
**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 MARCH 31, 2021**
- 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 May 3, 2021, 766,107,084 shares of the registrant's Class A Common Stock, \$0.01 par value, were outstanding.

COTY INC.
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net revenues	\$ 1,027.8	\$ 1,062.5	\$ 3,567.5	\$ 4,157.4
Cost of sales	391.7	460.8	1,440.6	1,655.0
Gross profit	636.1	601.7	2,126.9	2,502.4
Selling, general and administrative expenses	545.6	757.9	1,770.5	2,481.0
Amortization expense	62.2	61.6	189.4	170.7
Restructuring costs	—	(8.0)	89.7	125.5
Acquisition and divestiture-related costs	29.7	49.3	127.7	85.3
Asset impairment charges	—	40.4	—	40.4
Gain on divestitures and sale of brand assets	—	—	—	(84.5)
Operating (loss)	(1.4)	(299.5)	(50.4)	(316.0)
Interest expense, net	50.3	63.8	171.6	185.3
Other (income) expense, net	(62.5)	0.3	(50.7)	4.0
Income (loss) from continuing operations before income taxes	10.8	(363.6)	(171.3)	(505.3)
Benefit for income taxes on continuing operations	(19.2)	(59.8)	(304.9)	(117.0)
Net income (loss) from continuing operations	30.0	(303.8)	133.6	(388.3)
Net (loss) income from discontinued operations	(17.3)	39.4	(148.2)	163.8
Net income (loss)	12.7	(264.4)	(14.6)	(224.5)
Net (loss) income attributable to noncontrolling interests	(9.4)	6.2	(11.5)	9.5
Net income attributable to redeemable noncontrolling interests	6.5	1.0	12.2	6.4
Net income (loss) attributable to Coty Inc.	\$ 15.6	\$ (271.6)	\$ (15.3)	\$ (240.4)
Amounts attributable to Coty Inc.				
Net income (loss) from continuing operations	32.9	(311.0)	132.9	(404.2)
Convertible Series B Preferred Stock dividends	(34.1)	—	(78.1)	—
Net (loss) income from continuing operations attributable to common stockholders	(1.2)	(311.0)	54.8	(404.2)
Net (loss) income from discontinued operations	(17.3)	39.4	(148.2)	163.8
Net loss attributable to common stockholders	\$ (18.5)	\$ (271.6)	\$ (93.4)	\$ (240.4)
Earnings (loss) per common share:				
Earnings (loss) from continuing operations per common share - basic	\$ —	\$ (0.41)	\$ 0.07	\$ (0.53)
Earnings (loss) from continuing operations per common share - diluted	—	(0.41)	0.07	(0.53)
(Loss) earnings from discontinued operations - basic	(0.02)	0.05	(0.19)	0.21
(Loss) earnings from discontinued operations - diluted	(0.02)	0.05	(0.19)	0.21
Loss per common share - basic	(0.02)	(0.36)	(0.12)	(0.32)
Loss per common share - diluted	(0.02)	(0.36)	(0.12)	(0.32)
Weighted-average common shares outstanding:				
Basic	765.4	760.8	764.6	757.7
Diluted	765.4	760.8	932.1	757.7

See notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net income (loss)	\$ 12.7	\$ (264.4)	\$ (14.6)	\$ (224.5)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(107.1)	(364.6)	22.0	(385.2)
Net unrealized derivative gain (loss) on cash flow hedges, net of taxes of \$(2.4) and \$11.0, and \$(7.2) and \$9.4 during the three and nine months ended, respectively	7.8	(35.0)	23.2	(29.9)
Pension and other post-employment benefits adjustment, net of tax of \$0.2 and \$0.0, and \$4.5 and \$0.0 during the three and nine months ended, respectively	(0.4)	(1.5)	(15.1)	(4.6)
Total other comprehensive (loss) income, net of tax	(99.7)	(401.1)	30.1	(419.7)
Comprehensive (loss) income	(87.0)	(665.5)	15.5	(644.2)
Comprehensive income attributable to noncontrolling interests:				
Net (loss) income	(9.4)	6.2	(11.5)	9.5
Foreign currency translation adjustment	(0.2)	(0.1)	(0.1)	—
Total comprehensive (loss) income attributable to noncontrolling interests	(9.6)	6.1	(11.6)	9.5
Comprehensive income attributable to redeemable noncontrolling interests:				
Net income	6.5	1.0	12.2	6.4
Comprehensive (loss) income attributable to Coty Inc.	\$ (83.9)	\$ (672.6)	\$ 14.9	\$ (660.1)

See notes to Condensed Consolidated Financial Statements.

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

	March 31, 2021	June 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 315.3	\$ 308.3
Restricted cash	42.7	43.7
Trade receivables—less allowances of \$51.2 and \$57.3, respectively	398.1	440.1
Inventories	604.7	678.2
Prepaid expenses and other current assets	457.4	411.6
Current assets held for sale	—	4,613.1
Total current assets	1,818.2	6,495.0
Property and equipment, net	942.6	1,081.6
Goodwill	4,026.6	3,973.9
Other intangible assets, net	4,474.9	4,372.1
Equity investments	1,266.8	—
Operating lease right-of-use assets	331.4	371.4
Deferred income taxes	702.2	362.4
Other noncurrent assets	59.6	72.4
TOTAL ASSETS	\$ 13,622.3	\$ 16,728.8
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,051.8	\$ 1,190.3
Accrued expenses and other current liabilities	1,174.7	1,111.6
Short-term debt and current portion of long-term debt	193.7	188.3
Current operating lease liabilities	79.3	105.0
Income and other taxes payable	66.4	33.8
Current liabilities held for sale	—	956.7
Total current liabilities	2,565.9	3,585.7
Long-term debt, net	5,182.4	7,892.1
Long-term operating lease liabilities	280.4	317.4
Pension and other post-employment benefits	393.8	400.3
Deferred income taxes	534.1	175.1
Other noncurrent liabilities	371.5	334.5
Total liabilities	9,328.1	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 March 31, 2021 and June 30, 2020	1,036.3	715.8
REDEEMABLE NONCONTROLLING INTERESTS	87.4	79.1
EQUITY:		
Preferred Stock, \$0.01 par value; 20.0 shares authorized, 1.5 issued and outstanding at March 31, 2021 and June 30, 2020	—	—
Class A Common Stock, \$0.01 par value; 1,250.0 shares authorized, 832.3 and 830.6 issued and 766.1 and 765.1 outstanding, respectively, at March 31, 2021 and June 30, 2020	8.3	8.3
Additional paid-in capital	10,395.8	10,447.4
Accumulated deficit	(5,569.6)	(5,548.6)
Accumulated other comprehensive income	(426.0)	(456.2)
Treasury stock—at cost, shares: 66.2 at March 31, 2021 and 65.5 at June 30, 2020	(1,446.3)	(1,446.3)
Total Coty Inc. stockholders' equity	2,962.2	3,004.6
Noncontrolling interests	208.3	224.2
Total equity	3,170.5	3,228.8
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY	\$ 13,622.3	\$ 16,728.8

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Nine Months Ended March 31, 2021
(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
Cancellation of Restricted Stock					—			0.7	—	—		—		
Exercise of employee stock options and restricted stock units			0.7		—					—		—		
Shares withheld for employee taxes					(2.3)					(2.3)		(2.3)		
Share-based compensation expense					6.0					6.0		6.0		

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Changes in dividends accrued	0.5				0.5				0.5					
Dividends accrued- Convertible Series B Preferred Stock	(23.6)				(23.6)				(23.6)				23.6	
Deemed Dividends- Convertible Series B Preferred Stock	(10.5)				(10.5)				(10.5)				10.5	
Net income (loss)	15.6				15.6				(9.4)		6.2		6.5	
Other comprehensive loss					(99.5)				(99.5)		(0.2)		(99.7)	
Adjustment of redeemable noncontrolling interests to redemption value	(1.4)				(1.4)				(1.4)				1.4	
BALANCE—March 31, 2021	1.5	\$ —	832.3	\$ 8.3	\$ 10,395.8	\$ (5,569.6)	\$ (426.0)	66.2	\$ (1,446.3)	\$ 2,962.2	\$ 208.3	\$ 3,170.5	\$ 87.4	\$ 1,036.3

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Nine Months Ended March 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, 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	\$ —
Cancellation of Preferred Stock	(7.9)	(0.1)			(0.6)					(0.7)		(0.7)		
Exercise of employee stock options and restricted stock units			0.2	—	0.6					0.6		0.6		
Shares withheld for employee taxes					(0.3)					(0.3)		(0.3)		
Share-based compensation expense					3.5					3.5		3.5		

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Dividends declared - Cash and Other		(66.9)		(66.9)		(66.9)								
Dividends (\$0.125 per common share)		(28.7)		(28.7)		(28.7)								
Dividends settled in Shares of Class A Common Stock	2.4	28.7		28.7		28.7								
Net (loss) income				(271.6)		(271.6)	6.2	(265.4)	1.0					
Other comprehensive income				(401.0)		(401.0)	(0.1)	(401.1)						
Distribution to noncontrolling interests, net						—	—	—	(4.0)					
Noncontrolling interest due to transaction				—		—	212.9	212.9	—					
Adjustment of redeemable noncontrolling interests to redemption value				(3.1)		(3.1)		(3.1)	3.1					
BALANCE—March 31, 2020	1.5	\$ —	828.6	\$ 8.3	\$ 10,431.0	\$ (4,782.3)	\$ (478.5)	65.5	\$ (1,446.3)	\$ 3,732.2	\$ 228.9	\$ 3,961.1	\$ 98.7	\$ —

See notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (14.6)	\$ (224.5)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	436.1	547.7
Non-cash lease expense	61.6	81.5
Deferred income taxes	(238.8)	(150.7)
Provision for bad debts	(9.6)	28.2
Provision for pension and other post-employment benefits	8.3	26.4
Share-based compensation	28.9	18.1
Gain on divestitures and sale of brand assets	—	(84.5)
Asset impairment charges	—	40.4
Loss on sale of business in discontinued operations	246.6	—
Unrealized (gains) and losses from equity investments, net	(60.9)	—
Foreign exchange effects	26.8	33.8
Other	44.7	38.0
Change in operating assets and liabilities, net of effects from purchase of acquired companies and sale of business:		
Trade receivables	(57.3)	206.0
Inventories	114.2	97.2
Prepaid expenses and other current assets	(133.0)	(8.4)
Accounts payable	(137.8)	(246.0)
Accrued expenses and other current liabilities	64.8	(31.7)
Operating lease liabilities	(104.4)	(80.9)
Income and other taxes payable	(44.4)	(25.8)
Other noncurrent assets	30.5	(30.8)
Other noncurrent liabilities	24.7	(29.5)
Net cash provided by operating activities	286.4	204.5
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(143.7)	(206.4)
Proceeds from sale of long term assets	4.3	0.2
Proceeds from sale of business, net of cash disposed	27.0	25.6
Proceeds from sale of discontinued business, net of cash disposed	2,374.1	—
Payment for business combinations and asset acquisitions, net of cash acquired	—	(592.2)
Return of capital from equity investments	448.0	—
Payment for equity investment and related asset acquisition	(200.0)	—
Termination of currency swaps designated as net investment hedges	(37.6)	—
Net cash provided by (used in) investing activities	2,472.1	(772.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from (repayments of) short-term debt, original maturity less than three months	0.5	(4.0)
Proceeds from revolving loan facilities	2,147.9	4,543.9
Repayments of revolving loan facilities	(2,963.7)	(2,589.0)
Repayments of term loans and other long-term debt	(2,162.0)	(139.4)
Dividend payment	(1.5)	(196.9)

Net proceeds from issuance of Class A Common Stock	—	2.7
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 (payments of) foreign currency contracts	20.3	(9.4)
Purchase of remaining mandatorily redeemable noncontrolling interest	—	(45.0)
Distributions to noncontrolling interests, redeemable noncontrolling interests and mandatorily redeemable financial instruments	(6.3)	(24.5)
All other	(4.8)	(4.1)
Net cash (used in) provided by financing activities	(2,742.4)	1,529.8
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(10.1)	(30.3)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	6.0	931.2
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	352.0	380.4
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	\$ 358.0	\$ 1,311.6
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the period for interest	\$ 164.0	\$ 188.8
Net cash (refunds)/payments for income taxes	(5.5)	125.5
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditure additions	\$ 44.5	\$ 82.1
Non-cash Common Stock dividend	—	88.9
Non-cash Preferred Stock dividend	78.1	—

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 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 owns 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 nine months ended March 31, 2021 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 March 31, 2021 and June 30, 2020, the Company had restricted cash of \$42.7 and \$43.7, respectively, included in Restricted cash in the Condensed Consolidated Balance Sheets. The Restricted cash balance as of March 31, 2021 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 March 31, 2021. 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 to align with the Company’s strategy for this investment. 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 Other (income) expense, net within 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 net realizable 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 March 31, 2021 and 2020 was (177.8)% and 16.4%, respectively and 178.0% and 23.2% for the nine months ended March 31, 2021 and 2020, respectively. The positive effective tax rates for the three and nine months ended March 31, 2020 and nine months ended March 31, 2021 result from reporting losses before income taxes and a benefit for income taxes. The negative effective tax rate for the three months ended March 31, 2021 results from reporting income before taxes and a benefit for income taxes. The change in the effective tax rate for the three months ended March 31, 2021, as compared with the three months ended March 31, 2020, is primarily due to the resolution of foreign uncertain tax positions of \$22.0 in the current period. The change in the effective tax rate for the nine months ended March 31, 2021, as compared with the nine months ended March 31, 2020, 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 March 31, 2021 and June 30, 2020, the gross amount of UTBs was \$280.6 and \$277.9, respectively. As of March 31, 2021, the total amount of UTBs that, if recognized, would impact the effective income tax rate is \$155.6. As of March 31, 2021 and June 30, 2020, the liability associated with UTBs, including accrued interest and penalties, was \$175.2 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 \$(1.4) and \$1.2 for the three months ended March 31, 2021 and 2020, respectively and \$0.3 and \$1.3 for the nine months ended March 31, 2021 and 2020, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of March 31, 2021 and June 30, 2020 was \$19.6 and \$19.3, respectively. On the basis of the information available as of March 31, 2021, it is reasonably possible that a decrease of up to \$22.0 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 March 31,		Nine Months Ended March 31,	
	2021 ^(b)	2020	2021 ^(b)	2020
Net revenues	\$ —	\$ 465.5	\$ 986.3	\$ 1,658.4
Cost of sales	—	156.3	322.5	559.8
Gross profit	—	309.2	663.8	1,098.6
Selling, general and administrative expenses	—	241.2	443.7	793.3
Amortization expense	—	26.0	—	78.0
Restructuring costs	—	1.3	(0.7)	8.7
Operating income	—	40.7	220.8	218.6
Interest expense, net ^(a)	—	9.8	21.3	36.8
Loss on sale of business ^(c)	27.5	—	246.6	—
Other expense (income), net	—	0.2	(1.0)	—
(Loss) income from discontinued operations before income taxes	(27.5)	30.7	(46.1)	181.8
(Benefit) provision for income taxes on discontinued operations	(10.2)	(8.7)	102.1	18.0
Net (loss) income from discontinued operations	<u>\$ (17.3)</u>	<u>\$ 39.4</u>	<u>\$ (148.2)</u>	<u>\$ 163.8</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, other than the Loss on sale of business, comprises zero and five months for the three and nine months ended March 31, 2021 respectively.

^(c) The Loss on sale of business for the three months ended March 31, 2021 reflects certain purchase price working capital adjustments.

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

	Nine Months Ended March 31,	
	2021 ^(a)	2020
NON-CASH OPERATING ITEMS		
Depreciation and amortization	\$ —	\$ 108.3
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	\$ 8.7	\$ 19.0

^(a) As the sale of the Wella Business occurred on November 30, 2020, discontinued operations activity comprises five months for the nine month period ended March 31, 2021.

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. 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 \$246.6 for the nine months ended March 31, 2021. Initial 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%. 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 March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Net revenues:				
Americas	\$ 409.6	\$ 435.9	\$ 1,419.7	\$ 1,506.2
EMEA	473.0	512.9	1,712.3	2,097.6
Asia Pacific	145.2	113.7	435.5	498.1
Other	—	—	—	55.5
Total	<u>\$ 1,027.8</u>	<u>\$ 1,062.5</u>	<u>\$ 3,567.5</u>	<u>\$ 4,157.4</u>
Operating income (loss):				
Americas	2.3	(40.3)	55.3	(36.3)
EMEA	28.7	(57.5)	129.7	69.6
Asia Pacific	1.9	(31.4)	(10.9)	(17.3)
Other	—	—	—	(10.9)
Corporate	(34.3)	(170.3)	(224.5)	(321.1)
Total	<u>\$ (1.4)</u>	<u>\$ (299.5)</u>	<u>\$ (50.4)</u>	<u>\$ (316.0)</u>
Reconciliation:				
Operating (loss)	(1.4)	(299.5)	(50.4)	(316.0)
Interest expense, net	50.3	63.8	171.6	185.3
Other (income) expense, net	(62.5)	0.3	(50.7)	4.0
Income (loss) from continuing operations before income taxes	<u>\$ 10.8</u>	<u>\$ (363.6)</u>	<u>\$ (171.3)</u>	<u>\$ (505.3)</u>

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

PRODUCT CATEGORY	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Fragrance	56.2 %	50.7 %	59.1 %	58.0 %
Color Cosmetics	31.2	36.4	27.9	29.6
Body Care & Other	12.6	12.9	13.0	12.4
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

KKW Beauty Business Transaction

On January 4, 2021, the Company completed its purchase of 20% of the outstanding equity of KKW Holdings, LLC ("KKW Holdings"), pursuant to a Purchase Agreement entered into between the Company, KKW Holdings and other parties listed as signatories (the "KKW Purchase Agreement"). On the same date, as contemplated by the KKW 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 Kim Kardashian West products outside of the existing KKW Holdings scope of fragrances and cosmetics, and use certain intellectual property owned by or licensed to KKW Holdings in connection with the development, manufacture, labelling, packaging, advertising, display, distribution and sale of such products (the "KKW Collaboration Agreement"). Under the KKW Collaboration Agreement, products will be sold by the Company's consolidated subsidiaries. Therefore, the related revenues generated and expenses incurred by such subsidiaries will be reported in the Company's Condensed Consolidated Statements of Operations.

The KKW Purchase Agreement also gives the Company an option to acquire, and the sellers the option to compel the Company to acquire, an additional 31% of the outstanding equity of KKW (the “KKW Call Option” and “KKW Put Option”, respectively). The seller’s ability to exercise the KKW Put Option is contingent upon the achievement of certain contractually defined targets. The KKW Call Option and KKW Put Option expire on the seventh anniversary of the KKW Collaboration Agreement. Future exercise of the KKW Call Option or KKW Put Option has been deemed by the Company to be remote. However, if exercise were to occur such exercise may result in a material cash outflow for the Company.

