Operating income (loss)			
Americas	\$ 52.8	\$ 4.0	>100%
EMEA	101.1	127.1	(20)%
Asia Pacific	(12.7)	14.1	<(100)%
Other	—	(10.9)	100 %
Corporate	(190.2)	(150.8)	(26)%
Total	\$ (49.0)	\$ (16.5)	<(100)%

Americas

In the six months ended December 31, 2020, operating income for Americas was \$52.8 compared to income of \$4.0 in the six months ended December 31, 2019. Operating margin increased to 5.2% of net revenues in the six months ended December 31, 2020 as compared to 0.4% in the six months ended December 31, 2019, driven primarily by lower selling, general, and administrative costs as a percentage of net revenues, which was largely driven by a significant decrease in advertising and promotional spend.

EMEA

In the six months ended December 31, 2020, operating income for EMEA was \$101.1 compared to income of \$127.1 in the six months ended December 31, 2019. Operating margin increased to 8.2% of net revenues in the six months ended December 31, 2020 as compared to 8.0% in the six months ended December 31, 2019, driven by lower selling, general, and administrative costs as a percentage of net revenues, which was largely driven by a significant decrease in advertising and promotional spend. These were partially offset by higher amortization expense as a percentage of net revenues.

Asia Pacific

In the six months ended December 31, 2020, the operating loss for Asia Pacific was \$12.7 compared to income of \$14.1 in the six months ended December 31, 2019. Operating margin decreased to (4.4)% of net revenues in the six months ended December 31, 2020 as compared to 3.7% in the six months ended December 31, 2019, primarily driven by reduced sales volume due to the COVID-19 pandemic impacting demand, higher cost of goods sold as a percentage of net revenues, and higher amortization expense. These were partially offset by lower selling, general, and administrative costs as a percentage of net revenues, which was largely driven by a significant decrease in advertising and promotional spend.

Other

Other represents operating income (loss) from the Divestiture of Younique.

Corporate

Corporate primarily includes corporate expenses not directly related 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 six months ended December 31, 2020, the operating loss for Corporate was \$190.2 compared to a loss of \$150.8 in the six months ended December 31, 2019, as described under “Adjusted Operating Income for Coty Inc.” below. The increase to the operating loss for Corporate was primarily driven by an increase in acquisition and divestiture related costs. Additionally, the variance was amplified by the gain on divestiture of Younique, which was recognized in the comparative period. This was partially offset by a decrease in restructuring and other business realignment costs.

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)	Six Months Ended December 31, 2020		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income (loss)			
Americas	52.8	\$ 51.5	\$ 104.3
EMEA	101.1	63.2	164.3
Asia Pacific	(12.7)	12.6	(0.1)
Corporate	(190.2)	191.2	1.0
Total	\$ (49.0)	\$ 318.5	\$ 269.5

(in millions)	Six Months Ended December 31, 2019		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating (loss) income			
Americas	4.0	\$ 25.4	\$ 29.4
EMEA	127.1	63.7	190.8
Asia Pacific	14.1	12.4	26.5
Other	(10.9)	7.3	(3.6)
Corporate	(150.8)	149.5	(1.3)
Total	\$ (16.5)	\$ 258.3	\$ 241.8

^(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 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:

(in millions)	Six Months Ended December 31,		Change %
	2020	2019	
Reported operating income (loss)	(49.0)	(16.5)	<(100%)
<i>% of net revenues</i>	<i>(1.9)%</i>	<i>(0.5)%</i>	
Restructuring and other business realignment costs	93.3	197.7	(53)%
Amortization expense	127.2	109.1	17 %
Acquisition and divestiture-related costs	98.0	36.0	>100%
(Gain)/Loss on sale of business	—	(84.5)	100 %
Total adjustments to reported operating income	\$ 318.5	\$ 258.3	23 %
Adjusted operating income	\$ 269.5	\$ 241.8	11 %
<i>% of net revenues</i>	<i>10.6 %</i>	<i>7.8 %</i>	

Adjusted operating income in the six months ended December 31, 2020 increased 11%, or \$27.7, to \$269.5 from \$241.8 in the six months ended December 31, 2019. Adjusted operating margin increased to 10.6% of net revenues in the six months ended December 31, 2020 as compared to 7.8% in the six months ended December 31, 2019, primarily driven by an increase in adjustments related to amortization and costs incurred for acquisitions and divestitures, partially offset by a decrease in adjustment related to restructuring and other business realignment activities.

Amortization Expense

In the six months ended December 31, 2020, amortization expense increased to \$127.2 from \$109.1 in the six months ended December 31, 2019. In the six months ended December 31, 2020, amortization expense of \$51.4, \$63.2, \$12.6, and \$0.0 was reported in the Americas, EMEA, Asia Pacific, and Other segments, respectively. In the six months ended December 31, 2019, amortization expense of \$25.5, \$63.7, \$12.5, and \$7.4 was reported in the Americas, EMEA, Asia Pacific, and Other segments, respectively. The increase was primarily driven by expenses recorded due to Kylie acquisition which was not recognized in the comparative period.

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 \$313.9 of cash costs life-to-date as of December 31, 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 six months ended December 31, 2020, we incurred restructuring and other business structure realignment costs of \$93.3, as follows:

- We incurred restructuring costs of \$89.7 primarily related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of \$3.6 primarily related to our Transformation plan and certain other programs, which is reported in selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

In the six months ended December 31, 2019, we incurred restructuring and other business structure realignment costs of \$197.7 as follows:

- We incurred Restructuring costs of \$133.5 primarily related to the Turnaround Plan, included in the Condensed Consolidated Statements of Operations.

- We incurred business structure realignment costs of \$64.2 primarily related to our Turnaround plan which is included in selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

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

Acquisition and Divestiture Activities

In the six months ended December 31, 2020, we incurred \$98.0 of costs related to acquisition and divestiture activities. These costs were primarily associated with the Wella Transaction.

In the six months ended December 31, 2019, we incurred \$36.0 of cost relating to consulting and legal fees associated with the King Kylie Transaction, as well as consulting and legal fees associated with the process to explore strategic alternatives.

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

Gain on divestitures and sale of brand assets

In the six months ended December 31, 2020, there were no gains on divestitures or sales of brand assets.

In the six months ended December 31, 2019, we completed the divestiture of Younique resulting in income of \$84.5 included in Gain on sale of business in the Condensed Consolidated Statements of Operations.

INTEREST EXPENSE, NET

In the six months ended December 31, 2020, net interest expense was \$121.3 as compared with \$121.5 in the six months ended December 31, 2019. This decrease is primarily due to the impact of transactional foreign exchange.

INCOME TAXES

The effective income tax rate for the six months ended December 31, 2020 and 2019 was 156.9% and 40.4%, respectively. The change in the effective tax rate for the six months ended December 31, 2020, as compared to the prior period is primarily due to a preliminary benefit of \$220.5 recorded in the first quarter of fiscal 2021 and the U.S. GAAP treatment of the Younique disposition in the prior period. The benefit recorded in the first quarter of fiscal 2021 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 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.

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

(in millions)	Six Months Ended December 31, 2020			Six Months Ended December 31, 2019		
	(Loss) Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate	(Loss) Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate
Reported (loss) income before income taxes	\$ (182.1)	\$ (285.7)	156.9 %	\$ (141.7)	\$ (57.2)	40.4 %
Gain on sale of business adjustment ^{(a)(b)}	—	—		(84.5)	4.8	
Other adjustments to reported operating income ^{(a)(b)}	318.5	81.3		342.8	63.6	
Tax Impact of Principal Move ^(c)	—	220.5		—	—	
Other adjustments ^{(b)(c)}	8.2	2.0		—	—	
Adjusted income before income taxes	\$ 144.6	\$ 18.1	12.5 %	\$ 116.6	\$ 11.2	9.6 %

^(a) See a description of adjustments under "Adjusted Operating 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 12.5% for the six months ended December 31, 2020 compared to 9.6% for the six months ended December 31, 2019. The differences were primarily due to the jurisdictional mix of income.

DISCONTINUED OPERATIONS

In the six months ended December 31, 2020, net revenues from discontinued operations decreased by (17.3)% or \$(206.6) to \$986.3 from \$1,192.9. Excluding the impact of the month of December fiscal 2020 (due to the Wella sale completed on November 30, 2020), net revenues from discontinued operations increased by 2.6% or \$24.6 to \$986.3 from \$961.7. The increase in net revenues is primarily driven by continued growth of *ghd* products through the e-commerce channel across all geographical regions, and reorders from the reopening and restocking of professional salons in the U.S. and Brazil, increased sales in *Wella* and *Clairol* retail channels driven by an ongoing trend of at-home self-care. This increase was partially offset by additional lockdown and restrictions on salon operations due to social distancing protocols.

