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

Form 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 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 February 1, 2022, 838,777,633 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 December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Net revenues	\$ 1,578.2	\$ 1,415.6	\$ 2,949.9	\$ 2,539.7
Cost of sales	561.1	584.0	1,065.9	1,048.9
Gross profit	1,017.1	831.6	1,884.0	1,490.8
Selling, general and administrative expenses	718.9	641.5	1,495.2	1,224.9
Amortization expense	51.4	61.8	108.4	127.2
Restructuring costs	(4.1)	59.6	8.3	89.7
Acquisition- and divestiture-related costs	6.9	51.7	10.9	98.0
Operating income (loss)	244.0	17.0	261.2	(49.0)
Interest expense, net	60.9	59.2	120.7	121.3
Other (income) expense, net	(126.2)	17.6	(512.3)	11.8
Income (loss) from continuing operations before income taxes	309.3	(59.8)	652.8	(182.1)
Provision (benefit) for income taxes on continuing operations	49.4	(40.8)	164.0	(285.7)
Net income (loss) from continuing operations	259.9	(19.0)	488.8	103.6
Net income (loss) from discontinued operations	3.8	(235.6)	3.8	(130.9)
Net income (loss)	263.7	(254.6)	492.6	(27.3)
Net loss attributable to noncontrolling interests	(0.9)	(2.5)	(1.4)	(2.1)
Net income attributable to redeemable noncontrolling interests	3.2	0.2	6.6	5.7
Net income (loss) attributable to Coty Inc.	\$ 261.4	\$ (252.3)	\$ 487.4	\$ (30.9)
Amounts attributable to Coty Inc.				
Net income from continuing operations	257.6	(16.7)	483.6	100.0
Convertible Series B Preferred Stock dividends	(68.7)	(23.1)	(191.7)	(43.9)
Net income from continuing operations attributable to common stockholders	188.9	(39.8)	291.9	56.1
Net income from discontinued operations	3.8	(235.6)	3.8	(130.9)
Net income attributable to common stockholders	\$ 192.7	\$ (275.4)	\$ 295.7	\$ (74.8)
Earnings per common share:				
Earnings from continuing operations per common share - basic	\$ 0.23	\$ (0.05)	\$ 0.36	\$ 0.07
Earnings from continuing operations per common share - diluted	0.23	(0.05)	0.36	0.07
Earnings from discontinued operations - basic	—	(0.31)	—	(0.17)
Earnings from discontinued operations - diluted	—	(0.31)	—	(0.17)
Earnings per common share - basic	0.23	(0.36)	0.36	(0.10)
Earnings per common share - diluted	0.23	(0.36)	0.36	(0.10)
Weighted-average common shares outstanding:				
Basic	829.1	764.6	803.3	764.3
Diluted	842.7	764.6	815.1	926.6

See notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Net income (loss)	\$ 263.7	\$ (254.6)	\$ 492.6	\$ (27.3)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(107.7)	139.6	(250.8)	129.1
Net unrealized derivative gain (loss) on cash flow hedges, net of taxes of \$(1.8) and \$(2.9), and \$(3.4) and \$(4.8) during the three and six months ended, respectively	5.5	9.7	9.9	15.4
Pension and other post-employment benefits adjustment, net of tax of \$0.0 and \$4.3, and \$0.0 and \$4.3 during the three and six months ended, respectively	1.8	(13.5)	2.3	(14.7)
Total other comprehensive (loss) income, net of tax	(100.4)	135.8	(238.6)	129.8
Comprehensive income (loss)	163.3	(118.8)	254.0	102.5
Comprehensive income attributable to noncontrolling interests:				
Net loss	(0.9)	(2.5)	(1.4)	(2.1)
Foreign currency translation adjustment	(0.1)	0.2	(0.3)	0.1
Total comprehensive loss attributable to noncontrolling interests	(1.0)	(2.3)	(1.7)	(2.0)
Comprehensive income attributable to redeemable noncontrolling interests:				
Net income	3.2	0.2	6.6	5.7
Comprehensive income (loss) attributable to Coty Inc.	\$ 161.1	\$ (116.7)	\$ 249.1	\$ 98.8

See notes to Condensed Consolidated Financial Statements.

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

	December 31, 2021	June 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 523.4	\$ 253.5
Restricted cash	39.1	56.9
Trade receivables—less allowances of \$37.9 and \$47.7, respectively	506.8	348.0
Inventories	589.0	650.8
Prepaid expenses and other current assets	520.1	473.9
Total current assets	2,178.4	1,783.1
Property and equipment, net	772.7	918.1
Goodwill	3,990.7	4,118.1
Other intangible assets, net	4,222.1	4,463.0
Equity investments	1,189.8	1,276.2
Operating lease right-of-use assets	299.6	318.5
Deferred income taxes	723.2	758.5
Other noncurrent assets	57.5	55.9
TOTAL ASSETS	\$ 13,434.0	\$ 13,691.4
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,394.3	\$ 1,166.1
Accrued expenses and other current liabilities	1,327.1	1,096.0
Short-term debt and current portion of long-term debt	23.8	24.2
Current operating lease liabilities	70.0	75.7
Income and other taxes payable	86.9	53.4
Total current liabilities	2,902.1	2,415.4
Long-term debt, net	4,878.5	5,401.0
Long-term operating lease liabilities	252.3	269.3
Pension and other post-employment benefits	400.8	420.6
Deferred income taxes	776.7	674.9
Other noncurrent liabilities	328.9	327.6
Total liabilities	9,539.3	9,508.8
COMMITMENTS AND CONTINGENCIES (See Note 20)		
CONVERTIBLE SERIES B PREFERRED STOCK , \$0.01 par value; 1.0 shares authorized; 0.1 and 1.0 issued and 0.1 and 1.0 and outstanding, respectively, at December 31, 2021 and June 30, 2021	142.4	1,036.3
REDEEMABLE NONCONTROLLING INTERESTS	83.7	84.1
EQUITY:		
Preferred Stock, \$0.01 par value; 20.0 shares authorized, 1.5 issued and outstanding at December 31, 2021 and June 30, 2021	—	—
Class A Common Stock, \$0.01 par value; 1,250.0 shares authorized, 905.0 and 832.3 issued and 838.7 and 766.0 outstanding, respectively, at December 31, 2021 and June 30, 2021	9.0	8.3
Additional paid-in capital	10,737.2	10,376.2
Accumulated deficit	(5,268.2)	(5,755.6)
Accumulated other comprehensive income	(560.2)	(321.9)
Treasury stock—at cost, shares: 66.3 at December 31, 2021 and at June 30, 2021	(1,446.3)	(1,446.3)
Total Coty Inc. stockholders' equity	3,471.5	2,860.7
Noncontrolling interests	197.1	201.5
Total equity	3,668.6	3,062.2
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY	\$ 13,434.0	\$ 13,691.4

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Six Months Ended December 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—July 1, 2021	<u>1.5</u>	<u>\$ —</u>	<u>832.3</u>	<u>\$ 8.3</u>	<u>\$ 10,376.2</u>	<u>\$ (5,755.6)</u>	<u>\$ (321.9)</u>	<u>66.3</u>	<u>\$ (1,446.3)</u>	<u>\$ 2,860.7</u>	<u>\$ 201.5</u>	<u>\$ 3,062.2</u>	<u>\$ 84.1</u>	<u>\$ 1,036.3</u>
Exercise of employee stock options and restricted stock units			51.0	—	—					—		—		
Shares withheld for employee taxes					(4.2)					(4.2)		(4.2)		
Share-based compensation expense					107.8					107.8		107.8		
Equity Investment contribution for share-based compensation					1.6					1.6		1.6		
Changes in dividends accrued					0.5					0.5		0.5		
Conversion of Convertible Series B Preferred Stock				0.5	307.4					307.9		307.9		(307.9)
Reclassification to Mandatorily redeemable Convertible Series B Preferred Stock					—					—		—		(394.2)
Dividends Accrued - Convertible Series B Preferred Stock					(22.7)					(22.7)		(22.7)		22.7
Deemed Dividends - Conversion of Convertible Series B Preferred Stock					(6.7)					(6.7)		(6.7)		6.7
Deemed Dividends - Exchange Agreement					(93.6)					(93.6)		(93.6)		93.6
Dividends Paid - Convertible Series B Preferred Stock					—					—		—		(3.5)
Net income (loss)						226.0				226.0	(0.5)	225.5	3.4	
Other comprehensive loss							(138.0)			(138.0)	(0.2)	(138.2)		
Adjustment of redeemable noncontrolling interests to redemption value					4.1					4.1		4.1	(4.1)	
BALANCE—September 30, 2021	<u>1.5</u>	<u>\$ —</u>	<u>883.3</u>	<u>\$ 8.8</u>	<u>\$ 10,670.4</u>	<u>\$ (5,529.6)</u>	<u>\$ (459.9)</u>	<u>66.3</u>	<u>\$ (1,446.3)</u>	<u>\$ 3,243.4</u>	<u>\$ 200.8</u>	<u>\$ 3,444.2</u>	<u>\$ 83.4</u>	<u>\$ 453.7</u>

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	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					
Exercise of employee stock options and restricted stock units			(48.2)							—		—		
Shares withheld for employee taxes					(7.1)					(7.1)		(7.1)		
Share-based compensation expense					26.9					26.9		26.9		
Equity Investment contribution for share-based compensation					(3.0)					(3.0)		(3.0)		
Changes in dividends accrued					0.2					0.2		0.2		
Conversion of Convertible Series B Preferred Stock			69.9	0.2	121.4					121.6		121.6		(121.6)
Exchange Transaction										—		—		(212.7)
Dividends Accrued - Convertible Series B Preferred Stock					(5.9)					(5.9)		(5.9)		5.9
Deemed Dividends - Conversion of Convertible Series B Preferred Stock					(0.8)					(0.8)		(0.8)		0.8
Deemed Dividends - Redemption of Convertible Series B Preferred Stock					(66.4)					(66.4)		(66.4)		66.4
Deemed Contributions - Convertible Series B Preferred Stock					4.4					4.4		4.4		(4.4)
Dividends Paid - Convertible Series B Preferred Stock										—		—		(45.7)
Net income (loss)						261.4				261.4	(0.9)	260.5	3.2	
Other comprehensive income							(100.3)			(100.3)	(0.1)	(100.4)		
Distribution to noncontrolling interests, net										—	(2.7)	(2.7)	(5.8)	
Adjustment of redeemable noncontrolling interests to redemption value					(2.9)					(2.9)		(2.9)	2.9	
BALANCE—December 31, 2021	1.5	\$ —	905.0	\$ 9.0	\$ 10,737.2	\$ (5,268.2)	\$ (560.2)	66.3	\$ (1,446.3)	\$ 3,471.5	\$ 197.1	\$ 3,668.6	\$ 83.7	\$ 142.4

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Six Months Ended December 31, 2020
(In millions, except per share data)
(Unaudited)

	Preferred Stock		Class A Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests	Convertible Series B Preferred Stock
	Shares	Amount	Shares	Amount				Shares	Amount					
BALANCE as previously reported—July 1, 2020	1.5	\$ —	830.6	\$ 8.3	\$ 10,447.4	\$ (5,548.6)	\$ (456.2)	65.5	\$ (1,446.3)	\$ 3,004.6	\$ 224.2	\$ 3,228.8	\$ 79.1	\$ 715.8
Adjustment due to the adoption of ASU No. 2016-13						(5.7)				(5.7)		(5.7)		
BALANCE as adjusted—July 1, 2020	1.5	\$ —	830.6	\$ 8.3	\$ 10,447.4	\$ (5,554.3)	\$ (456.2)	65.5	\$ (1,446.3)	\$ 2,998.9	\$ 224.2	\$ 3,223.1	\$ 79.1	\$ 715.8
Issuance of Preferred Stock														242.4
Exercise of employee stock options and restricted stock units			0.6		—					—		—		
Shares withheld for employee taxes					(1.0)					(1.0)		(1.0)		
Share-based compensation expense					6.2					6.2		6.2		
Changes in dividends accrued			—		0.8					0.8		0.8		
Dividends accrued- Convertible Series B Preferred Stock					(20.8)					(20.8)		(20.8)		20.8
Net income						221.4				221.4	0.4	221.8	5.5	
Other comprehensive loss							(5.9)			(5.9)	(0.1)	(6.0)		
Distribution to noncontrolling interests, net										—		—		
Adjustment of redeemable noncontrolling interests to redemption value					1.5					1.5		1.5	(1.5)	
BALANCE—September 30, 2020	1.5	\$ —	831.2	\$ 8.3	\$ 10,434.1	\$ (5,332.9)	\$ (462.1)	65.5	\$ (1,446.3)	\$ 3,201.1	\$ 224.5	\$ 3,425.6	\$ 83.1	\$ 979.0
Exercise of employee stock options and restricted stock units			0.4		—					—		—		
Shares withheld for employee taxes					(0.9)					(0.9)		(0.9)		
Share-based compensation expense					14.4					14.4		14.4		
Changes in dividends accrued					0.4					0.4		0.4		
Dividends accrued- Convertible Series B Preferred Stock					(23.2)					(23.2)		(23.2)		23.2
Net income (loss)						(252.3)				(252.3)	(2.5)	(254.8)	0.3	
Other comprehensive loss							135.6			135.6	0.2	135.8		
Distribution to noncontrolling interests, net										—	(4.3)	(4.3)	(2.1)	
Adjustment of redeemable noncontrolling interests to redemption value					1.8					1.8		1.8	(1.8)	
Equity Investment contribution for share-based compensation					0.5					0.5		0.5		
BALANCE—December 31, 2020	1.5	\$ —	831.6	\$ 8.3	\$ 10,427.1	\$ (5,585.2)	\$ (326.5)	65.5	\$ (1,446.3)	\$ 3,077.4	\$ 217.9	\$ 3,295.3	\$ 79.5	\$ 1,002.2

See notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 492.6	\$ (27.3)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	267.6	289.7
Non-cash lease expense	36.6	41.2
Deferred income taxes	99.4	(299.6)
Provision (releases) for bad debts	1.1	(6.4)
Provision for pension and other post-employment benefits	8.5	7.7
Share-based compensation	135.8	22.3
Gains on disposals of long-term assets	(91.1)	—
(Gain) loss on sale of business in discontinued operations	(4.8)	219.1
Realized and unrealized gains from equity investments, net	(516.9)	—
Foreign exchange effects	(9.9)	31.7
Deferred financing fees write-offs	6.7	—
Other	9.3	38.7
Change in operating assets and liabilities		
Trade receivables	(188.7)	(178.6)
Inventories	40.2	113.8
Prepaid expenses and other current assets	(101.5)	(73.8)
Accounts payable	257.1	(61.8)
Accrued expenses and other current liabilities	271.8	283.3
Operating lease liabilities	(40.2)	(79.2)
Income and other taxes payable	46.9	98.0
Other noncurrent assets	(4.4)	29.2
Other noncurrent liabilities	18.6	24.7
Net cash provided by operating activities	734.7	472.7
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(86.0)	(111.6)
Proceeds from sale of long-term assets	126.5	2.1
Proceeds from contingent consideration from sale of discontinued business	34.0	—
Proceeds from sale of business, net of cash disposed	—	27.0
Proceeds from sale of discontinued business, net of cash disposed	—	2,386.2
Return of capital from equity investments	—	448.0
Termination of currency swaps designated as net investment hedges	—	(37.6)
Net cash provided by investing activities	74.5	2,714.1
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from short-term debt, original maturity less than three months	—	1.2
Proceeds from revolving loan facilities	444.3	1,376.2
Repayments of revolving loan facilities	(1,114.7)	(2,426.1)
Proceeds from issuance of other long-term debt	500.0	—
Repayments of term loans and other long-term debt	(212.2)	(2,113.7)
Dividend payment on Class A Common Stock	(1.2)	(1.5)
Dividend payment on Convertible Series B Preferred Stock	(49.2)	—

Proceeds from issuance of Convertible Series B Preferred Stock	—	227.2
Net (payments of) proceeds from foreign currency contracts	(50.8)	12.6
Purchase of remaining mandatorily redeemable noncontrolling interest	(7.1)	—
Distributions to noncontrolling interests, redeemable noncontrolling interests and mandatorily redeemable financial instruments	(8.5)	(6.3)
Payment of deferred financing fees	(37.2)	—
All other	(10.9)	(2.4)
Net cash used in financing activities	(547.5)	(2,932.8)
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(9.6)	(0.7)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	252.1	253.3
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	310.4	352.0
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	\$ 562.5	\$ 605.3
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the period for interest	\$ 109.0	\$ 133.7
Net cash payments (refunds) for income taxes	43.5	(10.6)
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditure additions	\$ 56.3	\$ 40.3
Redemption of Series B Preferred Stock in exchange for Wella Equity Investment	603.3	—
Conversion of Series B Preferred Stock into Class A Common Stock	429.5	—
Non-cash Series B Preferred Stock dividends and deemed dividends (contributions)	(1.1)	43.9

See notes to Condensed Consolidated Financial Statements.

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

1. DESCRIPTION OF BUSINESS

Coty Inc. and its subsidiaries (collectively, the “Company” or “Coty”) manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics 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 2022” refer to the fiscal year ending June 30, 2022. 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 Kohlberg Kravis Roberts & Co. L.P. and its affiliates (“KKR”)), for the sale of a majority stake in Coty’s Professional and Retail Hair businesses, including the Wella, Clairol, OPI and ghd brands, (together, the “Wella Business”). As a result, Coty owned a 40% stake in Rainbow JVCO LTD and subsidiaries (together, “Wella”) immediately after the transaction. As of December 31, 2021, the Company owned a 25.9% stake in Wella. See Note 9—Equity Investments for additional information.