The purchase consideration paid for the equity interest, the KKW Call Option and rights under the KKW Collaboration Agreement was \$200.0 and was allocated as follows using a relative fair value approach at the acquisition date:

	Estimated fair value	Estimated useful life (in years)
KKW Collaboration Agreement	\$ 180.6	20
20% equity interest in KKW Holdings	19.4	
Total purchase consideration	<u>\$ 200.0</u>	

The initial fair value of the KKW Collaboration Agreement and the Company’s 20% equity investment were estimated using an income approach. The Company accounts for its 20% investment in the equity of KKW Holdings under the equity method. The initial fair value of the KKW Collaboration Agreement is recognized within Other intangible assets, net and the Company’s equity investment in KKW Holdings is recognized within Equity investments, each within the Condensed Consolidated Balance Sheets. The fair value of the KKW Call Option was deemed to be de minimis.

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 has finalized the valuation of assets acquired and liabilities assumed for the King Kylie transaction.

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%. Initial 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).

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).

During the three months ended March 31, 2021, the Company recorded purchase price and working capital adjustments resulting in an incremental loss on sale related to the Wella Business of \$27.5. Of the purchase price adjustments reflected during the three months ended March 31, 2021, \$12.1 was settled in cash during the period.

Additionally, as contemplated in the Sale and Purchase Agreement (as amended) relating to the sale of the Wella Business (the "Wella SPA"), the purchase consideration is subject to further adjustments for other working capital and contractually specified items.

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 March 31, 2021. 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 nine months ended March 31, 2020. 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 nine months ended March 31, 2020.

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 \$3.3 and \$13.2 for the three months ended March 31, 2021 and 2020, respectively and \$2.8 and \$17.3 for the nine months ended March 31, 2021 and 2020, 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 \$26.4 and \$36.1 for the three months ended March 31, 2021 and 2020, respectively and \$124.9 and \$68.0 for the nine months ended March 31, 2021 and 2020, respectively. Divestiture-related costs incurred during the three and nine months ended March 31, 2021 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 nine months ended March 31, 2021 and 2020 are presented below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Transformation Plan	\$ 4.7	\$ 3.5	\$ 98.4	\$ 142.9
Other Restructuring	(4.7)	(11.5)	(8.7)	(17.4)
Total	\$ —	\$ (8.0)	\$ 89.7	\$ 125.5

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 \$255.0 related to approved initiatives through March 31, 2021, 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	98.4	(0.4)	0.4	98.4
Cumulative through March 31, 2021	<u>\$ 249.6</u>	<u>\$ (1.5)</u>	<u>\$ 6.9</u>	<u>\$ 255.0</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	118.7	(0.4)	0.4	118.7
Payments	(62.6)	—	(0.2)	(62.8)
Changes in estimates	(20.3)	—	—	(20.3)
Non-cash utilization	—	0.4	—	0.4
Adjustment for sale of the Wella Business	(0.6)	—	—	(0.6)
Effect of exchange rates	5.3	—	—	5.3
Balance—March 31, 2021	<u>\$ 172.4</u>	<u>\$ —</u>	<u>\$ 0.9</u>	<u>\$ 173.3</u>

The Company currently estimates that the total remaining accrual of \$173.3 will result in cash expenditures of approximately \$34.5, \$119.6 and \$19.2 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 \$(4.7) and \$(11.5) during the three months ended March 31, 2021 and 2020, respectively and \$(8.7) and \$(17.4) for the nine months ended March 31, 2021 and 2020, respectively. The related liability balances were \$0.7 and \$14.5 at March 31, 2021 and June 30, 2020, respectively. The Company currently estimates that the total remaining accrual of \$0.7 will result in cash expenditures of \$0.7 during the fourth quarter of fiscal 2021.

8. INVENTORIES

Inventories as of March 31, 2021 and June 30, 2020 are presented below:

	March 31, 2021	June 30, 2020
Raw materials	\$ 139.6	\$ 148.6
Work-in-process	4.6	11.1
Finished goods	460.5	518.5
Total inventories	<u>\$ 604.7</u>	<u>\$ 678.2</u>

9. EQUITY INVESTMENTS

The Company's equity investments, classified as Equity investments on our Condensed Consolidated Balance Sheets, as of March 31, 2021 are represented by the following:

(in millions)	March 31, 2021
<i>Equity method investments:</i>	
KKW Holdings ^(a)	\$ 16.8
<i>Equity investments at fair value:</i>	
Wella Business ^(b)	1,250.0
Total equity investments	<u>\$ 1,266.8</u>

^(a) On January 4, 2021, the Company completed its purchase of 20% of the outstanding equity of KKW Holdings. (See Note 5—Business Combinations, Asset Acquisitions and Divestitures).

The Company accounts for this minority investment under the equity method, given it has the ability to exercise significant influence over, but not control, the investee. During the three months ended March 31, 2021, the Company recognized \$2.6 representing its share of the investee's net loss in Other (income) expense, net within the Condensed Consolidated Statements of Operations.

^(b) 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 initial 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 March 31, 2021 and December 31, 2020, the fair value of the Company's investment in Wella was estimated to be \$1,250.0 and \$1,186.5, respectively.

The following table presents summarized financial information of the Company's equity method investees for the periods ending March 31, 2021, based on unaudited information provided to us by the investees. Amounts presented represent combined totals at the investee level and not the Company's proportionate share:

(in thousands)	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2021
Summarized Statements of Operations information:		
Net revenues	\$ 528.5	\$ 743.7
Gross profit	361.4	508.4
Operating loss	(56.6)	(61.7)
Loss before income taxes	(89.2)	(102.7)
Net loss	(78.8)	(91.5)

The following table summarizes movements in equity investments with fair value option that are classified within Level 3 for the period ended March 31, 2021. There were no internal movements to or from Level 3 from Level 1 or Level 2 for the period ended March 31, 2021.

Equity investments at fair value:	
Balance as of June 30, 2020	\$ —
Initial investment	1,186.5
Total gains/(losses) included in earnings - unrealized	63.5
Balance as of March 31, 2021	<u>\$ 1,250.0</u>

Level 3 significant unobservable inputs sensitivity

The following table summarizes the significant unobservable inputs used in Level 3 valuation of our investments carried at fair value as of March 31, 2021. Included in the table are the inputs or range of possible inputs that have an effect on the overall valuation of the financial instruments.

	Fair value	Valuation Technique	Unobservable input	Range
Equity investments at fair value	\$ 1,250.0	Discounted cash flows	Discount rate	11.25% ^(a)
			Growth rate	1.5% - 8.6% ^(a)
		Market multiple	Revenue multiple	1.8x – 2.0x ^(b)
			EBITDA multiple	12.0x – 15.0x ^(b)

^(a) The primary unobservable inputs used in the fair value measurement of our equity investments with fair value option, when using a discounted cash flow method, are the discount rate and revenue growth rate. Significant increases (decreases) in the discount rate in isolation would result in a significantly lower (higher) fair value measurement. The Company estimates the discount rate based on the investees' projected cost of equity and debt. The revenue growth rate is forecasted for future years by the investee based on their best estimates. Significant increases (decreases) in the revenue growth rate in isolation would result in a significantly higher (lower) fair value measurement.

^(b) The primary unobservable inputs used in the fair value measurement of our equity investments with fair value option, when using a market multiple method, are the revenue multiple and EBITDA multiple. Significant increases (decreases) in the revenue multiple or EBITDA multiple in isolation would result in a significantly higher (lower) fair value measurement. The market multiples are derived from a group of guideline public companies.

10. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of March 31, 2021 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 March 31, 2021				
Measurement period adjustments ^(a)	(62.0)	35.9	26.1	—
Foreign currency translation	13.3	25.6	13.8	52.7
Gross balance at March 31, 2021	\$ 3,063.5	\$ 3,700.4	\$ 1,302.8	\$ 8,066.7
Accumulated impairments	(1,768.7)	(1,857.3)	(414.1)	(4,040.1)
Net balance at March 31, 2021	<u>\$ 1,294.8</u>	<u>\$ 1,843.1</u>	<u>\$ 888.7</u>	<u>\$ 4,026.6</u>

^(a) Includes measurement period adjustments 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 March 31, 2021 and June 30, 2020 are presented below:

	March 31, 2021	June 30, 2020
Indefinite-lived other intangible assets	\$ 1,011.7	\$ 995.5
Finite-lived other intangible assets, net	3,463.2	3,376.6
Total Other intangible assets, net	<u>\$ 4,474.9</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 March 31, 2021		
Foreign currency translation	16.2	16.2
Gross balance at March 31, 2021	\$ 1,925.2	\$ 1,925.2
Accumulated impairments	(913.5)	(913.5)
Net balance at March 31, 2021	<u>\$ 1,011.7</u>	<u>\$ 1,011.7</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>
March 31, 2021				
License agreements and collaboration agreements ^(b)	\$ 4,147.5	\$ (1,173.4)	\$ (19.6)	\$ 2,954.5
Customer relationships	793.2	(471.2)	(5.5)	316.5
Trademarks	330.1	(166.2)	(0.5)	163.4
Product formulations and technology	87.9	(59.1)	—	28.8
Total	<u>\$ 5,358.7</u>	<u>\$ (1,869.9)</u>	<u>\$ (25.6)</u>	<u>\$ 3,463.2</u>

^(a) Includes License and collaboration 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).

^(b) Includes the KKW Collaboration Agreement of \$180.6 resulting from the KKW Holdings transaction on January 4, 2021 (Refer to Note 5—Business Combinations, Asset Acquisitions and Divestitures).

Amortization expense was \$62.2 and \$61.6 for the three months ended March 31, 2021 and 2020, respectively, and \$189.4 and \$170.7 for the nine months ended March 31, 2021 and 2020, 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 nine months ended March 31, 2021:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Lease Cost:				
Operating lease cost	\$ 21.4	\$ 20.7	\$ 60.4	\$ 72.5
Short-term lease cost	0.1	0.5	0.5	1.8
Variable lease cost	8.3	13.0	38.6	33.3
Sublease income	(5.6)	(2.1)	(10.1)	(6.7)
Net lease cost	<u>\$ 24.2</u>	<u>\$ 32.1</u>	<u>\$ 89.4</u>	<u>\$ 100.9</u>
Other information:				
Operating cash outflows from operating leases	\$ (29.2)	\$ (25.4)	\$ (109.1)	\$ (76.8)
Right-of-use assets obtained in exchange for lease obligations	\$ 16.6	\$ 9.0	\$ 27.4	\$ 6.7
Weighted-average remaining lease term - real estate			6.5	7.4
Weighted-average discount rate - real estate leases			3.55 %	3.12 %

Future minimum lease payments for the Company's operating leases as of March 31, 2021 are as follows:

Fiscal Year Ending June 30,		
2021, remaining	\$	25.7
2022		83.9
2023		66.8
2024		53.4
2025		41.6
Thereafter		135.4
Total future lease payments		406.8
Less: imputed interest		(47.1)
Total present value of lease liabilities		359.7
Current operating lease liabilities		79.3
Long-term operating lease liabilities		280.4
Total operating lease liabilities	\$	359.7

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 March 31, 2021 and June 30, 2020, respectively:

	March 31, 2021	June 30, 2020
Short-term debt	\$ 0.5	\$ —
2018 Coty Credit Agreement		
2018 Coty Revolving Credit Facility due April 2023	678.2	1,438.8
2018 Coty Term A Facility due April 2023	1,799.1	2,959.0
2018 Coty Term B Facility due April 2025	1,457.5	2,308.5
Senior Unsecured Notes		
2026 Dollar Notes due April 2026	550.0	550.0
2023 Euro Notes due April 2023	643.7	618.3
2026 Euro Notes due April 2026	292.6	281.1
Other long-term debt and capital lease obligations	0.3	0.6
Total debt	5,421.9	8,156.3
Less: Short-term debt and current portion of long-term debt	(193.7)	(188.3)
Total Long-term debt	5,228.2	7,968.0
Less: Unamortized debt issuance costs	(41.0)	(66.9)
Less: Discount on Long-term debt	(4.8)	(9.0)
Total Long-term debt, net	\$ 5,182.4	\$ 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 March 31, 2021, total short-term debt increased to \$0.5 from \$0.0 as of June 30, 2020. In addition, the Company had undrawn letters of credit of \$15.0 and \$6.0, and bank guarantees of \$25.8 and \$45.7 as of March 31, 2021 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 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 denominated in U.S. dollars and (ii) €850.0 million denominated in euros (the “2018 Coty Term B Facility”) and (b) the incurrence by the Company and Coty B.V., a Dutch subsidiary of the Company (the “Dutch Borrower” and, together with the Company, the “Borrowers”), of a senior secured revolving facility in an aggregate principal amount of \$3,250.0 denominated in U.S. dollars, specified alternative currencies or other currencies freely convertible into U.S. dollars and readily available in the London interbank market (the “2018 Coty Revolving Credit Facility”) (the 2018 Coty Term A Facility, together with the 2018 Coty Term B Facility and the 2018 Coty Revolving Credit Facility, the “2018 Coty Credit Facilities”). Initial borrowings under the 2018 Coty Term Loan B Facility were issued at a 0.250% discount.

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

The obligations of the Company under the 2018 Coty Credit Agreement are guaranteed by the material wholly-owned subsidiaries of the Company organized in the U.S., subject to certain exceptions (the “Guarantors”) and the obligations of the Company and the Guarantors under the 2018 Coty Credit Agreement are secured by a perfected first priority lien (subject to permitted liens) on substantially all of the assets of the Company and the Guarantors, subject to certain exceptions. The Dutch

Borrower does not guarantee the obligations of the Company under the 2018 Coty Credit Agreement or grant any liens on its assets to secure any obligations under the 2018 Coty Credit Agreement.

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

On April 29, 2020, the Company amended its existing credit agreement. The amendment (i) 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, which increased to \$500.0 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. As of April 1, 2021, the covenant "holiday" and related limitations and restrictions expired.

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 initial cash proceeds of \$2,451.7 for the sale of its 60% stake in Wella and its pro rata share of Wella's return of capital distribution of \$448.0, 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 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 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 and \$879.8, respectively, and the Company wrote off \$10.7 of unamortized deferred financing fees and \$3.1 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 (income) 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

	March 31, 2021		June 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2018 Coty Credit Agreement	\$ 3,934.8	\$ 3,810.5	\$ 6,706.3	\$ 5,962.3
Senior Unsecured Notes	1,486.3	1,466.6	1,449.4	1,270.3

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

Debt Maturities Schedule

Aggregate maturities of the Company's long-term debt, including the current portion of long-term debt and excluding capital lease obligations as of March 31, 2021, are presented below:

Fiscal Year Ending June 30,

2021, remaining	\$ 48.3
2022	193.0
2023	2,933.6
2024	23.9
2025	1,379.7
Thereafter	842.6
Total	\$ 5,421.1

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)
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 March 31, 2021, the immediate liquidity was \$2,376.8.

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.

As of March 31, 2021, 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 nine months ended March 31, 2021 and 2020, respectively, is presented below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Interest expense	\$ 51.7	\$ 58.7	\$ 171.3	\$ 173.5
Foreign exchange (gains) losses, net of derivative contracts	(0.6)	6.2	3.1	14.8
Interest income	(0.8)	(1.1)	(2.8)	(3.0)
Total interest expense, net	\$ 50.3	\$ 63.8	\$ 171.6	\$ 185.3

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 \$8.0 and \$0.0 for the nine months ended March 31, 2021 and 2020, respectively. The impact of the curtailment activity on the current and prior comparative periods is included in Other (income) 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 March 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2021	2020	2021	2020	2021	2020	2021	2020
Service cost	\$ —	\$ —	\$ 2.6	\$ 8.4	\$ 0.3	\$ 0.4	\$ 2.9	\$ 8.8
Interest cost	0.1	0.2	1.7	2.3	0.3	0.5	2.1	3.0
Expected return on plan assets	—	—	(1.1)	(2.2)	—	—	(1.1)	(2.2)
Amortization of prior service credit	—	—	—	(0.2)	(0.9)	(1.5)	(0.9)	(1.7)
Amortization of net loss	0.4	0.2	(0.1)	—	—	—	0.3	0.2
Curtailment gain recognized	—	—	(2.7)	—	—	—	(2.7)	—
Net periodic benefit cost (credit)	<u>\$ 0.5</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>	<u>\$ 8.3</u>	<u>\$ (0.3)</u>	<u>\$ (0.6)</u>	<u>\$ 0.6</u>	<u>\$ 8.1</u>

	Nine Months Ended March 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International					
	2021	2020	2021	2020	2021	2020	2021	2020
Service cost	\$ —	\$ —	\$ 14.5	\$ 27.1	\$ 0.9	\$ 1.3	\$ 15.4	\$ 28.4
Interest cost	0.3	0.6	6.4	6.9	0.9	1.5	7.6	9.0
Expected return on plan assets	—	—	(4.8)	(6.4)	—	—	(4.8)	(6.4)
Amortization of prior service credit	—	—	(0.2)	(0.6)	(2.6)	(4.6)	(2.8)	(5.2)
Amortization of net loss	1.1	0.6	(0.2)	—	—	—	0.9	0.6
Curtailment gain recognized	—	—	(8.0)	—	—	—	(8.0)	—
Net periodic benefit cost (credit)	<u>\$ 1.4</u>	<u>\$ 1.2</u>	<u>\$ 7.7</u>	<u>\$ 27.0</u>	<u>\$ (0.8)</u>	<u>\$ (1.8)</u>	<u>\$ 8.3</u>	<u>\$ 26.4</u>

Net periodic benefit costs include amounts related to discontinued operations of \$0.0 and \$3.6 for the three months ended March 31, 2021 and 2020, respectively, and \$6.2 and \$10.8 for the nine months ended March 31, 2021 and 2020, 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 March 31, 2021 and June 30, 2020, the Company had interest rate swap contracts designated as effective hedges in the notional amount of \$2,000.0 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 \$70.8 and \$261.9 as of March 31, 2021 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 March 31, 2021 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 March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Foreign exchange forward contracts	\$ —	\$ 1.5	\$ (0.4)	\$ 0.9
Interest rate swap contracts	3.9	(27.9)	4.3	(24.3)
Cross-currency swap contracts	—	14.9	(25.1)	(3.8)
Net investment hedge	156.4	67.5	(191.1)	125.5

The accumulated loss on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was \$(19.8) and \$(43.0) as of March 31, 2021 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 \$(10.8).

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 March 31,				Nine Months Ended March 31,			
	2021		2020		2021		2020	
	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	—	(6.3)	—	(2.8)	—	(27.6)	—	(3.1)

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 March 31,		Nine Months Ended March 31,	
		2021	2020	2021	2020
Foreign exchange contracts	Selling, general and administrative expenses	\$ —	\$ (1.1)	\$ 0.1	\$ (1.6)
Foreign exchange contracts	Interest expense, net	7.5	(14.5)	23.7	(3.2)
Foreign exchange contracts	Other expense, net	(0.1)	1.0	(0.5)	0.7

16. EQUITY AND CONVERTIBLE PREFERRED STOCK

Common Stock

As of March 31, 2021, 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 March 31, 2021, 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 March 31, 2021, 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 nine months ended March 31, 2021, JABC did not acquire any shares of Class A Common Stock.