Operating income was \$220.8 in the six months ended December 31, 2020 compared to income of \$177.9 in the six months ended December 31, 2019. Excluding the impact of the month of December fiscal 2020, operating income was \$220.8 compared to income of \$145.8. The increase in operating income was primarily due to no amortization and depreciation charges in the current year (due to the accounting treatment of assets held for sale), as well as lower selling, general, and administrative expenses due to reduction in travel expenses, and lower cost of goods sold as a percentage of net revenues in the current year.

The loss on sale of the Wella Business was \$219.1 in the six months ended December 31, 2020. Factored into the loss on sale are the proceeds received from the sale of our majority interest in Wella, the book value of net assets sold and costs to sell. The book value of net assets sold was impacted by the seasonal effects on certain portions of the Wella Business during the months leading up to the sale, resulting in increases in the net assets sold. Additionally, certain legal and tax structuring matters were finalized in the final month of the closing of the transaction, resulting in a reduction to certain deferred tax assets and liabilities that were transferred at the date of sale and an increase in the tax liabilities retained by us. As we finalize post-closing adjustments to the purchase consideration for working capital and other contractually specified items over the coming several months, there may be further adjustments to the purchase price and loss on sale.

In connection with the sale of a majority stake in the Wella Business, the Company recorded a tax cost of approximately \$55.2. This cost is a combination of cash taxes incurred as well as a deferred tax expense due to the utilization of net operating loss carryforwards, capital loss carryforwards, and foreign tax credits.

Net loss was \$130.9 in the six months ended December 31, 2020 compared to net income of \$124.4 in the six months ended December 31, 2019. Excluding the impact of the month of December fiscal 2020, net loss was \$130.9 compared to net income of \$123.2. The decrease was primarily due to the loss on sale of Wella Business of \$219.1.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net loss attributable to Coty Inc. was \$30.9 in the six months ended December 31, 2020, as compared to net income of \$31.2 in the six months ended December 31, 2019. This decrease was primarily driven by the loss on sale of the Wella Business of \$219.1 recognized in the current period, partially offset by 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 attributable to Coty Inc. provides an enhanced understanding of our performance. See “Overview—Non-GAAP Financial Measures.”

(in millions)	Six Months Ended December 31,		Change %
	2020	2019	
Net income from Coty Inc. net of noncontrolling interests	(30.9)	31.2	<(100%)
Convertible Series B Preferred Stock dividends	(43.9)	—	N/A
Reported net income (loss) attributable to Coty Inc.	(74.8)	31.2	<(100%)
<i>% of net revenues</i>	(2.1)%	0.7 %	
Adjustments to reported operating income ^(a)	317.8	318.3	— %
Adjustments to Loss on Sale of Business	219.1	—	N/A
Adjustments to other expense ^(b)	8.2	—	N/A
Adjustments to noncontrolling interests ^(b)	(4.5)	(3.0)	(50)%
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(248.4)	(90.8)	<(100%)
Adjusted net income attributable to Coty Inc.	217.4	255.7	(15)%
<i>% of net revenues</i>	6.2 %	6.0 %	
Per Share Data			
Adjusted weighted-average common shares			
Basic	764.3	756.1	
Diluted	926.6	761.2	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.28	\$ 0.34	
Diluted	\$ 0.28	\$ 0.34	

^(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 \$43.9 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.

During fiscal 2021, KKR Aggregator purchased an additional \$250.0 of convertible preferred stock. In accordance with the terms of our 2018 Coty Credit Agreement (defined below), we have utilized the cash proceeds from the issuance of convertible preferred shares to KKR Aggregator in part to fund the KKW acquisition.

On November 30, 2020, the Company completed the sale of a majority stake in its Professional and Retail Hair business, including the Wella, Clairol, OPI and ghd brands to KKR.

As part of the transaction, Coty received cash proceeds of \$2,451.7 and retained a 40% stake in the business. Immediately after closing, Wella drew down on their third party debt for \$1,282.4 and used \$448.0 of such funds to make a distribution to the Company, which the Company has accounted for as a return of capital. Coty utilized \$2,015.5 of the net proceeds to pay down its Term Loans A and B on a pro rata basis and reserved \$500.0 for reinvestment in the business. As a result of the prepayments, the outstanding balances of Term Loans A and B were reduced by \$1,135.7 and \$879.8, respectively.

Following the Wella divestment, the financial net debt as of December 31, 2020 was \$4,842.6. Taking into account Coty's retained 40% Wella stake (valued at \$1,186.5), the Company's economic net debt will stand at approximately \$3,656.1, a substantial reduction that will enhance Coty's flexibility to invest behind key brands and navigate a dynamic operating environment.

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, 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.

Due in part to these measures, our current cash position is favorable; as of December 31, 2020, we had \$2,832.1 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 COVID-19, we have implemented a plan to reduce our cost base by the end of fiscal 2023. This plan includes an adaptation of our supply network, organizational changes, renegotiation of purchasing and licensing agreements, as well as a reduction of certain discretionary expenses.

Debt

See Note 12—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 economic net debt calculation excluding operating leases. Economic net debt is defined as total debt, less cash and cash equivalents less the value of our 40% stake in the Wella Business.

On April 29, 2020, we amended our existing credit agreement. The amendment (i) provided a Total Net Leverage Ratio financial covenant "holiday" through March 31, 2021; (ii) established a minimum liquidity covenant through March 31, 2021 of \$350.0, which increased to \$500.0 for the prepayment event noted above; and (iii) effectively placed 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 did 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 \$128.7 and \$123.1 as of December 31, 2020 and June 30, 2020, respectively. The aggregate amount of trade receivable invoices factored on a worldwide basis amounted to \$392.6 and \$498.6 during the six months ended December 31, 2020 and 2019, respectively.

Cash Flows

	Six Months Ended December 31,	
	2020	2019
Condensed Consolidated Statements of Cash Flows Data: (in millions)		
Net cash provided by operating activities	\$ 472.7	\$ 462.0
Net cash provided by (used in) investing activities	2,714.1	(119.4)
Net cash used in financing activities	(2,932.8)	(380.7)

Net cash provided by operating activities

Net cash provided by operating activities was \$472.7 and \$462.0 for the six months ended December 31, 2020 and 2019, respectively. The increase in cash flows from operating activities of \$10.7 was the result of higher cash related net income of \$33.7 and higher inflows of \$97.7 from changes in Other noncurrent assets and liabilities, offset by decreases of \$120.7 from changes in net working capital accounts. Higher cash related net income includes the positive impact from the collection of tax overpayments, less overall cash taxes paid and lower cash paid for interest as interest rates declined. These positive impacts were partially offset by the negative impact of COVID-19 on our profitability and increased acquisition and divestiture-related costs. Changes in Other noncurrent assets primarily reflects the impact of a prior year reclassification into noncurrent assets for sales tax credits while year over year changes in Other noncurrent liabilities were the result of timing associated with accruals related to restructuring programs. The decrease in cash flows from working capital were primarily driven by lower cash flows from changes in trade receivables due to the impact of lower sales resulting from COVID-19 and less cash from the factoring of receivables in the current year compared to the prior year. The decreases in working capital were partially offset by the impact of higher cash inflows from changes in accrued expenses and other current liabilities resulting from lower customer and sales related accruals and VAT liabilities and higher outflows from changes in accruals for legal and consulting related services.

Net cash provided by (used in) investing activities

Net cash provided by (used in) investing activities was \$2,714.1 and \$(119.4) for the six months ended December 31, 2020 and 2019, respectively, an increase in cash flows from investing activities of \$2,833.5 year over year. Cash flows provided by investing activities was principally from the proceeds received from the sale of the Wella Business that took place on November 30, 2020. As part of the transaction, Coty received net cash proceeds of \$2,386.2 for the sale of the discontinued operations, net of cash disposed as part of the sale, as well as a return of capital of \$448.0 under the equity investment whereby Coty retained a 40% stake in Wella. Current year investing cash flows were also positively impacted by lower cash used for capital expenditures of \$33.4, and \$27.0 of cash collections from the promissory note receivable associated with the prior year sale of the Younique business, which was slightly higher than the prior year collection from the sale of \$25.6. The current year investing cash flow increases were only slightly offset by the cash payment of \$37.6 resulting from the first quarter termination of the net investment cross currency swap derivative.