During the first quarter of fiscal 2022, the Company’s chief operating decision maker (“CODM”) finalized the Company’s organizational structure and how performance will be assessed, and the Company realigned its reportable segments to a principally product category-based structure, comprised of a Prestige business segment and a Consumer Beauty business segment. See Note 4—Segment Reporting for information on the Company’s segments.

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, 2021. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair presentation have been included in the Condensed Consolidated Financial Statements. The results of operations for the three and six months ended December 31, 2021 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending June 30, 2022. All dollar amounts (other than per share amounts) in the following discussion are in millions of United States (“U.S.”) dollars, unless otherwise indicated.

Restricted Cash

Restricted cash represents funds that are not readily available for general purpose cash needs due to contractual limitations. Restricted cash is classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. As of December 31, 2021 and June 30, 2021, the Company had restricted cash of \$39.1 and \$56.9, respectively, included in Restricted cash in the Condensed Consolidated Balance Sheets. The Restricted cash balance as of December 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 December 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 Wella to align with the Company’s strategy for this investment. The fair value is updated on a quarterly basis. The investment is classified within Level 3 in the fair value

hierarchy because the Company estimates the fair value of the investment using a combination of the income approach, the market approach and private transactions, when applicable. Changes in the fair value of equity investment 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 and six months ended December 31, 2021 and 2020 was 16.0% and 68.2%, respectively, and 25.1% and 156.9%, respectively. The positive effective tax rate for the six months ended December 31, 2021 results from reporting income before taxes and a provision for income taxes. The positive effective tax rate for the six months ended December 31, 2020 results from reporting losses before income taxes and a benefit for income taxes. The change in the effective tax rate for the three months ended December 31, 2021, as compared with the three months ended December 31, 2020, is primarily due to a benefit of \$18.8 in the current period recognized on the revaluation of the Company's deferred tax assets due to a tax rate increase enacted in the Netherlands. The change in the effective tax rate for the six months ended December 31, 2021, as compared with the six months ended December 31, 2020, is primarily due to the limitation on the deductibility of executive stock compensation and large fair value gains related to the investment in the Wella business in the current period, as well as a benefit related to a change in the Company's main principal location of \$220.5 recorded in the prior period. The benefit recorded in the prior period was 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.

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

As of December 31, 2021 and June 30, 2021, the gross amount of UTBs was \$267.9 and \$279.9, respectively. As of December 31, 2021, the total amount of UTBs that, if recognized, would impact the effective income tax rate is \$147.7. As of December 31, 2021 and June 30, 2021, the liability associated with UTBs, including accrued interest and penalties, was \$169.0 and \$181.2, 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 \$(1.0) and \$(0.2) for the three months ended December 31, 2021 and 2020, respectively, and \$(0.3) and \$1.0, for the six months ended December 31, 2021 and 2020, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of December 31, 2021 and June 30, 2021 was \$21.4 and \$21.7, respectively. On the basis of the information available as of December 31, 2021, it is reasonably possible that a decrease of up to \$20.7 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 January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*, which clarifies certain interactions between the accounting for equity securities, equity method investments, and certain derivative instruments. The Company adopted this guidance in the first quarter of fiscal 2022. The adoption of this standard did not have a material impact on the Company's financial position and its results of operations.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The new guidance under ASU No. 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is in the process of assessing the impact, if any, that ASU No. 2020-04 is expected to have on the Company's financial position, its results of operations and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, *Debt- Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging- Contracts in Entity's Own Equity (Subtopic 815-40)*, which removes certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. The guidance will be effective for the Company in fiscal 2023 on a full or modified retrospective basis, with early adoption permitted. The Company is evaluating the impact this guidance will have on the Company's financial position, its results of operations and related disclosures.

3. DISCONTINUED OPERATIONS

On June 1, 2020, the Company entered into a definitive agreement with KKR Bidco, regarding a strategic transaction for the sale of the Wella Business, valuing the business at \$4,300.0 on a cash- and debt-free basis. The transaction was completed on November 30, 2020 and Coty retained an initial ownership of 40% of the Wella Business. As of December 31, 2021, the Company owned a 25.9% stake in Wella. See Note 9—Equity Investments for additional information.

In accordance with applicable accounting guidance for the disposal of long-lived assets, the results of the Wella Business are presented as discontinued operations in the prior period leading up to the date of the sale, and, as such, have been excluded from both continuing operations and segment results for all periods presented. The Wella Business was comprised of the Professional Beauty and Retail Hair businesses.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021 ^(a)	2020	2021 ^(a)	2020
Net revenues	\$ —	\$ 419.9	\$ —	\$ 986.3
Cost of sales	—	141.5	—	322.5
Gross profit	—	278.4	—	663.8
Selling, general and administrative expenses	—	203.7	—	443.7
Restructuring costs	—	(0.7)	—	(0.7)
Operating income	—	75.4	—	220.8
Interest expense, net	—	9.5	—	21.3
(Gain) loss on sale of business	(4.8)	219.1	(4.8)	219.1
Other income, net	—	(1.1)	—	(1.0)
Income (loss) from discontinued operations before income taxes	4.8	(152.1)	4.8	(18.6)
Provision for income taxes on discontinued operations	1.0	83.5	1.0	112.3
Net income (loss) from discontinued operations	\$ 3.8	\$ (235.6)	\$ 3.8	\$ (130.9)

^(a) Net income from discontinued operations for the three and six months ended December 31, 2021 reflect certain purchase price working capital adjustments net of the related income tax impact.

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

	Six Months Ended December 31, 2020
NON-CASH OPERATING ITEMS	
Depreciation and amortization	\$ —
CASH FLOW FROM INVESTING ACTIVITIES	
Capital expenditures	\$ 8.7

On December 22, 2021, the Company entered into an agreement with KKR Bidco related to post-closing adjustments to the purchase consideration for the Wella Business. As part of this agreement, the Company may receive future contingent proceeds. Earning the contingent proceeds is based on the future recovery of certain tax credits of the Wella Business.

The Company accounts for the initial measurement of contingent consideration under a loss recovery approach. As of the time the contingent consideration arrangement was entered into, the Company was unable to determine that it was probable that any of the contingent consideration would be earned. Therefore, no contingent consideration gain was initially recognized. Subsequent measurement of the total contingent consideration will be based on the guidance for gain contingencies and any gain will be recorded at the time the consideration is earned.

During the quarter, a \$34.0 advance of future contingent proceeds was paid to the Company and is subject to claw back if recovery targets related to the Wella Business tax credits are not achieved. The \$34.0 advanced to the Company is unearned and is included in Other noncurrent liabilities. The advance payment will be reflected as a liability until the contingency is resolved.

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 CODM in deciding how to allocate resources and assess performance. The Company has designated its Chief Executive Officer (“CEO”) as the CODM.

During the first quarter of fiscal 2022, the CODM finalized the Company’s organizational structure and how performance will be assessed, and the Company realigned its reportable segments to a principally product category-based structure, comprised of a Prestige business segment and a Consumer Beauty business segment beginning in the first quarter of fiscal 2022. The Company recast its results for fiscal 2021 to reflect the changes in its segments.

Certain income and shared costs and the results of corporate initiatives are managed by Corporate. Corporate primarily includes stock compensation expense, 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. Corporate costs are not used by the CODM to measure the underlying performance of the segments.

With the exception of goodwill, the Company does not identify or monitor assets by segment. The Company does not present assets by reportable segment since various assets are shared between reportable segments. The allocation of goodwill by segment is presented in Note 10—Goodwill and Other Intangible Assets, net.

SEGMENT DATA	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Net revenues:				
Prestige	\$ 1,008.0	\$ 903.8	\$ 1,878.7	\$ 1,548.2
Consumer Beauty	570.2	511.8	1,071.2	991.5
Total	<u>\$ 1,578.2</u>	<u>\$ 1,415.6</u>	<u>\$ 2,949.9</u>	<u>\$ 2,539.7</u>
Operating income (loss):				
Prestige	141.6	110.8	273.7	144.8
Consumer Beauty	43.3	30.4	54.7	16.7
Corporate	59.1	(124.2)	(67.2)	(210.5)
Total	<u>\$ 244.0</u>	<u>\$ 17.0</u>	<u>\$ 261.2</u>	<u>\$ (49.0)</u>
Reconciliation:				
Operating income (loss)	244.0	17.0	261.2	(49.0)
Interest expense, net	60.9	59.2	120.7	121.3
Other (income) expense, net	(126.2)	17.6	(512.3)	11.8
Income (loss) from continuing operations before income taxes	<u>\$ 309.3</u>	<u>\$ (59.8)</u>	<u>\$ 652.8</u>	<u>\$ (182.1)</u>

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

PRODUCT CATEGORY	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Fragrance	62.7 %	63.5 %	61.3 %	60.1 %
Color Cosmetics	26.0	23.8	27.1	26.7
Body Care & Other	11.3	12.7	11.6	13.2
Total	<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

There were no business combination or asset acquisition transactions during the three and six months ended December 31, 2021 and 2020 or divestiture transactions during the three and six months ended December 31, 2021.

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 owned the remaining 40%. As of December 31, 2021, the Company owned a 25.9% stake in Wella. See Note 9—Equity Investments for additional information. 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 2018 Coty Term A and B Facilities (as defined in Note 12—Debt) on a pro rata basis and reserved a maximum of \$500.0 for reinvestment in the Company's business, pursuant to the 2018 Coty Credit Agreement, as amended (as defined in Note 12—Debt). In connection with the November 30, 2021 amendment to

the 2018 Coty Credit Agreement, the Company received consent from the participating banks to eliminate the requirements to utilize or repay the Reinvestment Balance (as defined in Note 12—Debt).

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 was subject to further adjustments for other working capital and contractually specified items. See Note 3—Discontinued Operations for more information.

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. The operations of Wella were consolidated in the results of the Company through the date of sale. The Company accounted for its stake in the Wella Business under the fair value option (see Note 9—Equity Investments).

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 no acquisition-related costs for the three and six months ended December 31, 2021 and \$(0.5) of acquisition-related costs for the three and six months ended December 31, 2020.

Divestiture-related costs, which are expensed as incurred, represent non-restructuring costs directly related to divesting and selling an entity, including partial sales, 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 \$6.9 and \$52.2 for the three months ended December 31, 2021 and 2020, respectively, and \$10.9 and \$98.5 for the six months ended December 31, 2021 and 2020, respectively. Divestiture-related costs incurred during the three and six months ended December 31, 2021 and 2020 were primarily related to the strategic transaction with KKR for the sale of a majority stake in the Wella Business.

7. RESTRUCTURING COSTS

Restructuring costs for the three and six months ended December 31, 2021 and 2020 are presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Transformation Plan	\$ (4.1)	\$ 62.5	\$ 8.3	\$ 93.7
Other Restructuring	—	(2.9)	—	(4.0)
Total	<u>\$ (4.1)</u>	<u>\$ 59.6</u>	<u>\$ 8.3</u>	<u>\$ 89.7</u>

Transformation Plan

In connection with the four-year plan announced on July 1, 2019 to drive substantial improvement and optimization in the Company’s businesses (the “Turnaround Plan”), the Company has and expects to continue to incur restructuring and related costs. On May 11, 2020, the Company announced an expansion of the Turnaround Plan to further reduce fixed costs, (the “Transformation Plan”). Of the expected costs, the Company has incurred cumulative restructuring charges of \$238.1 related to approved initiatives through December 31, 2021, which have been recorded in Corporate.

Over the next two fiscal years, the Company expects to incur approximately \$65.0 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	73.4	(0.5)	0.3	73.2
Fiscal 2022	8.6	—	(0.3)	8.3
Cumulative through December 31, 2021	<u>\$ 233.2</u>	<u>\$ (1.6)</u>	<u>\$ 6.5</u>	<u>\$ 238.1</u>

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

	Severance and Employee Benefits	Fixed Asset Write-offs	Other Exit Costs	Total
Balance—July 1, 2021	\$ 122.5	\$ —	\$ 0.3	\$ 122.8
Restructuring charges	15.9	—	—	15.9
Payments	(25.1)	—	(0.2)	(25.3)
Changes in estimates	(7.3)	—	(0.3)	(7.6)
Non-cash utilization	(0.8)	—	—	(0.8)
Effect of exchange rates	(4.5)	—	0.3	(4.2)
Balance—December 31, 2021	<u>\$ 100.7</u>	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ 100.8</u>

The Company currently estimates that the total remaining accrual of \$100.8 will result in cash expenditures of approximately \$49.9, \$50.2 and \$0.7 in fiscal 2022, 2023 and thereafter, respectively.

8. INVENTORIES

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

	December 31, 2021	June 30, 2021
Raw materials	\$ 155.3	\$ 159.5
Work-in-process	9.8	12.5
Finished goods	423.9	478.8
Total inventories	<u>\$ 589.0</u>	<u>\$ 650.8</u>

9. EQUITY INVESTMENTS

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

	December 31, 2021	June 30, 2021
<i>Equity method investments:</i>		
KKW Holdings ^(a)	\$ 14.8	\$ 16.2
<i>Equity investments at fair value:</i>		
Wella ^(b)	1,175.0	1,260.0
Total equity investments	<u>\$ 1,189.8</u>	<u>\$ 1,276.2</u>

^(a) On January 4, 2021, the Company completed its purchase of 20% of the outstanding equity of KKW Holdings. 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. The carrying value of the Company's investment includes basis differences allocated to amortizable intangible assets.

During the three and six months ended December 31, 2021, the Company recognized \$(0.8) and \$(1.4), respectively, 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 60% stake in Coty's Wella Business. As of December 31, 2021 and June 30, 2021, the Company's stake in Wella was 25.9% and 40.0%, respectively.

On October 20, 2021, the Company completed the sale of a 9.4% stake in Wella to an affiliate of KKR, KKR Rainbow Aggregator L.P. ("KKR Aggregator") in exchange for the redemption of 290,465 shares of KKR Aggregator's Series B Convertible Preferred Stock shares in Coty and a portion of unpaid dividends (the "First Exchange"). On November 30, 2021, Coty completed the sale of an additional 4.7% stake in Wella to KKR Aggregator in exchange for the redemption of KKR Aggregator's remaining convertible preferred shares in Coty (the "Second Exchange"), reducing the Company's total shareholding in Wella to 25.9%. Refer to Note 16—Equity and Convertible Preferred Stock.

The following table presents summarized financial information of the Company's equity method investees for the period ending December 31, 2021. Amounts presented represent combined totals at the investee level and not the Company's proportionate share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020 ^(a)	2021	2020 ^(a)
Summarized Statements of Operations information:				
Net revenues	\$ 744.3	\$ 215.2	\$ 1,363.5	\$ 215.2
Gross profit	508.4	147.0	938.1	147.0
Operating income	76.2	(5.1)	101.8	(5.1)
Income before income taxes	49.4	(13.5)	56.9	(13.5)
Net income	36.5	(12.7)	42.0	(12.7)

^(a) As the sale of the Wella Business occurred on November 30, 2020, Wella's prior year summarized financials only comprise of one month of activity. Additionally, as the investment in KKW did not occur until January 4, 2021, the prior year summarized financials do not include the financial activity of KKW.

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

Equity investments at fair value:

Balance as of June 30, 2021	\$	1,260.0
First Exchange		(390.6)
Second Exchange		(212.7)
Total gains/(losses) included in earnings		518.3
Balance as of December 31, 2021	\$	1,175.0

Level 3 significant unobservable inputs sensitivity

The following table summarizes the significant unobservable inputs used in Level 3 valuation of the Company's investments carried at fair value as of December 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	\$ 1,175.0	Discounted cash flows	Discount rate	11.25% ^(a)
			Growth rate	1.5% - 4.2% ^(a)
		Market multiple	Revenue multiple	2.0x ^(b)
			EBITDA multiple	12.0x – 19.0x ^(b)

^(a) The primary unobservable inputs used in the fair value measurement of the Company's 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 the Company's 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.

The First Exchange and Second Exchange, as discussed in Note 16—Equity and Convertible Preferred Stock, were also included and weighted for valuation purposes. Going forward, the weighting of the valuation approaches could have a significant impact on the valuation of the investment.

10. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of December 31, 2021 and June 30, 2021 is presented below:

	Prestige	Consumer Beauty	Total
Gross balance at June 30, 2021	\$ 6,384.0	\$ 1,774.2	\$ 8,158.2
Accumulated impairments	(3,110.3)	(929.8)	(4,040.1)
Net balance at June 30, 2021	<u>\$ 3,273.7</u>	<u>\$ 844.4</u>	<u>\$ 4,118.1</u>
Changes during the period ended December 31, 2021			
Foreign currency translation	(101.2)	(26.2)	(127.4)
Gross balance at December 31, 2021	\$ 6,282.8	\$ 1,748.0	\$ 8,030.8
Accumulated impairments	(3,110.3)	(929.8)	(4,040.1)
Net balance at December 31, 2021	<u>\$ 3,172.5</u>	<u>\$ 818.2</u>	<u>\$ 3,990.7</u>

Other Intangible Assets, net

Other intangible assets, net as of December 31, 2021 and June 30, 2021 are presented below:

	December 31, 2021	June 30, 2021
Indefinite-lived other intangible assets	\$ 998.3	\$ 1,018.7
Finite-lived other intangible assets, net	3,223.8	3,444.3
Total Other intangible assets, net	<u>\$ 4,222.1</u>	<u>\$ 4,463.0</u>

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

	Trademarks	Total
Gross balance at June 30, 2021	\$ 1,932.2	\$ 1,932.2
Accumulated impairments	(913.5)	(913.5)
Net balance at June 30, 2021	<u>\$ 1,018.7</u>	<u>\$ 1,018.7</u>
Changes during the period ended December 31, 2021		
Foreign currency translation	(20.4)	(20.4)
Gross balance at December 31, 2021	\$ 1,911.8	\$ 1,911.8
Accumulated impairments	(913.5)	(913.5)
Net balance at December 31, 2021	<u>\$ 998.3</u>	<u>\$ 998.3</u>

Intangible assets subject to amortization are presented below:

	Cost	Accumulated Amortization	Accumulated Impairment	Net
June 30, 2021				
License agreements and collaboration agreements	\$ 4,192.9	\$ (1,229.1)	\$ (19.6)	\$ 2,944.2
Customer relationships	803.1	(486.3)	(5.5)	311.3
Trademarks	330.2	(168.7)	(0.5)	161.0
Product formulations and technology	90.2	(62.4)	—	27.8
Total	<u>\$ 5,416.4</u>	<u>\$ (1,946.5)</u>	<u>\$ (25.6)</u>	<u>\$ 3,444.3</u>
December 31, 2021				
License agreements and collaboration agreements	\$ 4,060.4	\$ (1,276.0)	\$ (19.6)	\$ 2,764.8
Customer relationships	758.6	(470.8)	(5.5)	282.3
Trademarks	326.3	(173.8)	(0.5)	152.0
Product formulations and technology	87.0	(62.3)	—	24.7
Total	<u>\$ 5,232.3</u>	<u>\$ (1,982.9)</u>	<u>\$ (25.6)</u>	<u>\$ 3,223.8</u>

Amortization expense was \$51.4 and \$61.8 for the three months ended December 31, 2021 and 2020, respectively and \$108.4 and \$127.2 for the six months ended December 31, 2021 and 2020, respectively.

11. LEASES

The Company leases office facilities under non-cancelable operating leases with terms generally ranging between 5 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:

Lease Cost:	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Operating lease cost	\$ 21.2	\$ 19.8	\$ 42.1	\$ 39.0
Short-term lease cost	0.3	0.2	0.6	0.4
Variable lease cost	10.0	16.4	18.9	30.3
Sublease income	(5.4)	(3.0)	(10.7)	(4.5)
Net lease cost	\$ 26.1	\$ 33.4	\$ 50.9	\$ 65.2
Other information:				
Operating cash outflows from operating leases	\$ (22.8)	\$ (48.5)	\$ (45.3)	\$ (79.9)
Right-of-use assets obtained in exchange for lease obligations	\$ 18.6	\$ 2.8	\$ 27.0	\$ 10.8
Weighted-average remaining lease term - real estate			6.3 years	6.4 years
Weighted-average discount rate - real estate leases			3.49 %	3.49 %

Future minimum lease payments for the Company's operating leases are as follows:

Fiscal Year Ending June 30,	
2022, remaining	\$ 42.9
2023	72.1
2024	57.8
2025	46.1
2026	38.9
Thereafter	105.0
Total future lease payments	362.8
Less: imputed interest	(40.5)
Total present value of lease liabilities	322.3
Current operating lease liabilities	70.0
Long-term operating lease liabilities	252.3
Total operating lease liabilities	\$ 322.3

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

12. DEBT

The Company's debt balances consisted of the following as of December 31, 2021 and June 30, 2021, respectively:

	December 31, 2021	June 30, 2021
Short-term debt	\$ —	\$ —
Senior Secured Notes		
2026 Dollar Senior Secured Notes due April 2026	900.0	900.0
2026 Euro Senior Secured Notes due April 2026	792.7	833.3
2029 Dollar Senior Secured Notes due January 2029	500.0	—
2018 Coty Credit Agreement		
2018 Coty Revolving Credit Facility due April 2023	—	670.0
2021 Coty Revolving Credit Facility due April 2025	—	—
2018 Coty Term A Facility due April 2023	—	114.0
2018 Coty Term B Facility due April 2025	1,328.9	1,461.7
Senior Unsecured Notes		
2026 Dollar Notes due April 2026	550.0	550.0
2023 Euro Notes due April 2023	622.8	654.7
2026 Euro Notes due April 2026	283.1	297.6
Other long-term debt and capital lease obligations	0.1	0.2
Total debt	4,977.6	5,481.5
Less: Short-term debt and current portion of long-term debt	(23.8)	(24.2)
Total Long-term debt	4,953.8	5,457.3
Less: Unamortized financing fees	(47.0)	(51.7)
Less: Discount on long-term debt	(28.3)	(4.6)
Total Long-term debt, net	\$ 4,878.5	\$ 5,401.0

Short-Term Debt

The Company maintains short-term lines of credit and other short-term debt with financial institutions around the world. As of December 31, 2021, total short-term debt remained constant at nil from June 30, 2021. In addition, the Company had undrawn letters of credit of \$14.3 and \$15.0, and bank guarantees of \$21.3 and \$31.2 as of December 31, 2021 and June 30, 2021, respectively.

Long-Term Debt

Recent Developments

Revolving Credit Facility

On September 30, 2021, the Company entered into an amendment to the 2018 Coty Credit Agreement (as defined below) to permanently reduce the existing 2018 Coty Revolving Credit Facility (as defined below) by \$700.0 and add a new class of incremental revolving facilities in an aggregate principal amount of \$700.0 that matures on April 5, 2025 (the "September 2021 Coty Revolving Credit Facility").

On November 30, 2021, the Company entered into an amendment to the 2018 Coty Credit Agreement (as defined below) that established a new class of senior secured revolving credit facility of \$2,000.0 maturing on April 5, 2025 (the "2021 Coty Revolving Credit Facility"), which refinanced and replaced the 2018 Coty Revolving Credit Facility due April 5, 2023 and the September 2021 Coty Revolving Credit Facility due April 5, 2025 (the "2021 Revolver Refinancing").

Debt Paydown and Waiver of Reinvestment Balance

In October 2021, the Company completed the sale of certain real estate holdings, and in accordance with the 2018 Coty Credit Agreement, as amended, the Company utilized the proceeds from the sale to pay down a portion of the outstanding balances of the 2018 Coty Term A Facility and 2018 Coty Term B Facility (as defined below). As a result of the prepayments, the outstanding principal balances of the 2018 Coty Term A Facility and the 2018 Coty Term B Facility were reduced by €6.2 million (approximately \$7.2) and \$91.9, respectively.

In connection with the November 30, 2021 amendment to the 2018 Coty Credit Agreement, the Company received consent from the participating banks to eliminate the requirements to utilize or repay the Reinvestment Balance (as defined below).

Offering of Senior Secured Notes

On November 30, 2021, the Company issued an aggregate principal amount of \$500.0 of 4.75% senior secured notes due 2029 ("2029 Dollar Senior Secured Notes"). Coty received gross proceeds of \$500.0 in connection with the offering of the 2029 Dollar Senior Secured Notes. In accordance with the 2018 Coty Credit Agreement, as amended, a portion of the gross proceeds received were utilized to pay down the remaining outstanding principal balance of the 2018 Coty Revolving Credit Facility of \$394.0 and the 2018 Coty Term A Facility of €89.5 million (approximately \$100.4).

Deferred Financing Costs and Write-offs

During the three and six months ended December 31, 2021, the Company capitalized original issue debt discounts of \$20.0 and \$27.0, respectively, and deferred issuance costs of \$8.3 and \$8.4, respectively, and wrote off unamortized deferred issuance costs of \$4.5 and \$5.1, respectively, and original issue debt discounts of \$1.6 and \$1.6, respectively, which were recorded in Other (income) expense, net in the Condensed Consolidated Statement of Operations.

Senior Secured Notes

On June 16, 2021, the Company issued an aggregate principal amount of €700.0 million of 3.875% senior secured notes due 2026 (the "2026 Euro Senior Secured Notes") in a private offering. Coty received gross proceeds of €700.0 million in connection with the offering of the 2026 Euro 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 Dollar Senior Secured Notes" and, together with the 2026 Euro Senior Secured Notes and 2029 Dollar Senior Secured Notes, the "Senior Secured Notes"). Coty received gross proceeds of \$900.0 in connection with the offering of the 2026 Dollar Senior Secured Notes.

Coty used the gross proceeds of the offerings of the Senior Secured Notes to repay a portion of the term loans outstanding under the existing credit facilities and to pay related fees and expenses thereto.

See the above *Recent Developments* section for the 2029 Dollar Senior Secured Notes offering issued in November 2021.

The 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, as described below. The 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.

Optional Redemption

Applicable Premium

The indentures governing the Senior Secured Notes specify the Applicable Premium (as defined in the respective indentures) to be paid upon early redemption of some or all of the Senior Secured Notes prior to, and on or after, April 15, 2023 for the 2026 Euro Senior Secured Notes and 2026 Dollar Senior Secured Notes, and January 15, 2025 for the 2029 Dollar Senior Secured Notes (the "Early Redemption Dates").

The Applicable Premium related to the respective Senior Secured Notes on any redemption date and as calculated by the Company is the greater of:

- (1) 1.0% of the then outstanding principal amount of the respective Senior Secured Notes; and
- (2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such respective Senior Secured Notes that would apply if such respective notes were redeemed on the respective Early Redemption Dates, (such redemption price is expressed as a percentage of the principal amount being set forth in the table appearing in the Redemption Pricing section below), plus (ii) all remaining scheduled payments of interest due on the respective Senior Secured Notes to and including the respective Early Redemption Dates, (excluding accrued but unpaid interest, if any, to, but excluding, the redemption date), with respect to each of subclause (i) and (ii), computed using a discount rate equal to the Treasury Rate in the case of the 2026 Dollar Senior Secured Notes and 2029 Dollar Senior Secured Notes, or Bund Rate in the case of the 2026 Euro Senior Secured Notes (both Treasury Rate and Bund Rate as defined in the respective indentures) as of such redemption date plus 50 basis points; over (b) the principal amount of the respective Senior Secured Notes.

Redemption Pricing

At any time and from time to time prior to the Early Redemption Dates, the Company may redeem some or all of the respective notes at redemption prices equal to 100% of the respective principal amounts being redeemed plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption dates.

At any time on or after the Early Redemption Dates, the Company may redeem some or all of the respective notes at the redemption prices (expressed in percentage of principal amount) set forth below, plus accrued and unpaid interest, if any, to, but excluding, the redemption dates, if redeemed during the twelve-month period beginning on respective dates of each of the years indicated below:

For the period beginning Year	Price		
	2026 Dollar Senior Secured Notes	2026 Euro Senior Secured Notes	2029 Dollar Senior Secured Notes
	April 15,		January 15,
2023	102.500%	101.938%	N/A
2024	101.250%	100.969%	N/A
2025	100.000%	100.000%	102.375%
2026	N/A	N/A	101.188%
2027 and thereafter	N/A	N/A	100.000%

2018 Coty Credit Agreement

On April 5, 2018, the Company entered into a new credit agreement (the "2018 Coty Credit Agreement"), which amended and restated the prior Coty credit agreement. The 2018 Coty Credit Agreement provided 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").

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 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. In accordance with

the 2018 Coty Credit Agreement, as amended, the Company utilized \$2,015.5 of the net proceeds to pay down its 2018 Coty Term A and B Facilities on a pro rata basis and reserved a maximum of \$500.0 for reinvestment in the business, as defined in the 2018 Coty Credit Agreement, as amended, ("the Reinvestment Balance"). As a result of the prepayments, the outstanding balances of the 2018 Coty Term A and B Facilities were reduced by \$1,135.7 and \$879.8, respectively.

See the above *Recent Developments* section for information on the amendments to the 2018 Coty Credit Agreement during fiscal 2022, the prepayments made in October 2021, the Reinvestment Balance waiver and the 2021 Revolver Refinancing.

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. 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.

Scheduled Amortization

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

Interest

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

- (1) 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
- (2) Alternate base rate ("ABR") plus the applicable margin.

In the case of the 2021 Coty Revolving Credit Facility, the applicable margin means the lesser of a percentage per annum to be determined in accordance with the leverage-based pricing grid and the debt rating-based grid below:

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

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

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

Fair Value of Debt

	December 31, 2021		June 30, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior Secured Notes	\$ 2,192.7	\$ 2,251.0	\$ 1,733.3	\$ 1,749.1
2018 Coty Credit Agreement	1,328.9	1,309.3	2,245.7	2,188.5
Senior Unsecured Notes	1,455.9	1,480.6	1,502.3	1,500.5

The Company uses the market approach to value its debt instruments. The Company obtains fair values from independent pricing services to determine the fair value of these debt instruments. Based on the assumptions used to value these liabilities at fair value, these debt instruments are categorized a Level 2 in the fair value hierarchy.

Debt Maturities Schedule

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

Fiscal Year Ending June 30,

2022, remaining	\$ 11.8
2023	646.5
2024	23.6
2025	1,269.8
2026	2,525.8
Thereafter	500.0
Total	<u>\$ 4,977.5</u>

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 ^(a)
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 April 5, 2025	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.

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 the Company's 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 December 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 six months ended December 31, 2021 and 2020, respectively, is presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Interest expense	\$ 61.7	\$ 60.6	\$ 124.5	\$ 119.6
Foreign exchange (gains) losses, net of derivative contracts	(0.2)	(0.7)	(2.4)	3.7
Interest income	(0.6)	(0.7)	(1.4)	(2.0)
Total interest expense, net	<u>\$ 60.9</u>	<u>\$ 59.2</u>	<u>\$ 120.7</u>	<u>\$ 121.3</u>

14. EMPLOYEE BENEFIT PLANS

As part of the Transformation Plan, the Company concluded that restructuring actions resulted in a significant reduction of future services of active employees in certain of the Company's non-U.S. pension plans. As a result, the Company recognized curtailment gains of \$0.2 and \$0.0 for the three months ended December 31, 2021 and 2020, respectively, and \$0.2 and \$5.3 for the six months ended December 31, 2021 and 2020, respectively. Additionally, the Company recognized a settlement loss of \$1.3 and \$2.0 for the three months and six months ended December 31, 2021, respectively, of which \$0.6 was related to restructuring actions. The impact of the curtailment and settlement 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 December 31,								
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International		2021	2020	2021	2020
	2021	2020	2021	2020				
Service cost	\$ —	\$ —	\$ 2.3	\$ 5.2	\$ 0.2	\$ 0.3	\$ 2.5	\$ 5.5
Interest cost	0.1	0.1	1.6	2.2	0.3	0.3	2.0	2.6
Expected return on plan assets	—	—	(1.1)	(1.8)	—	—	(1.1)	(1.8)
Amortization of prior service credit	—	—	—	(0.1)	(0.1)	(0.8)	(0.1)	(0.9)
Amortization of net loss	0.1	0.3	(0.1)	(0.1)	—	—	—	0.2
Settlement loss recognized	—	—	1.3	—	—	—	1.3	—
Curtailment gain recognized	—	—	(0.2)	—	—	—	(0.2)	—
Net periodic benefit cost (credit)	\$ 0.2	\$ 0.4	\$ 3.8	\$ 5.4	\$ 0.4	\$ (0.2)	\$ 4.4	\$ 5.6

Six Months Ended December 31,								
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International		2021	2020	2021	2020
	2021	2020	2021	2020				
Service cost	\$ —	\$ —	\$ 4.7	\$ 11.9	\$ 0.4	\$ 0.6	\$ 5.1	\$ 12.5
Interest cost	0.2	0.2	3.2	4.7	0.6	0.6	4.0	5.5
Expected return on plan assets	—	—	(2.2)	(3.7)	—	—	(2.2)	(3.7)
Amortization of prior service cost (credit)	—	—	—	(0.2)	(0.2)	(1.7)	(0.2)	(1.9)
Amortization of net (gain) loss	0.2	0.7	(0.2)	(0.1)	—	—	—	0.6
Settlement loss recognized	—	—	2.0	—	—	—	2.0	—
Curtailment gain recognized	—	—	(0.2)	(5.3)	—	—	(0.2)	(5.3)
Net periodic benefit cost (credit)	\$ 0.4	\$ 0.9	\$ 7.3	\$ 7.3	\$ 0.8	\$ (0.5)	\$ 8.5	\$ 7.7

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

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 and cross-currency swaps as hedges of net investments in foreign subsidiaries. The Company expects that through hedging, any gain or loss on the derivative instruments would generally offset the expected increase or decrease in the value of the underlying forecasted transactions.

The Company is exposed to foreign currency exchange rate fluctuations in the normal course of business, including through exposure to inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the transaction currency. To manage this exposure, beginning in June 2021, the Company entered into non-

deliverable forward foreign-exchange contracts (the “NDF contracts”) that are intended to offset changes in cash flow attributable to currency exchange movements. The NDF contracts have been designated as foreign exchange cash flow hedges. The Company entered into these contracts with counterparties that are banks or other financial institutions, and the Company considers the risk of non-performance by such counterparties not to be material.