Series A and A-1 Preferred Stock

As of March 31, 2021, 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 March 31, 2021, there were 1.5 million shares of Series A and no shares of Series A-1 Preferred Stock authorized, issued and outstanding. 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 March 31, 2021, the Company has \$0.9 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 balances of \$84.6 and \$6.5 as of March 31, 2021 and June 30, 2020, respectively. There were no dividends paid in relation to the Series B Preferred Stock in the nine months ended March 31, 2021.

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 nine months ended March 31, 2021, the Company did not repurchase any shares of its Class A Common Stock. As of March 31, 2021, 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 nine months ended March 31, 2021. 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.

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 million 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 March 31, 2021 was \$1.7, which represent 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 nine months ended March 31, 2021. Thus, total dividends settled in cash during the nine months ended March 31, 2021 were \$1.5.

Total accrued dividends on unvested RSUs and phantom units of \$1.7 and \$1.8 are included in Accrued expenses and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of March 31, 2021.

Accumulated Other Comprehensive Income (Loss)

		Foreign Currency Translation Adjustments			
	(Loss) gain on Cash Flow Hedges	Gain (loss) on Net Investment Hedge	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans ^(a)	Total
Balance—July 1, 2020	\$ (43.0)	\$ 261.9	\$ (683.8)	\$ 8.7	\$ (456.2)
Other comprehensive income (loss) before reclassifications	2.8	(228.7)	250.8	—	24.9
Net amounts reclassified from AOCI/(L)	20.4	—	—	(15.1)	5.3
Net current-period other comprehensive income (loss)	23.2	(228.7)	250.8	(15.1)	30.2
Balance—March 31, 2021	<u>\$ (19.8)</u>	<u>\$ 33.2</u>	<u>\$ (433.0)</u>	<u>\$ (6.4)</u>	<u>\$ (426.0)</u>

^(a) For the nine months ended March 31, 2021, 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 \$15.1, net of tax of \$4.5.

	Foreign Currency Translation Adjustments				Total
	Loss on Cash Flow Hedges	Gain on Net Investment Hedge	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans	
Balance—July 1, 2019	\$ (13.3)	\$ 214.8	\$ (257.4)	\$ (2.9)	\$ (58.8)
Other comprehensive (loss) income before reclassifications	(31.4)	121.7	(506.9)	—	(416.6)
Net amounts reclassified from AOCI/(L)	1.5	—	—	(4.6)	(3.1)
Net current-period other comprehensive (loss) income	(29.9)	121.7	(506.9)	(4.6)	(419.7)
Balance—March 31, 2020	\$ (43.2)	\$ 336.5	\$ (764.3)	\$ (7.5)	\$ (478.5)

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 March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Equity plan expense ^(a)	\$ 6.0	\$ 1.6	\$ 24.6	\$ 14.6
Equity plan modified and cash settled	—	19.0	0.9	19.0
Liability plan (income) expense	0.7	(1.9)	1.4	(1.9)
Fringe expense	—	0.1	0.4	1.1
Total share-based compensation expense	\$ 6.7	\$ 18.8	\$ 27.3	\$ 32.8

^(a) Equity plan shared-based compensation expense of \$6.0 and \$3.5, and \$26.6 and \$20.0 were recorded to additional paid in capital and presented in the Condensed Consolidated Statements of Equity for the three and nine months ended March 31, 2021 and 2020, respectively. Of the \$6.0 and \$3.5 for the three months ended March 31, 2021 and 2020, respectively, \$0.0 and \$1.9, respectively, were reclassified to discontinued operations. Of the \$26.6 and \$20.0 for the nine months ended March 31, 2021 and 2020, respectively, \$2.0 and \$5.4, respectively, were reclassified to discontinued operations.

The share-based compensation expense for the three and nine months ended March 31, 2021 of \$6.7 and \$27.3, respectively, includes \$6.7 and \$30.4 expense offset by \$0.0 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 nine months ended March 31, 2020 of \$18.8 and \$32.8, respectively, includes \$21.9 and \$38.4 expense offset by \$3.1 and \$5.6 income, respectively, primarily due to significant executive forfeitures of share-based compensation instruments.

As of March 31, 2021, 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 \$11.0, \$0.0, \$2.4 and \$55.3, 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 2.77, 0.00, 2.18 and 2.56 years, respectively.

Restricted Share Units and Other Share Awards

The Company granted no shares and 8.7 million shares of RSUs and other share awards during the three and nine months ended March 31, 2021, respectively. The Company recognized share-based compensation expense of \$4.5 and \$2.9 for the three months ended March 31, 2021 and 2020, respectively and \$21.6 and \$13.3 for the nine months ended March 31, 2021 and 2020, respectively.

Restricted Stock

The Company granted no shares of restricted stock and other share awards during the three and nine months ended March 31, 2021. The Company recognized share-based compensation expense of \$0.2 and \$0.0 for the three months ended March 31, 2021 and 2020, respectively and \$0.7 and \$0.0 for the nine months ended March 31, 2021 and 2020, 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 nine months ended March 31, 2021. The Company recognized share-based compensation expense (income) of \$0.4 and \$15.4 for the three months ended March 31, 2021 and 2020, respectively and \$0.8 and \$16.4 for the nine months ended March 31, 2021 and 2020, respectively.

Non-Qualified Stock Options

The Company granted no non-qualified stock options during the three and nine months ended March 31, 2021. The Company recognized share-based compensation expense of \$1.6 and \$0.5 for the three months ended March 31, 2021 and 2020, respectively and \$4.2 and \$3.1 for the nine months ended March 31, 2021 and 2020, respectively.

18. NET INCOME (LOSS) 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 March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
(in millions, except per share data)				
Amounts attributable to Coty Inc.:				
Net income (loss) from continuing operations	\$ 32.9	\$ (311.0)	\$ 132.9	\$ (404.2)
Convertible Series B Preferred Stock dividends	(34.1)	—	(78.1)	—
Net (loss) income from continuing operations attributable to common stockholders	(1.2)	(311.0)	54.8	(404.2)
Net (loss) income from discontinued operations, net of tax	(17.3)	39.4	(148.2)	163.8
Net loss attributable to common stockholders	\$ (18.5)	\$ (271.6)	\$ (93.4)	\$ (240.4)
Weighted-average common shares outstanding:				
Weighted-average common shares outstanding—Basic	765.4	760.8	764.6	757.7
Effect of dilutive stock options and Series A/A-1 Preferred Stock ^(a)	—	—	—	—
Effect of restricted stock and RSUs ^(b)	—	—	5.4	—
Effect of Convertible Series B Preferred Stock	—	—	162.1	—
Weighted-average common shares outstanding—Diluted	765.4	760.8	932.1	757.7
Earnings (loss) per common share:				
Earnings (loss) from continuing operations per common share - basic	\$ —	\$ (0.41)	\$ 0.07	\$ (0.53)
Earnings (loss) from continuing operations per common share - diluted	—	(0.41)	0.07	(0.53)
(Loss) earnings from discontinued operations - basic	(0.02)	0.05	(0.19)	0.21
(Loss) earnings from discontinued operations - diluted	(0.02)	0.05	(0.19)	0.21
Loss per common share - basic	(0.02)	(0.36)	(0.12)	(0.32)
Loss per common share - diluted	(0.02)	(0.36)	(0.12)	(0.32)

^(a) For the nine months ended March 31, 2021, outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase 15.4 million shares of Common Stock, respectively, were excluded from the computation of diluted EPS as their inclusion would be anti-dilutive. For the three months ended March 31, 2021 and three and nine months ended March 31, 2020, 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.

^(b) For the nine months ended March 31, 2021, there were 6.2 million anti-dilutive RSUs, respectively, excluded from the computation of diluted EPS as their inclusion would be anti-dilutive. For the three months ended March 31, 2021 and three and nine months ended March 31, 2020, RSUs were excluded in the computation of diluted loss per share due to the net loss incurred during the period.

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 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 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 expected to be paid by the first quarter of the fiscal year 2022. As of March 31, 2021 and June 30, 2020, the liability amounted to \$7.1 and \$8.8, respectively.

Redeemable Noncontrolling Interests

Subsidiary in the Middle East

As of March 31, 2021, the noncontrolling interest holder in the Company's subsidiary in the Middle East 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 \$87.4 and \$79.1 as the RNCI balances as of March 31, 2021 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 consolidated purported stockholder class action and derivative complaint concerning the tender offer by Cottage Holdco B.V. (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. The case is currently at the discovery stage.

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. On March 8, 2021, the Company filed a motion to dismiss the amended complaint, which is currently pending before the court.

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 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 March 31, 2021 amount to a total of R\$386.4 million (approximately \$66.9 as of March 31, 2021). 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 March 31, 2021 amount to a total R\$713.9 million (approximately \$123.6 as of March 31, 2021). 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 March 31, 2021 amount to a total of R\$339.1 million (approximately \$58.7 as of March 31, 2021). 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 March 31, 2021 amount to a total of R\$185.4 million (approximately \$32.1 as of March 31, 2021). 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 fourth 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 March 31, 2021) and no other changes to the Company’s capitalization, KKR Aggregator would be the second largest shareholder, with a 22.5% 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.à 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 since the divestiture were \$40.0 and \$1.0, respectively, for the three months ended March 31, 2021 and \$54.7 and \$1.6, respectively, for the four months ended March 31, 2021. The TSA fees are principally invoiced on a cost plus basis. The TSA fees and other fees were included in Selling, general and administrative expenses and Cost of sales, respectively, in the Company’s Condensed Consolidated Statement of Operations. As of March 31, 2021, accounts receivable from and accounts payable to Wella of \$111.8 and \$49.2, 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. Additionally, the Company has accrued \$29.8 within Other noncurrent liabilities related to certain indemnities to Wella for uncertain tax positions associated with tax filings made prior to the sale of the Wella Business.

The Company has certain sublease arrangements with Wella after the sale. For the three and four months ended March 31, 2021, the Company reported sublease income of \$4.1 and \$5.5, respectively, from Wella.

22. SUBSEQUENT EVENTS

Offering of Senior Secured Notes

On April 21, 2021, the Company issued an aggregate principal amount of \$900.0 of 5.00% senior secured notes due 2026 (the “2026 Senior Secured Notes”). Coty received gross proceeds of \$900.0 in connection with the offering of the 2026 Senior Secured Notes. Coty used the net proceeds of the offering of the 2026 Senior Secured Notes to repay a portion of the term loans outstanding under the existing credit facilities and to pay related premiums, fees and expenses thereto.

The 2026 Senior Secured Notes are senior secured obligations of Coty and are guaranteed on a senior secured basis by each of Coty’s wholly-owned domestic subsidiaries that guarantees Coty’s obligations under its existing senior secured credit facilities and are secured by first priority liens on the same collateral that secures Coty’s obligations under its existing senior

secured credit facilities. For information on Coty's existing senior secured credit facilities, see Note 12—Debt. The 2026 Senior Secured Notes and the guarantees are equal in right of payment with all of Coty's and the guarantors' respective existing and future senior indebtedness and are *pari passu* with all of Coty's and the guarantors' respective existing and future indebtedness that is secured by a first priority lien on the collateral, including the existing senior secured credit facilities, to the extent of the value of such collateral.

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, 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 "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 and any plans to resume cash dividends), investments, licenses and portfolio changes, product launches, relaunches or rebranding (including the expected timing or impact thereof), 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 (as defined below), 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 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 stabilization of consumer beauty make-up brands and mass fragrances through leading innovation and improved execution, accelerating our prestige fragrance business and ongoing expansion into prestige cosmetics, building a comprehensive skincare portfolio leveraging existing brands, enhancement of our e-commerce and Direct-to-Consumer (DTC) capabilities, expanding our presence in China through prestige products and select consumer beauty brands, and establishing Coty as an industry leader in sustainability.

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.

COVID-19 Impacts Update

The COVID-19 pandemic has had 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 fiscal 2021 year to date, most notably in the prestige fragrance categories. 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 TSA.

Other Matters

As previously disclosed in Coty’s public filings, Sue Nabi, the Company’s CEO, will receive, upon approval by the Company’s board of directors, a one-time sign-on award of restricted stock units (the “Award”), which will vest and settle in 10,000,000 shares of the Company’s Class A Common Stock, par value \$0.01 per share, on each of August 31, 2021, August 31, 2022 and August 31, 2023, subject to her continued employment through each such date. The Company expects to issue the restricted stock units in the fourth quarter of fiscal 2021. The Company will recognize share-based compensation expense based on the closing stock price on the date the grant is approved by the board of directors, which would be \$300.3 using the closing stock price for the Class A Common Stock on April 30, 2021 of \$10.01 per share. This expense would be amortized over the underlying vesting period. In connection with this Award, Cottage Holdco B.V., the Company’s largest stockholder and a wholly-owned subsidiary of JAB Holding Company S.a r.l., has agreed to transfer to Ms. Nabi (either directly or through contributing to the Company) one-half of the total number of shares of Common Stock owed to Ms. Nabi if and when the Award vests.

As our CEO finalizes her organization structure and how she will assess performance, we are concurrently evaluating the potential impact to our segment reporting. We expect this process to culminate in the fourth quarter of fiscal 2021.

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 Nine months ended March 31, 2021 As Compared to Three and Nine Months Ended March 31, 2020.” 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 (income) expense: 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 of the 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. Further, we have excluded the change in fair value of the investment in Wella, as our management believes these unrealized (gains) and losses do not reflect our underlying ongoing business, and the adjustment of such impact helps investors and others compare and analyze performance from period to period.
- 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 MARCH 31, 2021 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 2020

NET REVENUES

In the three months ended March 31, 2021, net revenues decreased 3%, or \$34.7, to \$1,027.8 from \$1,062.5 in the three months ended March 31, 2020, reflecting a decrease in unit volume of 12%, partially offset by a positive price and mix impact of 7%, and a positive foreign currency exchange translation impact of 2%. The overall decrease in net revenues primarily reflects the impact of the ongoing COVID-19 pandemic, most notably in the EMEA region. The pandemic continued to have a considerable impact on mass color cosmetics, due mainly to category decline related to COVID-19 protocols such as mask-wearing, remote working arrangements, and social distancing which contributed to reduced demand for several product categories, particularly lip and face products.

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 prior quarter of fiscal 2021, with the most notable improvements in the Asia Pacific region and the prestige products in the U.S. market. Travel retail channels remained challenged, especially in the EMEA and Americas regions, due to travel restrictions and significantly decreased leisure travel, which had a negative impact on prestige product revenues.

Net Revenues by Segment

(in millions)	Three Months Ended March 31,		Change %
	2021	2020	
NET REVENUES			
Americas	\$ 409.6	\$ 435.9	(6)%
EMEA	473.0	512.9	(8)%
Asia Pacific	145.2	113.7	28 %
Total	\$ 1,027.8	\$ 1,062.5	(3)%

Americas

In the three months ended March 31, 2021, net revenues from the Americas region decreased 6%, or \$26.3 to \$409.6 compared to \$435.9 in the three months ended March 31, 2020, reflecting a decrease in unit volume of 7% and a negative foreign currency exchange translation impact of 3%, offset by a positive price and mix impact of 4%. This decrease is primarily due to *Kylie* make-up production transitioning from the previous supplier. The region also experienced lower net revenues due to negative brand and category trends for mass color cosmetics, particularly affecting lip and face products related to the COVID-19 pandemic, primarily impacting *Covergirl* and *Rimmel*. In addition, rolling travel restrictions due to COVID-19 have significantly affected prestige products in our travel retail channels across the region.

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 new campaigns behind *Marc Jacobs Daisy* and *Gucci Guilty*;
- (ii) incremental net revenues due to positive share and category trends for prestige fragrance, particularly in the U.S.;
- (iii) an increase in net revenues related to e-commerce, primarily in the United States, Brazil, and Canada; and
- (iv) an increase in net revenues related to *Calvin Klein* due to lower sales in prior year as a result of COVID impacting demand.

EMEA

In the three months ended March 31, 2021, net revenues from the EMEA region decreased 8%, or \$39.9, to \$473.0 from \$512.9 in the three months ended March 31, 2020, reflecting a decrease in unit volume of 22%, a positive price and mix impact of 9%, and a positive foreign currency exchange translation impact of 5%. The decrease in net revenues primarily reflects lower net revenues due to the COVID-19 pandemic, impacting all product categories across the region. Reduced customer traffic due to continued lockdowns contributed significantly to the overall decrease in the region, with color cosmetics and mass categories experiencing proportionately greater declines than prestige products. Negative category and share trends in color cosmetics, particularly in lip and face categories, adversely impacted net revenues with somewhat greater resilience being shown in products related to lifestyle scenting, nails, and eye categories. Travel retail channels also continue to be significantly impacted as COVID-19 outbreaks continued restrictions in airports and other travel hubs.

These decreases were partially offset by net revenue increases across EMEA resulting from the continued growth of e-commerce sales.

Asia Pacific

In the three months ended March 31, 2021, net revenues from the Asia Pacific region increased 28%, or \$31.5, to \$145.2 from \$113.7 in the three months ended March 31, 2020, reflecting an increase in unit volume of 8%, a positive foreign currency exchange translation impact of 8%, and a positive price and mix impact of 12%. The increase in net revenues primarily reflects:

- (i) an increase in net revenue due to continued growth of e-commerce across the region, including the opening of the *Gucci Beauty* flagship store on Tmall, and new store expansions in China;
- (ii) an increase in net revenue across the region resulting from the continued success of *Gucci Face Foundation*, *Gucci Bloom*, and *Marc Jacobs Perfect* in the prestige category; and
- (iii) an increase in net revenue related to travel retail mainly for *Gucci* brand in China and Korea, specifically due to reductions in travel restrictions within these countries which are emerging from COVID-19 pandemic.

These increases were partially offset by a decrease for *Calvin Klein* in Australia due to reduction in demand as a result of travel restrictions.

COST OF SALES

In the three months ended March 31, 2021, cost of sales decreased 15%, or \$69.1, to \$391.7 from \$460.8 in the three months ended March 31, 2020. Cost of sales as a percentage of net revenues decreased to 38.1% in the three months ended March 31, 2021 from 43.4% in the three months ended March 31, 2020, resulting in a gross margin increase of approximately 530 basis points, primarily reflecting:

- (i) approximately 260 basis points primarily related to reductions, as a percentage of revenues, in promotional allowances and other trade spend items, which are recorded as adjustments to net sales;
- (ii) approximately 240 basis points related to decreased excess and obsolescence expense on inventory due to the high levels of excess and obsolescence expense in the prior year as a result of COVID-19 pandemic impacting demand; and
- (iii) approximately 70 basis points related to decreased manufacturing overhead cost due to increased manufacturing efficiencies, improvement in productivity, and absence of underutilized facilities costs due to partial plant shutdown in prior year as a result of COVID-19 pandemic.