Net cash used in financing activities

Net cash used in financing activities during the six months ended December 31, 2020 and 2019 was \$2,932.8 and \$380.7, respectively. The increase in cash used in financing activities of \$2,552.1 was primarily driven by net cash repayments associated with the Company's revolving loan facility and the use of more than \$2,000.0 to prepay a portion of the outstanding balances on the Company's Term Loans A and B using the proceeds from the sale of the Wella Business. To partially offset the cash outflows from debt related activity, the six months ended December 31, 2020 was impacted by \$227.2 in net proceeds from the issuance and sale of additional Convertible Series B Preferred Stock in connection with the equity investment agreement with KKR Aggregator and \$128.9 in lower dividend payments due to the suspension of dividend payments that began in the fourth quarter of fiscal 2020. Further, the current year experienced a positive impact from the prior year payment of \$45.0 to purchase the remaining mandatorily redeemable noncontrolling interest in our Southeastern Asian subsidiary.

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 16—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 16—Equity and Convertible Preferred Stock in the notes to our Condensed Consolidated Financial Statements.

Commitments and Contingencies

See Note 19—Mandatorily Redeemable Financial Interests and Redeemable Noncontrolling Interests in the notes to our Condensed Consolidated Financial Statements for information on our United Arab Emirates subsidiary and subsidiary in the Middle East.

Legal Contingencies

For information on our Brazilian tax assessments, see Note 20—Commitments and Contingencies in the notes to our Condensed Consolidated Financial Statements.

Off-Balance Sheet Arrangements

We had undrawn letters of credit of \$15.7 and \$6.0 and bank guarantees of \$27.3 and \$45.7 as of December 31, 2020 and June 30, 2020, respectively.

Contractual Obligations

See Note 11—Leases and Note 12—Debt for updates to our contractual obligations resulting from the Wella Transaction.

Our principal contractual obligations and commitments as of December 31, 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 six months ended December 31, 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;
- Equity Investments;
- Goodwill, Other Intangible Assets and Long-Lived Assets;
- Business Combinations;
- Inventory; and
- Income Taxes.

Below are disclosures regarding our equity investments. As of December 31, 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.

Equity Investments

Equity investments for which the fair value option was elected are carried at fair value on a recurring basis. Fair values are determined using either the market approach and/or income approach. Fair value of equity investments are classified as Level 3 of the fair value hierarchy.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Note 15—Derivative Instruments for updates to our foreign currency risk management and interest rate risk management following the Wella Transaction. 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 December 31, 2020. Based on the evaluation of our disclosure controls and procedures as of December 31, 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 second 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 20—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 December 31, 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 December 8, 2020, between Coty Management B.V. and Pierre-Andre Terisse. [†]
10.2	Employment Agreement, dated May 7, 2020, between Coty International B.V. and Laurent Mercier. [†]
10.3	Offer Letter, dated October 21, 2019, between Coty International B.V. and Laurent Mercier. [†]
10.4	Offer Letter, dated December 5, 2020, Coty International B.V. and Laurent Mercier. [†]
10.5	Separation Agreement, dated October 10, 2020 between Coty Inc. and Edgar Huber. [†]
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: February 9, 2021

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 8th December 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 Buitenveldertselaan 3-5, 1082VA Amsterdam, the Netherlands, hereinafter: the **Company**; and
- (2) **Pierre-André Terisse**, born on XXXX, residing at XXXX, hereinafter: the **Executive**;

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

WHEREAS:

the Executive entered into the Company's employment with effect from 1 January 2020 as Chief Financial Officer (with length of service taken into account since 1 February 2019), and as Chief Operating Officer and Chief Financial Officer from 1 June 2020, based on the basis of an indefinite term employment agreement (the "**Employment Agreement**");

the Parties now wish to terminate the Employment Agreement in accordance with the terms set out in this agreement;

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 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

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 Executive will terminate by mutual consent with effect from 1 February 2022 (the **Termination Date**).
 2. The Executive will continue to perform his regular duties until 15 February 2021. Notwithstanding any other provisions of this agreement, and for the avoidance of doubt, the Executive will continue to provide his regular duties and services to the Company until February 15, 2021 and may not terminate employment with the Company for any reason prior to that date. From the 15th of February 2021 until the Termination Date (the **Transition Period**), the Executive will be released from his regular duties (*vrijgesteld van werkzaamheden*) and, in light of the specific expertise acquired through the Wella transaction, take a more active role on the Board of Managers of Rainbow UK Bidco Limited (the **Wella Role**). From the 15th of February 2021 onwards, the Executive shall not perform any acts that he was authorized to perform pursuant to a power of attorney granted to him or otherwise. The Executive may not terminate the employment before the Termination Date.
 3. By signing this agreement, and subject to clause 2, the Executive stands down or resigns, as the case may be, with effect from the 15th of February 2021 from all other employment or corporate positions he holds with the Company and/or the Group, such as supervisory and management board positions (but, for the avoidance of doubt, not from his role as member of the Board of Managers of Rainbow UK Bidco Limited), and all other positions that the Executive holds in his capacity as representative of the Company or the Group, like
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memberships to branch organisations, without cancelling the membership of the relevant members of the Company or the Group to those organisations.

4. Subject to the provisions of this agreement, the Company will pay the Executive his regular salary and provide him with his regular benefits (including for the avoidance of doubt any medical insurance, as well as assistance in tax returns provided by PwC on behalf of the Company), with the exception of expense allowances, until the Termination Date or, if earlier, until the last day of his employment. The Parties confirm that during the Transition Period, of that remuneration, a portion of 20% of his gross monthly base salary will represent compensation for the Wella Role. 80% of the Executive's gross monthly base salary over the Transition Period will be considered a severance payment (the **Severance Payment**). Any expenses not yet claimed and relating to the period up to 15 February 2021 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 or, if earlier, the last day of the employment.
 5. Within one month after the Termination Date, or, if earlier, the last day of the employment, the Company will effect a normal final payment (*eindafrekening*) in the Netherlands, 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 or, if earlier, the last day of the employment. The Executive's pension will be made premium free (*premievrij*) in accordance with the law and the rules of the relevant pension plan. Any benefits, insurances and pension plans, if any, that Executive participates in pursuant to the employment agreement, will end on the Termination Date or, if earlier the last day of the employment.
 6. Any loans or advance payments provided to the Executive by the Company and/or the Group become repayable as of the Termination Date or, if earlier, the last day of the employment. 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.
 7. No bonus payments will be made to the Executive for the fiscal year 2021 under the APP based on the decision made by the Board of Directors of Coty that no such bonus payments will be made for the year 2021, and the Executive shall not be eligible for any bonus payments for the fiscal year 2022 under the APP. Between the date hereof and the Separation Date or, if earlier, the last day of the employment, any equity awards held by the Executive that have vesting dates prior to the Separation Date shall vest in accordance with the terms of such awards; on the Separation Date, to the extent not vested, all outstanding equity awards held by the Executive shall be cancelled and forfeited. All further rights under the APP, Coty's Amended and Restated Equity & Long-Term Incentive Plan and any other (equity based) incentive plans in which the Executive participates, will be forfeited. The Executive confirms that, except for the rights mentioned in this clause 7, 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.
 8. The Company will contribute an amount of at maximum EUR 1,500 gross exclusive of VAT towards legal fees incurred by the Executive 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 Executive, but marked payable by the Company.
 9. Ultimately on the Termination Date of, if earlier, the last day of the employment, 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 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 Executive herewith confirms that he will not retain copies of any such property or other
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materials. The Executive 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.

10. The Executive confirms that he 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.
 11. 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 advisors or in case this would be required for the proper implementation or safeguard of this agreement or as a result of a legal obligation to disclose such information.
 12. 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 (*RCA*) will remain in full force up to and after the Termination Date, or, if earlier the last day of the employment, in accordance with their terms and including the penalties agreed in case of violation; provided, however, that from the 15th of February 2021 onwards, the Executive may serve as an owner, principal, agent, partner, employee, officer, director, consultant, contractor or otherwise of a third party which is not engaged in any Competitive Activity as defined in the RCA, provided that during the Transition Period the Executive must inform the Company of the identity of any new employer in writing prior to the start date of such engagement and provided that the contents and/or existence of this agreement would not cause a violation of any of the terms of the engagement of the Executive with such third party. The Executive confirms that the equity compensation in clause 7 provides a reasonable compensation for these undertakings as meant in article 7:653, subsection 5 of the Dutch Civil Code and is deemed to include any compensation payable under the RCA.
 13. The Executive confirms that he will change any social media profiles (LinkedIn, Facebook, Twitter and any other relevant media being applicable) ultimately at the Termination Date or, if earlier, the last day of the employment, 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 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.
 14. Whether or not Executive is granted a benefit pursuant to the applicable social security laws after the Termination Date or, if earlier the last day of the employment, or whether a punitive cut is applied, or such benefit is suspended, will not change this agreement. Any loss that Executive might suffer is deemed to be included in this agreement so that the Company will not be obliged to make any additional payment.
 15. Subject to the provisions of this agreement, the Executive 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.
 16. 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 he fully understands the terms and conditions of this agreement and is fully aware of all of the implications arising therefrom.
 17. If the Executive becomes incapacitated for work before the Termination Date or, if earlier, the last day of his employment, this does not change the arrangements made in this agreement. If the Executive becomes ill prior to the Termination Date or, if earlier, the last day of his employment or within four weeks after the Termination Date or, if earlier, the last day of his employment, the Executive shall immediately report this to the Company in writing and provide his contact details. The Executive 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 Executive Insurance Agency (*UWV*) or other relevant authorities in this respect. If the Executive does not comply with
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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.