The Company also continued to use certain derivatives as economic hedges of foreign currency exposure on firm commitments, which do not qualify for hedge accounting. Although these derivatives were not designated for hedge accounting, the overall objective of mitigating foreign currency exposure is the same for all derivative instruments. The Company does not enter into derivative financial instruments for trading or speculative purposes, nor is the Company a party to leveraged derivatives. For derivatives not designated as hedging instruments, changes in fair value are recorded in the line item in the Condensed Consolidated Statements of Operations to which the derivative relates.

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 accumulated other comprehensive income (loss) (“AOCI/(L)”) until the sale or substantial liquidation of the underlying net investments.

Beginning in July 2021, the Company entered into foreign exchange forward contracts to naturally hedge up to 80% of the Company's euro denominated external debt as part of management's strategy to minimize the impact of currency movements on those debt instruments. The notional amount of those contracts was €1,500.0 million as of December 31, 2021. As a result, foreign currency denominated borrowings designated as net investment hedges decreased from nominal exposures of €1,809.5 million as of June 30, 2021 to €312.6 million as of December 31, 2021.

Interest Rate Risk

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 impact of increases 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. These interest rate swaps are designated and qualify as cash flow hedges.

In December 2021, the Company terminated certain existing interest rate swaps with a notional amount of \$200.0 in exchange for a settlement of \$1.9. The related loss from this termination is included in Interest expense, net in the Condensed Consolidated Statement of Operations. As of December 31, 2021 and June 30, 2021, the Company had interest rate swap contracts designated as effective hedges in the notional amount of \$800.0 and \$1,900.0, 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 \$24.3 and \$5.4 as of December 31, 2021 and June 30, 2021, 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) as of December 31, 2021 and June 30, 2021.

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

Gain (Loss) Recognized in OCI	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Foreign exchange forward contracts	\$ —	\$ 0.8	\$ 1.7	\$ (0.4)
Interest rate swap contracts	2.5	0.2	1.9	0.4
Cross-currency swap contracts	—	—	—	(25.1)
Net investment hedges	2.2	(174.4)	18.9	(347.5)

The accumulated loss on derivative instruments classified as cash flow hedges in AOCI/(L), net of tax, was \$(5.6) and \$(15.5) as of December 31, 2021 and June 30, 2021, 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 \$(5.0). As of December 31, 2021, all of the Company's remaining foreign currency forward contracts designated as hedges were highly effective.

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

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow Hedging Relationships		Three Months Ended December 31,					
		2021			2020		
		Net revenues	Cost of sales	Interest expense, net	Net revenues	Cost of sales	Interest expense, net
Foreign exchange forward contracts:							
Amount of gain (loss) reclassified from AOCI into income		\$ (0.1)	\$ 0.2	\$ —	\$ —	\$ —	\$ —
Interest rate swap contracts:							
Amount of gain (loss) reclassified from AOCI into income		—	—	(4.8)	—	—	(11.5)

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow Hedging Relationships		Six Months Ended December 31,					
		2021			2020		
		Net revenues	Cost of sales	Interest expense, net	Net revenues	Cost of sales	Interest expense, net
Foreign exchange forward contracts:							
Amount of gain (loss) reclassified from AOCI into income		\$ —	\$ 0.2	\$ —	\$ 1.0	\$ —	\$ —
Interest rate swap contracts:							
Amount of gain (loss) reclassified from AOCI into income		—	—	(9.8)	—	—	(21.3)

Derivatives not designated as hedging:

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

Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized in Operations		Three Months Ended December 31,			Six Months Ended December 31,		
		2021		2020	2021		2020
Foreign exchange contracts	Selling, general and administrative expenses	\$	0.1	\$ —	\$	0.1	\$ 0.1
Foreign exchange contracts	Interest expense, net		12.9	10.9		20.2	16.2
Foreign exchange contracts	Other expense, net		(0.3)	(0.1)		(0.5)	(0.4)

16. EQUITY AND CONVERTIBLE PREFERRED STOCK

Common Stock

As of December 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 December 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 838.7 million.

As of December 31, 2021, the Company's largest stockholder was Cottage Holdco B.V., which owned approximately 54% 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 Lucresca SE, Agnaten SE and JAB Holdings B.V. ("JAB"). The Company's CEO, Sue Nabi, was granted a one-time sign-on award of restricted stock units (the "Award") on June 30, 2021. On October 29, 2021, Cottage Holdco B.V. completed the transfer of 10.0 million shares of Common Stock to Ms. Nabi in connection with her sign-on award of restricted stock units. See Note 17—Share-Based Compensation Plans for additional information.

Series A and A-1 Preferred Stock

As of December 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 December 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 December 31, 2021, the Company has \$1.7 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, relating to the issuance and sale by the Company to KKR Aggregator 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 KKR Aggregator or certain of its affiliates in respect of the Wella Business.

On May 26, 2020 (the "Closing Date"), the Company and KKR Aggregator completed the issuance and sale of 750,000 shares of Series B Preferred Stock for an aggregate purchase price of \$750.0. On July 31, 2020, the Company completed the sale of 250,000 shares of the Company's Series B Preferred Stock to KKR Aggregator for an aggregate purchase price of \$250.0.

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, that is beneficially owned by Peter Harf, a director of the Company. The transaction, which was subject to customary closing conditions, closed on August 27, 2021.

On September 10, 2021, KKR Aggregator converted 285,576 shares of Series B Preferred Stock, and \$26.4 of unpaid dividends into 50,000,088 shares of Class A common stock. Immediately after the conversion, KKR Aggregator completed the public secondary offering of 50,000,088 shares of Class A common stock. The Company did not receive any proceeds from the sale of the shares of Class A Common Stock by KKR Aggregator. As a result of the conversion, the Company measured the accrued dividends at fair value, which resulted in an increase of \$6.7. Such adjustment is considered a deemed dividend for purposes of calculating basic and diluted EPS.

On September 30, 2021, the Company entered into a definitive agreement to sell a 9.4% stake in Wella to KKR Aggregator in exchange for the redemption of 290,465 shares of Series B Preferred Stock and \$22.5 of unpaid dividends, as previously defined as the First Exchange. As a result, the Series B Preferred Stock, net of issuance costs, and related accrued dividends were reclassified from temporary equity to a liability as Mandatorily redeemable Convertible Series B Preferred Stock as of September 30, 2021. Upon reclassification, the Company measured the Series B Preferred Stock and accrued dividends at fair value, which resulted in an increase of \$93.6. The excess in fair value is considered a deemed dividend for purposes of calculating basic and diluted EPS. The First Exchange was completed on October 20, 2021. Upon closing, the Company re-measured the Series B Preferred Stock and accrued dividends at fair value, which resulted in a decrease of \$6.5. Such adjustment is considered a gain on extinguishment and is included in Other (income) expense, net in the Consolidated Statements of Operations. A key input in determining the fair value of the liability was based on the Company's share price as of the measurement date. As this liability is not actively traded, it is classified as a Level 2 fair value measurements. Upon closing of the First Exchange, the Company recognized a non-monetary loss of \$2.9 and is included in Other (income) expense, net in the Consolidated Statements of Operations. See Note 9—Equity Investments for additional information.

On November 10, 2021, KKR Aggregator converted 123,219 shares of Series B Preferred Stock, and \$1.2 of unpaid dividends into 19,944,701 shares of Class A common stock. Immediately after the conversion, KKR Aggregator completed a sale of 19,944,701 shares of Class A common stock. The Company did not receive any proceeds from the sale of the shares of Class A Common Stock by KKR Aggregator. As a result of the conversion, the Company measured the accrued dividends at fair value, which resulted in an increase of \$0.8. Such adjustment is considered a deemed dividend for purposes of calculating basic and diluted EPS.

On November 6, 2021, the Company entered into a definitive agreement to sell an additional 4.7% stake in Wella to KKR Aggregator in exchange for the redemption or conversion of 154,683 shares of Series B Preferred Stock, as previously defined as the Second Exchange. The Second Exchange closed on November 30, 2021. Upon closing, the Company recognized \$66.4 in excess of the fair value of the consideration transferred in exchange for the redemption of the Series B Preferred Stock. The excess in fair value is considered a deemed dividend for purposes of calculating basic and diluted EPS. As of December 31, 2021, KKR has fully redeemed/exchanged all of their Series B Preferred Stock. See Note 9—Equity Investments for additional information.

In October 2021, the Company paid the remaining accrued unpaid dividends on the Series B Preferred Stock that were outstanding as of June 30, 2021, totaling \$25.1. As a result, \$4.4 of previously recorded fair value adjustments for unpaid dividends were reversed through additional paid-in capital ("APIC") and is considered a deemed contribution.

Cumulative preferred dividends accrue daily on the Series B Preferred Stock at a rate of 9.0% per year. During the three months ended December 31, 2021, the Board of Directors declared dividends on the Series B Preferred Stock of \$5.9, of which \$1.4 was paid and \$1.2 was converted as part of the November 10, 2021 conversion. Additionally, the Company also paid the remaining accrued unpaid dividends on the Series B Preferred Stock that were outstanding as of September 30, 2021, totaling 19.2. During the six months ended December 31, 2021, the Board of Directors declared dividends on the Series B Preferred Stock of \$28.6 of which \$24.1 was paid and \$1.2 was converted as part of the November 10, 2021 conversion. The Series B Preferred Stock had accrued unpaid dividends of \$3.3 and \$74.1 as of December 31, 2021 and June 30, 2021, respectively.

Treasury Stock

Share Repurchase Program

Since February 2014, the Board has authorized the Company to repurchase its Class A Common Stock under approved repurchase programs. On February 3, 2016, the Board authorized the Company to repurchase up to \$500.0 of its Class A Common Stock (the "Incremental Repurchase Program"). Repurchases may be made from time to time at the Company's discretion, based on ongoing assessments of the capital needs of the business, the market price of its Class A Common Stock, and general market conditions. For the three and six months ended December 31, 2021, the Company did not repurchase any shares of its Class A Common Stock. As of December 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 six months ended December 31, 2021 and 2020.

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 APIC in the Condensed Consolidated Balance Sheet as of December 31, 2021 was \$0.7, which represent dividends no longer expected to vest as a result of forfeitures of outstanding restricted stock units ("RSUs"). In addition to the activity noted above, the Company made a payment of \$1.2 for the previously accrued dividends on RSUs that vested during the six months ended December 31, 2021.

Total accrued dividends on unvested RSUs and phantom units of \$1.5 and \$0.5 are included in Accrued expenses and other current liabilities and Other noncurrent liabilities, respectively, in the Condensed Consolidated Balance Sheet as of December 31, 2021.

Accumulated Other Comprehensive Income (Loss)

	Foreign Currency Translation Adjustments				Pension and Other Post-Employment Benefit Plans ^(a)	Total
	(Loss) gain on Cash Flow Hedges	(Loss) gain on Net Investment Hedge	Other Foreign Currency Translation Adjustments			
Balance—July 1, 2021	\$ (15.5)	\$ (32.2)	\$ (259.3)	\$ (14.9)	\$	(321.9)
Other comprehensive income (loss) before reclassifications	2.6	18.9	(269.4)	—		(247.9)
Net amounts reclassified from AOCI/(L)	7.3	—	—	2.3		9.6
Net current-period other comprehensive income (loss)	9.9	18.9	(269.4)	2.3		(238.3)
Balance—December 31, 2021	<u>\$ (5.6)</u>	<u>\$ (13.3)</u>	<u>\$ (528.7)</u>	<u>\$ (12.6)</u>		<u>\$ (560.2)</u>

^(a) For the six months ended December 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 \$2.3, net of tax of nil.

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

17. SHARE-BASED COMPENSATION PLANS

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Equity plan expense ^(a)	\$ 26.9	\$ 13.7	\$ 134.7	\$ 18.6
Equity plan modified and cash settled	—	—	—	0.9
Liability plan (income) expense	0.7	0.8	1.1	0.7
Fringe expense	2.1	0.4	2.2	0.4
Total share-based compensation expense	<u>\$ 29.7</u>	<u>\$ 14.9</u>	<u>\$ 138.0</u>	<u>\$ 20.6</u>

^(a) Equity plan share-based compensation expense of \$26.9 and \$14.4 were recorded to additional paid in capital and presented in the Condensed Consolidated Statements of Equity for the three months ended December 31, 2021 and 2020, respectively. Equity plan share-based compensation expense of \$134.7 and \$20.6 were recorded to additional paid in capital and presented in the Condensed Consolidated Statements of Equity for the six months ended December 31, 2021 and 2020, respectively. Of the \$14.4 and \$20.6 for the three and six months ended December 31, 2020, \$0.7 and \$2.0, respectively, was reclassified to discontinued operations.

The share-based compensation expense for the three and six months ended December 31, 2021, respectively, of \$29.7 and \$138.0, includes \$33.9 and \$142.2 of expense offset by \$(4.2) and \$(4.2) of income primarily due to significant executive forfeitures of share-based compensation instruments. The share-based compensation expense for the three and six months ended

December 31, 2020, respectively, of \$14.9 and \$20.6, includes \$17.3 and \$23.7 of expense offset by \$(2.4) and \$(3.1) of income primarily due to significant executive forfeitures of share-based compensation instruments.

As of December 31, 2021, the total unrecognized share-based compensation expense related to stock options, Series A Preferred Stock, restricted stock, and restricted stock units and other share awards is \$3.1, \$0.0, \$4.4 and \$210.0, respectively. The unrecognized share-based compensation expense related to stock options, Series A Preferred stock, restricted stock, and restricted stock units and other share awards is expected to be recognized over a weighted-average period of 2.25, 0.00, 1.92 and 1.84 years, respectively.

Restricted Stock Units and Other Share Awards

The Company granted 4.4 million and 4.4 million shares of RSUs and other share awards during the three and six months ended December 31, 2021, respectively. The Company recognized share-based compensation expense of \$30.3 and \$11.8 for the three months ended December 31, 2021 and 2020, respectively, of which \$23.2 and nil, respectively, related to Ms. Nabi's award, as described below. For the six months ended December 31, 2021 and 2020, the Company recognized share-based compensation expense of \$137.2 and \$17.1, respectively, of which, \$124.0 and nil related to Ms. Nabi's award.

The Company's CEO, Sue Nabi, was granted a one-time sign-on award of restricted stock units (the "Award") on June 30, 2021. The Award 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 will recognize approximately \$273.2 of share-based compensation expense, on a straight-line basis over the vesting period, based on the fair value on the grant date. The amount of compensation cost recognized at each vesting date must at least equal the portion of the award legally vested. As such, \$168.3, \$89.9 and \$15.0 will be recognized in the fiscal years ending 2022, 2023 and 2024, respectively.

In connection with this Award, Cottage Holdco B.V., the Company's largest stockholder and a wholly-owned subsidiary of JAB Holding Company S.à r.l., has agreed, pursuant to an equity transfer agreement, to transfer to Ms. Nabi (either directly or through contributing to the Company) 10,000,000 shares of Common Stock no later than sixty days following the first vesting date. On October 29, 2021, Cottage Holdco B.V. completed the transfer of 10,000,000 shares of Common Stock to Ms. Nabi. If, however, Ms. Nabi 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 has agreed to issue to Cottage Holdco B.V. the number of shares of Common Stock determined on pro-rata basis in accordance with the equity transfer agreement. In the event Ms. Nabi remains employed through the third vesting date, Cottage Holdco B.V. has agreed to transfer an additional 5,000,000 shares of Common Stock to Ms. Nabi.

Restricted Stock

The Company granted 0.4 million and 0.4 million shares of restricted stock, during the three and six months ended December 31, 2021, respectively. The Company recognized share-based compensation expense of \$0.3 and \$0.6 for the three months ended December 31, 2021 and 2020, respectively, and \$0.5 and \$0.5 for the six months ended December 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 six months ended December 31, 2021. The Company recognized share-based compensation expense (income) of \$0.5 and \$0.5 for the three months ended December 31, 2021 and 2020, respectively, and \$0.9 and \$0.4 for the six months ended December 31, 2021 and 2020, respectively.

Non-Qualified Stock Options

The Company granted no non-qualified stock options during the three and six months ended December 31, 2021. The Company recognized share-based compensation (income) expense of \$(1.4) and \$2.0 for the three months ended December 31, 2021 and 2020, respectively, and \$(0.6) and \$2.6 for the six months ended December 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 December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Amounts attributable to Coty Inc.:				
Net income from continuing operations	\$ 257.6	\$ (16.7)	\$ 483.6	\$ 100.0
Convertible Series B Preferred Stock dividends	(68.7)	(23.1)	(191.7)	(43.9)
Net income from continuing operations attributable to common stockholders	188.9	(39.8)	291.9	56.1
Net income from discontinued operations, net of tax	3.8	(235.6)	3.8	(130.9)
Net income attributable to common stockholders	\$ 192.7	\$ (275.4)	\$ 295.7	\$ (74.8)
Weighted-average common shares outstanding:				
Weighted-average common shares outstanding—Basic	829.1	764.6	803.3	764.3
Effect of dilutive stock options and Series A/A-1 Preferred Stock ^(a)	—	—	—	—
Effect of restricted stock and RSUs ^(b)	13.6	—	11.8	4.2
Effect of Convertible Series B Preferred Stock ^(c)	—	—	—	158.1
Weighted-average common shares outstanding—Diluted	842.7	764.6	815.1	926.6
Earnings per common share:				
Earnings from continuing operations per common share - basic	\$ 0.23	\$ (0.05)	\$ 0.36	\$ 0.07
Earnings from continuing operations per common share - diluted ^(d)	0.23	(0.05)	0.36	0.07
Earnings from discontinued operations - basic	—	(0.31)	—	(0.17)
Earnings from discontinued operations - diluted	—	(0.31)	—	(0.17)
Earnings per common share - basic	0.23	(0.36)	0.36	(0.10)
Earnings per common share - diluted ^(d)	0.23	(0.36)	0.36	(0.10)

^(a) For the three months ended December 31, 2021, outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase 8.8 million weighted average shares of Common Stock, were anti-dilutive and excluded from the computation of diluted EPS. For the three months ended December 31, 2020, there were outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase shares of Common Stock were excluded in the computation of diluted loss per share due to the net loss incurred during the period. For the six months ended December 31, 2021 and 2020, outstanding stock options and Series A/A-1 Preferred Stock with purchase or conversion rights to purchase 10.1 million and 16.0 million weighted average shares of Common Stock, respectively, were anti-dilutive and excluded from the computation of diluted EPS.