These increases were partially offset by approximately 40 basis points related to higher royalty rates associated with prestige brands.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended March 31, 2021, selling, general and administrative expenses decreased 28%, or \$212.3, to \$545.6 from \$757.9 in the three months ended March 31, 2020. Selling, general and administrative expenses as a percentage of net revenues decreased to 53.1% in the three months ended March 31, 2021 from 71.3% in the three months ended March 31, 2020, or approximately 1,820 basis points. This decrease primarily reflects:

- (i) 790 basis points in administrative costs primarily related to a reduction in employee headcount, decreased professional service costs, reductions in non-essential travel and meeting/conference expenses;
- (ii) 530 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, which was instituted to counter the COVID-19 pandemic, led to savings that outpaced the decline in net revenues;
- (iii) 320 basis points related to favorable transactional impact from our exposure to foreign currency exchange fluctuations;
- (iv) 110 basis points in stock compensation related to a modification of the former CEO's equity awards;
- (v) 40 basis points related to lower bad debt expense; and
- (vi) 30 basis points related to lower logistics costs as a percentage of net revenue.

OPERATING INCOME (LOSS)

In the three months ended March 31, 2021, operating loss was \$1.4 compared to a loss of \$299.5 in the three months ended March 31, 2020. Operating loss as a percentage of net revenues, decreased to 0.1% in the three months ended March 31, 2021 as compared to an operating loss as a percentage of net revenues of 28.2% in the three months ended March 31, 2020. The improved operating margin is largely driven by a lower cost of goods sold, and decreased selling and general administrative expenses, asset impairment costs, and acquisition and divestiture related expenses.

Operating Income by Segment

(in millions)	Three Months Ended March 31,		Change %
	2021	2020	
Operating income (loss)			
Americas	\$ 2.3	\$ (40.3)	>100%
EMEA	28.7	(57.5)	>100%
Asia Pacific	1.9	(31.4)	>100%
Corporate	(34.3)	(170.3)	80 %
Total	\$ (1.4)	\$ (299.5)	100 %

Americas

In the three months ended March 31, 2021, operating income for Americas was \$2.3 compared to loss of \$40.3 in the three months ended March 31, 2020. Operating margin increased to 0.6% of net revenues in the three months ended March 31, 2021 as compared to (9.2)% in the three months ended March 31, 2020, driven by a significant decrease in advertising and promotional spend, lower cost of goods sold as a percentage of net revenues, and a reduction in fixed costs.

EMEA

In the three months ended March 31, 2021, operating income for EMEA was \$28.7 compared to loss of \$57.5 in the three months ended March 31, 2020. Operating margin increased to 6.1% of net revenues in the three months ended March 31, 2021 as compared to (11.2)% in the three months ended March 31, 2020, driven by a significant decrease in advertising and promotional spend, lower cost of goods sold as a percentage of net revenues, and a reduction in fixed costs.

Asia Pacific

In the three months ended March 31, 2021, operating income for Asia Pacific was \$1.9 compared to loss of \$(31.4) in the three months ended March 31, 2020. Operating margin increased to 1.3% of net revenues in the three months ended March 31, 2021 as compared to (27.6)% in the three months ended March 31, 2020, driven largely by increased net revenue, partially offset by an increase in cost of goods sold as a percentage of net revenue.

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 March 31, 2021, the operating loss for Corporate was \$34.3 compared to a loss of \$170.3 in the three months ended March 31, 2020, as described under “Adjusted Operating Income for Coty Inc.” below. The decrease in the operating loss for Corporate was primarily driven by a decrease in fixed costs, reductions in share-based compensation expense, lower acquisition and divestiture related expenses, and no asset impairment costs in the current quarter.

Adjusted Operating Income (loss) by Segment

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

(in millions)	Three Months Ended March 31, 2021		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income (loss)			
Americas	\$ 2.3	\$ 26.9	\$ 29.2
EMEA	28.7	29.5	58.2
Asia Pacific	1.9	5.7	7.6
Corporate	(34.3)	34.9	0.6
Total	\$ (1.4)	\$ 97.0	\$ 95.6

(in millions)	Three Months Ended March 31, 2020		
	Reported (GAAP)	Adjustments (a)	Adjusted (Non-GAAP)
Operating income (loss)			
Americas	\$ (40.3)	\$ 24.3	\$ (16.0)
EMEA	(57.5)	31.2	(26.3)
Asia Pacific	(31.4)	6.2	(25.2)
Corporate	(170.3)	169.6	(0.7)
Total	\$ (299.5)	\$ 231.3	\$ (68.2)

^(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 March 31,		Change %
	2021	2020	
Reported operating income (loss)	\$ (1.4)	\$ (299.5)	100 %
<i>% of net revenues</i>	<i>(0.1)%</i>	<i>(28.2)%</i>	
Amortization expense	62.2	61.6	1 %
Acquisition and divestiture-related costs	29.7	49.3	(40)%
Restructuring and other business realignment costs	5.1	80.0	(94)%
Asset impairment charges	—	40.4	(100)%
Total adjustments to reported operating income	97.0	231.3	(58)%
Adjusted operating income	95.6	(68.2)	>100%
<i>% of net revenues</i>	<i>9.3 %</i>	<i>(6.4)%</i>	

In the three months ended March 31, 2021, adjusted operating income increased \$163.8 to \$95.6 from \$(68.2) in the three months ended March 31, 2020. Adjusted operating margin increased to 9.3% of net revenues in the three months ended March 31, 2021 from (6.4)% in the three months ended March 31, 2020, primarily driven by a decrease in selling and general administrative expenses, and lower cost of goods sold as a percentage of net revenues.

Amortization Expense

In the three months ended March 31, 2021, amortization expense increased to \$62.2 from \$61.6 in the three months ended March 31, 2020. In the three months ended March 31, 2021, amortization expense of \$26.8, \$29.6, and \$5.8 was reported in the Americas, EMEA, and Asia Pacific segments, respectively. In the three months ended March 31, 2020, amortization expense of \$24.3, \$31.1, and \$6.2 was reported in the Americas, EMEA, and Asia Pacific segments, respectively.

Acquisition and Divestiture Activities

In the three months ended March 31, 2021 we incurred \$29.7 of costs related to acquisition and divestiture activities. These costs were primarily associated with the Wella Transaction.

In the three months ended March 31, 2020, we incurred \$49.3 of costs related to acquisition and divestiture activities. These costs were partially driven by 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, as well as consulting and legal fees associated with the King Kylie purchase agreement.

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 \$340.2 of cash costs life-to-date as of March 31, 2021, 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 March 31, 2021, we incurred restructuring and other business structure realignment costs of \$5.1, as follows:

- We incurred restructuring costs of \$0.0 primarily related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations; and

- We incurred business structure realignment costs of \$5.1 primarily related to the Transformation Plan and certain other programs. This amount includes \$2.0 reported in selling, general and administrative expenses, and \$3.1 reported in cost of sales in the Condensed Consolidated Statement of Operations.

In the three months ended March 31, 2020, we incurred restructuring and other business structure realignment costs of \$80.0 as follows:

- We had a revised estimate resulting in a credit in restructuring costs of \$8.0 primarily related to the Turnaround Plan, included in the Condensed Consolidated Statements of Operations; and
- We incurred business structure realignment costs of \$88.0 primarily related to the Turnaround Plan. This amount includes \$76.8 reported in selling, general and administrative expenses, and \$11.2 reported in cost of sales in the Condensed Consolidated Statement of Operations.

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

Asset Impairment Charges

In the three months ended March 31, 2021, we did not incur any asset impairment charges.

In the three months ended March 31, 2020, we incurred asset impairment charges of \$40.4 in Corporate, relating to indefinite-lived other intangible assets (related to the CoverGirl, Max Factor and Bourjois trademarks).

INTEREST EXPENSE, NET

In the three months ended March 31, 2021, net interest expense was \$50.3 as compared with \$63.8 in the three months ended March 31, 2020. This decrease is primarily due to the paydown of debt as a result of the completion of Wella Business sale on November 30, 2020.

OTHER INCOME, NET

In the three months ended March 31, 2021, other income, net was \$62.5 as compared with an expense of \$0.3 in the three months ended March 31, 2020. This increase is primarily due to a favorable adjustment related to an unrealized gain in the Wella investment.

INCOME TAXES

The effective income tax rate for the three months ended March 31, 2021 and 2020 was (177.8)% and 16.4%, respectively. The change in the effective tax rate for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, is primarily due to the resolution of foreign uncertain tax positions of \$22.0 in the current period.

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 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 March 31, 2021			Three Months Ended March 31, 2020		
	(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	\$ 10.8	\$ (19.2)	(177.8)%	\$ (363.6)	\$ (59.8)	16.4 %
Adjustments to reported operating income ^{(a) (b)}	97.0	41.2		231.3	28.1	
Change in fair value of investment in Wella Business ^{(b) (c)}	(63.5)	(15.9)		—	—	
Other adjustments ^{(b) (d)}	(2.5)	(0.7)		—	—	
Adjusted income before income taxes	\$ 41.8	\$ 5.4	12.9 %	\$ (132.3)	\$ (31.7)	24.0 %

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- (a) See a description of adjustments under “Adjusted Operating (Loss) Income for Continuing Operations.”
 - (b) The tax effects of each of the items included in adjusted income are calculated in a manner that results in a corresponding income tax expense/provision for adjusted income. In preparing the calculation, each adjustment to reported income is first analyzed to determine if the adjustment has an income tax consequence. The provision for taxes is then calculated based on the jurisdiction in which the adjusted items are incurred, multiplied by the respective statutory rates and offset by the increase or reversal of any valuation allowances commensurate with the non-GAAP measure of profitability.
 - (c) The amount represents the unrealized (gain) loss recognized for the change in fair value of the investment in Wella.
 - (d) This primarily represents adjustments for pension curtailment gains.

The adjusted effective tax rate was 12.9% for the three months ended March 31, 2021 compared to 24.0% for the three months ended March 31, 2020. The differences were primarily due to the resolution of foreign uncertain tax positions having a greater proportional effect in the current period.

DISCONTINUED OPERATIONS

As the sale of the Wella Business was completed on November 30, 2020, no net revenues or operating expenses from discontinued operations were recorded in the three months ended March 31, 2021.

A loss on sale of the Wella Business was \$27.5 for the three months ended March 31, 2021, which reflects certain purchase price working capital adjustments. 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. The Company anticipates resolution of any further purchase price adjustments by the end of the first quarter of fiscal 2022.

In connection with the \$27.5 of additional loss recorded on the sale of a majority stake in the Wella Business, the Company recorded a tax benefit of approximately \$10.2 in the three months ended March 31, 2021.

Net loss was \$17.3 in the three months ended March 31, 2021 compared to income of \$39.4 in the three months ended March 31, 2020. The decrease was primarily due to loss on sale of the Wella Business, partially offset by tax benefits recognized.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net income attributable to Coty Inc. was \$15.6 in the three months ended March 31, 2021 as compared to a loss of \$271.6 in the three months ended March 31, 2020. The increase in the income is primarily driven by lower cost of goods sold, decrease selling and general administrative expenses, absence of asset impairment cost, increase in income from equity investments, partially offset by net loss recognized in discontinued operations.

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 March 31,		Change %
	2021	2020	
Net income from Coty Inc. net of noncontrolling interests	\$ 15.6	\$ (271.6)	>100%
Convertible Series B Preferred Stock dividends	(34.1)	—	N/A
Reported net income attributable to Coty Inc.	\$ (18.5)	\$ (271.6)	93 %
<i>% of net revenues</i>	<i>(1.8)%</i>	<i>(17.8)%</i>	
Adjustments to reported operating income ^(a)	97.0	258.9	(63)%
Adjustments to Loss on Sale of Business	27.5	—	N/A
Change in fair value of investment in Wella Business ^(d)	(63.5)	—	N/A
Adjustment to other expense ^(e)	(2.5)	—	N/A
Adjustments to noncontrolling interests ^(b)	(2.9)	3.1	N/A
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(34.8)	(52.1)	33 %
Adjusted net income attributable to Coty Inc.	\$ 2.3	\$ (61.7)	>100%
<i>% of net revenues</i>	<i>0.2 %</i>	<i>(4.0)%</i>	
Per Share Data			
Adjusted weighted-average common shares			
Basic	765.4	760.8	
Diluted ^(c)	943.8	760.8	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ —	\$ (0.08)	
Diluted ^(c)	\$ —	\$ (0.08)	

^(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 \$34.1 on income applicable to common stockholders during the period.

^(d) The amount represents the unrealized (gain) loss recognized for the change in fair value of the investment in Wella.

^(e) This primarily represents adjustment for pension curtailment gains.

NINE MONTHS ENDED MARCH 31, 2021 AS COMPARED TO NINE MONTHS ENDED MARCH 31, 2020

NET REVENUES

In the nine months ended March 31, 2021, net revenues decreased 14%, or \$589.9, to \$3,567.5 from \$4,157.4 in the nine months ended March 31, 2020. Excluding the impact of the Acquisition and the Divestiture, total net revenues decreased 14%, or \$584.0, to \$3,517.9 in the nine months ended March 31, 2021 from \$4,101.9 in the nine months ended March 31, 2020, reflecting a decrease in unit volume of 11%, a negative price and mix impact of 4%, partially offset by a positive foreign currency exchange translation impact of 1%. 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 mass color cosmetics, due mainly to category decline related to COVID-19 protocols such as mask-wearing, remote working arrangements, and social distancing which contributed to reduced demand for several product categories, particularly lip and face products. In addition, prestige products in our travel retail channels remained impacted due to continued restrictions on leisure travel.

Net Revenues by Segment

	Nine Months Ended March 31,		
(in millions)	2021	2020	Change %
NET REVENUES			
Americas	\$ 1,419.7	\$ 1,506.2	(6)%
EMEA	1,712.3	2,097.6	(18)%
Asia Pacific	435.5	498.1	(13)%
Other	—	55.5	(100)%
Total	\$ 3,567.5	\$ 4,157.4	(14)%

Americas

In the nine months ended March 31, 2021, net revenues from the Americas region decreased 6%, or \$86.5, to \$1,419.7 from \$1,506.2 in the nine months ended March 31, 2020. Excluding the impact of the Acquisition, net revenues from the Americas segment decreased 9%, or \$134.6, to \$1,371.6 in the nine months ended March 31, 2021 from \$1,506.2 in the nine months ended March 31, 2020, reflecting a decrease in unit volume of 3%, a negative foreign currency exchange translation impact of 4%, and a negative price and mix impact of 2%. The decrease in net revenues primarily reflects:

- (i) lower net revenues due to negative brand and category trends for mass color cosmetics mainly lip and face products related to the COVID-19 pandemic, primarily impacting *Covergirl* and *Rimmel* 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 region;
- (ii) lower net revenues attributable to *Kylie*, primarily due to *Kylie* make-up production transitioning from the previous supplier; and
- (iii) lower net revenues due to overall decreased launch activities, reduced holiday exposure, and promotional activity 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*, *Marc Jacobs Daisy*, *Gucci Guilty*, and *Diamond Gel* from *Risqué*;
- (ii) an increase in net revenues related to e-commerce, primarily in the United States, Brazil, and Canada;
- (iii) an increase in net revenues as a result of increased holiday program for the *Philosophy* brand; and
- (iv) an increase in net revenues from *Sally Hansen* products, primarily in the United States, which continues to benefit as professional salons operate under restrictions. *Sally Hansen* continues to see incremental net revenues from the launch of *Sally Hansen Good.Kind.Pure* and *Sally Hansen Miracle Gel* in prior periods.

EMEA

In the nine months ended March 31, 2021, net revenues from the EMEA region decreased 18%, or \$385.3, to \$1,712.3 from \$2,097.6 in the nine months ended March 31, 2020, reflecting a decrease in unit volume of 20%, and a negative price and mix impact of 1%, 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 region. Reduced customer traffic in retail malls contributed significantly to the overall decrease in the region. Travel retail channels also continue to be significantly impacted as COVID-19 outbreaks continued 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;
- (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; and
- (iv) lower net revenues due to strategic focus on reducing value distribution.

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

Asia Pacific

In the nine months ended March 31, 2021, net revenues from the Asia Pacific region decreased 13%, or \$62.6, to \$435.5 from \$498.1 in the nine months ended March 31, 2020, reflecting a decrease in unit volume of 20%, partially offset by a positive foreign currency exchange translation impact of 4%, 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 region, 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 specific countries within this region trended down starting the second quarter of fiscal 2021, travel retail channels in overall region 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;
- (iii) lower net revenues due to declines in *Calvin Klein* mainly impacting Australia as a result of decrease in travel; and
- (iv) 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 due to continued growth of e-commerce across the region and new store expansions in China;
- (ii) an increase in net revenue across the region resulting from the continued success of *Gucci Face Foundation*, *Gucci Bloom*, and *Marc Jacobs Perfect* in the prestige category; and
- (iii) an increase in net revenue related to travel retail in China and Korea specifically due to reductions in travel restrictions within these countries.

Other

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

COST OF SALES

In the nine months ended March 31, 2021, cost of sales decreased 13%, or \$214.4, to \$1,440.6 from \$1,655.0 in the nine months ended March 31, 2020. Cost of sales as a percentage of net revenues increased to 40.4% in the nine months ended March 31, 2021 from 39.8% in the nine months ended March 31, 2020 resulting in a gross margin decrease of approximately 60 basis points primarily reflecting:

- (i) approximately 40 basis points related to 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) approximately 40 basis points related to negative gross margin impact due to an unfavorable mix of prestige brands with higher minimum royalty rates.

These decreases were partially offset by improvements of approximately 20 basis points in excess and obsolescence expense on inventory due to the high levels of excess and obsolescence expense in the prior year as a result of COVID-19 pandemic impacting demand.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the nine months ended March 31, 2021, selling, general and administrative expenses decreased 29%, or \$710.5, to \$1,770.5 from \$2,481.0 in the nine months ended March 31, 2020. Selling, general and administrative expenses as a percentage of net revenues decreased to 49.6% in the nine months ended March 31, 2021 from 59.7% in the nine months ended March 31, 2020, or approximately 1,010 basis points. This decrease was primarily due to:

- (i) 630 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, which was instituted to counter the COVID-19 pandemic, led to savings that outpaced the decline in net revenues;
- (ii) 260 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;
- (iii) 90 basis points related to lower bad debt expense; and
- (iv) 40 basis points related to favorable transactional impact from our exposure to foreign currency exchange fluctuations.