18. Compliance with Section 409A.

- a. This Agreement shall be interpreted to avoid any penalty sanctions under section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of section 409A of the Code, all payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. In no event shall the Executive, directly or indirectly, designate the calendar year of payment.
- b. All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in the Agreement), (ii) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar-year, calendar year following the year in which the expense is incurred, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

19. Notwithstanding any provision in this agreement to the contrary, if at the time of the Executive's termination of employment with the Company (or any successor thereto), the Company (or any corporation, partnership, joint venture, organization or entity within the Company's controlled group within the meaning of sections 414(b) and (c) of the Code) has securities which are publicly-traded on an established securities market and the Executive is a "specified employee" (as defined in section 409A of the Code and determined in the sole discretion of the Company, or any successor thereto, in accordance with the Company's, or any successor's, "specified employee" determination policy) and it is necessary to postpone the commencement of any severance payments or deferred compensation otherwise payable pursuant to this Agreement as a result of such termination of employment to prevent any accelerated or additional tax under section 409A of the Code, then the Company (or any successor thereto) will postpone the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Executive) that are not otherwise paid within the short-term deferral exception under section 409A of the Code and are in excess of the lesser of two (2) times (i) the Executive's then-annual compensation or (ii) the limit on compensation then set forth in section 401(a)(17) of the Code, until the first payroll date that occurs after the date that is six (6) months following the Executive's "separation from service" with the Company (or any successor thereto), as defined under section 409A of the Code. If any payments are postponed due to such requirements, such postponed amounts will be paid in a lump sum to the Executive on the first payroll date that occurs after the date that is six (6) months following the Executive's "separation from service" with the Company (or any successor thereto), and any amounts payable to the Executive after the expiration of such six (6)-month period under this Agreement shall continue to be paid to the Executive in accordance with the terms of this Agreement. If the Executive dies during the postponement period prior to the payment of the postponed amount, the amounts withheld on
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account of section 409A of the Code shall be paid to the personal representative of the Executive's estate within sixty (60) days after the date of the Executive's death.

20. 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. 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.
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 Executive 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 Executive 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.
22. This agreement represents the entire understanding and agreement reached between the Parties in respect of the termination of the Executive'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 Management B.V.:

For acceptance:

/s/ Jaap Bruinsma

/s/ Pierre-André Terisse

Name: Jaap Bruinsma
Date: 8 December 2020

Name: Pierre-André Terisse
Date: 12 December 2020

EMPLOYMENT CONTRACT FOR AN INDEFINITE PERIOD OF TIME

BETWEEN:

- (1) Coty International B.V., established at Buitenveldertselaan 3-5, 1082 VA Amsterdam, duly represented in the present matter by Jaap Bruinsma in his capacity as Senior HR Director Global HQ & Benelux, hereinafter “**the employer**”; and
- (2) Mr. Laurent Mercier, born on XXXX, hereinafter “**the employee**”

WHEREAS:

The parties wish to enter into an employment contract for an indefinite period of time and record the details of that agreement in writing as follows;

AGREE UNDER THE FOLLOWING TERMS

1. COMMENCEMENT DATE, POSITION AND DUTIES

- 1.1 The employee shall enter the employer’s service with effect from 1 May 2020 in the position of Deputy Chief Financial Officer. The employee’s length of service will be taken into account since 6 November 2017. The employee will report to the CFO & COO.
- 1.2 The employee will perform all the work that, having regard to the employer’s activities, forms part of or may be deemed to form part of the position.
- 1.3 The employer may also require the employee to carry out work other than the duties forming part of the normal performance of employee’s job if and insofar as the employee may reasonably be asked to carry out that other work.

2. WORK LOCATION

- 2.1 The employee will normally perform the agreed duties from the employer’s premises in Amsterdam but is prepared to perform the duties at or from other locations where this is necessary for the proper performance of employee’s job or in the company’s interest
- 2.2 The employer reserves the right to transfer the employee to another business location.

3. DURATION OF EMPLOYMENT CONTRACT AND TERMINATION

- 3.1 This employment contract is entered into for an indefinite period of time.
- 3.2 Either party may terminate the contract with due observance of the agreed terms in the Confidentiality, Non-Competition and Non-Solicitation agreement (“RCA”).
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3.3 Notice must be given in writing to the end of a calendar month.

3.4 The employment contract terminates in any case by operation of law, without prior notice, on the day the employee reaches the applicable statutory pensionable age (*AOW gerechtigde /eef tijd*).

4. PROBATIONARY PERIOD

4.1 A probationary period is not applicable.

5. WORKING HOURS AND OVERTIME WORKING

5.1 The employment contract is entered into for 40 hours per week.

5.2 The days and times during which the work is to be performed will be specified by the employer in the Employee Handbook. In doing so, the employer will take the employee's wishes into account insofar as is compatible with the proper conduct of business.

5.3 Insofar as in the employer's opinion the performance of the work so requires, the employee undertakes to perform additional work outside the set working hours.

5.4 The nature of the duties of employee involves that they also have to be carried out beyond the normal working hours. The overtime working and/or additional work is deemed to form part of the employee's duties and to be covered by the relevant remuneration.

6. SALARY AND HOLIDAY ALLOWANCE

6.1 The employee's annual salary, based on fulltime (100%), at the time of concluding the contract is € 380,000.00 gross per year including holiday allowance of 8%. The monthly gross salary will amount to € 29,320.99.

6.2 The monthly salary will be paid around the 25th of the month or ultimately by the end of the month by payment into a bank account to be specified by the employee.

6.3 The year for the calculation of the holiday allowance runs from 1 June up to and including 31 May of the current year. The holiday allowance is paid out annually together with the salary for May. Employees who have been with the company for part of that period only shall receive holiday allowance on a pro rata temporize basis. Holiday allowance shall also be calculated in line with any salary adjustments made during the aforesaid period and this as of the effective date of the salary adjustment.

6.4 All the statutory deductions such as wage withholding tax and national insurance contributions will be deducted from the gross salary and the gross holiday allowance. The employer will provide a statement (pay slip) containing details of the deductions made from the gross salary and the gross holiday allowance. An annual statement will be provided at the end of the year. Employee agrees with receiving the statements digitally.

7. RULES ON TERMS AND CONDITIONS OF EMPLOYMENT

7.1 Except insofar as expressly stated otherwise in this employment contract, the Employee Handbook and Code of Conduct and RCA form an integral part of the present employment contract. By employee's signature to this contract the employee acknowledges the receipt of a copy of these rules and the agreement thereto.

7.2 The rules apply insofar as no express provision to the contrary is made in this employment contract.

7.3 Additional arrangements agreed upon in the offer letter as signed by employee and dated 21 October 2019, insofar as not included in this contract, form part of the employment contract.

8. BONUS / INCENTIVE SCHEMES

8.1 The employee will participate in our Annual Performance Plan in accordance with the policy as long as the employee meets the requirements for eligibility. As a result, the employee **will** be eligible to a yearly on target performance bonus of 50% of the employee's gross annual base salary, based on achieved results against company targets. The employee must be actively employed by Coty on the day the APP award is paid (usually in October) to be eligible.

8.2 The employee will also participate in the Equity & Long-Term Incentive Plan and the Coty Elite program in accordance with the policies, as long as the employee meets the requirements for eligibility.

9. HOLIDAY ENTITLEMENT

9.1 The employee is entitled to 30 days of paid leave in each holiday year (based on full time). In case of a full time employment contract, 20 of these days of paid leave are statutory holidays; the others are holidays in excess of the statutory entitlement.

9.2 The holiday year runs from 1 January to 31 December of each calendar year.

9.3 Holiday dates are determined by the Company on the basis of a proposal by the employee.

9.4 The statutory holiday entitlement accrued in a calendar year will lapse six months after the end of the calendar year. The extra statutory holiday entitlement accrued in a calendar year will lapse five years after the end of the calendar year.

9.5 Where the employee is not employed for the whole holiday year, the employee will be entitled to 1/12th of the above number of holiday days for each full month of employment.