^(b) For the three months ended December 31, 2021, there were nil anti-dilutive RSUs, excluded from the computation of diluted EPS. For the three months ended December 31, 2020, RSUs were excluded in the computation of diluted loss per share due to the net loss incurred during the period. For the six months ended December 31, 2021 and 2020, there were 2.5 million and 8.5 million weighted average anti-dilutive RSUs, respectively, excluded from the computation of diluted EPS.

^(c) For the three months ended December 31, 2021, there were 49.6 million weighted average dilutive shares of Convertible Series B Preferred Stock excluded from the computation of diluted EPS as their inclusion would be anti-dilutive. For the three months ended December 31, 2020, Convertible Series B Preferred Stock shares were excluded from the computation of diluted EPS due to the net loss incurred during the period. For the six months ended December 31, 2021, and 2020, there were 106.4 million and 0.0 million, respectively, weighted average dilutive shares of Convertible Series B Preferred Stock excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

^(d) Diluted EPS is adjusted by the effect of dilutive securities, including awards under the Company's equity compensation plans and the convertible Series B Preferred Stock. When calculating any potential dilutive effect of stock options, Series A Preferred Stock, restricted stock and RSUs, the Company uses the treasury method and the if-converted method for the Convertible Series B Preferred Stock. The treasury method typically does not adjust the net income attributable to Coty Inc., while the if-converted method requires an adjustment to reverse the impact of the preferred stock dividends of \$68.7 and \$23.1 for the three months ended December 31, 2021 and 2020, respectively, and \$191.7 and \$43.9 for the six months ended December 31, 2021 and 2020, respectively, on net income applicable to common stockholders during the period.

19. MANDATORILY REDEEMABLE FINANCIAL INTERESTS AND REDEEMABLE NONCONTROLLING INTERESTS

Mandatorily Redeemable Financial Interest

Convertible Series B Preferred Stock

As a result of the Exchange Agreement, discussed in Note 16—Equity and Convertible Preferred Stock, Series B Preferred Stock and related accrued dividends were reclassified from temporary equity to liability as Mandatorily redeemable Convertible Series B Preferred Stock, as of September 30, 2021, and subsequently settled.

United Arab Emirates subsidiary

In July 2021, the Company purchased the remaining 25% noncontrolling interest of a certain subsidiary in the United Arab Emirates from the noncontrolling interest holder for \$7.1, pursuant to the related U.A.E. Shareholders Agreement. The termination was effective on December 31, 2020 and immediately prior to the cash payment, the noncontrolling interest balance was recorded as a mandatorily redeemable financial instrument liability.

Redeemable Noncontrolling Interests

Subsidiary in the Middle East

As of December 31, 2021, the noncontrolling interest holder in the Company's subsidiary in the Middle East had a 25% ownership share. The Company adjusts the redeemable noncontrolling interests ("RNCI") to redemption value at the end of each reporting period with changes recognized as adjustments to APIC. The Company recognized \$83.7 and \$84.1 as the RNCI balances as of December 31, 2021 and June 30, 2021, 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 claims related to the Company's talc-based cosmetic products), 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 with a trial date scheduled for November 2022.

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 (the “Evans Action”). On November 23, 2020, the court appointed the individual Susan Nock as lead plaintiff and the Rosen Firm as lead counsel. The 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, and on August 4, 2021, the court dismissed the amended complaint, holding that it failed to set forth a valid claim. There has been no appeal of the dismissal and the Evans Action has been concluded.

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 “Lewis Action”). The Company was named as a nominal defendant. The plaintiff seeks, among other things, injunctive and/or monetary relief. This action was voluntarily stayed during the pendency of the motion to dismiss the Evans Action. Following the dismissal of the Evans Action, counsel for the plaintiff in the Lewis Action agreed to dismiss the case and the court has approved the dismissal of the action as of October 2021.

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

The Company’s Brazilian subsidiaries receive tax assessments from local, state and federal tax authorities in Brazil from time to time. Current open tax assessments as of December 31, 2021 are:

Assessment received	Type of assessment	Type of Tax	Tax period impacted	Estimated amount, including interest and penalties as of December 31, 2021
Mar-18	State sales tax credits, which the Treasury Office of the State of Goiás considers as improperly registered	ICMS	2016-2017	R\$1.0 million (approximately \$0.2) ^(a)
Aug-20		ICMS	2017-2019	R\$678.9 million (approximately \$121.9)
Oct-20	Federal excise taxes, which the Treasury Office of the Brazil’s Internal Revenue Service considers as improperly calculated	IPI	2016-2017	R\$348.9 million (approximately \$62.6)
Nov-20	State sales taxes, which the Treasury Office of the State of Minas Gerais considers as improperly calculated	ICMS	2016-2019	R\$191.6 million (approximately \$34.4)
Jun-21	State sales tax, which the Treasury Office of the State of Goiás considers as improperly calculated	ICMS	2016-2020	R\$77.6 million (approximately \$13.9)

^(a) During the first quarter of fiscal 2022, assessments amounting in R\$360.7 million (approximately \$66.6) were dismissed by the Goiás State Treasury’s Attorney Office in favor of the Company.

All cases are currently in the administrative process. The Company is seeking favorable administrative decisions on the tax enforcement actions filed by the tax authorities for these assessments. 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. Due to the fiscal environment in Brazil, the possibility of further tax assessments related to the same or similar matters cannot be ruled out.

21. RELATED PARTY TRANSACTIONS

Equity Transfer Agreement

In connection with the Award granted to the Company's CEO on June 30, 2021, Cottage Holdeo B.V. has agreed to transfer to her (either directly or through contributing to the Company) one-half of the total number of shares of Common Stock owed to her if and when the Award vests. See Note 17—Share-Based Compensation Plans for more information on the Award.

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.

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. Refer to Note 16—Equity and Convertible Preferred Stock for the definitive agreement entered into with KKR that closed on October 20, 2021.

On September 10, 2021, KKR Aggregator converted a portion of its Series B Preferred Stock into Class A common stock of the Company and completed a secondary public offering of the converted shares of Class A common stock. Refer to Note 16—Equity and Convertible Preferred Stock.

On October 20, 2021, the Company completed the sale of a 9.4% stake in Wella to KKR Aggregator in the First Exchange. On November 10, 2021, KKR Aggregator converted 123,219 shares of Series B Preferred Stock, and \$1.2 of unpaid dividends into 19,944,701 shares of Class A common stock. Immediately after the conversion, KKR Aggregator completed a sale of 19,944,701 shares of Class A common stock. On November 30, 2021, Coty completed the sale of an additional 4.7% stake in Wella to KKR Aggregator in the Second Exchange, reducing the Company's total shareholding in Wella to 25.9%. Refer to Note 16—Equity and Convertible Preferred Stock. Following the Second Exchange, KKR no longer holds any preferred stock of the Company as of December 31, 2021 and no longer has the right to designate any directors to the Company's Board of Directors.

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 2022 or 2021.

From time to time, certain funds held by KKR may hold the Company's Senior Secured and Unsecured Notes (as defined in Note 12—Debt). These funds may receive principal and interest payments on the same terms as other investors in the Company's Senior Secured and Unsecured Notes.

Wella

As of December 31, 2021, Coty owned 25.9% of the Wella Business as an equity investment and performs certain services to Wella. Refer to Note 9—Equity Investments.

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 TSA services can be provided for a period of up to eighteen months after the sale and can be extended for another three month period. The Company and Wella have mutually agreed to end the contracted TSA services on January 31, 2022, with a ramp down period to manage operational cut-over matters with vendors and customers that will end on June 30, 2022. The Company and Wella have also entered into other manufacturing and distribution arrangements to facilitate the Wella Business transition in the U.S. and Brazil. TSA fees and other fees earned were \$37.1 and \$1.6, respectively, for the three months ended December 31, 2021 and \$70.3 and \$3.1, respectively, for the six months ended December 31, 2021. TSA fees and other fees earned for the month ended December 31, 2020 were \$14.7 and \$0.6, respectively. 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 December 31, 2021, accounts receivable from and accounts payable to Wella of \$184.4 and \$5.1, 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, as of December 31, 2021, the Company has accrued \$29.3 related to certain indemnities to Wella associated with tax filings made prior to the sale of the Wella Business as well as \$34.0 for the contingent proceeds received as part of the post-closing adjustments to the purchase consideration for the Wella Business (see

Note 3—Discontinued Operations). Both of these items were included in Other noncurrent liabilities in the Company's Condensed Consolidated Balance Sheet.

In accordance with the separation agreement with Wella, Coty shall retain and be solely responsible for any amounts payable to former Coty employees transferred to Wella (“Wella employees”), who participated in the Coty Long-Term Incentive Plan. The Wella employees will continue to participate and vest on the current terms for the remaining vesting period after the separation. As such, Coty will continue to recognize the share-based compensation expense for Wella employees until the existing equity awards reach their vesting date. For the three and six months ended December 31, 2021, Coty recorded \$(3.0) and \$(1.4), respectively, of share-based compensation expense related to Wella employees, which was presented as part of Other (income) expense, net in the Condensed Consolidated Statements of Operations. For the three and six months ended December 31, 2020, Coty recorded \$0.5 of share-based compensation expense related to Wella employees, which was presented as part of Other (income) expense, net in the Condensed Consolidated Statements of Operations.

The Company has certain sublease arrangements with Wella after the sale. The Company reported sublease income from Wella of \$4.7 and \$7.1 for the three and six months ended December 31, 2021, respectively, and \$1.4 for the month ended December 31, 2020.

Orveda

The disinterested members of the Board reviewed and approved the entry into a license agreement with Orveda, an ultra-premium skincare brand co-founded by Coty’s CEO, Sue Nabi. Ms. Nabi has no continuing formal role at Orveda or economic interest in Orveda as a result of divesting her interests which was settled in cash in December 2021; however her business partner and co-founder, Nicolas Vu, is the sole owner and CEO of Orveda, and Mr. Vu also provides consulting services, related to the skincare category and Orveda positioning, to Coty under the terms of a separate agreement. The initial term of the Orveda license agreement is five years, with two five-year automatic renewals subject to the achievement of certain net revenue milestones. The principal terms of the license agreement are consistent with other Coty prestige licenses and the Board determined that the terms were no more favorable than to an unaffiliated third party.

22. SUBSEQUENT EVENTS

Due to the current status of Brazil’s capital markets, the Company has withdrawn its previously announced filing with the Brazilian Securities and Exchange Commission, Comissão de Valores Mobiliários. Going forward, the Company will monitor Brazil’s capital markets to assess the timing and feasibility of a potential public offering of a minority stake in its Brazilian operations.

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, 2021 ("Fiscal 2021 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 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") 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 on common stock or to continue to pay dividends in cash on preferred stock), 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 strategic partnerships with Kylie Jenner and Kim Kardashian West, future cash flows, liquidity and borrowing capacity (including any refinancing or deleveraging activities), timing and size of cash outflows and debt deleveraging, 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, the expected impact of global supply chain challenges or inflationary pressures, 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 and 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, 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 relaunched and rebrands, and consumer receptiveness to our current and future marketing philosophy and consumer engagement activities (including digital marketing and media);
- use of estimates and assumptions in preparing our financial statements, including with regard to revenue recognition, income taxes (including the expected timing and amount of the release of any tax valuation allowance), the assessment of goodwill, other intangible and long-lived assets for impairments, the market value of inventory, 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 strategic partnerships with Kylie Jenner and Kim Kardashian West, 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, manage supply chain challenges and 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 on common stock, 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 West, 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), 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, 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, 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 and/or inflation;
- 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 talc-related litigation for which indemnities and/or insurance may not be available), distributor or licensor litigation, and compliance, litigation or investigations relating to our strategic partnerships;
- 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, impact of global supply chain challenges, 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 affiliate KKR Bidco, is 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 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 2022" refer to the fiscal year ending June 30, 2022. 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 Kim Kardashian West transactions complement our existing portfolio as personality-led Direct-to-Consumer ("DTC") business models with strong social media engines. As we transform the Company, we continue to make progress on our strategic priorities, including stabilizing our Consumer Beauty brands 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, enhancing our e-commerce and 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 completion of the strategic Wella Transaction is a reflection of our intent to focus on our core go-to-market competencies and to simultaneously deleverage our balance sheet. During the six months ended December 31, 2021, we simplified our capital structure through a series of transactions with KKR Aggregator, as a result of which KKR Aggregator fully exited its ownership of Coty. Cumulatively, such transactions resulted in annual dividend savings of approximately \$77.0. Refer to Note 16—Equity and Convertible Preferred Stock. As part of these transactions with KKR Aggregator, we exchanged a cumulative 14.1% interest in Wella to redeem a portion of the KKR Aggregator's investment in our Series B Preferred Stock. The exchange transactions occurred at a premium to the value as of the date we sold Wella and illustrates the potential upside of the stand-alone business in the longer term. Our recent issuances of the senior secured notes and updated revolver facility further demonstrate our commitment to improve the maturity profile of our debt.

We expect that our reported net revenues for fiscal year 2022 will grow at the upper end of our low to mid-teens growth range versus the prior year, excluding the impact of foreign exchange. The gross margin for the full year is expected to be favorable to the comparable period gross margin, however we expect our margin for the second half of 2022 to be lower than the first half due to seasonality in our business.

COVID-19 Impacts Update

The COVID-19 pandemic has had material effects on all our product categories across all segments and geographies. Most markets have recently shown encouraging signs of emergence from the pandemic; however, sporadic containment measures and travel restrictions continue to impact volume trends in certain markets. However, the recent loosening of social distancing protocols and the gradual removal or reduction of travel restrictions in certain key markets have contributed to increased demand and sales growth, in most of the countries we operate in, with the Prestige segment and the travel retail channel in particular experiencing positive volume trends over the comparative period. We also continue to experience growth in e-commerce. During the current quarter, our Consumer Beauty segment has also shown strong signs of recovery over the comparative period. However, many of our Consumer Beauty product categories continue to experience negative effects on

sales volume due to changes in consumer behavior as a result of the pandemic and continued social distancing measures in certain regions.

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 intermittent lockdowns and possible economic uncertainty resulting from COVID-19 that continue in many markets. We anticipate the recovery to be non-linear 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. Further, inflationary trends in certain markets and global supply chain challenges may negatively affect our sales and operating performance. The impact on the current quarter was not significant, but we expect a more material headwind from inflation in the second half of the fiscal year. We intend to offset the incremental inflation impacts by increasing prices in selected markets. Currently, we are implementing mitigation strategies and price increases to offset these trends; however, such measures may not fully offset the impact to our operating performance. 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 are continually reviewing ways to accelerate and amplify the transformation of the Company, including through the implementation of additional initiatives in connection with our Transformation Plan. These organizational, business and structural changes are still being operationalized, which introduces additional risk and complexity as we roll out several initiatives simultaneously, including exit from the TSA and the related ramp down services.

Other Matters

During the first quarter of fiscal 2022, our CODM finalized the Company's organizational structure and how performance will be assessed, and we realigned our reportable segments to a principally product category-based structure, comprised of a Prestige business segment and a Consumer Beauty business segment beginning in the first quarter of fiscal 2022.

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 EBITDA, 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. 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/Adjusted EBITDA from continuing operations excludes restructuring costs and business structure realignment programs, amortization, acquisition- and divestiture-related costs and acquisition accounting impacts, stock-based compensation, and asset impairment charges and other adjustments as described below. For adjusted EBITDA, in addition to the preceding, we exclude adjusted depreciation as defined 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 implement divestitures of components of our business, 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 items and preferred stock deemed dividends, 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 supplements 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 supplements 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 supplements 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 Gain on sale of real estate: We have excluded the impact of Loss/(gain) on divestitures and Gain on sale of real estate as such amounts are inconsistent in amount and frequency and are significantly

impacted by the size of divestitures and sale of real estate. Our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.

- **Stock-based compensation:** Although stock-based compensation is a key incentive offered to our employees, we have excluded the effect of these expenses from the calculation of adjusted operating income and adjusted EBITDA. This is due to their primarily non-cash nature; in addition, the amount and timing of these expenses may be highly variable and unpredictable, which may negatively affect comparability between periods.
- **Depreciation and Adjusted depreciation:** Our adjusted operating income excludes the impact of accelerated depreciation for certain restructuring projects that affect the expected useful lives of Property, Plant and Equipment, as such charges vary significantly based on the size and timing of the programs. Further, we have excluded adjusted depreciation, which represents depreciation expense net of accelerated depreciation charges, from our adjusted EBITDA. Our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- **Other (income) expense:** 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. We have excluded the gain on the exchange of Series B Preferred Stock. The transaction was entered into to simplify our capital structure and do not reflect our underlying ongoing business.
- **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.
- **Deemed Preferred Stock Dividends:** We have excluded preferred stock deemed dividends related to the First Exchange and the Second Exchange (as defined in Note 16—Equity and Convertible Preferred Stock) from our calculation of adjusted net income attributable to Coty Inc. These deemed dividends are nonmonetary in nature, the transactions were entered into to simplify our capital structure and do not reflect our underlying ongoing business. Management believes that this adjustment helps investors and others compare and analyze our performance from period to period.