OPERATING INCOME (LOSS)

In the nine months ended March 31, 2021, operating loss was \$50.4 compared to a loss of \$316.0 in the nine months ended March 31, 2020. Operating margin, or operating loss as a percentage of net revenues, decreased to (1.4)% in the nine months ended March 31, 2021 as compared to an operating loss as a percentage of net revenues of (7.6)% in the nine months ended March 31, 2020. The improved operating margin is largely driven by various initiatives to lower cost as part of management's plan to cut down advertising and promotional spend and certain discretionary costs, decrease in asset impairment cost in the prior year, reduction in fixed costs and restructuring expense. These are offset by increase in acquisition and divestiture related expenses, amortization expense, and cost of sales as a percentage of net revenues.

Operating Income (Loss) by Segment

(in millions)	Nine Months Ended March 31,		Change %
	2021	2020	
Operating income (loss)			
Americas	\$ 55.3	\$ (36.3)	>100%
EMEA	129.7	69.6	86 %
Asia Pacific	(10.9)	(17.3)	37 %
Other	—	(10.9)	100 %
Corporate	(224.5)	(321.1)	30 %
Total	\$ (50.4)	\$ (316.0)	84 %

Americas

In the nine months ended March 31, 2021, operating income for Americas was \$55.3 compared to loss of \$36.3 in the nine months ended March 31, 2020. Operating margin increased to 3.9% of net revenues in the nine months ended March 31, 2021 as compared to (2.4)% in the nine months ended March 31, 2020, driven primarily by a significant decrease in advertising and promotional spend, partially offset by higher cost of goods sold as a percentage of net revenues, and amortization expense.

EMEA

In the nine months ended March 31, 2021, operating income for EMEA was \$129.7 compared to income of \$69.6 in the nine months ended March 31, 2020. Operating margin increased to 7.6% of net revenues in the nine months ended March 31, 2021 as compared to 3.3% in the nine months ended March 31, 2020, driven by a significant decrease in advertising and promotional spend, lower cost of goods sold as a percentage of net revenues, and reduction in fixed costs.

Asia Pacific

In the nine months ended March 31, 2021, the operating loss for Asia Pacific was \$10.9 compared to loss of \$17.3 in the nine months ended March 31, 2020. Operating loss improved to (2.5)% of net revenues in the nine months ended March 31, 2021 as compared to (3.5)% in the nine months ended March 31, 2020, primarily driven by decrease in advertising and promotional spend, offset by higher cost of goods sold as a percentage of net revenues.

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 nine months ended March 31, 2021, the operating loss for Corporate was \$224.5 compared to a loss of \$321.1 in the nine months ended March 31, 2020, as described under “Adjusted Operating Income for Coty Inc.” below. The decrease to the operating loss for Corporate was primarily driven by a reduction in fixed costs, decrease in restructuring and other business realignment costs, and an asset impairment cost in the prior year. These decreases were partially offset 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.

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)	Nine Months Ended March 31, 2021		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income (loss)			
Americas	55.3	\$ 78.2	\$ 133.5
EMEA	129.7	92.8	222.5
Asia Pacific	(10.9)	18.4	7.5
Corporate	(224.5)	226.0	1.5
Total	\$ (50.4)	\$ 415.4	\$ 365.0

(in millions)	Nine Months Ended March 31, 2020		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating (loss) income			
Americas	(36.3)	\$ 49.7	\$ 13.4
EMEA	69.6	94.9	164.5
Asia Pacific	(17.3)	18.6	1.3
Other	(10.9)	7.3	(3.6)
Corporate	(321.1)	319.1	(2.0)
Total	\$ (316.0)	\$ 489.6	\$ 173.6

^(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)	Nine Months Ended March 31,		Change %
	2021	2020	
Reported operating income (loss)	(50.4)	(316.0)	84 %
<i>% of net revenues</i>	<i>(1.4)%</i>	<i>(7.6)%</i>	
Asset impairment charges	—	40.4	(100)%
Restructuring and other business realignment costs	98.3	277.7	(65)%
Amortization expense	189.4	170.7	11 %
Acquisition and divestiture-related costs	127.7	85.3	50 %
(Gain)/Loss on sale of business	—	(84.5)	100 %
Total adjustments to reported operating income	\$ 415.4	\$ 489.6	(15)%
Adjusted operating income	\$ 365.0	\$ 173.6	>100%
<i>% of net revenues</i>	<i>10.2 %</i>	<i>4.2 %</i>	

Adjusted operating income in the nine months ended March 31, 2021 increased \$191.4, to \$365.0 from \$173.6 in the nine months ended March 31, 2020. Adjusted operating margin increased to 10.2% of net revenues in the nine months ended March 31, 2021 as compared to 4.2% in the nine months ended March 31, 2020, primarily driven by various initiatives to lower cost as part of management's plan to reduce advertising and promotional spend and certain discretionary costs, and a reduction in fixed costs. These are partially offset by increase in cost of sales as a percentage of net revenues.

Asset Impairment Charges

In the nine months ended March 31, 2021, we did not incur any asset impairment charges.

In the nine months ended March 31, 2020, we incurred asset impairment charges of \$40.4 in Corporate, relating to indefinite-lived other intangible assets (related to the CoverGirl, Max Factor and Bourjois trademarks).

Amortization Expense

In the nine months ended March 31, 2021, amortization expense increased to \$189.4 from \$170.7 in the nine months ended March 31, 2020. In the nine months ended March 31, 2021, amortization expense of \$78.2, \$92.8, \$18.4, and \$0.0 was reported in the Americas, EMEA, Asia Pacific, and Other segments, respectively. In the nine months ended March 31, 2020, amortization expense of \$49.8, \$94.8, \$18.7, 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 the Kylie acquisition.

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 \$340.2 of cash costs life-to-date as of March 31, 2021, 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 nine months ended March 31, 2021, we incurred restructuring and other business structure realignment costs of \$98.3, 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 \$8.6 primarily related to our Transformation plan and certain other programs. This amount includes \$5.5 reported in selling, general and administrative expenses, and \$3.1 reported in cost of sales in the Condensed Consolidated Statement of Operations.

In the nine months ended March 31, 2020, we incurred restructuring and other business structure realignment costs of \$277.7 as follows:

- We incurred Restructuring costs of \$125.5 primarily related to the Turnaround Plan, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of \$152.2 primarily related to our Turnaround plan. This amount includes \$141.0 reported in selling, general and administrative expenses, and \$11.2 reported in cost of sales 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 nine months ended March 31, 2021, we incurred \$127.7 of costs related to acquisition and divestiture activities. These costs were primarily associated with the Wella Transaction.

In the nine months ended March 31, 2020, we incurred \$85.3 of cost relating to consulting and legal fees associated with the process to explore strategic alternatives, as well as consulting and legal fees associated with the King Kylie Transaction.

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 nine months ended March 31, 2021, there were no gains on divestitures or sales of brand assets.

In the nine months ended March 31, 2020, 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 nine months ended March 31, 2021, net interest expense was \$171.6 as compared with \$185.3 in the nine months ended March 31, 2020. This decrease is primarily due to the pay-down of debt as a result of the completion of Wella business sale on November 30, 2020.

OTHER INCOME, NET

In the nine months ended March 31, 2021, other income, net was \$50.7 as compared with an expense of \$4.0 in the nine months ended March 31, 2020. This increase is primarily due to a favorable adjustment related to unrealized gain in the Wella investment.

INCOME TAXES

The effective income tax rate for the nine months ended March 31, 2021 and 2020 was 178.0% and 23.2%, respectively. The change in the effective tax rate for the nine months ended March 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 U.S. federal statutory rate of 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)	Nine Months Ended March 31, 2021			Nine Months Ended March 31, 2020		
	(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	\$ (171.3)	\$ (304.9)	178.0 %	\$ (505.3)	\$ (117.0)	23.2 %
Gain on sale of business adjustment ^{(a)(b)}	—	—		(84.5)	4.8	
Other adjustments to reported operating income ^{(a)(b)}	415.4	122.2		574.1	91.7	
Tax Impact of Principal Move ^(c)	—	220.5		—	—	
Change in fair value of investment in Wella Business ^{(b)(d)}	(63.5)	\$ (15.9)		—	—	
Other adjustments ^{(b)(e)}	5.9	1.6		—	—	
Adjusted income before income taxes	\$ 186.5	\$ 23.5	12.6 %	\$ (15.7)	\$ (20.5)	130.6 %

^(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.

^(d) The amount represents the unrealized (gain) loss recognized for the change in fair value of the investment in Wella.

^(e) This mainly represents write-off of deferred financing fees related to Wella sale and adjustments for pension curtailment gains.

The adjusted effective tax rate was 12.6% for the nine months ended March 31, 2021 compared to 130.6% for the nine months ended March 31, 2020. The differences were primarily due to the resolution of foreign uncertain tax positions having a greater proportional effect in the prior year.

DISCONTINUED OPERATIONS

Due to the sale of the Wella Business on November 30, 2020, no net revenues or operating expenses from discontinued operations were recorded after November 30, 2020. As such, our results from discontinued operations for the nine months ended March 31, 2021 reflect only five months of operations.

In the nine months ended March 31, 2021, net revenues from discontinued operations decreased by (40.5)% or \$(672.1) to \$986.3 from \$1,658.4. In the current nine months, net revenues from discontinued operations increased by 2.6% or \$24.6 to \$986.3 from \$961.7 in the comparative five month period in the prior year. This increase in net revenues was 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. That increase was partially offset by additional lockdown and restrictions on salon operations due to social distancing protocols.

Operating income was \$220.8 in the nine months ended March 31, 2021 compared to income of \$218.6 in the nine months ended March 31, 2020. In the current nine months, operating income from discontinued operations increased to \$220.8 from income of \$145.8 in the comparative five month period in the prior year. This 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 \$246.6 in the nine months ended March 31, 2021. 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. The loss on sale of the Wella Business also reflects certain purchase price working capital adjustments made during the three months ended March 31, 2021. 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. The Company anticipates resolution of any further purchase price adjustments by the end of the first quarter of fiscal 2022.

In connection with the sale of a majority stake in the Wella Business, the Company recorded a tax cost of approximately \$45.0 in the nine months ended March 31, 2021. 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 \$148.2 in the nine months ended March 31, 2021 compared to net income of \$163.8 in the nine months ended March 31, 2020. In the current nine months, net loss was \$148.2 compared to net income of \$123.2 in the comparative five month period in the prior year. The decrease was primarily due to the loss on sale of Wella Business of \$246.6.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net loss attributable to Coty Inc. was \$15.3 in the nine months ended March 31, 2021, as compared to net loss of \$240.4 in the nine months ended March 31, 2020. This decrease was primarily driven by lower selling and general administrative expenses, absence of asset impairment cost, increase in income from equity investments, and 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. These decreases were partially offset by the loss on sale of the Wella Business of \$246.6.

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)	Nine Months Ended March 31,		Change %
	2021	2020	
Net income from Coty Inc. net of noncontrolling interests	(15.3)	(240.4)	94 %
Convertible Series B Preferred Stock dividends	(78.1)	—	N/A
Reported net income (loss) attributable to Coty Inc.	(93.4)	(240.4)	61 %
<i>% of net revenues</i>	<i>(2.1)%</i>	<i>(4.1)%</i>	
Adjustments to reported operating income ^(a)	414.7	577.2	(28)%
Adjustments to Loss on Sale of Business	246.6	—	N/A
Change in fair value of investment in Wella Business ^{(b) (d)}	(63.5)	—	N/A
Adjustments to other expense ^{(b) (e)}	5.9	—	N/A
Adjustments to noncontrolling interests ^(b)	(7.4)	0.1	<(100)%
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(283.2)	(142.9)	(98)%
Adjusted net income attributable to Coty Inc.	219.7	194.0	13 %
<i>% of net revenues</i>	<i>4.8 %</i>	<i>3.3 %</i>	
Per Share Data			
Adjusted weighted-average common shares			
Basic	764.6	757.7	
Diluted	932.1	762.1	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.29	\$ 0.26	
Diluted	\$ 0.29	\$ 0.25	

^(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 \$78.1 on income applicable to common stockholders during the period.
- ^(d) The amount represents the unrealized (gain) loss recognized for the change in fair value of the investment in Wella.
- ^(e) This mainly represents the write-off of deferred financing fees related to the Wella sale and adjustments for pension curtailment gains.

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.

In connection with the sale of the Wella Business, the Company and Wella entered into the TSA. Under the terms of the TSA, the Company will perform services for Wella in exchange for related fees. Such services include billing and collecting from Wella customers, certain logistics and warehouse services, as well as other administrative and systems support. Due to the integrated nature of the historical business and related contractual arrangements, certain receivables from customers and certain payables to vendors have Wella and Coty activity that is intermingled. Additionally, keeping in mind the temporary nature of this arrangement, we have included the related cash flows in our Cash flows from operating activities. See Note 21—Related Party Transactions for more information.

During the six months ended December 31, 2020, the Company had Consolidated net cash provided by operating activities of \$472.7. Management estimates the impact of excluding the Wella Business on a go forward basis, excluding temporary impacts from the TSA, would be a reduction of 45% in Consolidated net cash provided by operating activities. The decrease in such cash flows are expected to be partially offset by cost reductions as we exit our service obligations under the TSA. The impact on Cash flows from investing activities would be a roughly 10% decrease in the outflows for capital expenditures related to the Wella Business. During the second quarter of 2021, the Company's total debt decreased from \$8,400.2 to \$5,391.7, a decrease of roughly 36%, principally due to the Sale of the Wella Business. Accordingly, we note that the estimated decrease in our net consolidated cash flows from the exclusion of the Wella Business, inclusive of the reduction in capital expenditures, is slightly higher than the decrease in our debt service obligation for this period. We do not expect a material adverse impact on our future cash flows from the Sale of the Wella Business.

On April 21, 2021, the Company refinanced \$900.0 of its term loan debt that was scheduled to mature in 2023 with new senior secured notes that mature in 2026 (see Note 22—Subsequent Events). This improved the Company's medium term liquidity.

Following the Wella divestment, the financial net debt as of March 31, 2021 was \$5,106.6. Taking into account Coty's retained 40% Wella stake (valued at \$1,250.0), the Company's economic net debt will stand at approximately \$3,856.6, 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 March 31, 2021, we had \$2,376.8 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 \$183.0 and \$123.1 as of March 31, 2021 and June 30, 2020, respectively. The aggregate amount of trade receivable invoices factored on a worldwide basis amounted to \$574.5 and \$676.6 during the nine months ended March 31, 2021 and 2020, respectively.

Cash Flows

	Nine Months Ended March 31,	
	2021	2020
Condensed Consolidated Statements of Cash Flows Data: (in millions)		
Net cash provided by operating activities	\$ 286.4	\$ 204.5
Net cash provided by (used in) investing activities	2,472.1	(772.8)
Net cash (used in) provided by financing activities	(2,742.4)	1,529.8

Net cash provided by operating activities

Net cash provided by operating activities was \$286.4 and \$204.5 for the nine months ended March 31, 2021 and 2020, respectively. The increase in cash flows from operating activities of \$81.9 was driven by improvements in our cash net income due to management reducing costs to offset the impact of COVID-19 on our business. Additionally, the increase was impacted by lower cash paid for income taxes in the current year as a result of the positive impact in the current year from the collection of tax overpayments made in the prior year and less overall current year taxes paid. Lower cash paid for interest during the current year also contributed to higher operating cash inflows which resulted principally from lower interest costs resulting from the pay down of long term debt using the proceeds from the sale of the Wella business. These higher cash inflows were partially offset by higher outflows from changes in working capital during the nine months of the current year driven by the negative impacts of COVID-19 and higher cash outflows for acquisition and divestiture-related costs. Lower sales from COVID-19 were the driver of the higher net outflows associated with trade receivables and were only partially offset by inflows from positive impacts included in changes in prepaid expenses and other current assets and accrued expenses and other current liabilities associated with lower spending for advertising and consumer promotion, customer sales and marketing, and administrative expenses.

Net cash provided by (used in) investing activities

Net cash provided by (used in) investing activities was \$2,472.1 and \$(772.8) for the nine months ended March 31, 2021 and 2020, respectively, an increase in cash flows from investing activities of \$3,244.9 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 initial 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. Prior year investing cash flows also includes the impact of the cash used for the purchase of 51% of the equity interest of King Kylie, LLC for a net cash outflow of \$592.2, which did not reoccur in the current year and was only partially offset by \$200.0 of cash used for the current quarter purchase of 20% KKW Holdings equity investment and related license agreement. Current year investing cash flows were also positively impacted by lower cash used for capital expenditures of \$62.7. The current year investing cash flow increases were also 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) provided by financing activities

Net cash (used in) provided by financing activities during the nine months ended March 31, 2021 and 2020 was \$(2,742.4) and \$1,529.8, respectively. The increase in cash used in financing activities of \$4,272.2 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 nine months ended March 31, 2021 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 \$195.4 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 \$15.0 and \$6.0 and bank guarantees of \$25.8 and \$45.7 as of March 31, 2021 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 March 31, 2021 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 nine months ended March 31, 2021, 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 March 31, 2021, 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 March 31, 2021. Based on the evaluation of our disclosure controls and procedures as of March 31, 2021, 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 third 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. The information presented below supplements and updates and should be read in conjunction with the risk factors and information disclosed in those periodic reports.

Our operations and sales have been adversely impacted by the COVID-19 pandemic, and we must successfully manage the demand, supply, operational and financial challenges associated with the actual or perceived effects of COVID-19 and the related widespread public health crisis.

The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets and business practices. Our business has been, and may continue to be, negatively impacted by the fear of exposure to or actual effects of the COVID-19 pandemic in countries where we operate or our customers are located, such as reduced travel or recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine, as well as temporary closures of our facilities or the facilities of our customers or suppliers. Easing of containment measures and recovery of the impacted sectors of the economy has been, and may continue to 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. The impacts include, but are not limited to:

- significant reductions in demand or significant volatility in demand for one or more of our products, which may be caused by, among other things, the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, store closures, or financial hardship, shifts in demand away from one or more of our discretionary or higher priced products to lower priced products, or stockpiling or similar activity, supply chain and shipping constraints, reduced options for marketing and promotion of products or other restrictions in connection with COVID-19; if prolonged, such impacts can further increase the difficulty of operating our business, including accurately planning and forecasting, and may adversely impact our results;

- the inability to meet our customers' needs and achieve costs targets due to disruptions in our manufacturing and supply arrangements caused by the loss or disruption of essential manufacturing and supply elements such as raw materials or other finished product components, transportation, workforce, or other manufacturing and distribution capability, or the allocation of manufacturing capacity towards medical supplies such as hydro-alcoholic gel (which is used in hand sanitizer);
- failure of third parties on which we rely, including our suppliers, our customers, contract manufacturers, distributors, contractors, commercial banks, joint venture partners and external business partners, to meet their obligations to the Company or to timely meet those obligations, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact our operations; or
- significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including quarantines, governmental or regulatory actions, closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our employees' ability to travel or perform necessary business functions, restrict or prevent consumers from having access to our products, or otherwise prevent our third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale and support of our products, which could adversely impact our results.