9.6 During the period that the employee is unable to perform work because of illness, employee will accrue statutory holiday entitlement. From one month of illness the employee will not accrue extra statutory holiday entitlement.

9.7 Holiday days normally have to be taken in the holiday year to which they relate.

9.8 Employer can appoint a maximum of 2 days per calendar year as mandatory vacation days without consulting the employee.

10. INCAPACITY FOR WORK

10.1 If the employee is unfit for work, he must inform the Company accordingly without delay on the first day of employee's incapacity for work. When reporting sick, the Director shall also provide the Company with the information that the employer requires to determine whether it must continue to pay the employee's wages.

10.2 Further detailed information and rules regarding illness are included in the Employee Handbook.

11. SUPPLEMENTARY INSURANCE COVER

11.1 The employer has taken out group disablement benefit shortfall insurances cover for its employees (*WGA-hiaatverzekering and WJA-excedentverzekering*).

11.2 Further detailed information regarding these insurances is included in the insurance brochures.

12. MOBILITY ALLOWANCE OR LEASE CAR

12.1 The employee is entitled to a mobility allowance or lease car at the moment of entering this employment agreement in accordance with the Mobility Policy. This entitlement may change in accordance with the Mobility Policy.

13. COMPANY PROPERTY AND OTHER PROVIDED ITEMS

13.1 The employee will use and deal with the company property entrusted to employee for the performance of employee's duties in accordance with its proper purpose and will generally treat it with due care, as it benefits a good employee. The employee must inform the employer immediately of any defect in or loss of any item of company property.

13.2 The employee undertakes to hand back to the employer all items in employee's possession that are the property of the employer and all documents relating to the employer and/or its affiliated companies when the employment contract ends.

13.3 If the employee does not carry out any work for the employer for an uninterrupted period of more than one month, due to incapacity for work or otherwise, the employer may similarly require the employee to hand back the items of company property entrusted to the employee for the remainder of employee's absence.

14. PENSION

The employee participates in the collective pension scheme of the employer. An outline of the pension regulations is included in the pension brochures.

15. PROHIBITION OF OUTSIDE WORK

Except with the prior permission in writing from the employer the employee may not carry out work of whatever nature, whether paid or otherwise, either for employee or for and/or on behalf of third parties during the term of the employment contract.

16. CONFIDENTIALITY CLAUSE

16.1 Both during the term of the employment contract and after its end the employee shall observe strict confidentiality on all matters that come to employee's knowledge in the performance of employee's duties relating to the business affairs and interests of the employer's company or its affiliated companies. This includes statements on social media.

16.2 This duty of confidentiality also applies to all details and particulars of the employer's business associates and clients that come to the employee's knowledge in the course of employee's duties.

16.3 Breaching the confidentiality provides an urgent reason for dismissal and / or declaration in respect of the crime under article 272 and / or article 273 of the Dutch Criminal Law.

16.4. The Employee declares and confirms that he is not bound by any non-competition/non-solicitation agreement towards his former(s) employers or any agreement that restrains his capabilities to perform his contractual duties within the company.

16.5. The Employee formally acknowledges that the Company expects from him a strict respect of the confidentiality obligation he should be bound towards his former(s) employers. Consequently, the employee is formally requested to not share, use, store, print any of their confidential information and trade secrets during the course of his employment with the Company.

17. ADDITIONS, VARIATIONS AND CHANGES

17.1 This employment contract is deemed to represent the full agreement between the parties as it exists at the moment of signing the contract.

17.2 Any additions or variations to this employment contract are valid only if and insofar as they have been agreed by the parties in writing or confirmed in writing by the employer.

17.3 The employer may change one or more of the terms and conditions of employment resulting from this contract in the cases specified in article 7:613 of the Dutch Civil Code (i.e. where the employer has such a weighty interest in the change in question that on criteria of reasonableness and fairness the employer's interest must prevail over the interest of the employee negatively affected by the change).

17.4. The employer is also entitled to change the pension agreement without consent of the employee. The employer will only be able to change without consent in case its substantial interests outweigh the interests of the employee in accordance with the standards of reasonableness and fairness. The pension agreement will therefore be changed. The requirement of overriding interests of the employer is applicable if:

- (a) any relevant change occurs on the fiscal, social and / or pension legislation, or if;
 - (b) the financial situation of the employer necessitates an alteration, or if;
 - (c) an obligation of a sectorial pension fund is applicable or appears to be applicable
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18. APPLICABLE LAW

This contract and further contracts flowing from it shall be governed solely by the law of the Netherlands.

19. DOCUMENTS

Employee hereby declares to be familiar with the content of the hereafter mentioned documents, which form an integral part of this employment contract. These documents, and if necessary, to be decided upon later regulations, are or will be delivered per e-mail to employee / can be consulted and downloaded by employee through employer's intranet.

- Employee Handbook
- Code of Conduct (signature required)
- RCA (signature required)
- Mobility Policy
- Social Media Policy
- GDPR
- Travel & Expenses Policy
- Pension brochures
- Insurance brochures (WGA-hiaat or WIA-excedent)

[SIGNATURE PAGE TO FOLLOW]

So agreed, drawn up in duplicate and signed

at Amsterdam

on 7 May 2020

SIGNATURE

Employer Employee

COTY INTERNATIONAL B.V. Laurent MERCIER

/s/ Jaap Bruinsma

/s/ Laurent Mercier

Date: May 13, 2020

Jaap Bruinsma
Senior HR Director Global HQ & Benelux

Laurent Mercier

21 October 2019

Dear Laurent,

As we progress on our journey towards becoming a true global leader in beauty, it is a great pleasure for us to welcome you to Coty in the Netherlands. We hope this offer marks a new step to a successful and rewarding career at Coty. Enjoy the beautiful journey!

This letter serves as a renewed offer of what you can expect in your employment in New Coty Management HQ that we plan to open by April 1st, 2020. More information will be provided in the coming months along with the progress made on the implementation of our organizational schemes.

Further to our recent discussions, we are pleased to confirm to you that we have been able to renew our offer, as made to you on 19 August 2019, with regard to your role of CFO EMEA effective 1 April 2020 with a designated Coty entity in the Netherlands (hereafter: "Coty"). The exact start date of your employment is subject to Coty successfully obtaining the relevant work permit to enable you to live and work in the Netherlands (if applicable).

Your primary work location will be the office of Coty in Amsterdam, but you may be required to travel or relocate in accordance with business needs. To facilitate your transition into this new role and your relocation to the Netherlands, Coty offers you relocation services consistent with the International Transfer Policy (**Enclosure 1**). Recognizing the need for flexibility, Coty alternatively offers you the possibility to commute between your home country and Amsterdam. For this purpose, Coty has set up a Commuter Policy (**Enclosure 2**), which contains uniform guidelines covering a number of aspects that are relevant when commuting.

Your annual gross base salary will be EUR 320,000 including 8% holiday allowance. In order for you to understand the (fiscal) impact, we have made a gross-net calculation on your annual remuneration (**Enclosure 3**).

You will be eligible to participate in Coty's Annual Performance Plan (**Enclosure 4**), the Coty Equity & Long-Term Incentive Plan (**Enclosure 5**) and the Elite Program (**Enclosure 6**). Your awards and equity grants are subject to discretionary review and approval of Coty's Board of Directors.

In addition, you will be eligible to participate in the Loyalty Incentive Program. The amount of the incentive awarded to you is calculated as 75% of the annual base salary of your new position as detailed in your offer pack (**Enclosure 7**).

You will be eligible for vacation entitlement of 30 working days per complete year of work.

You will be required, as a condition of employment or continued employment, to agree upon and sign the attached template Restrictive Covenant Agreement (Enclosure 8), which sets forth a reciprocal notice period and obligations you may have with respect to confidentiality, non-competition and non-solicitation.

This letter, including the enclosed template employment agreement (Enclosure 9), the template Three-Party Transfer Agreement (Enclosure 10) and other enclosures, sets out the proposed principal terms of our job offer which are subject to a final and agreed employment agreement and Restrictive Covenant Agreement. Upon acceptance of the offer, we will provide you with an individualized employment agreement in due course. After that, we will set up your induction program. For your convenience, we have prepared an Employee Information Deck that contains information about all kinds of aspects of your relocation to the Netherlands (Enclosure 11).

We emphasize that, with accepting this offer, you understand and agree that the previous offer sent to you will lapse in its entirety and this offer letter supersedes the previous offer as of the date of your signature of this offer letter.

Everyone here at Coty is excited about you joining our team and we are looking forward receiving your acceptance of our offer by signature of this letter as indicated below by Monday, 28 October 2019.

We hope you share our excitement during this transformational time. We look forward to working together in building a true global leader in beauty.

Should you have any questions, please let us know.