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. There are no acquisitions, divestitures or early license terminations in the comparable periods 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.

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 and six months ended December 31, 2021. Net income from discontinued operations for the three and six months ended December 31, 2021 reflects certain purchase price working capital adjustments net of the related income tax impact. Financial results for the Wella Business for fiscal year 2021 are presented as discontinued operations.

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

THREE MONTHS ENDED DECEMBER 31, 2021 AS COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2020

NET REVENUES

In the three months ended December 31, 2021, net revenues increased 12%, or \$162.6, to \$1,578.2 from \$1,415.6 in the three months ended December 31, 2020, reflecting an increase in unit volume of 7%, and a positive price and mix impact of 5%. The overall increase in net revenues primarily reflects the reopening of stores across regions and increased leisure travel due to reduced COVID restrictions. A number of countries continued to experience rolling lockdowns; however, these lockdowns were confined to certain localities. Increased foot traffic and demand had a favorable impact on both the Prestige and Consumer Beauty segments, with the highest impact on the Prestige segment. In addition, the Prestige segment benefited from various strong and successful launches such as *Gucci Flora*, *Burberry Hero*, *Tiffany Rose Gold*, and the relaunch of *Kylie* cosmetics. Consumer Beauty segment also experienced significant net revenue increase due to market share gain as a result of a repositioning and reinvestment in key color cosmetics brands. Furthermore, the growth of e-commerce and continued expansion in the U.S. and China contributed to the net revenue increase.

Net Revenues by Segment

(in millions)	Three Months Ended December 31,		Change %
	2021	2020	
NET REVENUES			
Prestige	\$ 1,008.0	\$ 903.8	12 %
Consumer Beauty	570.2	511.8	11 %
Total	\$ 1,578.2	\$ 1,415.6	12 %

Prestige

In the three months ended December 31, 2021, net revenues from the Prestige segment increased 12%, or \$104.2 to \$1,008.0 compared to \$903.8 in the three months ended December 31, 2020, reflecting an increase in unit volume of 7%, and a positive price and mix impact of 5%. This increase in net revenues primarily reflects:

- (i) an increase in net revenues from the travel retail business as many localities, particularly in North America, Europe, and China, have reduced travel restrictions and reopened for leisure travel as they emerge from the COVID-19 pandemic;
- (ii) an increase in net revenues from the new launches of *Gucci Flora*, *Burberry Hero*, *Tiffany Rose Gold*, and the global relaunch of *Kylie* cosmetics in the current fiscal year, as well as the continued success of *Gucci Guilty* and *Gucci Makeup*;
- (iii) an increase in net revenues due to growth of e-commerce across the regions, distribution expansion in China, and additional shelf space in the U.S. retail stores; and
- (iv) an incremental increase in net revenues from *Kylie* cosmetics due to a shelf reset for a major customer in the prior year which did not occur in the current year.

These increases in net revenue were partially offset by:

- (i) lower net revenues due to strategic initiatives to reduce sales through lower priced channels; and
- (ii) lower net revenues from *Philosophy* due to decreased holiday program and a change in the timing of shipments to the first quarter of fiscal 2022.

Consumer Beauty

In the three months ended December 31, 2021, net revenues from the Consumer Beauty segment increased 11%, or \$58.4, to \$570.2 from \$511.8 in the three months ended December 31, 2020, reflecting an increase in unit volume of 7%, and a positive price and mix impact of 5%, partially offset by a negative foreign currency exchange translation impact of 1%. The increase in net revenues primarily reflects:

- (i) an increase in net revenues due to market share gain from the key color cosmetics brands as a result of new brand positioning and enhanced support for these brands;
- (ii) an increase in net revenues due to reduction in sales returns, discounts and allowances as a result of fewer shelf resets in the period and improvements in forecasting sales and better focus on planning for new products; and
- (iii) an increase in net revenues due to market recovery from COVID-19, increasing customer demand and store traffic, which positively impacted all brands within the segment.

COST OF SALES

In the three months ended December 31, 2021, cost of sales decreased 4%, or \$22.9, to \$561.1 from \$584.0 in the three months ended December 31, 2020. Cost of sales as a percentage of net revenues decreased to 35.6% in the three months ended December 31, 2021 from 41.3% in the three months ended December 31, 2020, resulting in a gross margin increase of approximately 570 basis points, primarily reflecting:

- (i) approximately 310 basis points related to positive product and category mix associated with increased contribution from higher margin Prestige products, reduced sales of products through lower priced channels, as well as price increases within our product portfolio;
- (ii) approximately 90 basis points related to decreased excess and obsolescence expense on inventory due to improvements in the current fiscal year in forecasting sales and better focus on planning for new products;

- (iii) approximately 90 basis points primarily related to a shelf reset for a major customer in the prior year which did not occur in the current year;
- (iv) approximately 70 basis points primarily related to reductions in Consumer Beauty, as a percentage of revenues, in promotional allowances and other trade spend items, which are recorded as adjustments to net sales; and
- (v) approximately 60 basis points related to decrease in designer license fees due to higher royalty minimum paid in the prior year.

These increases were partially offset by approximately 50 basis points related to increases in material costs, after consideration of our cost containment projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended December 31, 2021, selling, general and administrative expenses increased 12%, or \$77.4, to \$718.9 from \$641.5 in the three months ended December 31, 2020. Selling, general and administrative expenses as a percentage of net revenues increased to 45.6% in the three months ended December 31, 2021 from 45.3% in the three months ended December 31, 2020, or approximately 30 basis points. This increase primarily reflects:

- (i) 880 basis points due to increase in advertising and consumer promotional costs related to support for certain key brands and product launches, as well as increased store promotions coinciding with store reopenings as COVID restrictions ease; and
- (ii) 80 basis points in stock-based compensation primarily related to the CEO grant made on June 30, 2021.

These increases were partially offset by the following decreases:

- (i) 590 basis points related to gain on sale of real estate;
- (ii) 310 basis points in administrative costs primarily due to a decrease in compensation related to a reduction in employee headcount; and
- (iii) 40 basis points related to lower logistics costs as a percentage of net revenue.

OPERATING INCOME (LOSS)

In the three months ended December 31, 2021, operating income was \$244.0 compared to income of \$17.0 in the three months ended December 31, 2020. Operating income as a percentage of net revenues, increased to 15.5% in the three months ended December 31, 2021 as compared to an operating income as a percentage of net revenues of 1.2% in the three months ended December 31, 2020. The improved operating margin is largely driven by gain recognized on sale of real estate, lower cost of goods sold as a percentage of net revenues, decrease in restructuring expense, a reduction in fixed costs, decrease in acquisition and divestiture related expenses, and lower amortization expense, partially offset by an increase in advertising and consumer promotional costs and higher stock-based compensation.

Operating Income by Segment

(in millions)	Three Months Ended December 31,		Change %
	2021	2020	
Operating income (loss)			
Prestige	\$ 141.6	\$ 110.8	28 %
Consumer Beauty	43.3	30.4	42 %
Corporate	59.1	(124.2)	>100%
Total	\$ 244.0	\$ 17.0	>100%

Prestige

In the three months ended December 31, 2021, operating income for Prestige was \$141.6 compared to income of \$110.8 in the three months ended December 31, 2020. Operating margin increased to 14.0% of net revenues in the three months ended December 31, 2021 as compared to 12.3% in the three months ended December 31, 2020, driven by higher sales volume, lower cost of goods sold as a percentage of net revenues, a reduction in fixed costs, and a decrease in amortization expense, partially offset by an increase in advertising and consumer promotional costs.

Consumer Beauty

In the three months ended December 31, 2021, operating income for Consumer Beauty was \$43.3 compared to income of \$30.4 in the three months ended December 31, 2020. Operating margin increased to 7.6% of net revenues in the three months ended December 31, 2021 as compared to 5.9% in the three months ended December 31, 2020, driven by higher sales volume, a reduction in fixed costs and lower cost of goods sold as a percentage of net revenues, partially offset by an increase in advertising and consumer promotional costs.

Corporate

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

In the three months ended December 31, 2021, the operating income for Corporate was \$59.1 compared to a loss of \$124.2 in the three months ended December 31, 2020, as described under “Adjusted Operating Income (Loss) for Continuing Operations” below. The increase in the operating income for Corporate was primarily driven by gain recognized on the sale of real estate, lower restructuring expense, and a decrease in acquisition and divestiture related expenses, partially offset by an increase in share-based compensation expense.

Adjusted Operating Income (Loss) by Segment

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

		Three Months Ended December 31, 2021		
		Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
(in millions)				
Operating income (loss)				
Prestige		\$ 141.6	\$ 40.4	\$ 182.0
Consumer Beauty		43.3	11.0	54.3
Corporate		59.1	(59.1)	—
Total		\$ 244.0	\$ (7.7)	\$ 236.3
		Three Months Ended December 31, 2020		
		Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
(in millions)				
Operating income (loss)				
Prestige		\$ 110.8	\$ 49.8	\$ 160.6
Consumer Beauty		30.4	12.0	42.4
Corporate		(124.2)	124.2	—
Total		\$ 17.0	\$ 186.0	\$ 203.0

^(a) See a reconciliation of reported operating income to adjusted operating income and a description of the adjustments under “Adjusted Operating Income (Loss) for Continuing Operations” below. All adjustments are reflected in Corporate, except for amortization and asset impairment charges on goodwill, indefinite-lived intangible assets, and finite-lived intangible assets, which are reflected in the Prestige and Consumer Beauty segments.

Adjusted Operating Income (Loss) and Adjusted EBITDA for Continuing Operations

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

(in millions)	Three Months Ended December 31,		Change %
	2021	2020	
Reported operating income (loss)	\$ 244.0	\$ 17.0	>100%
% of net revenues	15.5 %	1.2 %	
Amortization expense	51.4	61.8	(17)%
Restructuring and other business realignment costs	(1.8)	57.9	<(100)%
Stock-based compensation	27.5	14.6	88 %
Costs related to acquisition and divestiture activities	6.9	51.7	(87)%
(Gain) on sale of real estate	(91.7)	—	N/A
Total adjustments to reported operating income	(7.7)	186.0	<(100)%
Adjusted operating income	\$ 236.3	\$ 203.0	16 %
% of net revenues	15.0 %	14.3 %	
Adjusted depreciation	75.6	81.5	(7)%
Adjusted EBITDA	\$ 311.9	\$ 284.5	10 %
% of net revenues	19.8 %	20.1 %	

In the three months ended December 31, 2021, adjusted operating income increased \$33.3 to \$236.3 from \$203.0 in the three months ended December 31, 2020. Adjusted operating margin increased to 15.0% of net revenues in the three months ended December 31, 2021 from 14.3% in the three months ended December 31, 2020. In the three months ended December 31, 2021, adjusted EBITDA increased \$27.4 to \$311.9 from \$284.5 in the three months ended December 31, 2020, primarily driven by a reduction in fixed costs and lower cost of goods sold as a percentage of net revenues, partially offset by an increase in advertising and consumer promotional costs. Adjusted EBITDA margin decreased to 19.8% of net revenues in the three months ended December 31, 2021 from 20.1% in the three months ended December 31, 2020.

Amortization Expense

In the three months ended December 31, 2021, amortization expense decreased to \$51.4 from \$61.8 in the three months ended December 31, 2020. In the three months ended December 31, 2021, amortization expense of \$40.4 and \$11.0 was reported in the Prestige and Consumer Beauty segments, respectively. In the three months ended December 31, 2020, amortization expense of \$49.8 and \$12.0 was reported in the Prestige and Consumer Beauty segments, respectively. The decrease was primarily driven by finite intangible assets that are fully amortized as of fiscal 2021, partially offset by amortization for the KKW collaboration agreement acquired in the third quarter of fiscal 2021.

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 \$399.6 of cash costs life-to-date as of December 31, 2021, which have been recorded in Corporate.

In the three months ended December 31, 2021, we incurred a credit in restructuring and other business structure realignment costs of \$(1.8), as follows:

- We incurred a credit in restructuring costs of \$(4.1) primarily related to the Transformation Plan due to the change in estimate, included in the Condensed Consolidated Statements of Operations; and
- We incurred business structure realignment costs of \$2.3 primarily related to the Transformation Plan and certain other programs. This amount includes \$(0.3) reported in Selling, general and administrative expenses, and \$2.6 reported in Cost of sales in the Condensed Consolidated Statement of Operations.

In the three months ended December 31, 2020, we incurred restructuring and other business structure realignment costs of \$57.9 as follows:

- We incurred restructuring costs of \$59.6 primarily related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations; and
- We incurred a credit in business structure realignment costs of \$(1.7) primarily related to the Transformation Plan and certain other programs. This amount includes \$(1.7) reported in Selling, general and administrative expenses, and nil 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.

Stock-Based Compensation

In the three months ended December 31, 2021, stock-based compensation was \$27.5 as compared with \$14.6 in the three months ended December 31, 2020. The increase in stock-based compensation is primarily related to the CEO grant made on June 30, 2021.

In all reported periods, all costs related to stock-based compensation were reported in Corporate.

Acquisition and Divestiture Activities

In the three months ended December 31, 2021 we incurred \$6.9 of costs related to acquisition and divestiture activities. These costs were primarily associated with the Wella Transaction.

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

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

Gain on Sale of Real Estate

In the three months ended December 31, 2021 we recognized gain of \$91.7 related to sale of real estate.

In the three months ended December 31, 2020, we did not recognize any gain related to sale of real estate.

In all reported periods, all gains related to sale of real estate were reported in Corporate.

Adjusted Depreciation Expense

In the three months ended December 31, 2021, adjusted depreciation expense of \$37.0 and \$38.6 was reported in the Prestige and Consumer Beauty segments, respectively. In the three months ended December 31, 2020, adjusted depreciation expense of \$38.8 and \$42.7 was reported in the Prestige and Consumer Beauty segments, respectively.

INTEREST EXPENSE, NET

In the three months ended December 31, 2021, net interest expense was \$60.9 as compared with \$59.2 in the three months ended December 31, 2020. This increase is primarily due to higher average interest rate in the current period.

OTHER INCOME, NET

In the three months ended December 31, 2021, other income, net was \$126.2 as compared with an expense of \$17.6 in the three months ended December 31, 2020. This increase is primarily due to a favorable adjustment of \$128.3 related to the realized and unrealized gain in the Wella investment.

INCOME TAXES

The effective income tax rate for the three months ended December 31, 2021 and 2020 was 16.0% and 68.2%, respectively. The positive effective tax rate for the three months ended December 31, 2021 results from reporting income before taxes and a provision for income taxes. The positive effective tax rate for the three months ended December 31, 2020 results from reporting losses before income taxes and a benefit for income taxes. The change in the effective tax rate for the three months ended December 31, 2021, as compared with the three months ended December 31, 2020, is primarily due to the limitation on the deductibility of executive stock compensation and large fair value gains related to the investment in the Wella business in the current period, as well as a benefit of \$18.8 in the current period recognized on the revaluation of our deferred tax assets due to a tax rate increase enacted in the Netherlands.

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 December 31, 2021			Three Months Ended December 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	\$ 309.3	\$ 49.4	16.0 %	\$ (59.8)	\$ (40.8)	68.2 %
Adjustments to reported operating income ^(a)	(7.7)			186.0		
Change in fair value of investment in Wella Business ^(c)	(128.3)			—		
Other adjustments ^(d)	(3.0)			13.5		
Total Adjustments ^(b)	(139.0)	(33.1)		199.5	54.1	
Adjusted income before income taxes	\$ 170.3	\$ 16.3	9.6 %	\$ 139.7	\$ 13.3	9.5 %

^(a) See a description of adjustments under “Adjusted Operating Income (Loss) 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 realized and unrealized (gain) loss recognized for the change in fair value of the investment in Wella.

^(d) For the three months ended December 31, 2021, this primarily represents a net gain on the exchange of Series B Preferred Stock closed on October 20, 2021. For the three months ended December 31, 2020, this primarily represents the write-off of deferred financing fees related to the Wella sale.

The adjusted effective tax rate was 9.6% for the three months ended December 31, 2021 compared to 9.5% for the three months ended December 31, 2020. The differences were primarily due to the jurisdictional mix of income as well as a benefit of \$18.8 in the current period recognized on the revaluation of our deferred tax assets due to a tax rate increase enacted in the Netherlands.

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 December 31, 2021. Net income from discontinued operations for the three months ended December 31, 2021 reflects certain purchase price working capital adjustments net of the related income tax impact. On December 22, 2021, we entered into an agreement with the KKR Bidco related to post-closing adjustments to the purchase consideration for the Wella Business. As part of this agreement, we may receive future contingent proceeds. Earning the contingent proceeds is based on the future recovery of certain tax credits of the Wella Business. See Note 3—Discontinued Operations in the notes to our Consolidated Financial Statements for additional information.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net income attributable to Coty Inc. was \$261.4 in the three months ended December 31, 2021 as compared to a loss of \$252.3 in the three months ended December 31, 2020. The increase in the income is primarily driven by higher operating income in the current year, a favorable adjustment of \$128.3 related to the realized and unrealized gain in the Wella investment in the current year, and the loss on sale of the Wella Business, which was recorded in the comparative period.