These impacts have had and could continue to have a negative effect on our business, financial condition, results of operations and cash flows, as well as the trading price of our securities, and the duration and extent to which our future results of operations and overall financial performance will be impacted remains uncertain. In light of the adverse impact on our near-term revenues, earnings, liquidity and cash flows, we have taken and expect to continue to implement measures to reduce discretionary expenses and manage costs. These measures may not achieve results in accordance with our expectations or on the timelines we anticipate. Despite our efforts to manage and remedy these impacts to the Company, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of the COVID-19 pandemic as well as third-party actions taken to contain its spread and mitigate its public health effects.

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 March 31, 2021.

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	Employment Agreement, dated October 13, 2020, between Coty Inc. and Sue Nabi.†
10.2	Equity Transfer Agreement, dated July 2, 2020, among Cottage Holdco B.V., Coty Inc. and Sue Nabi.†
10.3	Employment Agreement, dated December 21, 2020, between Coty Italia S.r.l. and Anna von Bayern.†
10.4	Employment Agreement, dated January 1, 2021, between Coty Italia S.r.l. and Anna von Bayern.†
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: May 10, 2021

By: /s/Sue Nabi

Name: Sue Nabi

Title: Chief Executive Officer

(Principal Executive Officer)

/s/Laurent Mercier

Name: Laurent Mercier

Title: Chief Financial Officer

(Principal Financial Officer)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of October 13, 2020, by and between Coty Inc., a Delaware corporation (the “Company”), and Sue Y. Nabi (“Executive”).

WHEREAS, the Company and Executive mutually desire to set forth the other terms and conditions under which Executive will be employed by the Company as its Chief Executive Officer beginning on the specified Commencement Date (as defined below).

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. Employment Term. Executive’s employment by the Company hereunder shall be for an indefinite period which shall commence no later than September 1, 2020 (such actual date on which Executive’ employment commences, hereinafter called the “Commencement Date”) and shall continue until terminated in accordance with this Agreement. The period commencing on the Commencement Date and ending on the date on which the Executive’s employment terminates is hereinafter referred to as the “Employment Term.”
 2. Positions. During the Employment Term, Executive shall serve as Chief Executive Officer of the Company and in such positions with the Company or any other business entity, directly or indirectly, controlled by or under common control with the Company (each, a “Group Company”) as the Board of Directors of the Company (the “Board”) shall reasonably assign to Executive. In such capacities, Executive shall carry out such duties appropriate to her status and exercise such powers in relation to the Company, any applicable Group Company and each of their respective businesses as may from time to time be assigned to or vested in her by the Board. Executive shall perform her services at one or more of the Company’s offices in London, Paris, New York, Milan and Amsterdam as and on such basis as the parties mutually agree; provided, however, that Executive shall not be required to perform services in the United States or any other jurisdiction unless and until the parties shall have obtained all necessary visas, work permits or other documentation to permit her lawfully to provide such services in such jurisdiction. The Company may require Executive to work on a temporary basis at any Group Company location and travel to such places as may be required for the proper performance of her duties. Executive will be required to keep a complete and accurate record of the time spent performing her duties under this Agreement and the nature of those duties. Executive shall devote her best efforts to the performance of her duties hereunder and shall not engage in any other business, profession or occupation for compensation or otherwise; provided that, nothing, herein shall be deemed to preclude Executive from engaging in personal, charitable or civic activities or serving on the board of directors of a corporation or the equivalent governing body of another business entity that would not violate the covenants contained in Exhibit A hereto as long as such activities, either individually or in the aggregate, do not interfere with the performance of her duties hereunder. In addition, it is agreed and understood that Executive may continue to remain a shareholder of Orveda Limited and its subsidiaries and that activities related to such share ownership shall not violate the covenants contained in Exhibit A hereto
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provided that, during the Employment Term, such activities do not materially interfere with her duties hereunder.

3. Base Salary. During the Employment Term, the Company shall pay Executive a base salary (the “Base Salary”) at the annual rate of the equivalent of EUR 3,000,000 payable in United States dollars (“US\$”) converted at an exchange rate equal to the average daily EUR:US\$ spot exchange rates published in the Wall Street Journal (spot exchange rate at 5pm EST from source, e.g., New York closing snapshot) on each business day beginning thirty (30) days prior to the Commencement Date and ending on the business day immediately prior to the Commencement Date. The Base Salary shall be payable in equal monthly instalments in arrears, in accordance with the usual payroll practices of the Company as in effect from time to time. Executive's Base Salary shall be subject to periodic review by the Board or the Remuneration and Nomination Committee, not less frequently than annually, for possible increase and any such increased rate will thereafter be the Base Salary for all purposes of this Agreement. Under no circumstances may the Base Salary be decreased during the Employment Term.
 4. Bonus. Unless otherwise determined by the Board, which determination shall be made in writing and communicated to Executive in advance of an applicable performance cycle, during the Employment Term Executive shall not be entitled to participate in the Company's annual incentive plan.
 5. LTIP Award. Subject to the terms of the Parent's Equity and Long-Term Incentive Plan (the “LTIP”) and the applicable award agreement in the form attached as Exhibit B hereto (the “Award Agreement”), Executive will receive an award of 30,000,000 restricted stock units (the “Award”) that will settle in shares of Class A Common Stock of Parent (the “Common Stock”). The Award shall be granted in January 2021 or during the next open trading window thereafter. The Award will vest pursuant to the following schedule: 33.3% on August 31, 2021, 33.3% on August 31, 2022, and 33.3% on August 31, 2023, subject to Executive's continuous service with the Company through each applicable vesting date. The Award will be subject to accelerated vesting under certain circumstances as set forth under the Award Agreement. Executive hereby acknowledges that, notwithstanding anything to the contrary in the Award Agreement, the Common Stock issued to Executive in connection with the vesting of the Award may be issued by the Company or by Cottage Holdco B.V. (“Cottage Holdco”, a wholly-owned subsidiary of JAB Holding Company s.a.r.l., and any shares of Common Stock delivered to Executive in settlement of the Award shall reduce the Company's obligations thereunder. Unless otherwise determined by the Board, which determination shall be made in writing and communicated to Executive in advance of an applicable performance cycle, during the Employment Term, Executive shall not be entitled to receive additional grants pursuant to the LTIP.
 6. Executive Benefits. During the Employment Term, Executive shall be entitled to participate in the employee benefit plans generally made available to senior officers of the Company in the jurisdiction in which Executive is principally performing her duties hereunder, including, without limitation, access to private health insurance (to cover any or all countries in which Executive may provide services hereunder), participation in an appropriate pension plan of the Company or one of its affiliates, and group-term life
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insurance in accordance with the terms and conditions specified in such plans. The Executive shall be entitled to 25 vacation days.

7. Business Expenses. The Company shall reimburse Executive's travel, entertainment and other business expenses as are reasonably and necessarily incurred by Executive during the Employment Term in the performance of her duties hereunder, in accordance with the Company's policies as in effect from time to time, including reimbursement or provision of first-class air travel for business-related travel and reimbursement of representational expenses up to EUR 30,000 per year (pro-rated for partial years). Subject to any limitations and conditions that may apply at applicable law, Executive hereby authorizes the Company to deduct from any sums owing to her (including but not limited to salary and accrued holiday pay) the amount of any sums owing from the Executive to the Company at any time.
 8. Relocation Expenses. Executive may be required to relocate in accordance with the Company's needs, and the Company shall pay, or reimburse Executive, for reasonable relocation expenses in accordance with the Company's relocation policies as in effect from time to time. The Company will be responsible for paying any income, social security, and social insurance taxes incurred by the Executive as a result of the relocation expenses paid or reimbursed to Executive under this Section 8, and accordingly, to the extent that the Executive is liable for such income, social security, or social insurance taxes, and/or other applicable taxes of the like, on the relocation expenses, such relocation expenses (as well as applicable taxes paid thereon by the Company, if any) shall be grossed-up in such a manner that the net amount received by the Executive is equal to the amount of the actual relocation expenses paid or reimbursed.
 9. Tax Assistance. During the Employment Term, the Company shall pay, or reimburse Executive, for assistance with income and tax reporting obligations related to Executive's services with the Company in any required jurisdiction in accordance with the Company's policies as in effect from time to time.
 10. Termination. Upon a termination of the Employment Term, Executive shall be entitled to certain benefits and rights as described in this Section 10.
 - (a) For Cause by the Company or Executive's Voluntary Resignation Without Good Reason. The Employment Term may be terminated at any time with immediate effect by the Company for Cause (as defined in clauses (a) - (d) and the final paragraph set forth in Section 2.6 of the LTIP); provided, that, for purposes of this Agreement, Cause pursuant to clause (a) of Section 2.6 of the LTIP shall not exist or be deemed to have arisen or occurred (i) unless and until the Company shall have previously delivered to the Executive written notice of the facts or circumstances that the Company believes constitutes or gives rise to Cause ("Cause Event") and the Executive shall not have cured such Cause Event within sixty (60) days of the Executive's receipt of such written notice, and (ii) if the alleged Cause Event is known by the Company more than sixty (60) days prior to the Company's delivery of such written notice to the Executive, whether or not the Executive cures such alleged Cause Event within sixty (60) days of the
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Executive's receipt of such written notice. The Employment Term may be terminated by Executive's voluntary resignation without Good Reason upon six (6) months advance written notice to the Company; provided that, at the Company's sole discretion, the Company may determine to terminate Executive's employment prior to the expiration of such notice period and instead pay Executive her Base Salary for the remainder of such notice period within thirty (30) days following Executive's termination of employment. If the Employment Term is terminated by the Company for Cause or by Executive's voluntary resignation, at the time of such termination, Executive shall be entitled to receive any accrued but unpaid Base Salary through the date of termination, and any unreimbursed business expenses, payable promptly following the later of the date of such termination and the date on which the appropriate documentation is provided. The amounts payable under the immediately preceding sentence shall be called the "Accrued Obligations." Executive shall also be entitled to receive any other nonforfeitable benefits that may be payable following termination of the Employment Term pursuant to the express provisions of the plans, policies and practices of the Company applicable to Executive including the Award (the "Vested Plan Benefits", which shall be payable at the time(s) determined in accordance with such plans, policies or practices.

- (b) Disability; Death. The Employment Term shall terminate prior to the Expiration Date upon Executive's death or, at the Company's election, if Executive incurs a Disability (as defined below). In such event, the Company shall pay Executive, her estate or her duly designated beneficiaries the Accrued Obligations and the Vested Plan Benefits. In addition, subject to Executive's continued compliance with the covenants set forth in the Confidentiality, Non-Competition and Non Solicitation Agreement attached hereto as Exhibit A to the extent applicable, and execution of a release having customary terms and conditions, the Award shall vest to the extent set forth in the Award Agreement. For purposes herein, "Disability" shall mean either (A) disability as defined for purposes of the Company's long-term disability benefit plan or (B) Executive's inability, as a result of physical or mental incapacity, to perform the duties of the position(s) specified in Section 2 for a period of six consecutive months or for an aggregate of six months in any twelve consecutive month period. Any question as to the existence of the Disability of Executive as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made by such designated physician in writing to the Company and Executive shall be final and conclusive for all purposes of the Agreement. The Company will pay all expenses incurred in the determination of whether Executive is Disabled.
 - (c) By the Company without Cause or By the Executive for Good Reason. The Employment Term may be terminated upon six (6) months prior written notice by the Company without Cause (or, in the Company's discretion, payment of Base
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Salary in lieu of such notice to be paid within thirty (30) days following Executive's termination of employment), or by the Executive for Good Reason upon sixty (60) days' prior written notice to the Company of the Company's failure to cure a Good Reason Event (as defined below); provided that, after receipt of such notice from Executive, the Company may, at the Company's sole discretion, determine to terminate Executive's employment prior to the expiration of such notice by providing Executive with a written notice setting forth such earlier date of termination of employment. If the Employment Term is terminated by the Company without Cause or by Executive for Good Reason, Executive shall receive the Accrued Obligations and the Vested Plan Benefits. In addition, subject to Executive's continued compliance with the covenants set forth in the Confidentiality, Non-Competition and Non-Solicitation Agreement attached hereto as Exhibit A and execution of a release having customary terms and conditions, the Award shall vest to the extent set forth in the Award Agreement. Executive hereby acknowledges and agrees that Executive shall not be entitled to any severance payments or benefits under the Coty Severance Pay Plan or any other severance plan maintained by a Group Company. In addition, any amounts of Base Salary paid to Executive in lieu of notice or during a period of Garden Leave (as described below) shall offset or otherwise reduce any statutorily required severance notice, pay or benefits. For purposes of this Agreement, "Good Reason" shall mean (i) the Company's removal of Executive from the position of CEO of the Company to a subordinate position; (ii) the Company's material diminution of Executive's duties, authority or responsibilities hereunder; (iii) the Company's requirement that Executive discharge Executive's duties hereunder from a location(s) other than set forth herein or as otherwise agreed in writing by the Company and Executive; (iv) a material breach by the Company of any of its obligations to Executive set forth in this Agreement or in the Award Agreement; (v) the Company's reduction of Executive's Base Salary without Executive's consent; or (vi) the Company's elimination of Executive's eligibility, if any, to receive an annual cash bonus without Executive's consent. Notwithstanding anything to the contrary contained herein, Good Reason shall not exist or be deemed to have arisen or occurred (A) unless and until Executive shall have previously delivered to the Company written notice of the facts or circumstances that Executive believes constitutes or gives rise to Good Reason ("Good Reason Event" and the Company shall not have cured such Good Reason Event within sixty (60) days of the Company's receipt of such written notice, and (B) if the alleged Good Reason Event is known by Executive more than sixty (60) days prior to Executive's delivery of such written notice to the Company, whether or not the Company cures such alleged Good Reason Event within sixty (60) days of the Company's receipt of such written notice.

- (d) Notice of Termination. Where notice of termination has been served by either party, the Company may in its absolute discretion require Executive to take "Garden Leave" for all or any part of the notice period. If the Executive is asked to take Garden Leave she may not attend her place of work or any of the premises of any Group Company. Executive may be required not to carry out any duties
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during the remaining period of employment. Executive may be asked to resign immediately from any offices she holds with the Company or any Group Company. During Garden Leave, Executive may not without prior written permission of the Company contact or attempt to contact any client, customer, supplier, agent, professional adviser, broker or banker of any Group Company or any employee (other than for personal reasons) of any Group Company. During any period of Garden Leave, Executive will continue to receive full salary and benefits and all of the obligations that Executive has to the Company under this Agreement and at common law remain in full force and effect.

- (e) Resignation from Positions Upon Termination. Unless otherwise agreed in writing by the Company and Executive, upon the termination of Executive's employment for any reason, Executive shall be deemed to have resigned, without any further action by Executive, from any and all positions (including, but not limited to, any officer and/or director positions or positions as a fiduciary of any of the Group Company's employee benefit plans) that Executive, immediately prior to such termination, (i) held within the Group Company and (ii) held with any other entities at the direction of, or as a result of Executive's affiliation with, the Group Company. If for any reason this Section 10(e) is deemed to be insufficient to effectuate such resignations, then Executive shall, upon the Company's request, execute any documents or instruments that the Company may deem necessary or desirable to effectuate such resignations.
 - 11. Restrictive Covenants. On or prior to the Commencement Date, Executive shall enter into the Company's standard restrictive covenant agreement for senior executives contained in the Confidentiality, Non-Competition and Non-Solicitation Agreement attached hereto as Exhibit A and comply with all other provisions of such agreement. Executive's grant of the Award is subject to the execution of such agreement.
 - 12. Indemnification. Executive shall be entitled to indemnification by the Company in accordance with the provisions of the Company's certificate of incorporation, bylaws, actions of the Board, as the same shall be in effect from time to time, and Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its officers and directors, including the Company's Directors and Officers liability insurance policy. In the event that, on the Commencement Date, the Company does not have Directors and Officers liability insurance, the Company shall use commercially reasonable efforts to purchase and enter into such a Directors and Officers liability insurance policy that provides coverage to Executive effective on the Commencement Date.
 - 13. Miscellaneous.
 - (a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without reference to its principles of conflict of laws. The parties hereto hereby irrevocably submit to and
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acknowledge and recognize the jurisdiction of the courts of the State of New York, or if appropriate, a federal court located in the State of New York (which courts, for purposes of this Agreement, are the only courts of competent jurisdiction), over any suit, action or other proceeding arising out of, under or in connection with this letter agreement or the subject matter hereof.

- (b) Entire Agreement/Amendments. This Agreement contains the entire understanding of the parties with respect to the employment of Executive by the Company and supersedes any prior agreements between the Company and Executive. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein and therein. No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and the Chairman of the Board (the “Authorized Director”).
 - (c) No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or the Authorized Director, as the case may be.
 - (d) Assignment. Except as set forth herein or in Section 13(e), this Agreement shall not be assignable by either party without the consent of the other party. The Company may assign this Agreement, or all or any portion of its obligations hereunder (other than its obligations under Section 5 hereof), to any of its subsidiaries by which Executive is employed, if and to the extent that doing so is deemed beneficial to the Company and not detrimental to the Executive.
 - (e) Successors. This Agreement shall inure to the benefit of and be binding upon the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of the parties hereto. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. The Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of her
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incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to her beneficiary, estate or other legal representative.

- (f) Communications. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when faxed or delivered or two business days after being mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed (A) to the Executive at her address then appearing in the personnel records of the Company and (B) to the Chairman of the Company at the Company's then current United States headquarters, with a copy to the Company's general counsel at the same address, or (C) to such other address as either party may have furnished to the other in writing in accordance herewith, with such notice of change of address being effective only upon receipt.
- (g) Withholding Taxes. Each Group Company may withhold from any and all amounts payable under this Agreement such national, local and any other applicable taxes and other social changes as may be required to be withheld pursuant to any applicable law or regulation.
- (h) Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of Executive's employment to the extent necessary to the agreed preservation of such rights and obligations.
- (i) Representations. Each party represents and warrants to the other that she or it is fully authorized and empowered to enter into this Agreement and that the performance of her or its obligations under this Agreement will not violate any agreement between her or it and any other person or entity.
- (j) Compliance with Section 409A. 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.

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.

- (k) Delay in Payment. 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 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 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.
- (l) Clawback. All compensation and benefits hereunder, including the Award, shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (1) any clawback, forfeiture or other similar policy adopted by the Board or a duly authorized committee of the Board, as in effect from time to time, and (2) applicable law. In addition, if Executive receives any
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amount in excess of the amount that Executive should have otherwise received under the terms of this Agreement or any compensation or benefit plans of the Group Company for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Board or a duly authorized committee of the Board may provide that Executive shall be required to repay any such excess amount.