With regards,
Alison Thorne
SVP HR Finance & IT

Accepted and agreed:

/s/ Laurent Mercier
Laurent Mercier
Date: 4 December 2019

Enclosure 1: International Transfer Policy
Enclosure 2: Commuter Policy
Enclosure 3: Gross-net calculation
Enclosure 4: Annual Performance Plan (brochure)
Enclosure 5: Equity & Long-Term Incentive Plan
Enclosure 6: Elite Program
Enclosure 7: Loyalty Incentive Program
Enclosure 8: Template Restrictive Covenant Agreement
Enclosure 9: Template Employment Agreement
Enclosure 10: Template Three-Party Transfer Agreement
Enclosure 11: Employee Information Deck

Laurent Mercier

Amsterdam, 5 December 2020

Subject: Your new role

Dear Laurent,

With reference to your conversation with Anne Jaeckin and referring to the signed offer letter dated October 21, 2019, the signed employment contract dated May 7, 2020 and the side letter dated August 12, 2020 (all such arrangements, collectively, your “Existing Employment Arrangement”), we are happy to confirm that as of January 1st, 2021 you will be appointed to the position of **Chief Financial Officer** of Coty Inc. (“Coty”). You will report to the Chief Executive Officer and will be part of the Executive Committee of Coty. Your role remains based in Amsterdam.

In this position, your base salary will increase to 500,000€ per annum, including 8% holiday allowance.

You remain eligible to participate in the APP bonus program with a target award of 50% of your annual base salary. The terms and conditions of the APP Bonus plan and the Equity & Long-Term Incentive Plan (“ELTIP”) are governed by the applicable APP policy issued annually and the terms and conditions of the ELTIP, in each case subject to the discretion of the Board of Directors of Coty or a committee thereof and as amended from time to time.

Except as expressly set forth in this amendment, all other elements of your Existing Employment Arrangement will remain unchanged. Please note however that the commuting policy is no longer applicable, and that as part of the Executive Committee you are no longer eligible to the loyalty bonus.

Thank you for all your commitment and contribution so far and we look forward to a further exciting and successful collaboration in the future.

To properly formalize your consent to this amendment, we thank you to sign this letter where indicated below.

Best Regards,

Coty Management B.V.

In agreement

/s/ Jaap Bruinsma

/s/ Laurent Mercier

Jaap Bruinsma

Laurent Mercier

Senior HR Director Global HQ & Benelux

October 20, 2020

Edgar Huber

via email

This separation agreement (the "Agreement") confirms our agreement with regard to your separation from employment with Coty Inc. (the "Company"). Our understanding and agreement with respect to your separation is as follows:

1. The last day of your active employment with the Company shall be February 28, 2021 (the "Active Employment Separation Date"). Prior to the Active Employment Separation Date, you will perform such duties and responsibilities as the Company reasonably requests, including, without limitation, with respect to transitioning your duties and responsibilities. For the period beginning on March 1, 2021 and ending on December 31, 2021 (the "Final Separation Date"), you will remain employed by the Company but will not be required to provide services (the "Garden Leave Period"). During the Garden Leave Period, you shall (i) refrain from contacting any employees or consultants or actual or potential customers or clients of the Company without the prior written agreement of the Company, and (ii) not enter the premises of the Company without the prior written agreement of the Company.
 2. Subject to you signing this Agreement and you complying with its terms, your compensation, payments and benefits from the Company shall be as follows:
 - a. You will continue to be paid at your current annual base compensation rate of \$1,000,000, less applicable statutory deductions and authorized withholdings, through the Final Separation Date, payable semi-monthly in accordance with the Company's regular and customary payroll schedule and practices.
 - b. Within thirty (30) days after the Final Separation Date, you will be paid (less applicable statutory deductions and authorized withholdings) for all accrued but unused vacation benefits, which shall accrue as of the Final Separation Date in accordance with the Company policy.
 - c. You will be reimbursed for reasonable documented business expenses incurred by you through the Final Separation Date, in accordance with Company policy.
 - d. Through the Final Separation Date, you will continue to vest in your currently outstanding equity awards. On the Final Separation Date, subject to the terms and conditions under the LTIP (as hereinafter defined) and any applicable award agreement, your outstanding equity awards will be treated in connection with a termination due to "Retirement" under the terms of the LTIP. You acknowledge and agree that no equity awards will be granted to you in connection with the annual grant of equity awards to designated employees in October 2020, and that no new equity awards will be granted to you to following the date of this Agreement.
 - e. You will continue to be eligible to participate in all established welfare benefits (including group term life insurance) and qualified retirement programs (including the Company 401(k) plan) in accordance with their terms through the end of the Severance Period.
 - f. You will remain eligible for the retention bonus set forth in the letter agreement by and between you and the Company, dated March 17, 2020, which will be paid in July 2021, provided that you neither resign from employment or are terminated by the Company for cause, in each case, prior to June 30, 2021.
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3. Subject to you (i) signing this Agreement and complying with its terms, and (ii) signing and returning to the Company, the release agreement attached hereto as **Exhibit A** (the "Initial Release") within twenty-one days following the Active Employment Separation Date, but not prior to the Active Employment Separation Date, and it becoming effective pursuant to its terms (the "Initial Release Effective Date"):
 - a. After January 1, 2021 but before the Final Separation Date, the Company will pay you a lump sum of up to \$45,000 net, to be grossed up against social charges and taxes based on U.S. tax residency, for your child's tuition expenses in the amount set forth on the tuition invoice submitted by you to the Senior Vice President, Compensation & Benefits.
 - b. The Company will make available to you, and pay the expense of, a tax consultant (currently PricewaterhouseCoopers LLP) for any reasonable tax consulting and tax preparation assistance required for your individual income tax filings in the United States for the tax years ending December 31, 2020 and December 31, 2021. The Company will also make available and pay the expense of a tax consultant for the preparation of any non-US personal income tax returns required to report deferred compensation realized by you as the result of the vesting and transfer of any Coty stock based compensation awards.
 4. In addition, subject to (i) you signing this Agreement and complying with its terms, and (ii) you signing and returning to the Company, the release agreement attached hereto as **Exhibit B** (the "Final Release", and together with the Initial Release, the "Releases") within twenty-one days following the Final Separation Date, but not prior to the Final Separation Date, and it becoming effective pursuant to its terms (the "Final Release Effective Date"), you will receive the following:
 - a. Severance payments in an amount equal to your then current annual base salary for the twelve (12) month period following the Final Separation Date (the "Severance Period"), less applicable statutory deductions and authorized withholdings, payable in semi-monthly installments in accordance with the Company's normal payroll dates commencing with the first payroll date that follows the Final Release Effective Date.
 - b. Medical and dental insurance benefits and health care flexible spending accounts shall be continued through the last day of the Severance Period, provided that you pay the employee portion of any required premium payments at the level in effect for such benefits for employees generally. For purposes of determining your entitlement to continuation coverage as required by Title I, Subtitle B, Part 6 of ERISA ("COBRA"), your 18-month or other period of coverage shall commence the day following the last day of the Severance Period.
 5. Except as expressly set forth in this Agreement, you will cease to actively participate in all Company benefit plans and programs as of the Final Separation Date.
 6. Other than as set forth in this Agreement, you acknowledge and agree that you are not entitled to any additional compensation, bonuses, incentive compensation, payments or benefits of any kind from the Releasees (as that term is defined below), including, without limitation, any notice or separation payments otherwise due under any offer letter or employment agreement you have with the Company, or under the Coty Severance Pay Plan as amended and restated effective October 1, 2018 (the "Coty Severance Pay Plan") or any other severance plan, policy or arrangement of the Company, and that no representations or promises to the contrary have been made to you or to anyone on your behalf.
 7. You further acknowledge and agree that, effective as of the Final Separation Date, you will immediately forfeit in their entirety any and all unvested restricted stock units granted to you under the Long-Term Incentive Plan of the Company in which you currently participate (the "LTIP" and "ELITE"), in accordance with the terms of the LTIP and ELITE and the forfeiture provisions of the award agreements or terms and conditions with respect thereto.
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8. You agree to return to the Company, on (i) the Final Separation Date, or (ii) such earlier date as may be requested by the Company, computer equipment, office keys, credit and telephone cards, ID and access cards, etc., and all original and duplicate copies of your work product and files, calendars, books, employee handbooks, records, notes, notebooks, manuals, mobile phones, iPhones, iPads and similar electronic devices, external drives, thumb drives, memory cards and sticks, computer disks, diskettes, and any other magnetic, digital and other media materials you have in your possession or under your control belonging to the Coty Group, or containing Confidential Information (as defined below). By signing this Agreement, you confirm that you will not retain in your possession or under your control any of the documents or materials described in this paragraph 8, and that your entitlement to any portion of the severance payments set forth herein is expressly conditioned upon all such documents and materials having been returned to the Company in accordance with the provisions of this paragraph 8.
 9. You agree that, except as provided in the next sentence, the terms and conditions of this Agreement shall be kept in confidence. Unless and until you first obtain written permission from the Company's General Counsel, and only to the extent you obtain such permission, you will not knowingly disclose this information to anyone, except: (i) as reasonably necessary to enforce this Agreement; (ii) to your attorneys or bona fide tax advisors; (iii) to your spouse or spousal equivalent; (iv) as permitted by paragraph 10(b), paragraph 10(e) or paragraph 11; (v) to governmental taxing authorities; or (vi) pursuant to compulsory legal process or a court order.
 10. You acknowledge that, while employed by the Company, you had access to and possessed confidential and proprietary information and materials concerning the Coty Group and its agents, customers, employees, vendors, licensors, consultants and suppliers that are not publicly available, including, by way of example and without admitting access to or possession of any particular example: information concerning research and development, trade secrets, sales, products, marketing, merchandising, distribution, manufacturing, finance, technology and intellectual property (patents, design patents, trademarks, trade dress, copyrights); technical and administrative manuals, associated forms, processes, computer hardware and software; strategic and business planning; human resources information concerning employees and former employees, including, without limitation, as to recruitment, retention and compensation, performance evaluations and succession planning; and, actual and threatened claims (collectively, "Confidential Information").
 - a. You agree that the Coty Group will be irreparably damaged if you use or disclose Confidential Information, and you therefore agree never to use or disclose Confidential Information before it has become publicly known through no fault of your own except pursuant to compulsory legal process or a court order. If you are ever asked to disclose any Confidential Information, pursuant to legal process or otherwise, we request that you promptly contact the Company's General Counsel.
 - b. If permitted by law, you further agree to give reasonable notice to the Company's General Counsel of all attempts by third parties: (i) to compel disclosure of any Confidential Information; or, (ii) to require you to testify in any matter concerning any of the Releasees.
 - c. You agree not to initiate any publicity or to solicit or initiate any demand or request by others not party to this Agreement for any disclosure of the Confidential Information.
 - d. You agree to cooperate with the Company with respect to any inquiries or other matters, including any legal or administrative proceedings brought against the Company, that relate to or arise out of your employment with the Company.
 - e. Pursuant to 18 U.S.C. § 1833(b), you understand that you will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to your attorney and (B) solely for the purpose of reporting or
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investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. You understand that if you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the trade secret to your attorney and use the trade secret information in the court proceeding if you (x) file any document containing the trade secret under seal, and (y) do not disclose the trade secret, except pursuant to court order. Nothing in this Agreement, or any other agreement that you have with the Company, is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section.