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

(in millions)	Three Months Ended December 31,		Change %
	2021	2020	
Net income from Coty Inc. net of noncontrolling interests	\$ 261.4	\$ (252.3)	>100%
Convertible Series B Preferred Stock dividends	(68.7)	(23.1)	<(100%)
Reported net income attributable to Coty Inc.	\$ 192.7	\$ (275.4)	>100%
% of net revenues	12.2 %	(15.0)%	
Adjustments to reported operating income ^(a)	(7.7)	186.0	<(100%)
Adjustments to Loss on Sale of Business ^(b)	(4.8)	219.1	<(100%)
Change in fair value of investment in Wella Business ^(c)	(128.3)	—	N/A
Adjustment to other expense ^(d)	(3.0)	13.5	<(100%)
Adjustments to noncontrolling interests ^(e)	(1.7)	(3.3)	48 %
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	34.1	6.2	>100%
Adjustment for deemed Series B Preferred Stock dividends related to the First and Second Exchanges ^(f)	66.4	—	N/A
Adjusted net income attributable to Coty Inc.	\$ 147.7	\$ 146.1	1 %
% of net revenues	9.4 %	8.0 %	
Per Share Data			
Adjusted weighted-average common shares			
Basic	829.1	764.6	
Diluted	892.3	937.6	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.18	\$ 0.19	
Diluted	\$ 0.17	\$ 0.18	

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

^(b) This amount reflects certain purchase price working capital adjustments related to the sale of the Wella Business.

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

^(d) For the three months ended December 31, 2021, this primarily represents a net gain on the exchange of Series B Preferred Stock closed on October 20, 2021. For the three months ended December 31, 2020, this primarily represents the write-off of deferred financing fees related to the Wella sale.

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

^(f) This adjustment represents the deemed dividend from the Second Exchange that closed on November 30, 2021 (as defined in Note 16—Equity and Convertible Preferred Stock).

SIX MONTHS ENDED DECEMBER 31, 2021 AS COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2020

NET REVENUES

In the six months ended December 31, 2021, net revenues increased 16%, or \$410.2, to \$2,949.9 from \$2,539.7 in the six months ended December 31, 2020, reflecting an increase in unit volume of 5%, and a positive price and mix impact of 11%. The overall increase in net revenues primarily reflects the reopening of stores across regions and increased leisure travel due to reduced COVID restrictions. A number of countries continued to experience rolling lockdowns; however, these lockdowns were confined to certain localities. Increased foot traffic and demand had a favorable impact on both the Prestige and Consumer Beauty segments, with the highest impact on the Prestige segment. In addition, the Prestige segment benefited from various strong and successful launches such as *Gucci Flora*, *Burberry Hero*, *Tiffany Rose Gold*, and the relaunch of *Kylie* cosmetics. Consumer Beauty segment also experienced significant net revenue increase due to COVID-19 recovery and market share gain as a result of a repositioning and reinvestment in key color cosmetics brands. Furthermore, the growth of e-commerce and continued expansion in the U.S. and China contributed to the net revenue increase.

Net Revenues by Segment

(in millions)	Six Months Ended December 31,		Change %
	2021	2020	
NET REVENUES			
Prestige	\$ 1,878.7	\$ 1,548.2	21 %
Consumer Beauty	1,071.2	991.5	8 %
Total	\$ 2,949.9	\$ 2,539.7	16 %

Prestige

In the six months ended December 31, 2021, net revenues from the Prestige segment increased 21%, or \$330.5, to \$1,878.7 from \$1,548.2 in the six months ended December 31, 2020, reflecting an increase in unit volume of 16%, and a positive price and mix impact of 5%. The increase in net revenues primarily reflects:

- (i) an increase in net revenues from the travel retail business as many localities, particularly in North America, Europe, and China, have reduced travel restrictions and reopened for leisure travel as they emerge from the COVID-19 pandemic;
- (ii) an increase in net revenues from the new launches of *Gucci Flora*, *Burberry Hero*, *Tiffany Rose Gold*, *CK Defy*, and the global relaunch of *Kylie* cosmetics in the current fiscal year, as well as the continued success of *Marc Jacobs Perfect*, *Gucci Guilty*, and *Gucci Makeup*;
- (iii) an increase in net revenues due to positive pricing impact and product mix as a result of global price increase and successful key innovations;
- (iv) an increase in net revenues due to growth of e-commerce across the regions, distribution expansion in China, and additional shelf space in the U.S. retail stores;
- (v) an incremental increase in net revenues from *Kylie* cosmetics due to a shelf reset for a major customer in the prior year which did not occur in the current year; and
- (vi) an increase in net revenues in the Russian market due to the resolution of a dispute with a primary distributor, which negatively impacted net revenues in the prior year.

These increases in net revenue were partially offset by:

- (i) lower net revenues due to strategic initiatives to reduce sales through lower priced channels; and
- (ii) lower net revenues related to *Kylie* skin products due to less innovation in the current fiscal year.

Consumer Beauty

In the six months ended December 31, 2021, net revenues from the Consumer Beauty segment increased 8%, or \$79.7, to \$1,071.2 from \$991.5 in the six months ended December 31, 2020, reflecting an increase in unit volume of 4%, and a positive price and mix impact of 4%. The increase in net revenues primarily reflects:

- (i) an increase in net revenues due to market share gain from the key color cosmetics brands as a result of new brand positioning and enhanced support for these brands;
- (ii) an increase in net revenues due to market recovery from COVID-19, increasing customer demand and store traffic, which positively impacted all brands within the segment;
- (iii) an increase in net revenues due to reduction in sales returns, discounts and allowances as a result of fewer shelf resets in the period and improvements in forecasting sales and better focus on planning for new products; and
- (iv) an incremental increase in net revenues from *Max Factor* in China as a result of additional sell through trend compared to the prior comparative period.

These increases in net revenue were partially offset by lower net revenues as a result of license expiration from *Beyonce* and *Stetson*.

COST OF SALES

In the six months ended December 31, 2021, cost of sales increased 2%, or \$17.0, to \$1,065.9 from \$1,048.9 in the six months ended December 31, 2020. Cost of sales as a percentage of net revenues decreased to 36.1% in the six months ended December 31, 2021 from 41.3% in the six months ended December 31, 2020 resulting in a gross margin increase of approximately 520 basis points primarily reflecting:

- (i) approximately 300 basis points related to positive product and category mix associated with increased contribution from higher margin Prestige products, reduced sales of products through lower priced channels, as well as price increases within our product portfolio;
- (ii) approximately 110 basis points related to decreased excess and obsolescence expense on inventory due to higher than normal costs in the prior year as a result of the COVID-19 pandemic, as well as improvements in the current fiscal year in forecasting sales and better focus on planning for new products;
- (iii) approximately 60 basis points primarily related to reductions in Consumer Beauty, as a percentage of revenues, in promotional allowances and other trade spend items, which are recorded as adjustments to net sales;
- (iv) approximately 50 basis points related to decreased manufacturing overhead costs and variable costs due to increased manufacturing efficiencies and improvements in productivity; and
- (v) approximately 40 basis points primarily related to a shelf reset for a major customer in the prior year which did not occur in the current year.

These increases were partially offset by approximately 40 basis points related to increases in material costs, after consideration of our cost containment projects.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the six months ended December 31, 2021, selling, general and administrative expenses increased 22%, or \$270.3, to \$1,495.2 from \$1,224.9 in the six months ended December 31, 2020. Selling, general and administrative expenses as a percentage of net revenues increased to 50.7% in the six months ended December 31, 2021 from 48.2% in the six months ended December 31, 2020, or approximately 250 basis points. This increase was primarily due to:

- (i) 710 basis points due to increase in advertising and consumer promotional costs related to support for certain key brands and product launches, as well as increased store promotions coinciding with store reopenings as COVID restrictions ease;
- (ii) 390 basis points in stock-based compensation primarily related to the CEO grant made on June 30, 2021; and
- (iii) 30 basis points related to bad debt expense due to the collection of previously reserved item as a result of resolution of a dispute with a primary distributor in the Russian market which lowered the bad debt expense in prior year.

These increases were partially offset by the following decreases:

- (i) 460 basis points in administrative costs primarily due to a decrease in compensation related to a reduction in employee headcount;
- (ii) 320 basis points related to gain on sale of real estate;
- (iii) 50 basis points related to favorable transactional impact from our exposure to foreign currency exchange fluctuations; and
- (iv) 50 basis points related to lower logistics costs as a percentage of net revenue.

OPERATING INCOME (LOSS)

In the six months ended December 31, 2021, operating income was \$261.2 compared to a loss of \$49.0 in the six months ended December 31, 2020. Operating margin as a percentage of net revenues, increased to 8.9% in the six months ended December 31, 2021 as compared to an operating income as a percentage of net revenues of (1.9)% in the six months ended December 31, 2020. The improved operating margin is largely driven by lower cost of goods sold as a percentage of net revenues, a reduction in fixed costs, decrease in acquisition and divestiture related expenses, gain recognized on sale of real estate, decrease in restructuring expense, and lower amortization expense, partially offset by an increase in advertising and consumer promotional costs and higher stock-based compensation.

Operating Income (Loss) by Segment

(in millions)	Six Months Ended December 31,		Change %
	2021	2020	
Operating income (loss)			
Prestige	\$ 273.7	\$ 144.8	89 %
Consumer Beauty	54.7	16.7	>100%
Corporate	(67.2)	(210.5)	68 %
Total	\$ 261.2	\$ (49.0)	>100%

Prestige

In the six months ended December 31, 2021, operating income for Prestige was \$273.7 compared to income of \$144.8 in the six months ended December 31, 2020. Operating margin increased to 14.6% of net revenues in the six months ended December 31, 2021 as compared to 9.4% in the six months ended December 31, 2020, driven primarily by higher sales volume, lower cost of goods sold as a percentage of net revenues, a reduction in fixed costs, and a decrease in amortization expense, partially offset by an increase in advertising and consumer promotional costs.

Consumer Beauty

In the six months ended December 31, 2021, operating income for Consumer Beauty was \$54.7 compared to income of \$16.7 in the six months ended December 31, 2020. Operating margin increased to 5.1% of net revenues in the six months ended December 31, 2021 as compared to 1.7% in the six months ended December 31, 2020, driven by higher sales volume, a reduction in fixed costs and lower cost of goods sold as a percentage of net revenues, partially offset by an increase in advertising and consumer promotional costs.

Corporate

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

In the six months ended December 31, 2021, the operating loss for Corporate was \$67.2 compared to a loss of \$210.5 in the six months ended December 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 decrease in acquisition and divestiture related expenses, lower restructuring expense, and gain recognized on the sale of real estate, partially offset by an increase in share-based compensation expense.

Adjusted Operating Income (Loss) by Segment

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

(in millions)	Six Months Ended December 31, 2021		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income (loss)			
Prestige	273.7	\$ 85.4	\$ 359.1
Consumer Beauty	54.7	23.0	77.7
Corporate	(67.2)	67.2	—
Total	\$ 261.2	\$ 175.6	\$ 436.8

(in millions)	Six Months Ended December 31, 2020		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating (loss) income			
Prestige	144.8	\$ 101.5	\$ 246.3
Consumer Beauty	16.7	25.7	42.4
Corporate	(210.5)	210.5	—
Total	\$ (49.0)	\$ 337.7	\$ 288.7

^(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 Prestige and Consumer Beauty segments.

Adjusted Operating Income (Loss) and Adjusted EBITDA for Continuing Operations

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

(in millions)	Six Months Ended December 31,		Change %
	2021	2020	
Reported operating income (loss)	261.2	(49.0)	>100%
% of net revenues	8.9 %	(1.9)%	
Amortization expense	108.4	127.2	(15)%
Restructuring and other business realignment costs	13.3	92.3	(86)%
Stock-based compensation	135.7	20.2	>100%
Costs related to acquisition and divestiture activities	10.9	98.0	(89)%
(Gain) on sale of real estate	(92.7)	—	N/A
Total adjustments to reported operating income	\$ 175.6	\$ 337.7	(48)%
Adjusted operating income	\$ 436.8	\$ 288.7	51 %
% of net revenues	14.8 %	11.4 %	
Adjusted depreciation	153.6	162.4	(5)%
Adjusted EBITDA	\$ 590.4	\$ 451.1	31 %
% of net revenues	20.0 %	17.8 %	

In the six months ended December 31, 2021, adjusted operating income increased \$148.1, to \$436.8 from \$288.7 in the six months ended December 31, 2020. Adjusted operating margin increased to 14.8% of net revenues in the six months ended December 31, 2021 from 11.4% in the six months ended December 31, 2020. In the six months ended December 31, 2021,

adjusted EBITDA increased \$139.3 to \$590.4 from \$451.1 in the six months ended December 31, 2020. Adjusted EBITDA margin increased to 20.0% of net revenues in the six months ended December 31, 2021 from 17.8% in the six months ended December 31, 2020, primarily driven by higher sales volume, lower cost of goods sold as a percentage of net revenues, and a reduction in fixed costs, partially offset by an increase in advertising and consumer promotional costs.

Amortization Expense

In the six months ended December 31, 2021, amortization expense decreased to \$108.4 from \$127.2 in the six months ended December 31, 2020. In the six months ended December 31, 2021, amortization expense of \$85.4 and \$23.0 was reported in the Prestige and Consumer Beauty segments, respectively. In the six months ended December 31, 2020, amortization expense of \$101.5 and \$25.7 was reported in the Prestige and Consumer Beauty segments, respectively. The decrease was primarily driven by finite intangible assets that are fully amortized as of fiscal 2021, partially offset by amortization for the KKW collaboration agreement acquired in the third quarter of fiscal 2021.

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 \$399.6 of cash costs life-to-date as of December 31, 2021, which have been recorded in Corporate.

In the six months ended December 31, 2021, we incurred restructuring and other business structure realignment costs of \$13.3, as follows:

- We incurred restructuring costs of \$8.3 primarily related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of \$5.0 primarily related to our Transformation plan and certain other programs. This amount includes \$(0.3) reported in Selling, general and administrative expenses, and \$5.3 reported in Cost of sales in the Condensed Consolidated Statement of Operations.

In the six months ended December 31, 2020, we incurred restructuring and other business structure realignment costs of \$92.3 as follows:

- We incurred restructuring costs of \$89.7 primarily related to the Turnaround Plan, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of \$2.6 primarily related to our Turnaround plan. This amount includes \$2.6 reported in Selling, general and administrative expenses, and nil 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.

Stock-based compensation

In the six months ended December 31, 2021, stock-based compensation was \$135.7 as compared with \$20.2 in the six months ended December 31, 2020. The increase in stock-based compensation is primarily related to the CEO grant made on June 30, 2021.

In all reported periods, all costs related to stock-based compensation were reported in Corporate.

Acquisition and Divestiture Activities

In the six months ended December 31, 2021, we incurred \$10.9 of costs related to acquisition and divestiture activities. These costs were primarily associated with the Wella Transaction.

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

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

Gain on Sale of Real Estate

In the six months ended December 31, 2021 we recognized gain of \$92.7 related to sale of real estate.

In the six months ended December 31, 2020, we did not recognize any gain related to sale of real estate.

In all reported periods, all gains related to sale of real estate were reported in Corporate.

Adjusted depreciation expense

In the six months ended December 31, 2021, adjusted depreciation expense of \$75.0 and \$78.6 was reported in the Prestige and Consumer Beauty segments, respectively. In the six months ended December 31, 2020, adjusted depreciation expense of \$72.9 and \$89.5 was reported in the Prestige and Consumer Beauty segments, respectively.

INTEREST EXPENSE, NET

In the six months ended December 31, 2021, net interest expense was \$120.7 as compared with \$121.3 in the six months ended December 31, 2020. This decrease is primarily due to the lower debt balance, partially offset by a higher average interest rate in the current period.

OTHER INCOME, NET

In the six months ended December 31, 2021, other income, net was \$512.3 as compared with an expense of \$11.8 in the six months ended December 31, 2020. This increase is primarily due to a favorable adjustment of \$518.3 related to the realized and unrealized gain in the Wella investment.

INCOME TAXES

The effective income tax rate for the six months ended December 31, 2021 and 2020 was 25.1% and 156.9%, respectively. The change in the effective tax rate for the six months ended December 31, 2021, as compared to the prior period is primarily due to the limitation on the deductibility of executive stock compensation and large fair value gains related to the investment in the Wella business in the current period, as well as a benefit related to a change in the Company's main principal location of \$220.5 recorded in the prior period. The benefit recorded in the prior period was 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.

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)	Six Months Ended December 31, 2021			Six Months Ended December 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	\$ 652.8	\$ 164.0	25.1 %	\$ (182.1)	\$ (285.7)	156.9 %
Other adjustments to reported operating income ^(a)	175.6			337.7		
Change in fair value of investment in Wella Business ^(c)	(518.3)					
Other adjustments ^(d)	(2.8)			8.2		
Total Adjustments ^{(b) (c)}	(345.5)	(108.0)		345.9	305.0	
Adjusted income before income taxes	\$ 307.3	\$ 56.0	18.2 %	\$ 163.8	\$ 19.3	11.8 %

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

^(d) For the six months ended December 31, 2021, this primarily represents a net gain on the exchange of Series B Preferred Stock closed on October 20, 2021. For the six months ended December 31, 2020, this primarily represents the write-off of deferred financing fees related to the Wella sale and adjustments for pension curtailment gains.