- (m) Data Protection. Executive acknowledges the holding and processing of personal data provided by her to the Company for all purposes relating to this employment, including but not limited to administering and maintaining personnel records, paying and reviewing salary and other remuneration and benefits, undertaking performance appraisals and reviews, maintaining sickness and other absence records and taking decisions as to fitness for work. The Company may make such information available to any Group Company, those who provide products or services to any Group Company (such as advisers and payroll administrators), regulatory authorities, potential purchasers of the Company or the business in which the Executive works, and as may be required by law. Executive acknowledges the transfer of such information to any Group Company and any Group Company's business contacts outside the European Economic Area in order to further their business interests even where the country or territory in question does not maintain adequate data protection standards. Executive further acknowledges and agrees that the Company may, in the course of its duties as an employer, be required to disclose personal data relating to her, after the end of her employment. This does not affect Executive's rights under the Data Protection Act 2018.
 - (n) Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.
 - (o) Headings. The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.
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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

EXECUTIVE

By: /s/ Sue Nabi
Name: Sue Y. Nabi

COTY INC.

By: Peter Harf
Name: Peter Harf
Title: Chairman of the Board

Exhibit B

Form of Restricted Stock Unit Award
Terms and Conditions
Under
COTY INC. EQUITY AND LONG-TERM INCENTIVE PLAN
(As Amended and Restated)

This instrument (the “**Terms and Conditions**”) evidences the grant effective on the date set forth in your total compensation letter (the “**Grant Date**”) of an award of Restricted Stock Units (the “**Restricted Stock Units**”) by Coty Inc., a Delaware corporation (the “**Company**”). Any term capitalized but not defined in these Terms and Conditions will have the meaning set forth in the Coty Inc. Equity and Long-Term Incentive Plan, as amended (the “**Plan**”).

1. **Restricted Stock Unit Grant.** The Participant is hereby granted the Restricted Stock Units as of the Grant Date. The Restricted Stock Units, and any Shares acquired upon settlement thereof, are subject to the following terms and conditions and to the provisions of the Plan, the terms of which are incorporated by reference herein. This award is subject to cancellation unless the Participant executes and returns to the Company the Coty Inc. Confidentiality and Non-

Competition Agreement by December 31 of the calendar year in which the Restricted Stock Units were granted.

2. **Vesting Period.**

- (a) In General. The Restricted Stock Units shall vest as follows, provided that the Participant has remained in continuous Service through each such date:
- (i) 33.3% of the Restricted Stock Units shall vest on August 31, 2021 (the “**Tranche 1 Restricted Stock Units**”);
 - (ii) 33.3% of the Restricted Stock Units shall vest on August 31, 2022 (the “**Tranche 2 Restricted Stock Units**”; and
 - (iii) 33.3% of the Restricted Stock Units shall vest on August 31, 2023 (the “**Tranche 3 Restricted Stock Units**”).

Each of the dates described in clauses (i), (ii) and (iii) is a “**Vesting Date**”. For purposes of these Terms and Conditions, the date on which the Participant commences employment with the Company or an employing Affiliate is hereinafter referred to as the “**Start Date**”.

- (b) Involuntary Termination. If, prior to the first anniversary of the Start Date, the Participant is terminated by the Company or an employing Affiliate (that is not a Joint Venture) without Cause or due to death or Disability, all of the Tranche 1 Restricted Stock Units shall become fully vested on the date of such termination. If the Participant is terminated by the Company or an employing Affiliate (that is not a Joint Venture) without Cause or due to death or Disability on or following the first anniversary of the Start Date but prior to the second anniversary of the Start Date, a pro-rata portion of the Tranche 2 Restricted Stock Units shall vest on the date of such termination equal to the number of Tranche 2 Restricted Stock Units multiplied by a fraction, the numerator of which is the number of days elapsed from the first anniversary of the Start Date to the date of the Participant’s termination of Service and the denominator of which is 365. If the Participant is terminated by the Company or an employing Affiliate (that is not a Joint Venture) without Cause or due to death or Disability on or after the second anniversary of the Start Date but prior to the third anniversary of the Start Date, a pro-rata portion of the Tranche 3 Restricted Stock Units shall vest on the date of such termination equal to the number of the Tranche 3 Restricted Stock Units multiplied by a fraction, the numerator of which is the number of days elapsed from the second anniversary of the Start Date to the date of the Participant’s termination of Service and the denominator of which is 365. Notwithstanding the foregoing, no Shares shall be issued to the Participant following a termination without Cause or due to death or Disability unless and until the Participant (or the Participant's estate, as applicable) executes a settlement agreement and release of claims within forty-five days following the Participant's termination of Service, which agreement shall set forth the date on which the Shares shall be issued to the Participant.
- (c) Joint Venture. If the Participant becomes an employee of a Joint Venture, vesting of any unvested Restricted Stock Units shall be tolled beginning on the date the Participant becomes an employee of the Joint Venture and shall recommence on the date the
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Participant again becomes an Employee. Accordingly, the applicable vesting period shall be extended by the number of days the Participant was an employee of the Joint Venture.

- (d) Forfeiture. In the event the Participant's Service terminates for any reason not provided in Sections 2(a) or 2(b) above, then notwithstanding any provision in the Plan or these Terms and Conditions to the contrary any unvested Restricted Stock Units granted to the Participant shall be immediately forfeited upon the Participant's termination of Service.

3. **Nontransferability.**

- (a) Except as provided in Section 3(b) and subject to Section 5(b), no Restricted Stock Units granted hereunder may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent or distribution and all rights with respect to the Restricted Stock Units shall be available during the Participant's lifetime only to the Participant or the Participant's guardian or legal representative. The Committee may, in its sole discretion, require the Participant's guardian or legal representative to supply it with evidence the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.
- (b) Subject to Section 5(b) and applicable law, Restricted Stock Units may be transferred to a Successor. Such transferred Restricted Stock Units may not be further sold, transferred, pledged, assigned or otherwise alienated by the Successor, and shall be subject in all respects to the terms of these Terms and Conditions and Section 16.6 of the Plan. For a transfer to be effective, the Successor shall promptly furnish the Company with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance of the Successor of the terms and conditions of the Plan.

4. **Settlement of Restricted Stock Units.** Within fifteen (15) days after the Restricted Stock Units become vested according to the terms of Section 2 (or, if applicable, as soon as practicable following the effectiveness of the settlement agreement and release of claims), the Company (or its designee) shall deliver to the Participant for each Restricted Stock Unit one Share and the amount of dividends and other cash distributions paid with respect to a Share during the vesting period beginning on the Grant Date.

5. **Securities Law Requirements.**

- (a) If at any time the Committee determines that issuing Shares would violate applicable securities laws, the Company will not be required to issue such Shares. The Committee may declare any provision of these Terms and Conditions or action of its own null and void, if it determines the provision or action fails to comply with the short-swing trading rules. As a condition to the issuance of the Shares, the Company may require the Participant to make written representations it deems necessary or desirable to comply with applicable securities laws.
 - (b) The Participant understands that the Restricted Stock Units and any Shares acquired upon settlement thereof have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and that no Person who acquires any Shares acquired upon settlement thereof under these Terms and Conditions may sell such Shares unless they
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make the offer and sale pursuant to an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or an exemption from the registration requirements of the Securities Act. The Participant further understands that the Shares shall bear a legend substantially as follows:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, PLEDGED, HYPOTHECATED OR SOLD UNLESS (I) A REGISTRATION STATEMENT COVERING SUCH SECURITIES IS EFFECTIVE UNDER THE ACT, OR (II) THE TRANSACTION IS EXEMPT FROM REGISTRATION UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS AND, IF THE COMPANY REQUESTS, AN OPINION SATISFACTORY TO THE COMPANY TO SUCH EFFECT HAS BEEN RENDERED BY COUNSEL.

- (c) The Company shall use its reasonable best efforts to register the resale of any Shares acquired by the Participant upon settlement of the Restricted Stock Units within sixty days of the Participant’s receipt of such Shares.
- 6. **No Limitation on Rights of the Company.** The grant of the Restricted Stock Units does not and will not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.
- 7. **Participant to Have No Rights as a Shareholder.** Before the date as of which the Participant is recorded on the books of the Company as the holder of any Shares, the Participant will have no rights as a shareholder with respect to those Shares.
- 8. **Notice.** Any notice or other communication required or permitted under these Terms and Conditions must be in writing and must be delivered personally, sent by certified, registered or express mail, or sent by overnight courier, at the sender’s expense. Notice will be deemed given when delivered personally or, if mailed, three (3) days after the date of deposit in the United States mail or, if sent by overnight courier, on the regular business day following the date sent. Notice to the Company should be sent to:

Coty Inc.
350 Fifth Avenue
New York, New York 10118
Attention: General Counsel

Notice to the Participant should be sent to the address on file with the Company. Either party may change the Person and/or address to which the other party must give notice under this Section 8 by giving such other party written notice of such change, in accordance with the procedures described above.

9. **Successors.** All obligations of the Company under these Terms and Conditions will be binding on any successor to the Company, whether the existence of the successor results from a direct or indirect purchase of all or substantially all of the business of the Company, or a merger, consolidation, or otherwise.
 10. **Governing Law.** To the extent not preempted by federal law, these Terms and Conditions will be construed and enforced in accordance with, and governed by, the laws of the State of New York, without giving effect to its conflicts of law principles that would require the application of the law of any other jurisdiction.
 11. **Plan and Terms and Conditions Not a Contract of Employment or Service.** Neither the Plan nor these Terms and Conditions are a contract of employment or Service, and no terms of the Participant's employment or Service will be affected in any way by the Plan, these Terms and Conditions or related instruments, except to the extent specifically expressed therein. Neither the Plan nor these Terms and Conditions will be construed as conferring any legal rights on the Participant to continue to be employed or remain in Service with the Company, nor will it interfere with the Company's right to discharge the Participant or to deal with him or her regardless of the existence of the Plan, these Terms and Conditions or the Award.
 12. **Plan Document Controls.** The rights granted under these Terms and Conditions are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully in these Terms and Conditions. If the terms of these Terms and Conditions conflict with the terms of the Plan document, the Plan document will control.
 13. **Amendment of the Agreement.** These Terms and Conditions may be amended unilaterally by the Committee to the extent provided under the Plan, or by a written instrument signed by both parties.
 14. **Entire Agreement.** These Terms and Conditions, together with the Plan, constitutes the entire obligation of the parties with respect to the subject matter of these Terms and Conditions and supersedes any prior written or oral expressions of intent or understanding with respect to such subject matter.
 15. **Administration.** The Committee administers the Plan and these Terms and Conditions. The Participant's rights under these Terms and Conditions are expressly subject to the terms and conditions of the Plan, including any guidelines the Committee adopts from time to time.
 16. **Recoupment.** Notwithstanding any provision in the these Terms and Conditions to the contrary, the Restricted Stock Units will be subject to recoupment by the Company pursuant to any "clawback" or similar compensation recoupment policy that may be established by the Company from time to time.
 17. **Section 409A.** The Restricted Stock Units awarded pursuant to these Terms and Conditions are intended to comply with or, in the alternative, be exempt from Section 409A. Any reference to a termination of Service shall be construed as a "separation from service" for purposes of Section 409A.
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COTY INC.

By: _____
Name:
Title:

July 2, 2020

Coty Inc.
350 Fifth Avenue
New York, New York 10118
Attn: Pierre-Andre Terisse

Re: Equity Transfer Agreement

This letter agreement (the “**Agreement**”) sets forth an understanding between Coty Inc. a Delaware corporation (the “**Company**”) and Cottage Holdco B.V., a wholly owned subsidiary of JAB Holding Company s.a.r.l. (“**Cottage**”), with respect to the transfer of Class A Common Stock (the “**Common Stock**”) of the Company held by Cottage in satisfaction of the Company's obligation to issue Common Stock to Sue Y. Nabi (the “**Executive**”) upon vesting of a restricted stock unit award to be granted and held by the Executive as further described herein. Cottage and the Company hereby agree that the Executive is a third-party beneficiary hereof and no consent, waiver, modification or amendment hereunder or hereof may be given or agreed to by Cottage or the Company without the Executive's written consent.

The Company wishes to make an offer of employment to the Executive to become the Chief Executive Officer of the Company, which employment is expected to commence no later than September 1, 2020 (the first day of Executive's employment is hereinafter referred to as, the “**Start Date**”). The offer of employment will include a grant of restricted stock units, expected to be made on or around January 1, 2021, that will settle in 30,000,000 shares of Common Stock subject to the Executive's continued employment on each applicable vesting date (the “**Award**”) and such other terms and conditions set forth in the award agreement applicable to the Award, a copy of which is attached hereto as Exhibit A (the “**Award Agreement**”). Notwithstanding anything to the contrary set forth in the Award Agreement, the Company and Cottage hereby agree that Cottage will deliver a portion of the shares owed to the Executive upon the vesting of the Award directly to the Executive in lieu of such shares being issued to the Executive by the Company, in the amounts set forth herein (the “**Transferred Shares**”). Capitalized terms used but not defined herein shall have the meaning set forth in the Coty Equity and Long-Term Incentive Plan (the “**Plan**”) and the Award Agreement. The Company hereby agrees that it will not make any amendments to the Award Agreement without Cottage's written consent.

In the event the Executive remains employed through the first Vesting Date as set forth in the Award Agreement, Cottage hereby agrees to transfer 10,000,000 shares of Common Stock to the Executive no later than sixty (60) days following such Vesting Date. If, however, the Executive is terminated without Cause or due to death or Disability prior to the first Vesting Date, Cottage instead agrees to transfer 5,000,000 shares of Common Stock to the Executive and the Company agrees to issue the remaining 5,000,000 shares of Common Stock to the Executive, in each case, following the date of such termination in accordance with the terms of the Award Agreement.

In the event the Executive remains employed through the second Vesting Date set forth in the Award Agreement, the Company hereby agrees to issue 10,000,000 shares of Common Stock to the Executive no later than sixty (60) days following such Vesting Date. If, however, the Executive is terminated without Cause or due to death or Disability on or following the first Vesting Date but prior to the second Vesting Date, the Company agrees to issue to the Executive the number of shares of Common Stock determined

on pro-rata basis in accordance with Section 2(b) of the Award Agreement and at such time as set forth therein. In addition, in consideration for Cottage's agreement to issue the Transferred Shares pursuant to this Agreement, the Company shall issue to Cottage a number of shares of Common Stock (the "**Cottage True-up Shares**") equal to (x) the number of shares of Common Stock transferred and/or issued to the Executive under this Agreement through such termination of employment (including any shares issued or to be issued in connection with such termination and any shares transferred or to be transferred in connection with a prior Vesting Date) divided by (y) two (2), less (z) the number of shares of Common Stock issued or to be issued directly by the Company to the Executive under this Agreement.

In the event the Executive remains employed through the third Vesting Date set forth in the Award Agreement, Cottage hereby agrees to transfer 5,000,000 shares of Common Stock to the Executive and the Company hereby agrees to issue the remaining 5,000,000 shares of Common Stock to the Executive, in each case, no later than sixty (60) days following such Vesting Date. If, however, the Executive is terminated without Cause or due to death or Disability on or following the second Vesting Date but prior to the third Vesting Date, each of Cottage and the Company will transfer 50% of the number of shares of Common Stock determined on pro-rata basis in accordance with Section 2(b) of the Award Agreement to the Executive at such time as set forth in the Award Agreement.

Cottage understands and acknowledges that any Cottage True-up Shares issued pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or applicable state securities laws and such shares may not be transferred, pledged, hypothecated or sold unless (i) a registration statement covering such securities is effective under the Securities Act, or (ii) the transaction is exempt from registration under the Securities Act and applicable state securities laws and, if the Company requests, an opinion satisfactory to the Company to such effect has been rendered by counsel. Cottage further understands and acknowledges that any Cottage True-up Shares shall bear a legend substantially similar to the foregoing.

The Company agrees that any Cottage True-up Shares issued pursuant to this Agreement shall be deemed to be "Registrable Securities" under that certain Stockholders Agreement, dated as of March 17, 2019 (the "**JAB Shareholder Agreement**"), by and among the Company, JAB Holdings B.V., JAB Cosmetics B.V., and Cottage and that the execution and delivery of this Agreement by Cottage shall be deemed to satisfy the requirements of a Shelf Offering Request pursuant to Section 3 of Exhibit A (Registration Rights) to the JAB Shareholder Agreement. In addition, Cottage hereby waives any default that may arise pursuant to Section 5 of Exhibit A (Registration Rights) to the JAB Shareholder Agreement with respect to any registration rights granted to the Executive relating to any restricted stock units and shares of Common Stock to be issued to the Executive pursuant to the Award Agreement.

The Company represents and warrants that: (i) it has all necessary power and authority to enter into and perform this Agreement, and (ii) this Agreement constitutes a valid and binding obligation which is enforceable against the Company in accordance with its terms.

Cottage represents and warrants that: (i) it will continue to hold the minimum number of shares of Common Stock necessary to fulfill its obligations hereunder, (ii) upon transfer of the shares to the Executive hereunder, Cottage will have good title to the shares it is transferring to the Executive pursuant to this Agreement, free and clear of any pledge, lien, security interest, encumbrance, claim or equitable interest, (iii) it has all necessary power and authority to enter into and perform this Agreement, and (iv) this Agreement constitutes a valid and binding obligation which is enforceable against Cottage in accordance with its terms.

From time to time, and without any further consideration, the parties hereto agree to execute, acknowledge and deliver all such additional deeds, assignments, bills of sale, conveyances, instruments, notices, releases, acquittances and other documents, and to do all such other acts and things, all in accordance with applicable law, as may be necessary or appropriate (a) more fully to ensure that the applicable parties hereto own all of the properties, rights, titles, interests, estates, remedies, powers and privileges granted by this Agreement, or which are intended to be so granted, (b) more fully and effectively to vest in the applicable parties hereto and their respective successors and assigns beneficial and record title to the Transferred Shares assigned by this Agreement or intended to be so and (c) more fully and effectively to carry out the purposes and intent of this Agreement.

Any term hereof may be amended and the observance of any term hereof may be waived only with the written consent of each party hereto. Any amendment or waiver so effected shall be binding upon Cottage, the Company and the Executive and any assignee or transferee thereof.

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York. This Agreement contains the entire understanding of the parties and there are not further or other agreements or understandings, written or oral, in effect between the parties relating to the subject matter hereof except as expressly referred to herein. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successor and assigns of the parties.

[Signature Page Follows]

Very Truly Yours,

COTTAGE HOLDCO B.V.

/s/ Joachim Creus

By: _____

Name: Joachim Creus

Title: Managing Director

Agreed to and accepted:

COTY INC.

/s/ Pierre-Andre Terisse

By: _____

Name: Pierre-Andre Terisse

Title: Chief Financi

Agreed to and accepted:

SUE Y. NABI

/s/ Sue Nabi

Name: Sue Y. Nabi

Fixed-Term Employment Agreement

Coty Italia S.r.l.

via Ferrante Aporti 28, Milan (Italy) (the „**Company**“)

and

Ms. Anna von Bayern, born in XXX on XXX, residing at XXX, (the "**Employee**").