11. Nothing in this Agreement shall prohibit you from disclosing the underlying facts or circumstances relating to claims of discrimination, in violation of laws prohibiting discrimination, against the Company. Further, nothing in this Agreement or any other agreement by and between a member of the Coty Group and you shall prohibit or restrict you from (a) voluntarily communicating with an attorney retained by you, (b) voluntarily communicating with any law enforcement, government agency, including the Securities and Exchange Commission ("SEC"), the Equal Employment Opportunity Commission, the New York State Division of Human Rights or a local commission on human rights, or any self-regulatory organization regarding possible violations of law, in each case without advance notice to the Company, or otherwise initiating, testifying, assisting, complying with a subpoena from, or participating in any manner with an investigation conducted by such government agency, (c) recovering a SEC whistleblower award as provided under Section 21F of the Securities Exchange Act of 1934, (d) disclosing any Confidential Information to a court or other administrative or legislative body in response to a subpoena, provided that you first promptly notify and provide the Company with the opportunity to seek, and join in its efforts at the sole expense of the Company, to challenge the subpoena or obtain a protective order limiting its disclosure, or other appropriate remedy, or (e) filing or disclosing any facts necessary to receive unemployment insurance, Medicaid or other public benefits to which you are entitled.
 12. Restrictive Covenants.
 - a. You represent that during your employment with the Company you have not on your own behalf or on behalf of any third party, as owner, principal, agent, partner, employee, officer, director, consultant, contractor or otherwise, engaged in any Competitive Activity. You agree that during the remainder of your employment with the Company and for six (6) months following the Final Separation Date (such period, the "Restricted Period"), for any reason, you shall not, without the prior written consent of the Company, on your own behalf or on behalf of any third party, as owner, principal, agent, partner, employee, officer, director, consultant, contractor or otherwise, engage in any Competitive Activity; for the avoidance of doubt, during the Restricted Period you are permitted to serve as an owner, principal, agent, partner, employee, officer, director, consultant, contractor or otherwise of a third party which is not engaged in any Competitive Activity. For purposes of this Agreement, "Competitive Activity" means any business, work or other activity (i) that competes in any way, in any geographic market in which you worked or for which you had responsibility during the last two (2) years of your employment with the Company, with any product, service or business of the Company Group with which you worked or for which you had responsibility during the last two (2) years of your employment with the Company, or (ii) that involves or would inevitably involve the disclosure or use of Confidential Information; provided, however, that notwithstanding anything to the contrary set forth in this Agreement, Section 12(a) shall not restrict you from engaging in a Competing Activity in any way arising from or by virtue of the fact that during the Restricted Period, you provide services as a director, officer, employee or consultant to a Competing Entity (as defined below) with a gross revenue of less than \$50,000,000 annually.
 - b. You represent that during your employment with the Company you have not, and you agree that during the Restricted Period, for any reason, you shall not, directly or indirectly, solicited, induced or retained, or assisted, or solicit, induce or retain, or assist, any third party in soliciting, inducing or retaining, any current or former employee of the Company or any of its affiliates (the
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“Company Group”) to become associated with, or to perform services on behalf of, you or any Competing Entity, or otherwise disrupted, impaired, damaged or interfered with, or disrupt, impair, damage or interfere with, the Company Group’s relationship with its employees. For purposes of this Section 12(b), a “former” employee of the Company Group shall be one who left his or her employment within twelve (12) months prior to such solicitation, inducement or retention. For the purposes of this Agreement, “Competing Entity” means any person or entity engaged in or about to become engaged in a Competitive Activity.

- c. You represent that during your employment with the Company you have not, and you agree that during the Restricted Period, for any reason, you shall not, directly or indirectly, solicited, induced or influenced, or attempted to , or solicit, induce or influence, or attempt to, solicit, induce or influence, any customer, prospective customer, supplier or vendor of the Company Group to divert his, her or its business to any Competing Entity, or otherwise disrupted, impaired, damages or interfered with, or disrupt, impair, damage or interfere with, any of the Company Group’s contractual or business relationships, including without limitation with respect to any of its customers, suppliers or vendors. For the purposes of this Section 12(c), a “prospective” customer shall be one with respect to whom or for which you had contact or participated in any proposal to provide products or services during the last two (2) years of your employment with the Company.
 - d. You agree, from the date hereof until the twelve (12) month anniversary following the Final Separation Date, to inform the Company of the identity of any new employer, and you agree to affirmatively disclose your obligations under the Confidentiality Agreement to all future employers for so long as such obligations remain in effect.
 - e. You acknowledge and agree that the Confidential Information, as well as the Company Group’s relationships and good will with customers, prospective customers, vendors, suppliers and employees, constitute valuable and protectable assets of the Company Group, developed at the expense of the Company Group, and that you have been privy to and enjoyed access to and other benefits of such assets during and as a result of your employment with the Company. You further acknowledge and agree that the restrictions in Sections 10 and 12 are reasonable and necessary to preserve the Company’s legitimate business interests in protecting such assets, and that such restrictions shall not prevent you from earning a livelihood in your chosen occupation.
 - f. You acknowledge and agree that the Company has no adequate remedy at least for beach or threatened breach of any of the provisions in Sections 10 and 12 of this Agreement and in recognition thereof agree that in the event of such breach or threatened breach, the Company shall suffer irreparable harm that cannot be adequately compensated for by money damages. You agree that in addition to any remedies at law available to it , the Company shall be entitled, without posting any bond and without notice to you, to obtain equitable relief I the form of specific performance, a temporary restraining order, a temporary or permanent injunction, or any other equitable remedy that may then be available. You agree that the Company may pursue any remedy available to it concurrently or consecutively in any sequence, and that nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedies at law or in equity that may be available to it, or any other rights that it may have under any other agreement. You expressly waive any claim or defense that the Company has an adequate remedy at law or in damages. The parties agree that, in any suit, action or proceeding arising out of or seeking enforcement of Sections 10 or 12 of this Agreement, the prevailing party shall be entitled to reimbursement in full for its reasonable attorneys’ fees and costs incurred in connection with such suit, action or proceeding, unless such payment is otherwise prohibited by law.
13. You agree that you will not take any action that is intended, or would reasonably be expected to harm, disparage or impair the reputation of the Releasees. The Company will not and the Company will instruct its individual directors and executive officers who hold such offices as of the date of this Agreement to not to take any action or make any comment that is intended, or would reasonably be
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expected to harm, disparage or impair your reputation. The Company's obligations shall not apply to disclosures required by applicable law, regulation or order of a court or governmental agency.