^(c) The total tax impact on adjustments in the prior period includes a \$220.5 benefit recorded as 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 on July 1, 2020.

The adjusted effective tax rate was 18.2% for the six months ended December 31, 2021 compared to 11.8% for the six months ended December 31, 2020. The differences were primarily due to the jurisdictional mix of income as well as a benefit of \$18.8 in the current period recognized on the revaluation of our deferred tax assets due to a tax rate increase enacted in the Netherlands. In addition, the resolution of foreign uncertain tax positions having a greater proportional effect in the prior year.

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 six months ended December 31, 2021. Net income from discontinued operations for the six months ended December 31, 2021 reflects certain purchase price working capital adjustments net of the related income tax impact. On December 22, 2021, we entered into an agreement with the KKR Bidco related to post-closing adjustments to the purchase consideration for the Wella Business. As part of this agreement, we may receive future contingent proceeds. Earning the contingent proceeds is based on the future recovery of certain tax credits of the Wella Business. See Note 3—Discontinued Operations in the notes to our Consolidated Financial Statements for additional information.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net income attributable to Coty Inc. was \$487.4 in the six months ended December 31, 2021, as compared to net loss of \$30.9 in the six months ended December 31, 2020. This increase in net income was primarily driven by higher operating income in the current year, a favorable adjustment of \$518.3 related to the realized and unrealized gain in the Wella investment in the current year, and the loss on sale of the Wella Business, which was recorded in the comparative period, partially offset by a tax benefit of \$220.5 in the first quarter of fiscal 2021 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, and the net income recognized from discontinued operations in the prior fiscal year.

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

(in millions)	Six Months Ended December 31,		Change %
	2021	2020	
Net income from Coty Inc. net of noncontrolling interests	487.4	(30.9)	>100%
Convertible Series B Preferred Stock dividends ^(a)	(191.7)	(43.9)	<(100%)
Reported net income (loss) attributable to Coty Inc.	295.7	(74.8)	>100%
% of net revenues	10.0 %	(2.1)%	
Adjustments to reported operating income ^(b)	175.6	339.1	(48)%
Adjustments to Loss on Sale of Business ^(c)	(4.8)	219.1	<(100%)
Change in fair value of investment in Wella Business ^(d)	(518.3)	—	N/A
Adjustment to other expense ^(e)	(2.8)	8.2	<(100%)
Adjustments to noncontrolling interests ^(f)	(3.6)	(4.5)	20 %
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	109.0	(249.8)	>100%
Adjustment for deemed Series B Preferred Stock dividends related to the First and Second Exchanges ^{(a) (g)}	160.0	—	N/A
Adjusted net income attributable to Coty Inc.	210.8	237.3	(11)%
% of net revenues	7.1 %	6.7 %	
Per Share Data			
Adjusted weighted-average common shares			
Basic	803.3	764.3	
Diluted ^(a)	815.1	926.6	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.26	\$ 0.31	
Diluted ^(a)	\$ 0.26	\$ 0.30	

- ^(a) Adjusted Diluted EPS is adjusted by the effect of dilutive securities, including awards under our equity compensation plans and the convertible Series B Preferred Stock. For the six months ended December 31, 2021, the convertible Series B Preferred Stock was antidilutive. Accordingly, we excluded the convertible Series B Preferred Stock from the diluted shares and did not adjust the earnings for the related dividend.
- ^(b) See a description of adjustments under “Adjusted Operating Income (Loss) for Continuing Operations”
- ^(c) This amount reflects certain purchase price working capital adjustments related to the sale of the Wella Business.
- ^(d) The amount represents the realized and unrealized (gain) loss recognized for the change in fair value of the investment in Wella.
- ^(e) For the six months ended December 31, 2021, this primarily represents a net gain on the exchange of Series B Preferred Stock closed on October 20, 2021. For the six months ended December 31, 2020, this primarily represents the write-off of deferred financing fees related to the Wella sale and adjustments for pension curtailment gains.
- ^(f) The amounts represent the after-tax impact of the non-GAAP adjustments included in Net loss attributable to noncontrolling interests based on the relevant noncontrolling interest percentage in the Condensed Consolidated Statements of Operations.
- ^(g) This adjustment represents the deemed dividend from the Second Exchange that closed on November 30, 2021 and the deemed dividend from the First Exchange that closed on October 20, 2021 (as defined in Note 16—Equity and Convertible Preferred Stock).

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 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 the six months ended December 31, 2021, we simplified our capital structure through a series of transactions with KKR Aggregator, as a result of which KKR Aggregator fully exited its ownership of Coty. Cumulatively, such transactions resulted in annual dividend savings of approximately \$77.0. Refer to Note 16—Equity and Convertible Preferred Stock.

Due to the current status of Brazil's capital markets, we have withdrawn our previously announced filing with the Brazilian Securities and Exchange Commission, Comissão de Valores Mobiliários. Going forward, we will monitor Brazil's capital markets to assess the timing and feasibility of a potential public offering of a minority stake in its Brazilian operations.

Our response to the impact of COVID-19

In response to the ongoing risks presented by the COVID-19 pandemic, we continue to utilize a number of measures to bolster our liquidity position and provide additional financial flexibility. Such measures include actively aligning operating expenses to the current state of the business, initiatives to improve cash flow and hiring and travel restrictions. We have also reduced advertising and consumer promotion costs for sales channels heavily impacted by the pandemic. However, as certain markets have reopened, we have increased these expenditures to bolster key brands and product launches. We will continue to actively manage our working capital to support our liquidity needs.

Despite encouraging signs of recovery in the latter half of fiscal 2021 and continuing into the first quarter of fiscal 2022, the impact and duration of COVID-19 on our business continues to be uncertain. Further, inflationary trends in certain markets and global supply chain challenges may negatively affect our sales and operating performance. The impact on the current quarter was not significant, but we expect a more material headwind from inflation in the second half of the fiscal year. We intend to offset the incremental inflation impacts by increasing prices in selected markets. Currently, we are implementing mitigation strategies and price increases to offset these trends; however, such measures may not fully offset the impact to our operating performance. However, as a result of cash on hand 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, with additional plans for savings in fiscal 2024. 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

We are in the process of deleveraging our company and improving the maturity mix of our debt, including through consideration of refinancing or redemption of a portion of our debt. Management expects to use any distributions from the Wella investment to pay down debt.

In the fourth quarter of fiscal 2021, we refinanced \$900.0 of our dollar-denominated term loan debt and €700.0 million (approximately \$833.3 as of June 30, 2021) of our euro-denominated term loan debt that were scheduled to mature in 2023 with new senior secured notes that mature in 2026. In the second quarter of fiscal 2022, we replaced our two existing classes of revolving commitments, having an aggregate principal amount of \$2,750.0, with a single class of revolving commitments, having an aggregate principal amount of \$2,000.0 due April 2025, and issued \$500.0 of senior secured notes due January 2029. We used the net proceeds of these offerings to repay portions of the term loans outstanding under the existing credit facilities originally due April 2023 and to pay related premiums, fees and expenses thereto. 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.

These activities improved our medium term liquidity. As noted above, our Convertible Series B Preferred stock was fully converted and exchanged as of December 31, 2021, which reduces our future commitment to preferred shareholders improving our ability to reduce our external debt. As we refinance our debt in order to extend maturing obligations, the applicable interest rates have been, and are likely to continue to be, higher than previous applicable interest rates, due in large part to prevailing macroeconomic conditions and our credit ratings at the time. Despite these higher interest rates, we expect that our interest expense will be favorably impacted by lower overall debt balances as we continue to deleverage.

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 \$177.0 and \$133.6 as of December 31, 2021 and June 30, 2021, respectively. The aggregate amount of trade receivable invoices factored on a worldwide basis amounted to \$597.9 and \$392.6 during the six months ended December 31, 2021 and 2020, respectively.

Cash Flows

	Six Months Ended December 31,	
	2021	2020
Condensed Consolidated Statements of Cash Flows Data: (in millions)		
Net cash provided by operating activities	\$ 734.7	\$ 472.7
Net cash provided by investing activities	74.5	2,714.1
Net cash used in financing activities	(547.5)	(2,932.8)

Net cash provided by operating activities

Net cash provided by operating activities was \$734.7 and \$472.7 for the six months ended December 31, 2021 and 2020, respectively. The increase in cash flows from operating activities of \$262.0 was driven by a year over year increase in higher cash net income and positive impacts from changes in net working capital accounts. Cash net income was positively impacted by reductions in costs as a percentage of net revenues as well as higher net revenues year over year and was partially offset by the prior year positive impact from the collection of tax overpayments. Changes in Accounts payable year over year were the primary driver behind the overall net working capital improvement mainly due to the timing of payments that did not occur to the same extent in the current year and increases in current liabilities due to a higher level of current year advertising and consumer promotional spend. A decrease from changes in Inventories year over year partially offset the increases from Accounts payable and was primarily driven by the cash inflows from changes in inventory due to improvements in our inventory management and related forecasting of sales demand. Decreases from changes in Trade receivables, Prepaid expenses and other current assets, and Accrued expenses and other current liabilities also contributed to partially offsetting higher inflows year over year from net working capital driven by changes in Accounts payable.

Net cash provided by investing activities

Net cash provided by investing activities was \$74.5 and \$2,714.1 for the six months ended December 31, 2021 and 2020, respectively. The decrease in cash flows provided by investing activities of \$2,639.6 year over year was primarily driven by lower year over year cash flows due to the prior year impact of the net cash proceeds of \$2,386.2 from the sale of the Wella Business and \$448.0 proceeds from the return of capital under Coty's equity investment whereby Coty initially retained a 40% stake in Wella. The current year increase in cash inflows of \$124.4 from proceeds from the sale of long-term assets and the current year \$34.0 receipt of contingent proceeds related to the Wella Business tax credits partially offset the lower cash inflows from investing activities year over year.

Net cash used in financing activities

Net cash used in financing activities during the six months ended December 31, 2021 and 2020 was \$547.5 and \$2,932.8, respectively. The decrease in cash used in financing activities of \$2,385.3 is primarily driven by lower year over year outflows from long-term debt related activities of \$2,781.0, which included higher repayments in the prior year for term loans, and net repayments associated with our available revolving credit facility resulting from the prior year use of proceeds from the sale of the Wella Business to pay down debt. Additionally, we received \$500.0 of proceeds from the issuance of senior secured notes during the six months ended December 31, 2021. The main drivers partially offsetting the decrease in cash used in the current year to pay down debt, include the impact of the prior year proceeds of \$227.2 from the issuance of Convertible Series B Preferred Stock in connection with the equity investment agreement with KKR Aggregator combined with the impact of current year cash outflows for dividend payments on Series B Preferred Stock of \$49.2. Additionally, there were higher cash outflows for settlements of financing related foreign currency contracts of \$63.4 and current year payments of \$37.2 for deferred financing fees.

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 until 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, or by increasing the amount of accrued dividends on Convertible Series B Preferred Stock, or any combination thereof, at the sole discretion of the Company. After the expiration of applicable restrictions under the 2018 Coty Credit Agreement, as amended, we began to pay dividends on the Convertible Series B Preferred Stock in cash for the period ended June 30, 2021, and we expect to continue to pay such dividends in cash on a quarterly basis, subject to the declaration thereof by our Board of Directors. Dividends accrued on the Convertible Series B Preferred Stock before April 1, 2021 have been declared and paid in October 2021. The terms of the Convertible Series B Preferred Stock restrict our ability to declare cash dividends on our common stock until all accrued dividends on the Convertible Series B Preferred Stock have been declared and paid in cash. On September 30, 2021, the Board of Directors declared a dividend on the Series B Preferred Stock of \$5.9, of which \$1.4 was paid.

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 litigation matters and Brazilian tax assessments, see Note 20—Commitments and Contingencies in the notes to our Condensed Consolidated Financial Statements. In relation to the appeal of our Brazilian tax assessments, we have entered into surety bonds of R\$135.2 million (approximately \$24.3) as of December 31, 2021.

Off-Balance Sheet Arrangements

We had undrawn letters of credit of \$14.3 and \$15.0 and bank guarantees of \$21.3 and \$31.2 as of December 31, 2021 and June 30, 2021, respectively.

Contractual Obligations

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

Our principal contractual obligations and commitments as of December 31, 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 2021 Form 10-K, except as noted above. For the six months ended December 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 December 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 2021 Form 10-K.

Equity Investments

We elected the fair value option to account for our investment in the Wella Business to align with the our 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 we estimate the fair value of the investments using a combination of the income approach, the market approach and private transactions, when applicable. The weighting of the approaches could have a significant impact on the valuation of the investment.

On October 20, 2021, the Company completed the sale of a 9.4% stake in Wella to KKR in exchange for the redemption of 290,465 shares of KKR’s Series B Convertible Preferred Stock shares in Coty and a portion of unpaid dividends (the “First Exchange”). On November 30, 2021, Coty completed the sale of an additional 4.7% stake in Wella to KKR in exchange for the redemption of KKR’s remaining convertible preferred shares in Coty (the “Second Exchange”). The First Exchange and Second Exchange were also included and weighted for the valuation purposes.

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 and Note 16—Equity and Convertible Preferred Stock).

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 2021 Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer (the “CEO”) and our Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. Based on the

evaluation of our disclosure controls and procedures as of December 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 second fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

Part II. OTHER INFORMATION

Item 1. *Legal Proceedings.*

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

Item 1A. *Risk Factors.*

We have disclosed information about the risk factors that could adversely affect our business in Part I, Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for fiscal 2021.

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

No shares of our Class A Common Stock were repurchased during the fiscal quarter ended December 31, 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	Offer Letter dated as of November 26, 2021 between Coty Management B.V. and Laurent Mercier, †
10.2	Indenture, dated as of November 30, 2021, among Coty Inc., HFC Prestige Products, Inc., HFC Prestige International U.S. LLC, the guarantors named therein, and Deutsche Bank Trust Company Americas, as Trustee, Paying Agent and Collateral Agent, (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 30, 2021).
10.3	Form of 4.750% Senior Secured Notes due 2029, (included in Exhibit 10.2) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 30, 2021).
10.4	Joinder Agreement No. 2, dated as of November 30, 2021 among JPMorgan Chase Bank, N.A., as credit facility agent, Deutsche Bank Trust Company Americas as initial other authorized representative, and the Company to the First Lien/First Lien Intercreditor Agreement, dated as of April 21, 2021, as modified by the Joinder Agreement No. 1, dated as of June 16, 2021, among JPMorgan Chase Bank, N.A., as credit facility agent, and Deutsche Bank Trust Company Americas, as initial other authorized representative, (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on November 30, 2021).
10.5	Pledge and Security Agreement, dated as of November 30, 2021, by and among Coty Inc., HFC Prestige Products, Inc., HFC Prestige International U.S. LLC, the other grantors from time to time party thereto and Deutsche Bank Trust Company Americas, as collateral agent (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on November 30, 2021).
10.6	Refinancing Amendment, dated as of November 30, 2021, by and among Coty Inc., Coty B.V., the other loan parties party thereto, the refinancing revolving lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on November 30, 2021).
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

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

SIGNATURES

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

Date: February 8, 2022

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)

Laurent Mercier

Amsterdam, November 26, 2021

Subject: Your new compensation

Dear Laurent,

With reference to your conversation with Anne Jaeckin, and as approved by the RNC, we are happy to confirm that your compensation is revised.

From January 1st, 2022, your base salary will increase to 560,000€ per annum, including 8% holiday allowance.

Effective 1 July 2021, you are no longer eligible to participate in the APP bonus program; this would be applied to the full Fiscal Year 2022 and all future Fiscal Years.

We are also pleased to inform you that you will receive by the end of this month an exceptional bonus of 300,000 Euros gross (three hundred thousand Euros) to reward your outstanding contribution regarding all financial corporate activities over the last months. Should you resign in the coming 12 months, you will have to reimburse the company (on a net basis).

For your information, the Board of Directors of Coty has approved, upon the recommendation of the CEO of Coty, to increase, your ELTIP award comprised of restricted stock units from USD\$650,000 to USD\$1,350,000, based on a \$8.126 share price (the "FY2022 LTIP Award"). Of this award, with 25% vesting on the first anniversary of the grant date, 25% vesting on the second anniversary of the grant date, and 50% vesting on the third anniversary of the grant date. An additional grant will be done in December to comply with this new grant value. As a reminder, the Equity & Long-Term Incentive Plan ("ELTIP") is governed by the applicable terms and conditions of the ELTIP, subject to the discretion of the Board of Directors of Coty or a committee thereof and as amended from time to time.

Except as expressly set forth in this amendment, all other elements of your Existing Employment Arrangement will remain unchanged.

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

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

Best Regards,

/S/ Jaap Bruinsma

/S/ Laurent Mercier

Coty Management B.V. In agreement
Jaap Bruinsma **Laurent Mercier**
 Senior HR Director Global HQ & Benelux
 Amsterdam November 26, 2021

Amsterdam Nov. 26, 2021

Certification

I, Sue Nabi, certify that:

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

Date: February 8, 2022

/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 report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2022

/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 December 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: February 8, 2022

/s/ Sue Nabi

Sue Nabi
Chief Executive Officer

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

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

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

The quarterly report on Form 10-Q for the quarter ended December 31, 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: February 8, 2022

/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.