Preamble

The Company is a company of Coty-Group with the ultimate parent company Coty Inc., ("**Coty**") which has its head offices at Empire State Building, 350 Fifth Avenue, New York, NY 10118. This fixed-term employment agreement ("**Agreement**") replaces any former agreements signed between any entity of the Coty Group and the employee.

1. Employment, Description of Scope

- 1.1 The employment relationship shall commence on 1st September 2020 and shall end on 31 December 2020.
- 1.2 The Employee confirms that Employee is not bound by any non-competition restrictions or other understanding preventing Employee from entering into this Agreement and starting the activities for the Company.
- 1.3 The Employee shall act as Chief Corporate Affairs Officer.
- 1.4 The Employee shall report to Coty CEO. In the execution of the Employee's duties, the Employee shall follow Company and Coty policies.
- 1.5 The place of employment shall be the Company's registered office provided, whereas the Employee's activities may require a significant amount of business travel.
- 1.6 The Employee is a key management employee (leitender Angestellter) pursuant to Section 5 (3) Works Constitution Act (Betriebsverfassungsgesetz).

2. Working Hours

The regular weekly working time of the employee is [40] hours.

3. Remuneration

- 3.1 The Employee shall receive a monthly gross salary in the amount of EUR 25.000.
 - 3.2 Any services rendered beyond general working hours, in particular work rendered on Sundays and public holidays as well as overtime is compensated by the fixed salary and there is no claim for additional compensation.
-

3.3 The employee will receive in the first open trading window following her start date Restricted Stock Units (RSU) or Cash Units with a value of US\$2,900,000 (two million nine thousand U.S. dollars) calculated as being a number of Restricted Stock Units or Cash Units equal to this amount divided by the 30-day average stock price prior to the grant date. These Units will vest by third on each of the first, second and third anniversary of the grant date. This program covers all variable pay. All equity grants are subject to discretionary review and approval of Coty's Board of Directors.

4. Vacation

4.1 The Employee is entitled to the statutory minimum vacation.

4.2 In planning vacation the Employee will consider the business requirements of the Company and will coordinate vacation days with her immediate Supervisor.

5. Absence / Illness

5.1 In each case of unforeseen absence, the Employee shall inform the Company without delay thereof and of foreseeable length of his absence. At the same time, the Employee shall inform the Company about any assignments which are to be completed on an urgent basis.

5.2 In the case of sickness, the Employee shall be obliged to present a doctor's certificate of inability to work giving the probable duration thereof before the end of the third calendar day from the beginning of inability to work. Should the inability to work last longer than given in the doctor's certificate a new doctor's certificate shall be submitted within three days. This obligation shall also apply after expiration of the statutory period of continued payment of remuneration in the event of sickness.

6. Benefits

6.1 The entitlement to a company car, if any, refers to the Company's local policies as applicable from time to time.

6.2 Any work related travel shall be subject to the Coty Travel Policy as applicable from time to time. All travel expenses must be properly accounted for and documented and shall be filed for reimbursement without delay. Any request for reimbursement shall be subject to local tax rules, the provisions of the Coty Travel Policy, and must first be approved by the Employee's immediate supervisor.

7. Term / Probationary Period / Termination / Release from Duties / Obligation to Return

7.1 The employment relationship shall be for an definite period, and will end without further communication on 31 December 2020.

7.2 Either party may terminate this Agreement by four weeks notice to the fifteenth or the end of a month.

Extended terms of notice, which are mandatory for a termination by the Company, shall be mandatory for a termination by the Employee as well.

7.3 The right to terminate the employment relationship with immediate effect for good cause remains unaffected.

7.4 Any notice of termination has to be in writing.

7.5 Upon termination of this Agreement – regardless of the identity of the terminating party – the Company shall be entitled to release the Employee from her work duties subject to continued payment of the contractual remuneration. For the period of the release from duties, Section 615 sent. 2 of the German Civil Code (*Bürgerliches Gesetzbuch*) shall apply. The Employee shall be obliged to inform the Company without being asked to do so about the amount of income that he received during the period of the release from duties.

7.6 Upon terminating her employment for any reason or whenever so directed by the Company or Coty, the Employee will return any documents, papers, drawings, plans, diskettes, tapes, data, manuals, forms, notes, tables, calculations, reports, or other items which Employee has received, or in or on which Employee has stored or recorded Company or Coty data or information, in the course of her employment as well as all copies and any material into which any of the foregoing has been incorporated and any other Company or Coty property which may be in her possession or control, to the Company or to such entity as Coty may direct, without right of retention.

8. Code of Business Conduct, Confidentiality

8.1 The Employee will comply with Coty Code of Business Conduct, a copy of which has been provided to the Employee.

8.2 The Employee shall not disclose, directly or indirectly, during or any time following employment, to others or use for Employee's own benefit or for the benefit of others and agrees to keep strictly confidential all information concerning the Company or any other entity within Coty unless such use or disclosure has been approved in advance and in writing by the Company or Coty. This duty of confidentiality applies in addition to all applicable laws regarding the protection of trade secrets and includes, but is not limited to, any internal papers and documents, business secrets or know-how, proprietary information, business or marketing plans, cost calculations, financial or other data, profit plans, inventions, discoveries, processes, drawings, notes, customer or supplier information and any other internal information which the Employee has received, used, observed, been exposed to or had access to in the course of her employment with an entity of Coty.

9. Exclusionary Periods

9.1 All claims arising from the employment relationship shall be forfeited if they are not asserted against the other Party in writing within three months of their maturity.

9.2 Should the other Party reject the claim or it does not take a position on it within three weeks of the assertion of the claim, the claim shall be forfeited if it is not asserted in court within three months of the rejection or the expiration of the three-week period.

9.3 Sec. 9.1 and 9.2 shall also apply to claims associated with the employment relationship.

9.4 Sec. 9.1, 9.2 and 9.3 shall not apply for claims in the meaning of Section 309 No. 7 of the German Civil Code (*Bürgerliches Gesetzbuch*), claims for liability due to intentional conduct as well as for claims which can neither be restricted nor excluded or which cannot be waived, e.g. such as claims under the provisions of the Minimum Wage Act (*Mindestlohngesetz*).

10. Written Form

Modifications of and amendments to this Agreement shall only be valid if made in writing. This shall also apply to the abolishment or modification of or amendment to the foregoing written form requirement.

11. General, applicable law, severability clause

11.1 This Agreement relates only to the Employee's employment with the Company. Nothing within this Agreement shall be construed as to constitute an employment agreement with Coty or any of its entities, other than the contracting Company.

11.2 The provisions of this Agreement shall be subject to the laws of Germany. This shall not apply with regard to the Coty APP. With regard to this, the provisions stipulated in the plan rules shall apply.

11.3 Any grievance relating to employment should be referred to Employee's Department Head.

11.4 If one or more of the provisions of this Agreement is or becomes wholly or partly invalid or unenforceable, or if this Agreement fails to cover an issue which the parties would have covered had they thought of it at the time of the Agreement, such invalidity, unenforceability or missing provision shall not affect the validity of the remaining provisions of this Agreement. Such invalid, unenforceable or missing provision shall be replaced by a valid provision which best reflects the intentions of the parties to this Agreement in accordance with the valid provisions of this Agreement, applicable laws and the Company and Coty Policies referred to in this Agreement.

Any references to the masculine gender herein are for convenience only.

The English version of this Agreement is binding.

Unterschriften/Signatures Coty Italia S.r.l.

Datum/Date: 21 December 2020 Datum/Date: 21 December 2020

/s/ Gianluca Tordi

/s/ Mauro Riccio

Name: Gianluca Tordi Name: Mauro Riccio

Position: Senior HR Director Italy Position: Interim MD & CFO Italy

Mitarbeiterin/Employee:

/s/ Anna von Bayern

Datum/Date: 21 December 2020

Anna von Bayern

EMPLOYMENT CONTRACT

between

Coty Italia S.r.l. in the person of its legal representative, with registered offices in Milan, via Ferrante Aporti 8, VAT number 00157700204 (hereinafter, the **“Company”**)

and

Ms. Anna Von Bayern, born in XXX on XXX, Fiscal Code XXX (hereinafter, the **“Executive”**)

(the Company and the Executive may be referred to separately as the **“Party”** and, jointly, the **“Parties”**)

WHEREAS

- a) the Company is part of the Coty Group (together with the Company, the **“Group”** active, among other things, in the production, commercialization and marketing of products and accessories in the fashion/luxury/cosmetics sector (the **“Products”**);
- b) the Company offered to the Executive a position in its structure;
- c) the Parties therefore intend to establish an open-ended employment relationship (the **“Relationship”** under the full terms and conditions set out under this employment contract (the **“Contract”**)).

the following is agreed and stipulated.

Article 1 General Provisions

- 1. The premises form an integral part of this Contract.
- 2. The Parties mutually agree that the Contract is fully compliant with the conditions set out over the course of the negotiations between them.

Article 2 Effective date, level and job title

- 1. The Executive is hired with effect from 1 January 2021, with the level and status of *dirigente* pursuant to the provisions of the National Collective Bargaining Agreement for Executives of the Industrial Sector (the **“N.C.B.A.”**).
 - 2. The Executive, in recognition of the activity carried out in favour of the Company under the terms of a fixed-term employment contract subject to German law for the period September-December 2020 is granted, for all legal and contractual purposes, a conventional seniority dating from 1 September 2020.
 - 3. The Executive is assigned the duties of Chief Corporate Affairs Officer (the **“Duties”**, without prejudice to any of the employer's prerogatives pursuant to art. 2103 of the Italian Civil Code. The actual content and nature of the Duties is set out under Attachment A to this Contract.
-

Article 3 Workplace

1. The Executive's place of work is at the Company offices in Milan, Palazzo Aporti, via Ferrante Aporti 8.
2. Travel in Italy and abroad will be essential to the Executive's Duties and will be part of her normal activity, with the right exclusively to reimbursement of travel, board and lodging expenses, under the conditions of Group and Company policies, as better detailed under article 7 below.

Article 4 Annual base salary

1. The Company shall pay the Executive, as compensation for her activities and for all of her obligations, a fixed annual gross salary equal of Euro 750.000,00 (seven hundred fifty thousand/00), in 14 monthly installments (the **"Fixed Salary"**).
2. The Fixed Salary has been determined as a special condition of best favour and also as an anticipation, and absorption, of any possible improvement that may derive from any source of regulation of the Relationship, including collective ones, and represents the monetary compensation for the particular characteristics and methods of performance of the Relationship itself, also with reference to working hours, place of work and necessity of travel. It therefore replaces any other treatment, excluding any item, institution, remuneration or compensation provided for by any source of regulation of the Relationship.
3. The Fixed Salary has also been determined as already remunerative of: (a) any activity carried out by the Executive within the scope of the Relationship, including any functions and responsibilities connected with corporate offices of any kind and/or appointments, also pursuant to art. 2381 of the Italian Civil Code, entrusted to the Executive, with therefore any further compensation waived herein by the Executive, unless differently agreed upon on a case to case basis; (b) any discomfort entailed by the need of constant travel, which will be part of the ordinary working activity (for which see also under article 7 below); (c) any expenses - personal or family-related - to be sustained for her relocation to Italy.

Article 5 Special obligations of the Executive

1. In light of the high profile of her role within the Company structure, the Executive expressly undertakes:
 - a) to peruse and comply with all regulations applicable to the Company 's activities and the Relationship (including the provisions of the Company's Code of Ethics or other Company policies, circulars, regulations, and/or organizational models pursuant to Legislative Decree 231/2001, from time to time in force);
 - b) to carry out the Relationship and its Duties with the utmost professionalism and to the best of her ability, with commitment, spirit of initiative and proactive approach consistent with the nature of her status and the prestige of the Company;
 - c) to act as a positive reference point for colleagues, collaborators and partners of the Company, and to behave, even outside the work context, in a manner appropriate to the role covered and such as to constitute a concrete declination of the values and principles expressed in the Code of Ethics, avoiding conduct inconsistent with the Duties or with the prestige and image of the Company;
 - d) to refrain from any conduct, even omissive, which may, even potentially, cause or facilitate the imitation and/o counterfeiting and/ or confusion, or in any case the undue exploitation by third parties, of Products and/or any production or sales method or process that is the responsibility of the Company or other Group companies, as well as the relevant trademarks and distinctive signs and in general the relative notoriety;
 - e) to prevent and avoid situations of conflict of interest, even potential or indirect ones;
-

- f) not to offer customers, suppliers or other interlocutors, public or private, of the Company, gifts of any kind, except in the context of promotional policies validated by the Company in compliance with applicable regulations, and not to receive gifts unless of modest or symbolic value;
- g) to refrain from issuing, unless authorized in writing or within the context of an official Company resolution, to any information body, in any place, place or occasion, including social networks, comments or statements of any kind relating to the Company, the Products or other Group companies and related activities, or to information or news of which the Executive has become aware over the course of the Relationship and while carrying out the Duties.

Article 6 Holidays

1. The Executive shall be entitled to 35 days of holiday per year, pursuant to the provisions set out under the N.C.B.A.
2. In selecting the actual days of vacation, the Executive shall take into account the relevant Company and business needs.
3. In any event, it is hereby expressly stated that the Executive, in light of her high role and status within the Company organization, is fully entitled to freely select her holidays.

Article 7 Travel expenses

1. The Company shall reimburse the Executive, or bear directly, all travel, board and lodging expenses to be sustained in the performance of her Duties and in the interest of the Company, within the limits and under the conditions set out under the Company or Group policies in force.
2. Since travel, as already stated under article 3.2. above, will be an essential and constant part of the Executive's Duties, and in light of the fact that the Fixed Salary is extremely higher than the minimum legal standard set out under the relevant N.C.B.A., the Parties agree in considering not applicable to the Relationship the travel indemnity set out under article 10 of the N.C.B.A.
3. The Parties mutually agree and acknowledge that point 2. above provides an individual special regulation allowed by, compliant with, and substitutive of the provisions set out under article 10 of the N.C.B.A.

Article 8 Long term incentive plan

1. The Parties mutually acknowledge that in October 2020 the Executive has received a grant of Restricted Stock Units (RSUs) with a grant date value of US\$2,900,000 (two million nine hundred thousand U.S. dollars) calculated as being a number of Restricted Stock Units equal to this amount divided by the 30-day average stock price prior to the grant date. These Restricted Stock Units will vest by a third on each of the first, second and third anniversary of the grant date.
2. The above-mentioned program, subject to Group policies and regulations, covers all variable pay connected to the Relationship.
3. All future equity grants are subject to discretionary review and approval of the Company's Board of Directors or a committee thereof.

Article 9 Further benefits

1. For the execution of the Contract, a company car will be made available to the Executive, according to Company policies, which the Executive may also use for personal reasons. The value of the private use of the car for tax and contribution purposes will be calculated according to the regulations in force from time to time. In lieu of the car, as an alternative benefit the Company may opt for the payment of a car allowance.
-

2. Dating from 1 January 2021 the Executive shall be enrolled in the Company benefits programs in force, at the conditions set out therein. It is hereby clarified and agreed that the conventional seniority set out under article 3.2. above will not be taken into consideration to the purposes of the above-mentioned benefits programs. Detailed information describing said programs will be provided to the Executive by the Human Resources Department. The Company reserves the right to amend, modify or terminate any of its employee benefit plans or programs at any time and for any reason, and the Executive shall not be entitled to any compensation or alternative benefit or pecuniary right with reference to their hypothetical modification or discontinuance.

Article 10 Non-compete agreement

1. The Executive will be bound by the non-competition and non-solicitation agreement provided under the RCA in Attachment B, which is undersigned together with this Contract.
2. As compensation for the obligations arising from the non-competition agreement, the Company will pay the Executive, after the termination of the Relationship, the amount set out under the above-mentioned Attachment B.

Article 11 Confidentiality

1. Without prejudice to laws and regulations currently in force, the Executive will not, during the Relationship or at any time thereafter, directly or indirectly disclose or use, for her own benefit or the benefit of any third party, any information disclosed to or acquired, developed, learned or known as a result of or in connection with her employment with the Company, that is not generally known in the industry in which the Company and its affiliates are engaged or ascertained from public or published information, about the Company and its affiliates (including without limitation its business, products, processes, systems and services, in existence or under development), its customers, vendors and suppliers ("**Confidential Information**").
2. The Executive expressly acknowledges that, because Confidential Information is extremely valuable, the Company and its affiliates take appropriate measures to maintain its confidentiality, and that she has an obligation to safeguard and protect Confidential Information from disclosure and use.
3. The Executive is under the obligation not to take with her any documents, materials or things that embody or contain Confidential Information when she leaves Coty, and to return all such documents, material and things to the Company prior to her departure. If ever asked or requested to disclose any Confidential Information, pursuant to legal process or otherwise, the Executive agrees to contact the Company and to seek (to the extent permitted by law) its consent prior to such disclosure. These confidentiality obligations are permanent and do not lapse upon the termination of the Relationship.
4. More detailed rules and obligations are set out under the RCA provided under Attachment B, which forms an integral part of this Contract.

Article 12 Final provisions

1. This Contract shall be regulated and governed by the laws of Italy.
 2. For matters not expressly regulated herein, reference is to be made to the N.C.B.A.
 3. This Contract contains the entire understanding of the Parties with reference to its subject matter, and supersedes and replaces all prior agreements and understandings, both written and oral, between the Company and the Executive. The parties mutually acknowledge and agree that no other representation, promise or regulation concerning the Relationship have been made or provided except as specifically set forth in the Contract.
 4. Any other employment relationship between the Executive and the Company, or between the Executive and a company of the Group, if any, is to be considered hereby mutually terminated to all legal and contractual purposes.
-

5. Any amendment to this Contract must be made in writing and signed by a duly authorized officer of the Company.

Milan, 1 January 2021

For Coty Italy S.r.l.

/s/ Mauro Riccio

Mauro Riccio
Interim MD & CFO Italy

/s/ Simone Dominici

Simone Dominici
EVP EMEA

For Executive

/s/ Anna von Bayern

Anna Von Bayern

ATTACHMENT A

Chief Corporate Affairs Officer - Duties

Serve as the Chief Corporate Affairs Officer of the global organization, with primary responsibilities for global communication s, investor relations, and public affairs including the following:

- Lead investor relations to enhance stockholder value via strategic investor relations program
- Lead internal and external communications strategy by developing and implementing integrated communications plans and processes
- Provide strategic counsel to the Chief Executive Officer and Board of Directors on developing vision and message to internal and external stakeholders

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: May 10, 2021

/s/Sue Nabi

Sue Nabi
Chief Executive Officer

Certification

I, Laurent Mercier, 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: May 10, 2021

/s/Laurent Mercier

Laurent Mercier
Chief Financial 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 March 31, 2021 (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: May 10, 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 March 31, 2021 (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: May 10, 2021

/s/Laurent Mercier

Laurent Mercier

Chief Financial 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.