14. You represent that you have not commenced or caused to be commenced, or participated, aided or cooperated in, any action, charge, complaint or proceeding of any kind (on your behalf and/or on behalf of any other person or entity and/or on behalf of or as a member of any alleged class of persons) that is presently pending before any government agency charged with the enforcement of any law, or any self-regulatory authority (each, a "Government Agency"), or in any arbitral or judicial tribunal, against or involving any of the Releasees.
 15. You acknowledge that (i) the Company has advised you to consult with an attorney of your own choosing before signing this Agreement and the Releases attached hereto, (ii) you have been given the opportunity to seek the advice of counsel, (iii) you have carefully read and fully understand all of the provisions of this Agreement and the Releases attached hereto, (iv) you are entering into this Agreement and the Releases knowingly, freely and voluntarily in exchange for good and valuable consideration to which you are not otherwise entitled, and (v) you have the full power, capacity and authority to enter into this Agreement and the Releases.
 16. The making of this Agreement or any of the Releases attached hereto are not intended, and shall not be construed, as an admission that any of the Releasees (as defined in the Releases) has violated any federal, state or local law, ordinance or regulation, breached any contract, or committed any wrong whatsoever against you.
 17. Compliance with Section 409A.
 - a. This Agreement shall be interpreted to avoid any penalty sanctions under section 409A of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under section 409A of the Code, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of section 409A of the Code, all payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. In no event shall you, directly or indirectly, designate the calendar year of payment.
 - b. All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of section 409A, including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the your lifetime (or during a shorter period of time specified in the Agreement), (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, calendar year following the year in which the expense is incurred, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.
 18. Notwithstanding any provision in this agreement to the contrary, if at the time of the your termination of employment with the Company (or any successor thereto), the Company (or any corporation, partnership, joint venture, organization or entity within the Company's controlled group within the meaning of sections 414(b) and (c) of the Code) has securities which are publicly-traded on an established securities market and you are a "specified employee" (as defined in section 409A of the Code and determined in the sole discretion of the Company, or any successor thereto, in accordance with the Company's, or any successor's, "specified employee" determination policy) and it is necessary to postpone the commencement of any severance payments or deferred compensation otherwise payable pursuant to this Agreement as a result of such termination of employment to prevent any accelerated or additional tax under section 409A of the
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Code, then the Company (or any successor thereto) will postpone the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to you) that are not otherwise paid within the short-term deferral exception under section 409A of the Code and are in excess of the lesser of two (2) times (i) your then-annual compensation or (ii) the limit on compensation then set forth in section 401(a)(17) of the Code, until the first payroll date that occurs after the date that is six (6) months following your "separation from service" with the Company (or any successor thereto), as defined under section 409A of the Code. If any payments are postponed due to such requirements, such postponed amounts will be paid in a lump sum to you on the first payroll date that occurs after the date that is six (6) months following your "separation from service" with the Company (or any successor thereto), and any amounts payable to you after the expiration of such six (6)-month period under this Agreement shall continue to be paid to you in accordance with the terms of this Agreement. If you die during the postponement period prior to the payment of the postponed amount, the amounts withheld on account of section 409A of the Code shall be paid to the personal representative of your estate within sixty (60) days after the date of your death.

19. You acknowledge and agree that neither the Company nor anyone acting on its behalf has made any promises, commitments or representations to you concerning the subject matter of this Agreement other than those contained in this Agreement, and that you have not relied upon any statement or representation made by the Company or anyone acting on its behalf with respect to the basis or effect of this Agreement or otherwise.
 20. If, at any time after the date of the execution of this Agreement, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect. However, the illegality or unenforceability of such provision shall have no effect upon, and shall not impair the enforceability of, any other provision of this Agreement.
 21. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, except that any existing post-employment obligations you have with respect to confidentiality, noncompetition, nonsolicitation of clients and nonsolicitation of employees under any agreement entered into between you and the Company (including, without limitation, the Confidentiality Agreement between you and the Company) or common law, shall remain in full force and effect. This Agreement may not be changed orally, and no modification, amendment or waiver of any of the provisions contained in this Agreement, nor any future representation, promise or condition in connection with the subject matter hereof, shall be binding upon any party unless made in writing and signed by such party.
 22. This Agreement shall bind you, your heirs, beneficiaries, trustees, administrators, executors, and legal representatives, and shall inure to the benefit of the Releasees, and their respective beneficiaries, trustees, administrators, executors, assigns and legal representatives. You may not assign any of your rights or obligations under this Agreement. Without limiting the foregoing, the Company may assign its rights and delegate its duties hereunder in whole or in part to any affiliate of the Company or to any transferee of all or a portion of the assets or business to which this Agreement relates.
 23. Should any provision of this Agreement require interpretation or construction, it is agreed by the parties that the entity interpreting or construing the Agreement shall not apply a presumption against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document.
 24. This Agreement is governed by the laws of the State of New York, without regard to its conflict of laws provisions. Any disputes under this Agreement, the Releasees shall be brought in a court of competent jurisdiction sitting in the County of New York, State of New York, USA. The parties hereby consent to the exclusive jurisdiction of such courts and to service of process in any manner provided under New York law. Each party irrevocably waives any objection it may now have or hereafter has with respect to the
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venue of any suit, action or proceeding brought in any such court, and waives any claim that such court is an inconvenient forum, and further agrees that service of process in accordance with the foregoing shall be deemed in every respect effective and valid personal service of process upon such party.

25. Each of the Releasees is a third party beneficiary to the Releases and has the right to enforce any of the provisions of the Releases applicable to such entity or person.
26. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Electronic copies and photocopies shall be treated as originals.

[Signature Page Follows]

If this Agreement is acceptable to you, please indicate your agreement by signing and dating the enclosed copy and returning it to me in the enclosed envelope.

Very truly yours,

/s/ Anne Jaeckin
By: Anne Jaeckin
Title: Chief Human Resources Officer

I acknowledge that I have read this Agreement and that I understand and voluntarily accept its terms.

/s/ Edgar Huber

Edgar Huber

Dated: 10/20/2020

THIS IS A LEGALLY ENFORCEABLE
DOCUMENT

Coty Inc.
Subsidiary List
as of December 31, 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
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
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
Coty Holdings UK Limited	England and Wales
Quest Beauty Limited	England and Wales
Coty S.A.S.	France
Coty France S.A.S.	France
Else France S.A.S.	France
Fragrance Production S.A.S.	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
HFC Prestige Manufacturing Cologne Germany GmbH	Germany
Wella Grundstuecks- und Vermoegensverwalturngs GmbH & Co. KG	Germany
Zadafo Verwaltungsgesellschaft mbH	Germany
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
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
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
Coty Japan Godo Kaisha	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 Brands México, S. de R.L. de C.V.	Mexico
Coty México, S.A. de C.V.	Mexico
Coty Services, 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
Coty Prestige Southeast Asia Philippines, Inc.	Philippines
Coty Eastern Europe sp. z.o.o.	Poland
Coty Beauty Portugal S.A.	Portugal
HFC Prestige International Puerto Rico LLC	Puerto Rico
Coty Cosmetics Romania SRL	Romania
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
Coty Beauty Spain, S.L.U.	Spain
Coty Spain S.L., Sociedad Unipersonal	Spain
Coty International B.V. Swiss Branch	Switzerland
Coty JV Holdings Sarl	Switzerland
HFC Prestige International Operations Switzerland Sarl	Switzerland
Coty Beauty Swiss Sarl	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
Coty Operations (Thailand) Co., 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 Arab Emirates
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
HFC Prestige Manufacturing UK Ltd	United Kingdom
HFC Prestige Products Ltd.	United Kingdom
HFC Prestige Service UK Ltd	United Kingdom
Lancaster Group, Ltd.	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
Calvin Klein Cosmetic Corporation	United States - DE
Coty Brands Management Inc.	United States - DE
Coty Holdings, Inc.	United States - DE
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.
Rimmel Inc.
The Wella Corporation
Noxell Corporation
Coty Beauty Vietnam Company Limited

United States - DE
United States - DE
United States - DE
United States - MD
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: February 9, 2021

/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: February 9, 2021

/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: February 9, 2021

/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.

February 9, 2021

/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.